

Annual Consolidated Report

for the Activity of Sirma Group Holding JSC for the year
ending on 31.12.2018, in Accordance with Appendix 10 of
Ordinance 2 of the FSC

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

The present annual consolidated report of the management of SIRMA GROUP HOLDING JSC covers the period, ending on 31 December 2018 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100m and 5 of the the Public Offering of Securities Act (POSA), Art. 242b and 247 of the Commercial Code and Ordinance № 2 of the Financial Supervision Commission, including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Annex 9, 10 and Appendix 11 to Article 32a (2) of Ordinance № 2.

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual financial statements as at 31 December 2018;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

This report includes IT industry statistics and global economic trends which come from information published by sources including International Data Corporation (IDC), a market information and information technology consultant, telecoms and consumer technology markets; Gartner, the European Central Bank (ECB); and the International Monetary Fund (IMF). This type of data is only the forecasts of IDC, the ECB, the IMF and other data sources for the global economy and industry. SIRMA does not guarantee any statistical information provided by

sources such as IDC, Gartner, ECB, IMF, or other similar sources cited in this report. In addition, although we believe that information from these sources is generally reliable, this type of data is inaccurate. We warn readers not to create unnecessary dependence on this data.

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

The financial information presented in 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 consolidated 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.

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

The reporting period is the financial period ending on 31.12.2018. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, EngView Systems Systems USA, Engview Systems Systems Latin America, Sirma Sha - Albania, e-Dom and GMG Systems, which are excluded from consolidation due to lack of relevance.



2/ ORGANIZATION AND REPRESENTATION

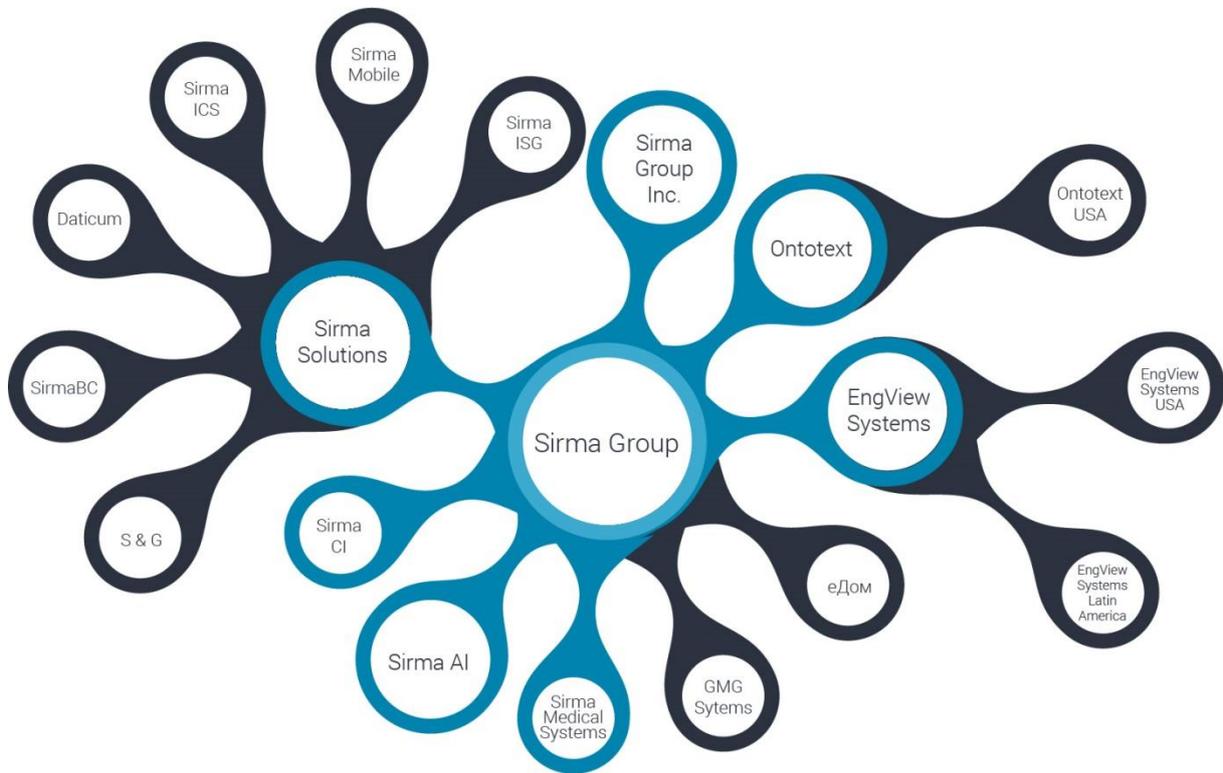
Sirma Group Holding JSC is a holding company that invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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

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

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

2.1. Group structure



Branches of the company

"Sirma Group Holding" JSC has no registered branches.

History and development of the company:

"Sirma Group Holding" JSC is a holding company 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 TO COMPANIES IN 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 INDEPENDENT BUSINESS ACTIVITY THAT IS NOT PROHIBITED BY LAW.



Changes in the subject of activity:

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

On 23.03.2009 Sirma Group Holding changed its scope of activity as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, surrender of licenses for use of patents of companies in which the holding company participates, financing of the companies in which the holding company participates, organization of the accounting and preparation of financial statements under the order of the Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law. On 04.07.2012 the subject of activity is changed to the actual one.

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

- is not the subject of consolidation;
- has no transfer or pledge to the enterprise;
- does not have claims filed for the opening of insolvency proceedings of the company;
- has no tenders from third parties to the Company or from the Company to other companies;
- has R&D activity.

Capital

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

History of the shareholder capital

History of changes in share capital

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

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

- 1) 29 software modules worth 61,555,838 BGN;
- 2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:

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

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

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

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

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

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

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

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



3/ CAPITAL STRUCTURE AND MANAGEMENT BODIES

3.1. Capital structure

As of 31.12.2018 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2018 BGN '000	31.12.2017 BGN '000
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	1041	984
including, legal entities	48	56
Individuals	993	928
Number of shares held by legal entities	10 747 462	10 053 825
% Of participation of entities	18,11%	16,94%
Number of shares held by individuals	48 613 056	49 306 693
% Participation of individuals	81,89%	83,06%

Shareholders	Number of shares at 31.12.2018	Number of shares at 31.12.2017	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 859 965	1	2 887 524	4,86%	4,90%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	4 851 376	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Yavor Liudmilov Djonev	1 392 746	1 404 560	1	1 392 746	2,35%	2,37%
Georgi Parvanov Marinov	5 269 748	5 257 402	1	5 269 748	8,88%	8,95%
Krasimir Nevelinov Bozhkov	2 596 821	2 965 686	1	2 596 821	4,37%	4,41%
Ognyan Plamenov Chernokozhev	3 741 620	3 731 620	1	3 741 620	6,30%	6,35%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,66%
Peter Nikolaev Konyarov	1 271 910	1 289 307	1	1 271 910	2,14%	2,16%
Emiliana Ilieva Ilieva	2 343 985	2 251 925	1	2 343 985	3,95%	3,98%
Elena Yordanova Kozuharova	948 250	2 140 827	1	948 250	1,60%	1,61%
Ivo Petrov Petrov	835 800	755 750	1	835 800	1,41%	1,42%
Stanislav Ivanov Dimitrov	649 868	649 868	1	649 868	1,09%	1,10%
Expat Bulgaria SOFIX UCITS ETF	977 907	881 407	1	977 907	1,65%	1,66%
Foundation for Educational Transformation	1 301 855	669 566	1	1 301 855	2,19%	2,21%
"NN Universal Pension Fund"	2 434 539	2 439 539	1	2 434 539	4,10%	4,13%
UPF "Doverie" JSC	802 126	802 126	1	802 126	1,35%	1,36%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	664 190	589 277	1	664 190	1,12%	1,13%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Other	10 882 998	10 327 439	1	10 882 998	18,33%	18,48%
Total	59 360 518	59 360 518		59 360 518	100%	100%



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

Shareholders	Number of shares at 31.12.2018	% Shareholding	% shareholding with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

Shareholders	Number of shares at 31.12.2017	% Shareholding	% shareholding with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 851 376	8,17%	8,24%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 257 402	8,86%	8,93%
Ognyan Plamenov Chernokozhev	3 731 620	6,29%	6,34%

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.

The Company is not aware to be directly or indirectly owned or controlled.

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

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

3.2. Management authorities

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

The Board of Directors as of 31.12.2018 includes the following members:

Chavdar Velizarov Dimitrov
Tsvetan Borisov Alexiev
Atanas Kostadinov Kiryakov
Georgi Parvanov Marinov
Tsvetomir Angelov Doskov
Sasha Konstantinova Bezuhanova - independent member
Petar Borisov Statev - independent member
Yordan Stoyanov Nedev - independent member

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

The current mandate of the Board of Directors: 27.07.2019

The jurisdictions of the management

The jurisdictions 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.



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

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

Participation of the members of the BD in other companies

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

Georgi Parvanov Marinov – Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Does not own more than 25% of the capital of other companies in 2018.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Executive director and Chairman of the BD of “Engview Systems Sofia” JSC;
 - Member of the BD of “Sirma Business Consulting” JSC;
 - Executive director and Member of the BD of “Pirina Technologies” JSC;
 - Member of the BD of „Sirma AI“ JSC.

Chavdar Velizarov Dimitrov – Deputy Chairman of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Does not own more than 25% of the capital of other companies in 2018.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Member of the BD of „Sirma Medical Systems“ JSC;
 - Member of the BD of „Daticum“ JSC.

Tsvetan Borisov Aleksiev – Executive director and member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Does not own more than 25% of the capital of other companies in 2018.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Executive director and Chairman of the BD of “Sirma Solutions” JSC;
 - Chairman of the BD of „Sirma Business Consulting“ JSC;
 - Member of the BD of „Ontotext“ JSC;
 - Member of the BD of „Daticum“ JSC;
 - Member of the BD of „Sirma AI“ JSC;
 - Member of the BD of “Engview Systems Sofia” JSC;
 - Member of the BD of „Sirma“ Sh.a., Albania.

Atanas Kostadinov Kirjakov - Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Does not own more than 25% of the capital of other companies in 2018.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Executive director and Member of the BD of “Ontotext” JSC;
 - Member of the BD of “Sirma Solutions” JSC;
 - Member of the BD of “Engview Systems Sofia” JSC;
 - Member of the BD of „Sirma AI“ JSC.



Tsvetomir Angelov Doskov - Member of the BD

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Owns more than 25% of the capital of:
 - "Airis Solutions" OOD with 34% of capital.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Executive director and Member of the BD of "Sirma Business Consulting" JSC.

Sasha Kostantinova Bezuhanova – independent Member of the BD as per Art. 116a, Par. 2 of POSA.

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Does not own more than 25% of the capital of other companies in 2018.
3. Procurator/manager/member of a managing/supervisory body in 2018:

Foundation Moje BG	Chairman of the BD
Foundation „Elizabeth Kostova“	Member of the BD
Bulgarian Women in Technology Center	Chairman of the BD
Board of Trustees of the Technical University Sofia	Chairman
“Eurotrust Technologies” AD	Member of the BD
Foundation „Initiative for social growth“	Member of the BD
Foundation "Charity Aid in Bulgaria "	Member of the MB

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

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Owns more than 25% of the capital of:
 - „Smartcom Bulgaria“ AD - 50 % of capital;
 - „Barin Sports“ JSC - 27% of capital.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Executive director of "Smartcom Bulgaria" AD;
 - Chairman of the BD of "Barin Sports" AD;
 - Member of the BD of the foundation „ESY Center Bulgaria“;
 - Chairman of the MB of the Foundation "Cluster Information and Communication (ICT)".



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

Data for activities external to the issuer:

1. Does not participate as an unlimited liability partner in companies in 2018.
2. Owns more than 25% of the capital of:
 - “Susana and Vesko – SV” OOD – 75 %.
3. Procurator/manager/member of a managing/supervisory body in 2018:
 - Member of the BD of “Sirma Medical” JSC;
 - Member of the BD of „Sirma“ Sh.a., Albania;
 - Member of the BD of MAC „Bushido“;
 - Trustee of the foundation „Alexander“.

Committees in The Company

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

1. Investment and Risk Committee, composed of:

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

2. Remuneration Committee, composed of:

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

3. Information Disclosure Committee, composed of:

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

4. Audit Committee, composed of:

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

Accepted internal normative documents

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

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

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

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



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

Shareholders	Number of shares at 31.12.2018	Number of shares at 31.12.2017	Nominal VALUE	Value	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 859 965	1	2 887 524	4,86%	4,90%
Georgi Parvanov Marinov	5 269 748	5 257 402	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 851 376	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Petar Borisov Statev	10 100	10 100	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Total	17 787 344	17 733 062		17 787 344	29,96%	30,21%

During 2018 :

- the member of the Board of Directors Atanas Kostadinov Kiryakov acquired 27 559 shares of Sirma Group Holding JSC;
- the member of the Board of Directors Georgi Parvanov Marinov acquired 12 346 shares of Sirma Group Holding JSC;
- the member of the Board of Directors Tsvetan Borisov Alexiev acquired 14 337 shares of Sirma Group Holding JSC.

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.

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 bruto remuneration:

Name	Company	Period: 01.01.2018 - 31.12.2018 (BGN)
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	139 500
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING JSC	55 689
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING JSC	18 300
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	18 300
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	19 800
Sasha Konstantinova Bezuhanova	SIRMA GROUP HOLDING JSC	18 000
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING JSC	72 480
Petar Borisov Statev	SIRMA GROUP HOLDING JSC	18 300
Total		360 369

INFORMATION ON THE CONTRACTS OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES WITH THE COMPANY PROVIDING BENEFITS FOR THE STOPPING 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 General Meeting of the Shareholders of the Company held on 14.06.2016 an Audit Committee was appointed (according to the requirements of paragraph 1, item 11, letter "a" of the FIA) consisting of:

Angel Petrov Kraychev - chairman

Alexander Todorov Kolev - member

Emilian Ivanov Petrov – member

The mandate of the Audit Committee is 3 (years).

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 the National Code for Corporate Governance. In accordance with the provision of Art. 100n, para. 4, item 8 of POSA the content of the financial

statements of Sirma Group Holding JSC are in compliance with the Program for the application of National Code for Corporate Governance and its accounting policy is in accordance with International Accounting Standards.

4/ FUNCTIONING OF THE GROUP

The economic group of SIRMA GROUP HOLDING includes the parent company and its subsidiaries and associates - all of them operating in the IT sector. The Group functions as a typical holding structure with the organization, coordination and subordination of the companies characteristic of a similar structure.

Group companies have a common strategic framework, corporate values, financial and accounting policies, a vision of good corporate governance and staff policy.

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Value of the investment at 31.12.2017 (in BGN'000)	Percentage of capital at 31.12.2017	Percentage of capital with adjusted repurchased own shares at 31.12.2017	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	36 260	75,61%	80,62%	3051
Sirma AI	7 035	100,00%	100,00%	6 895	88,71%	90,13%	140
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	76,16%	76,16%	3 471	76,16%	76,16%	0
Sirma CI	106	80,00%	80,00%	0	0	0,00%	106
Ontotext	17 865	87,65%	90,44%	9 650	58,51%	58,51%	8215
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	67 904			56 392			11512



Subsidiaries of "Sirma Solutions" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	0
Daticum	1 394	60,50%	1 394	60,50%	0
Sirma Software Inc.	0	0%	17 630	97,57%	(17 630)
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	0
Sirma ISG	0	71%	0	71%	0
Sirma ICS	270	90,00%	270	90,00%	0
Total	3 155		20 785		(17 630)

Subsidiaries of "Ontotext" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-

Subsidiaries of "EngView Systems Sofia" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Changes BGN '000
EngView Systems Latin America	7	95%	7	95%	0
EngView USA	9	100%	9	100%	0
Total	16		16		0

Associated companies of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Changes BGN '000
GMG Systems (IN LIQUIDATION)	150	19,93%	214	19,93%	(64)
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	157		221		(64)

Associated companies of "Sirma Solutions" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017
SEP Bulgaria	0	6,50%	0	6,50%
EYE BILL INTERACTIVE	0	34%	0	34%
EXCELL MANAGEMENT	0	34%	0	34%
Flash Media	0	50%	0	50%
Sirma Group Inc.	916	23,71%	0	0%
Sirma Mobile	15	40%	15	40%
Total	931		15	

For more information about the companies within Sirma Group see Appendix 1.

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.



5/ SIRMA GROUP HOLDING IN 2018

5.1. The business of Sirma

Established in 1992, Sirma has become one of the largest IT companies in the region for 25 years, owning a range of proprietary, innovative technologies, a diverse product portfolio and growing market share in Europe and North America.

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

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

Some of Sirma's unique advantages are:

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

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

based on artificial intelligence, to the provision of "human" interfaces of the next generation.

The main elements of the Strategy are:

- Technological transformation through concentration of R&D and core cognitive technology in the SENPAI (Sirma ENterprise Platform with AI) - a cloud based platform with a new level of artificial intelligence (cognitive computing), allowing the intelligent evolution of organizations in everything;
- Increasing the commercialization of technologies;
- Expansion and technological leap in Sirma's product portfolio through:
 - o Cloud base;
 - o Development of new products with a cognitive element;
 - o Integration of the existing portfolio with the SENPAI cognitive platform.
- Complementing the sales model - from predominantly on premise to SaaS sales;
- Significant expansion of the distribution network and partner ecosystem to improve the sales model - in addition to direct sales and sales through a major affiliate distribution network, including increasing OEM partnerships;
- Organizational restructuring to implement the strategy.

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

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

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



5.2. Economic trends

According to data from the National Statistical Institute in December 2018, the total business climate indicator decreased by 0.5 percentage points compared to the previous month as a result of the less favorable business climate in industry.

According to the data of the National Statistical Institute, the composite indicator "business climate in retail trade" increased by 3.2 percentage points, due to the optimistic assessments and expectations of the retailers for the business condition of the enterprises. At the same time, however, their expectations for both sales volumes and orders for suppliers over the next three months are less favorable. The most serious difficulty for business remains competition in the industry, cited by 57.0% of the enterprises. The last month has seen increasing of the negative impact of the "insufficient demand" factor, which shifts the uncertain economic environment factor third. Retailers expect sales prices in the sector to remain at their level in the next three months.

Development of the global economy in 2018 and forecast for 2019

The global economic growth is weakening and is expected to be 3.7% in 2018, according to an analysis of the IMF [/IMF WEO, January 2019/](#). Growth will continue to slow down in the coming years and is anticipated to be 3.5% in 2019 and 3.6% in 2020. In the same time the growth is not evenly distributed around the Globe and hence the risks in perspective are also growing.

Global growth expectations were decreased in 2018 following the negative impact of the new trade tariffs adopted by USA and China. Global GDP is expected to slow its growth to 3,5% in 2019 following the relatively weak data for industrial production in the second half of 2018, which is anticipated to continue in the upcoming quarters. The growth in the developed economies is expected to be 2,3% in 2018 and to slow down to 2,0% in 2019 and 1,7% in 2020. The decline in growth is due to anticipated decrease in the growth in the Euro-area. The expectation for slower growth are also valid for USA, where a growth of 2,5% is expected in 2019 and 1,8% in 2020. The GDP of Japan is expected to grow by 1,1% in 2019 and to slow to a 0,5% growth in 2020. The developing markets are also expected to slow their growth - 4,6% in 2018 and 4,5% in 2019 and subsequent recovery to 4,9% growth in 2020.

The main risks to the global economy are the trade tensions, the slow-down of the economy in Europe and the uncertainty around Brexit.

According to data from the National Statistical Institute in December, the composite indicator "business climate in the services sector" remains at its November level. In terms of service demand, the current trend is estimated to be declining and expectations for the next three months are more reserved. Competition in the industry and the uncertain economic environment continue to be the main obstacles to business. Regarding sales prices in the service sector, managers expect them to remain unchanged over the next three months.

According to the December 2018 macroeconomic projections of ECB, Euro area real GDP growth is projected to increase on an annual basis by 1.9% in 2018, 1.7% in 2019, 1.7% in 2020 and by 1.5% in 2021. Compared to the ECB's macroeconomic projections of September 2018, the real GDP growth outlook is revised slightly downwards in 2018 and 2019. The risks to growth prospects in eurozone can still be assessed as broadly balanced. However, the risk balance shifts to lower than expected results due to persistent uncertainty related to geopolitical factors, the threat of protectionism, vulnerabilities in emerging markets and fluctuations in financial markets.

Despite the slow-down, the growth of the global economy in the coming years will be beneficial to the expectations for development of the ICT industry, which is one of the key factors for the global growth.

The Industry of Sirma

The companies of Sirma Group Holding are specialized in the information technology (IT) industry. Industry data is typically combined with data for the "communications segment" as this segment is entirely IT-dependent. The industry, respectively, acquires the name "Information and Communication Technology" or abbreviated ICT. From the wide variety of ICT segments, the Sirma group of companies work mainly in the IT services (system integration segment, infrastructure as a service, software as a service, software maintenance, consulting) and business software (various software products targeted at different business verticals and custom software development). It is these segments, according to a [Gartner January 2019 study](#), which are expected to be the leading segments of growth in the IT industry over the next five years.

Global ICT Market 2018

According to the [Gartner study, revised in January 2019](#), during 2018 the rapid expansion of the ICT market, which started in 2017, continues. In 2018 the global spending for ICT grew with the formidable CAGR /compound annual growth rate/ 3.9% y/y, reaching USD 3.650 trillion in current prices. If the minimal growth of "Communication services" is subtracted, the growth of the remaining IT sector for 2018 is 5.1% with total spending on IT exceeding USD 2.251 trillion.



The sustainable drivers of this growth are the segments "Enterprise Software" and "IT Services" with annual growth for 2018 of 9,3% and 5,6% respectively.

The record growth of IT spending in 2018 is mainly due to sustainable economic growth of the global economy. The process of reallocating IT spending from assets (CAPEX) to services (OPEX) continues, already covering almost all areas of the economy. "Cloud transformation is now almost over for some categories of software (CRM, e-commerce) and is just starting to be implemented in many others," said Andrew Bartels, VP of Forrester. Accordingly, the change in the methods of payment for the used software continues and, instead of significant capital advance payments, the cost is shifting to significantly lower, but recurring operating costs. This change in the mode of spending is also the reason for the relatively large increase (against the background of the more modest growth) of the "Enterprise software" and "IT services" segments, as described above.

Forecast for the Global ICT Market in 2018 and the period 2017 - 2022

Gartner's expectations for the development of the ICT market in the coming years remain optimistic, with an expected CAGR of 3.55% over the period 2017-2022. 2018 continues the trend that was started in 2017 of a boom in ICT spending in all segments, leading to a record 6.2% growth in 2018 over the previous year, reaching the record \$ 3.7 trillion for the past ten years.

In the coming years, there is no major change in the expenses for "**Communication Services**" and these will remain at levels of about \$ 1.4 trillion per year with a relatively low annual growth rate of CAGR of 1.50%. At the same time, they remain the largest single segment in ICT spending by 2022.

The most dynamically growing segments remain "**Enterprise Software**" with an annual CAGR of 8.53% and "**IT Services**" with an annual CAGR of 5.30% over the period 2017 - 2022. In 2018, the growth of "Enterprise software" and "IT Services" are expected to peak at 11.10% and 7.4%, respectively. In the following years, by 2022 both segments preserve their leading (though more moderate) growth among all other segments in the ICT sector.

Reasons for the Market Growth During in the Period 2018 – 2022

Gartner's expectations for 2018 are for growth in ICT spending at 6.2% at current prices or 3.0% at constant prices. The difference between the two percentages illustrates the impact of the declining US dollar in the first

months of 2018, upon the industry (where prices are mainly denominated in dollars, and due to the fact that the United States is a major world IT hub). This influence began in 2017 and is expected to fade away in the coming years.

Leading growth over the period has the "**Enterprise Software**" segment. The segment is expected to grow by 11.10% in 2018 followed by another 8.4% in 2019 to reach \$ 424 billion. The reason for the growing demand for Enterprise software mirrors the growing demand for applications from companies which want to derive extra income from the digital business processes. The penetration of artificial intelligence (AI) into business applications (software and platforms) will also contribute strongly to the growth in the segment.

*"Businesses are increasingly relying on IT. Organizations are expected to increase their spending on business applications in 2018, with most of the budget shifting to software as a service (SaaS),"*said Lullock.

At the same time, the massive penetration of cloud technologies, software as a service and infrastructure as a service will catalyze demand in the "**IT Services**" segment.

Leading Consumers of IT in 2018

In their study, The International Data Corporation ([IDC, February 2018](#)), identifies organizations and businesses with 80% of IT spending as the primary consumer of ICT products and services, with end-users' spending only 20% of the total IT spending in 2018. The demand from individual users is expected to stagnate with CAGR of 0.3% in the coming years. Which means that corporate users are the main drivers behind the booming growth in the ICT market in the coming years.

The economic **sectors with the highest IT spending** in 2018 are "Financial Services" (Banks, Insurers and Investors) and "Industrial Production," according to the IDC's study. In total, the two sectors will generate over 30% of IT spending in 2018, investing in new technologies to advance their digital transformation. Telecoms, the public sector and professional services are also expected to invest significantly during the year. The fastest growth in IT spending for the period up to 2020 is expected from "Professional Services", "Healthcare", "Finance" and "Media", according to the IDC forecast.

Geographic Distribution of the IT Spending and Regional Growth in 2018



IT expenses remain very diverse in the various geographic regions. The strong two-digit growth in 2018 is expected in South East Asia, namely India, China, Malaysia and Thailand. At the same time, they occupy a relatively small share of the world market. North America is the undisputed leader, contributing about 40% of the Global market growth, with a relatively strong expansion of 5.5% in 2018. Europe, the second-largest IT market in the world, continues to suffer from the uncertainty surrounding BREXIT, and expects growth of around 4% (slightly below average) with diversity among the individual European states. The smallest growth of less than 2%, as well as a modest contribution to world growth, is expected in 2018 in Japan and South Korea.

IT spending in the US is expected to reach USD 920 billion in 2018. While IT services such as software development, deployment, and system integration are leading US spending

in 2017 (275 billion), Software costs will grow faster (CAGR 7.9%) and will outperform IT services until 2020 according to the IDC estimates.

The Bulgarian IT market in 2018

A survey by [BASSCOM from 2018](#) suggest anticipated growth of revenue of IT companies for 2018 to be almost 16% on a y/y basis, reaching BGN 2.9 billion or EUR 1.5 billion. The sales reached in 2018 are already three times as high as these from 2011. The ratio „IT revenues to GDP“ has also more than doubled in this period. The anticipated share of the IT industry in the GDP is 2,4% in 2017.

5.3.Information in 2018

IMPACT OF EXCLUSIVE FACTORS

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

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

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

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

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

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

SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings reported in the Company's accounts detailed in Section 7.1 of this Report are observed during the period considered.

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

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

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



5.4. Major news in 2018

17.12.2018

Sirma Business Consulting with a new contract in the Caribbean Basin.

23.11.2018

Fujitsu purchased Graph DB licenses for its activity from the daughter company of Sirma Group Holding JSC - Ontotext JSC.

22.11.2018

Sirma Group joins the charity initiative of the Bulgarian Red Cross "Colour in Life".

19.11.2018

The product of Sirma Medical Systems JSC for stuttering defects MPI II is presented at the Annual Congress of the American Hearing and Speech Association.

12.11.2018

Sirma acknowledges a 40% increase of its US-based business for the first nine months of the year.

29.10.2018

Ontotext JSC won new European funding for 1.7 million euro from the program Horizon 2020.

09.10.2018

Ontotext JSC launched a new version of its leading product Graph DB 8.7

18.09.2018

Sirma Business Consulting launches online the first Bulgarian credit chat-bot - EVA (Electronic Virtual Assistant) supporting the clients of the PostBank.

17.09.2018

Ontotext takes part for the third time in the Global Datathon 2.0. Ontotext is presenting their project „Automated Industry Classification for Open Data Company Graph”.

10.09.2018

The daughter company of Sirma Group – S&G Technology Services supported the finalization of a project for a new, fully integrated mobile application of UBB, part of the KBC Group.

29.08.2018

Disclosure of interim consolidated results of Sirma Group Holding for the period ending on 30.06.2018. The information is also available in English.

30.07.2018

Disclosure of the interim individual results of Sirma Group Holding for the period ending on 30.06.2018. The information is also available in English.

16.07.2018

Sirma Group Holding is ranked among the ten leading IT companies in the "Top 100 IT Companies in Bulgaria" ranking.

29.06.2018

Ontotext launched their new upgraded version of their semantic graph base – GraphDB 8.6. You may read the full text of this news post [here](#).

25.06.2018

Disclosure of information about the decision for dividend distribution for 2018 taken by the General Meeting of Shareholders of Sirma Group Holding.



25.06.2018

Disclosure of the Minutes from the Annual General Meeting of Shareholders of Sirma Group Holding.

18.06.2018

Ontotext won funding for applying AI for linked data to the amount of BGN 779 605 under EU Operational Programme „Innovation and Competitiveness“. The project is called „Intelligent linked data for companies from various sources“. You may read the full text of this news post [here](#).

13.06.2018

Disclosure of internal information for the purchase of shares by Tsvetan Alexiev - CEO.

13.06.2018

Webinar for presenting the results from 2017 and the first quarter of 2018, as well as plans for 2018.

12.06.2018

The Financial Supervision Commission approved the Prospectus of Sirma Group Holding for increase of capital through issue of new shares. You may read the whole news post [here](#).

30.05.2018

Disclosure of interim consolidated results of Sirma Group Holding for the period ending on 31.03.2017. The information is also available in English.

18.05.2018

Sirma Medical System launched a new product – the application MPI-2 for support of people with stuttering problems. You may read the whole news post [here](#).

17.05.2018

Disclosure of inside information for publication in the Trade Register of a Minutes of an Extraordinary General Meeting of Sirma Enterprise Systems with a decision for buy-back of shares. The information is also published in English.

17.05.2018

Disclosure of the publication of the Invitation to convene an annual General Meeting of Shareholders in the Commercial Register. The information is also available in English.

09.05.2018

Disclosure of inside information for submission of a Prospectus for the increase of the capital of Sirma Group Holding for approval by FSC. The information is also available in English.

05.05.2018

Disclosure of insider information on the merger of two US daughter companies - Sirma Group Inc and Sirma USA. The information is also available in English.

03.05.2018

Disclosure of inside information for a decision of the Board of Directors of Sirma Group Holding JSC to increase the capital of the company. Information is also available in English.

03.05.2018

Publication of an invitation to convene a regular annual General Meeting of Shareholders of Sirma Group Holding JSC. The information is also available in English.

30.04.2018

Disclosure of interim individual results of Sirma Group Holding for the period ending on 31.03.2017. The information is also available in English.

27.04.2018

Disclosure of the audited annual consolidated statement of the activities of Sirma Group Holding for the period ending on 31.12.2017. The information is also available in English.



30.03.2018

Disclosure of an audited individual report on the activities of Sirma Group Holding for the period ending on 31.12.2017. The information is also available in English.

29.03.2018

The shares of Sirma Group Holding are included in the leading "Premium" segment of the Bulgarian Stock Exchange - Sofia. This was made clear after a meeting of 28.03.2018 of the Board of Directors of the Bulgarian Stock Exchange, where the respective decision was made. So far the shares of Sirma have traded in the "Standard" segment. The decision comes into force on 03.04.2018.

29.03.2018

The Bulgarian semantic software company Ontotext JSC, part of Sirma Group Holding, officially introduced the new version 8.5 of its GraphDB semantic graph base. The release includes a number of improvements and is the next step in the company's policy of creating an even easier to use and reliable graph data base, which is much more efficient and faster to load, process, and refresh large volumes of data.

22.03.2018

Disclosure of inside information for the purchase of shares of Sirma Group Holding AD by Atanas Kiryakov. The information is also available in English.

20.03.2018

From March 20, 2018, Sirma installed on its site a prototype of a chatbot to facilitate site visitors. The chatbot is called Sam. It is specifically designed to make it easy for a site visitor to quickly and easily receive the most frequently searched corporate information.

14.03.2018

Disclosure of Insider Information on the Establishment of a new subsidiary in the USA - Sirma Software Inc. The information is also available in English.

13.03.2018

Disclosure of inside information for the conclusion of a contract for the purchase of shares of Ontotext AD by Sirma Group Holding. The information is also available in English.

19.03.2018

The Bulgarian rating system for higher education institutions received important international recognition in the new Global Ratings and Geopolitics of Higher Education book. Sirma Solutions JSC is among the founders of the project. In the book, the Bulgarian rating of universities is described as extremely "successful", "innovative" and the "first" of the so-called "third wave of national ratings" in the world.

08.03.2018

S & G Technology Services Ltd, a Sirma Group company, has successfully completed work on a challenging Temenos - Front Office Open Banking prototype project for pre-validation of the technology. Excellent teamwork, together with the accumulated technological expertise in banking software, system integration, user design and compliance services helped the successful implementation of a fully-fledged prototype, covering the most important applications of the revised European Payment Services Directive - PSD2.

01.03.2018

Disclosure of an Interim Consolidated Statements of Sirma Group Holding for the period ending on 31.12.2017. The information is also available in English.

26.02.2018

Ontotext AD announced a partnership with one of the leading information databases in the field of pharma and biotechnology - the Canadian DrugBank. This will add a great deal of opportunity to commercial and academic research in the field of pharmacy and healthcare and will increase the possibility of detecting and re-using information on drug substances, which is used in the treatment of various diseases.

05.02.2018

Disclosure of inside information for preliminary consolidated results of Sirma Group Holding in 2017. The information is also available in English.



01.02.2018

Sirma presented its Development and Growth Strategy for the period 2018 - 2022. The strategy of Sirma Group Holding AD was updated in the first half of 2017, after discussion with shareholders and stakeholders. Our ambitious goal is to reach EUR 120 million in sales revenue in 2022. The information is also available in English.

30.01.2018

Disclosure of an interim individual report on the activities of Sirma Group Holding for the period ending on 31.12.2017. Information is also available in English.

26.01.2018

Disclosure of inside information about the signing of a bank loan agreement with Unicredit Bulbank. The information is also available in English.

26.01.2018

Disclosure of inside information about the shareholder structure of Sirma Group Holding as of 31.12.2017. The information is also available in English.

24.01.2018

On 24 January 2018 the Atanas Burov Foundation presented its annual awards. The ceremony was held at the Grand Hotel Sofia and the winners of the prize for 2017 were Petya Dimitrova and Tsvetan Alexiev. The Executive Director of Sirma Group Holding JSC - Tsvetan Alexiev is the winner of the award in the section "Industrial Management". Established in 1992, the Atanas Burov Foundation has been awarded annually with a prize for bank management - since 1994, and for industrial management - since 2000.

13.01.2018

More than thirty children took part in the first climbing competition titled "With Diabetes to the Top". The competition is part of the charity event organized by Sirma Medical Systems, the developer of one of the most popular diabetes applications in the world - Diabetes: M.

5.5. Key legal information in 2018

5.5.1. Transactions with shares for the period 01.01.2018 - 31.12.2018:

Merger of subsidiaries of the Holding

Sirma Software Inc. was established in March 2018 as a sole-owned company of Sirma Group Inc. (sole proprietorship of Sirma Group Holding JSC at the time of its incorporation) in order to separate the key assets of Sirma Group Holding JSC. With a Share Transfer Agreement concluded by Sirma USA Inc. on the one hand, and Sirma Solutions JSC and Sirma Group Inc. on the other hand, all 11,711,476 ordinary shares with a nominal price of USD 1.00 from the capital of Sirma Software Inc. were transferred to Sirma Solutions JSC and Sirma Group Inc. in a ratio of 97.5% of the capital (11,418,689 shares) of Sirma Solutions JSC and 2.5% of the capital (292,787 shares) of Sirma Group Inc. With contracts dated 14.12.2018 Sirma Solutions JSC and Sirma Group Holding JSC transferred to Sirma AI all the shares in the capital of Sirma Software Inc. (the sole shareholder of Sirma Group Holding JSC). By decision of 21.12.2018 of the new sole proprietor Sirma AI JSC, Sirma Software Inc. was liquidated and deleted from the US trade register.

Sirma USA Inc. was incorporated as a subsidiary of Sirma Solutions JSC, in which Sirma Solutions AD held 97.57%, and Sirma Group Inc., 2.5%

Sirma Group Inc. was incorporated as a subsidiary of Sirma Group Holding AD, in which Sirma Group Holding JSC held 100% of the capital.

Pursuant to the strategy of Sirma Group Holding JSC, on 04.05.2018 two of the companies in the Holding were merged: Sirma Group Inc and Sirma USA.

The new company from 08.05.2018 will be Sirma Group Inc. and is headquartered in USA, Idaho 83702, Boise 202 N, 9th Street Suite 303B, where Sirma Solutions JSC owns 23.7% of the capital and Sirma Group Holding JSC - 76.3% of the capital.

Purchase of own shares by Sirma Enterprise Systems



Sirma Group Holding JSC

www.sirma.com

On 12.03.2018 The General Meeting of Shareholders of Sirma Enterprise Systems adopts a decision Sirma Enterprise Systems to buy back own shares, owned by shareholders in the company. The board of directors will execute the redemption under the following conditions:

- The maximum number of redemption shares is 2024 (two thousand and twenty-four) ordinary shares;
- Price - 49,60 BGN per share and maximum price 49,60 BGN per share.
- The buyout deadline is 30.04.2018.
- Way of redemption - with a purchase contract

Pursuant to Article 6, paragraph 1 of the Statute of Sirma Enterprise Systems provides that the shareholder offers his shares to the Company for redemption upon termination of the employment relationship between the shareholder holding Class A shares and the Company.

Redemption will take place under the following conditions:

- The maximum number of shares to be redeemed is 11 068 (eleven thousand and sixty-eight) of the nominal, Class A shares;
- Price: 1/3 of the nominal value of the shares or 3.33 BGN per share.
- Way of redemption - with a purchase contract.
-

On 23.11.2018 the company successfully finalized the deals.

Increase in the capital of a subsidiary of Sirma Group Holding JSC

On October 29, 2018, "Sirma Solutions" increased its capital by BGN 3 051 100. All 305 110 shares of the increase were acquired by "Sirma Group Holding" JSC.

Purchase of shares from a minority owner in Ontotext

In accordance with a contract signed on 12.03.2018, Sirma Group Holding JSC purchased 4 187 087 shares of "Ontotext" from the minority shareholder New Europe Venture Equity LP / Neveq for BGN 8 215 000;

5.5.2. Litigation for the period 01.01.2018 - 31.12.2018:

"Sirma ISG" OOD against Tianko Sashkov Latev

Claims amount: 69 162,19 levs of which::

- 50 000 levs - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 levs
- 11 162,19 levs - representing indemnity for damages, expressed as unaccountable material means
- 8 000 levs - representing damages in the form of the lost benefit

Grounds for claims: Art. 45 of the LOC in relation to Art. 145 TL, Art. 36 LPC and Art. 142 TL

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



5.6. Auditor remuneration in 2018

The selected registered auditor of the Company's individual financial statements for 2018 is Teodora Ivanova Tsvetanova, Diploma № 0771 from 2012.

Auditor's remuneration for the companies in the Group for the year 2018:

- "Sirma Group Holding" JSC - registered auditor Teodora Tsvetanova, reg. № 0771, received audit fee of BGN 6 000 excluding VAT for an individual report and BGN 5 000 excluding VAT for a consolidated statement.
- "Ontotext" - specialized audit company "Bisikom-61", reg. № 19, received audit fee in the amount of BGN 4 500 excluding VAT.
- "Sirma Solutions" - specialized audit company "Bisikom-61", reg. № 19, received audit fee amounting to BGN 3 840 excluding VAT.
- "EngView Systems Sofia" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 2 400 excluding VAT.
- "Sirma AI" - specialized audit company "Bisikom-61", reg. № 19, received audit fee in the amount of 2 520 BGN excluding VAT.
- „Sirma Medical Systems"- specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 1 000 excluding VAT.
- Datium - specialized audit company "Bisikom-61", reg. № 19, received audit fee amounting to BGN 1 800 excluding VAT.
- "Sirma Business Consulting" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 3 000 excluding VAT.
- "Sirma ICS" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 1 000 excluding VAT.
- "Sirma CI" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 600 excluding VAT.
- "S&G Technology Services" - David Iain Black (Senior Statutory Auditor) received audit fee of GBP 2 411.

5.7. Information for contracted large transactions in 2018

In 2018, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 3 643 thousand
- Deal 2 for BGN 2 869 thousand
- Deal 3 for BGN 2 771 thousand

Sales:

- Deal 1 for BGN 3 788 thousand
- Deal 2 for BGN 3 450 thousand
- Deal 3 for BGN 3 175 thousand

5.8. Information of the used financial instruments in 2018

In 2018 the company has not used any financial instruments.



5.9. R&D activity of the company in 2018

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

In 2018, in execution of the Strategy of Sirma Group Holding, started the construction of SENPAI (Sirma Enterprise Platform with AI), a platform that concentrates all cognitive technologies of Sirma. As a first step in the creation of SENPAI during the year, "Sirma Cloud" was launched, as part of SENPAI. The total value of the investments made in research and development in 2018 amounts to BGN 4 350 thousand.

5.10. Possible future development of the company

In 2018, Sirma Group Holding announced its updated "Growth and Development Strategy", which covers the future development of the company by 2022. A complete presentation of the Strategy and the relevant financial forecasts can be found in the investment section of www.sirma.bg in "Investor Relations"/ "Corporate Governance" section or directly on: <https://2022strategy.sirma.com/>.

5.11. Contracts under Art.240b of the Commercial Code in 2018

During 2018 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market ones.

6/ RESULTS BY COMPANY

6.1. Daticum

- <https://www.daticum.com/>
- **Daticum JSC is a subsidiary of Sirma Solutions AD**
- **Capital:** BGN 2 302 049 divided into 2 302 049 registered materialized shares with a nominal value of BGN 1 with the right to vote, the right to dividend and a liquidation share according to the participation in the capital. Sirma Solutions JSC holds 1 392 740 shares or 60.5% of the capital.

In the beginning of 2009, Daticum was transformed from a business unit of Sirma Solutions AD into an independent company, attracting financing from Asarel Medet AD.

The company operates as a center for reliable data storage from the highest possible generation. The main services it provides are cloud services, including public and private, colocation, hosting, virtualization, hardware rental, communications and network services, the construction and operation of backup data centers, archiving and storage of information, provision of services for building and maintenance of hardware and software systems, building of data centers, system integration, building of test environments, etc.

The robust expertise in the field of building and providing public and private cloud computing platforms has contributed to the growth of the company's business and has a positive impact on both revenue and profits. In 2018, Daticum designed and successfully migrated computational activities from conventional architecture to cloud platforms for multiple customers, as well as customers who have decided to purchase the necessary computing equipment independently.

Daticum is certified by Microsoft and has the right for Bulgaria to provide the full range of Microsoft products, paid on a monthly basis according to the customer's requirement (Certified Microsoft SPLA Provider). All customers can rent any Microsoft product from Daticum for as long as they need this product and use storage volume and computational

resources which they actually consume. This partnership opens the possibility for all developers and system integrators who operate on the territory of Bulgaria and use Microsoft products in their solutions to be able to provide these solutions to their clients as a service in the only legal way possible, namely through a Microsoft SPLA partner on monthly basis, without having to invest in tangible fixed assets for computational resources or purchase of licenses.

Daticum is certified as VMware Service Provider, which also provides it with the only legal opportunity to provide public cloud services as well as private cloud rental solutions using the latest VMware technology.

In 2018, Daticum was also certified under ISO 9001: 2015, ISO 27001: 2013 and ISO 27018: 2014 in relation to the entry into force of Regulation (EU) 2016/679 of the European Parliament and Council from 27 April 2016 on the protection of personal data.

Daticum is increasingly reoriented from a company providing basic collocation services to client equipment, to a company providing services on a monthly basis with high added value.

MAIN MARKETS:

Bulgaria, North and South America, Europe



MAIN CLIENTS:

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

MAIN COMPETITORS:

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

BUSINESS MODEL of THE COMPANY.

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

RESOURCES OF THE COMPANY

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

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

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

HR POLICY.

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. We perform a selective increase in staff, following requirements arising from the increase in the volume of activity. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

MARKET FORECASTS FOR THE MARKETS WHERE THE COMPANY OPERATES AND THE COMPANY'S BUSINESS OVER THE NEXT 3 YEARS

According to Gartner's analysis by 2021, 70% of the total public cloud service market will be controlled by the world's top 10 suppliers. In the IaaS segment this is expected to be Amazon, Microsoft, Google and Alibaba, which in 2018 hold

a major market share. In SaaS and PaaS segments, Oracle, SAP and Microsoft are expected to play a leading role. Compared to the world leaders in the IaaS segment, Datium has a relatively small share of the global market, but has seen steady growth in providing cloud services. The Compound Annual Growth Rate (CAGR) for the past 3 years (2015-2018) of Daticum Cloud Services is 22.89%. Daticum's cloud platform has generated a growth of nearly 19% over the past year, with expectations for growth rates to follow in the coming years, following world market trends and cloud services development as expected by analysts. It is likely that the growth will slow down in 2019-2020.

DATICUM IN 2018

In 2018, Daticum was certified under ISO 9001: 2015, ISO 27001: 2013 and ISO 27018: 2014 in relation to the entry into force of Regulation (EU) 2016/679 of the European Parliament and Council from 27 April 2016 on the protection of personal data.

Daticum's data protection policy is in line with the European Commission's General Data Protection Regulation, which applies to all member states of the European Union and has entered into force on May 25, 2018.

Daticum certified its cloud platform and services under ISO 27018: 2014 - a voluntary international set of good practices for the processing of personal information by cloud service providers. The standard builds on existing and validated security standards such as ISO 27001 and ISO 27002, which set common principles for information security and control. The ISO 27018 standard is unique in that it is specially designed for cloud services

Daticum is part of one of Europe's largest internet exclusivity networks, providing even better connectivity for our customers and, in particular, our cloud service customers who, for the seventh year in a row, will use the Internet to Bulgaria, Europe and world absolutely free as a user of this service.

Daticum is one of the first members of CISPE - the organization of European infrastructure providers as a service. Members of the organization are Amazon Web Services (USA), OVH (France), Aruba (Italy), Hetzner Online (Germany), Ikoula (France), UK Cloud (UK), Outscale .

Daticum has launched a new Disaster recovery as a Service service on its cloud platform, which can benefit all client companies at an extremely attractive price.

We have expanded the cloud platform's volume with new computing resources and additional hardware in order to always have free resources available to new and existing customers.

In partnership with one of the leading ERP providers on the market, we jointly launched an innovative service for the Bulgarian market - Microsoft Navision ERP as a Service, pre-parameterized and calculated to the number of customers.

We have invested in a new backup storage and are able to offer our customers a backup service of more than 1PB date space.

The second geographic location of the cloud and backup platforms, which are located 400 km from Sofia, continues to be built.



FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	2 258	2 525	-267	-10,57%
EBITDA	780	680	100	14,71%
Depreciation	(264)	(221)	-43	19,46%
Net Result	460	400	60	15,00%
EBITDA margin	34,54%	26,93%	0,08	28,27%
Net Profit margin	20,37%	15,84%	0,05	28,60%
Sales per share	0,9809	1,0969	-0,12	-10,57%
EPS	0,1998	0,1738	0,03	15,00%
ROE	0,1564	0,1408	0,02	11,09%
Total Assets	4 624	3 107	1517	48,83%
Intangibles	1 242	1 001	241	24,08%
Book value	1 699	1 840	-141	-7,66%
Equity	2 941	2 841	100	3,52%
Total Liabilities	1 683	266	1417	532,71%
Interest bearing	-	-	0,00	n/a
D/E	0,5723	0,0936	0,48	511,19%
ROA	0,0995	0,1287	-0,03	-22,73%

6.2. Sirma Solutions

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

The company owns 188 255 units. own shares with nominal value of each share BGN 10

SIRMA SOLUTIONS IN 2018:

General information

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

The company specializes in the creation of corporate software systems and solutions, system integration and IT consulting for both specific industries and multi-industrial solutions. Sirma Solutions JSC is among the leading Bulgarian software developers, thanks to its excellent reputation, proven expertise and comprehensive know-how used in software product development and the successful

implementation of numerous complex projects for clients on a regional and global scale.

In 2018, Sirma Solutions played an important role in the delivery and system integration of sophisticated IT solutions for the public sector and e-government as well as the deployment of sophisticated IT systems for the banking sector, cultural heritage, the implementation of innovative solutions for insurance and insurance brokers. The company has several subsidiaries specializing in various industrial verticals that, thanks to qualified staff of more than 200 people, have achieved significant successes in the field and have placed Sirma Solutions in the top 3 of the ranking of Bulgarian software developers.



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

The company maintains excellent relationships with leading software and technology vendors for the fastest growing industries, as well as independent software companies. Also, there are excellent interactions with the other holding company, which ensures the successful realization of projects, regardless of the degree of complexity. Depending on the size and complexity of a project, the company has access to an expanded range of resources from over 500 people.

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

Business activity of Sirma Solutions in 2018

In 2018, Sirma Solutions was once again one of Sirma's most successful companies.

The realized revenues amounted to BGN 37 776 thousand and a net profit of BGN 1 872 thousand.

In 2018, along with the five-year strategic agenda of the holding, changes were made to all companies to prepare for the implementation of the strategy.

Sirma Solutions' role in the strategy of the group is that its company will become the core of the integrator business that will develop around Sirma's key cognitive technologies. This implies training integrative teams, transfer of know-how and technology expertise from companies like Ontotext to Sirma Solutions.

In the beginning of 2018 three of the six strategic verticals of the group were formed in Sirma Solutions:

- Cross Industry Business Solutions
- Cultural Heritage
- Retail Software Solutions

During 2018 4 major divisions were active in the company:

- System Integration
- US Software Consulting
- European Projects
- Public Sector

System Integration

For a consecutive year, System Integration at Sirma Solutions generated a two-digit growth in sales. The company has realized many complex projects again on the development of data centers, cloud infrastructures and security systems in the territory of Bulgaria, Austria, Germany, Belgium, the United Kingdom and Canada.

The unit has developed its partnerships to the highest level of the respective manufacturer in a variety of fields:

- Data storage and computing servers: IBM, Cisco, HPE, Lenovo, Oracle, EMC / Dell, Netapp
- Network Infrastructure: Cisco, Juniper, HPE, Huawei
- Virtualization and backup: VMWare, Microsoft, Veeam
- Data Center Infrastructure: APC, Emerson, and others
- Terminal devices: Lenovo, HP, Samsung, Dell
- Information Security: F5, PaloAlto, Cisco, Radware, Imperva, Forcepoint, Checkpoint, CyberArk, RSA and others

Given the today's dynamic requirements of security, Sirma emphasized the training of its engineers in this field and managed to implement major projects with the listed manufacturers on the territory of the six countries in which we worked.

We have won many new clients, including three banking institutions, an insurance company, two logistics companies, a new large private chain of hospitals, several international IT companies.

The sales and engineering team increased, with the plan being to double the team by the end of 2019. We will continue to invest in training and certifications in key technology.

The goals for the 2019 division are again two-digit growth, new clients in financial, insurance, transport, mining, healthcare, IT and other sectors and new partnerships with hardware and software producers.



US Software Consulting

In 2018, Sirma Solutions's team managed to deliver many successful projects to their clients across the ocean. Here are some of them:

Financial Sector

MascomaBank - We have begun working closely with MascomaBank, which is involved in providing specialized software services. Also, in 2018, the first major project with the Bank to build a platform for "Printing Statements" was launched.

Insurance Sector

PetsBest - We have created a system for automatically classifying pet insurance policy invoices by using "machine learning" algorithms, as well as creating an iOS application. The Android mobile app is due to build in 2019.

Mobile Applications

JungoSports - We created a platform and mobile app for iOS / Android for student athletes. The purpose of the system is to connect students with appropriate higher education institutions. The platform connects athletes with programs that are suited to their abilities.

FiftyFlowers - We have built a mobile flower order application.

In 2018, we also focused on creating our own products:

Kanin.IO

Based on our current work on cloud platforms and large data analysis, we developed a real-time analysis system - Kanin.io. In 2019, we expect 2 new customers who will actually be able to use the product.

TimeSuite

Software development that aims to support the construction industry by automating the rate of completion rate of the object, provides automated audit and allows dynamic adjustment to individual needs.

BOcore (Business Objects Core)

Platform for prototyping fast business objects that we intend to use in many new projects. Using this platform, we will reduce pre-build time for new business objects and their REST APIs when starting a new project.

European Projects

In 2018, the EU division gained revenue and profits from previous years, expanding and expanding business in several directions.

In the banking sector, thanks to the expertise we have with Temenus T24, we have developed and expanded our relationship with KBC Ireland and BOI, which opened up the prospect of an increase in this business in 2019. We continued to work as one of the major consultants in the merger of UBB and CIBank in Bulgaria.

In 2018 Sirma participated in the development of a front-end system of Raiffeisen Bank BG and Valley Nation Bank, and these projects are realized by a team of over 50 people (10 of them from Sirma). This is one of the largest projects of the unit.

The unit successfully continued work on several outsourcing projects: Paysafe, EOS, mCalliper, TurkCell.

Sirma Enterprise Platform (SEP)

In 2018, Sirma Solutions' team focused work on the second phase of the Conservation Space project, funded by the Andrew Mellon Foundation. The software is fully platform based (SEP), making the solution unique and far superior to competitive solutions in the field. By the end of the year Conservation Space was implemented and used actively in one of the largest museums in the US - the National Gallery of Art (Washington) and several other museums in the US and Europe: IMA, The Courtauld, SMK, Denver Art Museum, Yale University and others. Implementation is still in progress at Yale Library and Van Gogh Museum.

In 2018, the unit successfully completed two document transfer projects: HuvePharma and eFellows.

Along with all of this, we focused on building two new products:

Museum Space - Museum Process Management Software, which consists of 3 modules:

Conservation Space - Module for management of restoration processes and documentation.

Exhibition Space - a module that supports the work of museums and galleries in the preparation of exhibitions and events.

Curation Space - a module that helps museum institutions manage museum collections and collections as well as the various processes associated with them.

Melinda Chat-Bot



Chat-bot developed with semantic technologies which can be trained and collaborated with many banks, hotels, support centers, agencies, and so on.

Public Sector

The year 2018 was extremely successful for the public sector projects, but the most serious challenge for the division was the large-scale, multi-year project with the EEA and Norway Grants Financial Mechanism Office (Brussels). In 2018, we continued our commitment to other major projects won in 2017, such as the e-services and open data project of the Prosecutor's Office of Bulgaria, the IS for Business and Financial Processes of Musikutorsor, the project to upgrade the IS service the overall trade and operational activity of BDZ-TP and others.

Successful work on these projects led to the completion of each of them on time. This was due to the hard work of the

division's employees, who were doing everything they could to achieve their goals.

Also, in 2018, efforts continued to find new projects by signing contracts for:

- 3-year project for updating the Rating System of the Higher Education Institutions of the Ministry of Education and Science and preparation of annual ratings of the professional fields in the HS in the Republic of Bulgaria;

- Project for upgrading the overall information system and electronic services of NCSRP;

Project for upgrading the management system of OSI-Sofia and other smaller projects.

FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	37 776	34 536	3 240	9,38%
EBITDA	2 867	7 100	-4233	-59,62%
Depreciation	(1 168)	(5 235)	4067	-77,69%
Net Result	1 872	1 677	195	11,63%
EBITDA margin	7,59%	20,56%	-0,13	-63,08%
Net Profit margin	4,96%	4,86%	0,00	2,05%
Sales per share	1,1688	1,0686	0,10	9,38%
EPS	0,0579	0,0519	0,01	11,63%
ROE	0,0386	0,0383	0,00	0,77%
Total Assets	59 096	58 420	676	1,16%
Intangibles	27 835	26 418	1417	5,36%
Book value	20 610	17 315	3295	19,03%
Equity	48 445	43 733	4712	10,77%
Total Liabilities	10 651	14 687	-4 036	-27,48%
Interest bearing	1 962	3 201	-1 239	-38,71%
D/E	0,0405	0,0732	-0,03	-44,67%
ROA	0,0317	0,0287	0,00	10,35%

6.3. Sirma AI

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

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

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



FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	131	3 310	-3 179	-96,04%
EBITDA	50	2 927	-2 877	-98,29%
Depreciation	(205)	(564)	359	-63,65%
Net Result	(202)	1 950	-2152	-110,36%
EBITDA margin	38,17%	88,43%	-0,50	-56,84%
Net Profit margin	-154,20%	58,91%	-2,13	-361,74%
Sales per share	1	23	-22,55	-96,04%
EPS	-1,4326	13,8298	-15,26	-110,36%
ROE	-0,0529	0,4851	-0,54	-110,90%
Total Assets	25 855	8 860	16 995	191,82%
Intangibles	25 412	8 429	16 983	201,48%
Book value	(21 591)	(4 409)	-17 182	389,70%
Equity	3 821	4 020	-199	-4,95%
Total Liabilities	22 034	4 840	17194	355,25%
Interest bearing	585	552	33	5,98%
D/E	5,7666	1,2040	4,56	378,96%
ROA	-0,0078	0,2201	-0,23	-103,55%

6.4. Ontotext and Ontotext USA

- <http://www.ontotext.com>
- Ontotext is a subsidiary of Sirma Group Holding JSC
- Share Capital: BGN 16 068 801

Shares: 16 068 801

Classes of shares:

CLASS A 1, Number: 4 187 087, Nominal value: BGN 1 - materialized with right to vote, dividend, different economic rights incl. the right to a different liquidation share upon

termination of the company depending on its market capitalization and different share of the income from the sale of shares, etc. economic rights..

ORDINARY, Number: 11 038 684, Nominal: BGN 1 - materialized, with voting rights, dividend, liquidation quota, right of first refusal, right of access

Ontotext in 2018

Terms of business development in 2018

In 2018 there were no major changes in the industries where the company operates. Ontotext has two main business lines:

- Selling licenses of the semantic graph database GraphDB and related maintenance, training, and other services. Graphical databases are part of the larger segment of NoSQL databases.
- Building solutions for cognitive analysis and management of large volumes of data and information content.

According to IDC, the market for NoSQL databases (part of which is GraphDB) in 2017 is estimated at \$ 6.0 billion with an estimated 9.1 billion growth in 2020. According to Zion Market Research (2018) Global Graph Databases Market 2016-2022, it will grow from \$ 486 million in 2017 to \$ 2,735 million in 2022 - an average growth of 41%.

The Market for Artificial Intelligence (AI) and Cognitive Analysis Platforms is estimated at 2.3 billion in 2017 with a forecast to increase to 6.3 billion in 2020. The increasing interest in the use of knowledge graphs that provide more and deeper data interpretation capabilities continues over the previous paradigm of using purely statistical methods (machine self-learning) on large volumes of data (Deep learning on Big Data). There are Google, IBM, MicroSoft, Facebook and eBay projects in this direction. According to the Gartner Hype Cycle of Emerging Technologies (August 2018), KG are in the first phase of the cycle, i. initial rapid growth.

The leading product of Ontotext GraphDB retains and further develops its position as one of the global leaders in the graph database market. According to db-engines.org, which measures database developer popularity, GraphDB has improved its positioning, ranking from 7th position to the 5th position in the RDF database segment. In 2018, Ontotext



was included as a leading supplier of graph databases in three market studies:

- Graph Database Market Update 2019 of Bloor Research (January);
- The Year of the Graph 2018 on Linked Data Orchestration;
- Global Graph Databases Market 2016-2022 of Zion Market Research (2018)

The company has strengthened its position among STM (Science, Technology and Medicine) publishers - three of the five largest publishers use the GraphDB semantic database to manage their content.

The contracts with Elsevier, John Wiley & Sons, IET, Oxford University Press and DK continued and expanded.

Ototext is partnering with 4 of the world's top 10 IT service providers: Atos Origin, Infosys, Fujitsu and NTT Data (through their Spanish company Everis). Under these agreements, contracts have already been signed with end-users, where Ototext's semantic technologies will solve complex problems in different areas.

Ototext's main markets are the United States and the UK. Over 90% of the company's revenue comes from large multinational companies that are poorly influenced by regional factors. At the moment, no turbulence related to Brexit is foreseen.

Business Development in 2018 and investments

In 2018, the company achieved close to the planned revenue growth (23%) and profit well above the business plan. Deviation from the plan was in terms of license revenues that did not reach the planned growth, while revenue from integrated solutions and services grew more than planned. The Company has implemented its 80% product development investment plans for two reasons (1) slower than the planned staff increase and (2) a greater need for experts for projects requiring professional services.

New clients, projects, products and services in 2018

Customers:

Ministry of Interior of Spain (through the Fujitsu project); top-10 car maker; top-5 bank in the US. Many of the company's contracts include confidentiality clauses which do not allow customers to be named and information to be disclosed about their projects.

Projects, commercial (highlights):

- Global Investment Information Analysis System, one of the largest M & A consultants;
- Tracking of Research Results (TRR) aims to enable policy and research policy makers to better derive, analyze and disseminate the results and impacts of funded research. Client: EC. EUR 4 million in a consortium for a period of 4 years;
- InnoRate will create a credible and objective European platform to facilitate the decision-making process by investors and lenders to finance innovative SMEs with high growth potential. Client: EC. Budget for Ototext: 349 thousand euros.

Projects, research funding:

- EXA MODE is a project for large data processing in the field of healthcare. Financing for Ototext: 621 thousand euros.
- WeVerify addresses issues related to news and content checking by using machine learning algorithms with limited human feedback as well as intuitive visualizations. Financing for Ototext: € 416,000.
- CIMA Intelligent Data Linking Project for companies from different sources. Financing for Ototext: 398,000 euros.

Products:

Ototext announced three new versions of GraphDB (8.5, 8.6, 8.7). The most important new feature was the integration of the Semantic Vectors library (statistical semantics) and integration with MongoDB.

Services:

Ototext launched the so-called managed services where the company assumes overall responsibility for client system operations, including updating of software components and updating of data. It is essential for these Ototext contracts that Key Indicators (KPIs) include not only availability and speed, but also data quality. Revenue and profit margins for these contracts are substantially higher than those of the typical 3rd-level maintenance contract.

Important Events in 2018

- The most important events are described as new products, projects and services.
- In December, Ototext became the co-founder of the Digital Health and Innovation Cluster.



- Representatives of Ontotext participated in more than 20 international conferences and trade fairs in Europe and the United States.
- Ontotext sponsors a number of conferences and initiatives aimed at developers and scientists in Bulgaria, including: 3 hacking, AI & Smart Tech and Java2Days, ESSLLI and others.

Product development

With regard to product development, four updates were made to the eighth version of GraphDB, which was released on the market at the very end of 2016. Improvements in the platform's functionality have provided consumers with a faster sense of data, a richer consumer experience, improve data performance and visualization, speed, usability, parallel data loading, and logical conclusions. Most important for GraphDB's major clients were improvements in the speed and manageability of the Enterprise Edition cluster. In August, a new database service was launched as a database-as-a-service (DBaaS) for GraphDB Cloud, which further develops Ontotext S4's cloud services. GraphDB Cloud helps organizations to outsource the management of their databases. This allows customers to avoid investing in purchasing licenses and training technical staff for installation, configuration and maintenance.

Prospects and projections for 2019

In 2019 the activity of Ontotext JSC was transferred to Sirma AI EAD. Targets and business plans concern the second company.

Main strategic objectives:

- Optimize current operations, including:
 - o More efficient and accurate delivery of solutions;
 - o A more predictable sales process;
- Significantly improving market positioning and recognition such as:
 - o Leading provider of knowledge graphs for enterprises
 - o Supplier of enterprise data management (EDM) technology in the US
- Better conversion of marketing contacts into commercial opportunities
- More innovative technology proposals, including cognitive methods and self-learning
- More active collaboration on sales and project implementation with Sirma Solutions and other companies in the group.

FINANCIAL RESULTS

ONTOTEXT

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	9 118	6 886	2232	32,41%
EBITDA	3 562	4 002	-440	-10,99%
Depreciation	(1 804)	(1 275)	-529	41,49%
Net Result	1 477	2 356	-879	-37,31%
EBITDA margin	39,07%	58,12%	-0,19	-32,78%
Net Profit margin	16,20%	34,21%	-0,18	-52,66%
Sales per share	0,5674	0,4285	0,14	32,41%
EPS	0,0919	0,1466	-0,05	-37,31%
ROE	0,0691	0,1132	-0,04	-38,92%
Total Assets	27 772	24 768	3004	12,13%
Intangibles	19 853	20 168	-315	-1,56%
Book value	1 516	651	865	132,87%
Equity	21 369	20 819	550	2,64%
Total Liabilities	6 403	3 949	2454	62,14%
Interest bearing	179	474	-295	-62,24%
D/E	0,2996	0,1897	0,11	57,97%
ROA	0,0532	0,0951	-0,04	-44,09%



ONTOTEXT USA

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	805	2 124	-1319,00	-62,10%
EBITDA	191	(79)	270,00	-341,77%
Depreciation	-	-	0,00	n/a
Net Result	(71)	(82)	11,00	-13,41%
EBITDA margin	23,73%	-3,72%	0,27	-737,92%
Net Profit margin	-8,82%	-3,86%	-0,05	128,46%
Sales per share	27	71	-43,97	-62,10%
EPS	-2,3667	-2,7333	0,37	-13,41%
ROE	0,6068	3,7273	-3,12	-83,72%
Total Assets	377	506	-129,00	-25,49%
Intangibles	-	-	0,00	n/a
Book value	(117)	(22)	-95,00	431,82%
Equity	(117)	(22)	-95,00	431,82%
Total Liabilities	494	528	-34,00	-6,44%
Interest bearing	-	-	0,00	n/a
D/E	-4,2222	-24,0000	19,78	-82,41%
ROA	-0,1883	-0,1621	-0,03	16,21%

6.5. EngView Systems Sofia

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

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

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

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

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

EngView Systems Sofia JSC carries out its activities on a global scale, through its subsidiary structure and partner network of representatives. Towards the end of 2017, the company has two subsidiaries - EngView USA and EngView Latin America, through which the marketing, distribution and customer support processes in the main markets are

managed. In addition, a network of independent partners covering a number of regional markets around the world is maintained. A major trend in recent years, continued in 2017, is the deepening of partnership with some of the major manufacturers of digital cutting machines in the form of re-branded versions of the CAD / CAM system.

Another important detail of the company's activities is the development of strategic partnerships with companies with leading market positions in the two verticals - Heidelberg, Germany in the packaging industry and QVI, USA in measuring technologies and quality monitoring technologies.

EngView Systems in 2018

Conditions for business development in 2018

In 2018, the trend towards a wider penetration of digital manufacturing technologies and business processes in the industry continued to develop in the packaging industry. The proliferation of digital technologies is growing at an increasing pace, more and more companies are investing in digital printing and manufacturing machines, and as a result, competition is rising, the competition for customers is done with offers which are getting more and more flexible, dropping restrictions on prints, personalization packaging variety of



special printing technology time for manufacturing and delivery.

This also guides the industry's predominant investment guidelines - along with investments in machines, industry companies are looking for solutions to further save time and resources to improve their competitiveness. Such solutions are the Internet and cloud-based solutions for optimizing customer communications and shortening the web-to-print and web-to-pack cycles, which is made possible in combination with new digital technologies.

On the market for technology for serial quality tracking, technological dynamics are smaller, but there may also be trends towards ever more intensive integration between classic measurement technologies and communication, mobile, information, internet / cloud-based technologies that allow speeding up the transfer, storage and processing of the information received by the measuring machines and as a result - increasing the efficiency and reliability of the quality tracking systems.

Regional and International Factors Influencing the Business of the Company

In 2018, the company continued to be present on the global market with its own proprietary brand products - the Engview Package and Display Design Suite, as well as Scan Fit & Measure and Alex Tool Matching products. This year's trend of revenue increase continued with growth of about 15% from sales of licenses and services - mainly for packaging products. In addition, Engview Systems also expanded its market share through a number of strategic partnerships with manufacturers of digital cutting machines for the packaging industry, with which OEM contracts were signed for branded Engview Package and Display Design Suite which is sold with each machine.

The long-standing strategic partnership with Heidelberg is also contributing to the consolidation of Engview Systems' position in the packaging industry. It continued to develop in 2018, identifying new areas for cooperation and launching new projects for Engview's involvement with its technological solutions in Heidelberg's new market projects. New products from the Prinect brand of Heidelberg, as well as modules and plug-ins for Signa were also launched and offered to customers – now also servicing the paper label makers.

In the same way, Engviw Systems is also gaining market share on the market for measuring machines and quality control technologies, where developed products over which Engview has the IP rights (Measure Fit) are being distributed

alongside QVI's high-quality machines. In addition to this, QVI's partnership also developed in 2018, increasing the software development services that Engview performed for QVI. The company is working hard in 2018 to develop a software product to manage a brand new line for QVI machines - to measure shafts and cylindrical elements.

Another major focus, in line with the trends in 2018, is the development and marketing of the innovative products packGate – a product based on the proprietary CAD / CAM technology. Cloud technologies, mobile and fully Internet-based functionalities are embedded in this product, fully tailored for the entry of digital production. PackGate practically optimizes and eliminates the risks of error and loss of information at a very important stage in the packaging production cycle - the initial communication between the end customer and the manufacturer. This stage is directly related to one of the main goals pursued with digitization - saving time and resources, increasing quality and eliminating the risks of refusing orders or excessive spending in production.

PackGate's mass market launch has been in preparation for several years and is yet to be fully realized, however preliminary research shows that the product still has no significant direct competitor. This opens up the prospects for the product of becoming a market leader in its niche.

Engwu Systems has entered the market for control technology thanks to its long-standing collaboration with one of the global leaders - QVI, USA. In the process of this collaboration, many products and solutions have been created, which have been incorporated into measurement systems and machines distributed by the American giant. In 2018, this strategic cooperation continued to develop. Strategic cooperation with a market leader such as QVI guarantees Engview's presence on this market but also helps identify new market potential and develop solutions in new areas which do not compete with the strategic partner.

Such is mCaliper - an innovative solution in the field of hand held measuring instruments such as callipers. mCaliper adds value to users of one of the industry's largest measurement and quality control tools, and using data transfer technologies and cloud technologies optimizes and relieves a process that has been widely embedded in machine production and a number of other industries.

Business Development in 2018 and Investments

2018 is a year in which EngView continued to invest its accumulated inventory in developing and preparing to launch its new products on the market for the two verticals in which it



is positioned. Early in the year, EngView had to use human resources from Sirma for some of the more specific developments of two of its products - packGate and mCaliper. In the process of growth and replenishment of business and product development, testing, sales and marketing teams, the company gradually specializes in new technologies.

Continued investing in the development of the core CAD / CAM product. In 2019 the new version 7 must be implemented on the world market. For its largest customer, the Dunapack plants localized all over Europe and part of the Austrian Princezhorn Holding Group, this version was provided in advance in December 2018. The potential of the version will continue to be realized in 2019 as the main goal will be the preparation for its presentation at the world's largest exhibition for the printing and packaging industry Drupa Düsseldorf Germany 2020.

Main Events in 2018

The company participated in all major exhibitions in the US for the packaging and printing industries. It had a branded stand at the Sao Paolo, Brazil as well as at Milano, Italy, where it supported one of its distributors.

Objectives and Forecast for 2019

The company will invest means and efforts in the marketing of its new products, which should reach more clients. We forecast new partnerships, a new contract with Hidelberg for the cloud-based product, as well as market realization of the product for valve measurement. The expectations are for a minimum of 15% growth in sales of all products of the company.

FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	3 122	3 190	-68	-2,13%
EBITDA	1 047	513	534	104,09%
Depreciation	(130)	(130)	0	0,00%
Net Result	542	335	207	61,79%
EBITDA margin	33,54%	16,08%	0,17	108,54%
Net Profit margin	17,36%	10,50%	0,07	65,32%
Sales per share	45,2464	46,2319	-0,99	-2,13%
EPS	7,8551	4,8551	3,00	61,79%
ROE	0,1768	0,1327	0,04	33,19%
Total Assets	3 652	2 986	666	22,30%
Intangibles	2 441	1 519	922	60,70%
Book value	625	1 005	-380	-37,81%
Equity	3 066	2 524	542	21,47%
Total Liabilities	586	462	124	26,84%
Interest bearing	2	2	0	0,00%
D/E	0,0007	0,0008	0,00	-17,68%
ROA	0,1484	0,1122	0,04	32,29%



6.6. Sirma Business Consulting JSC

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

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

Classes of shares:

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

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

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

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

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

SirmaBC was established as a separate unit in 2007 and has since become one of the leading technology players in the financial sector. The company has been established not only in the local market, but has continued to seek to increase its presence on international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to respond to growing demand and evolving industry trends tailored to the banking and financial industry specification both locally and globally.

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

MAIN TRENDS IN THE WORLD AND REGIONAL MARKETS IN 2018 IN THE VERTICAL IN WHICH THE COMPANY OPERATES:

The continuing uncertainty about the economy and the economic developments in Europe over the medium term as well as the long-term fall in interest rates and the euro's position continue to motivate banks and financial institutions to invest cautiously despite huge liquidity. The lack of sufficient human resources in the IT industry is sharpening competition and rising labor costs, which in turn slows the implementation of much of the projects. Only for Bulgaria The shortage of IT specialists in organizations has reached its highest levels in the last 7 years. Employers in the sector need to attract third-party executives to work. At the moment our country ranks among the best outsourcing destinations in Europe, which makes it difficult to keep the highly qualified employees in the local companies and their long-term motivation for career development in the country.

The main driving force for renewal and investment in technology remains the regulatory changes and requirements imposed by the European community with the introduction of the GDPR. It is expected that a strong effect and multifaceted change in the financial resources of financial players will come with the introduction of PSD2.

On the Bulgarian market, the implementation of the merger or change of ownership plan of the "Greek banks" continues, the merger of DSK and Express Bank as well as the retreat of Bulgarian banking capital further create uncertainty and



change in the plans of local players, both in terms of investments to upgrade IT environments and in the budgeting of personnel costs .

In spite of the dynamic financial environment lacking long-term investment planning, SirmaBC has traditionally pursued its priority business activities, focusing primarily on offering the new version of a major financial and banking system CBS Flexcube 12. It invests in building a team with knowledge and experience to implement the core banking system. In this regard, the SirmaBC Flexcube team has been successfully certified in the implementation of the latest version of the system. In 2018, the company successfully participated in several CBS Flexcube 12 deployment projects, with which the experts implemented the new knowledge and the SIRMA has consolidated its position as a recognizable vendor in this field.

In the past year, the company's priority was also to expand the functionality of its own developments at SIRMA. Strategic partnerships and analysis for the development of innovative products for the Bulgarian market are also primary tasks for the company in which it is invested 2018.

MARKET PRESENCE

The company reaffirms its leadership position on the market. Despite the lack of a ranking or a mechanism to measure exact positioning and market share, we can claim that we have a good brand recognition and company name among financial players, considering the huge number of queries and offers made in 2018 compared to all other previous years . On the other hand, the company's participation in all national finance and banking forums goes without exception with a very good presence and attendance at the company stands and the demonstrations and presentations made. The influence and positioning of the company as a leader is observed in the following areas: core financial systems for business management, data reporting and analysis, payment systems and e-money management systems. The company is also actively involved in national initiatives to popularize and disseminate ideas and methodology for business analysis, expanding the team with four new licensed business analysts for the past year.

OBJECTIVES FOR 2018 AND THEIR EXECUTION

The company has executed the annual financial plans and has achieved revenue growth of more than 30%. At the end of 2018, we completed several international projects that helped and significantly increase foreign earnings and to a great extent also provide a good basis for business growth in the Balkan countries. SirmaBC maintains the clear position of

the company's shareholders to develop knowledge and offer products and services only to financial institutions, which has strengthened the company as a well-known niche player to provide consulting services and services closely related to CBS Flexcube.

In the past year, we have implemented several successful projects where, in addition to a leading role, CBS Flexcube expertise have also done many activities related to database upgrades as well as 3 successful migrations. We continued expanding CBS Flexcube integration capabilities with all of the company's satellite applications, as well as working to replace user interface for end users. The company's program and plans to upgrade its expertise and build experience with CBS Flexcube versions and certifications is carried out in due course. This has led to the creation of a good environment to stabilize the incubator in this area. In addition to services related to parameterization and implementation of CBS Flexcube, the company expands its activities in offering services related to the operational support and monitoring of the Flexcube banking system with different clients in Bulgaria and abroad. Strategic partnerships with suppliers such as Axiomme, Exprivia, BluePoint Consulting, Romania, Facilision, Albania, Accenture, Greece and OFSS have been strengthened. The company continues to strengthen its position and work closely with Microsoft solutions, which it uses in its business and also sells to end-users.

MAJOR ACHIEVEMENTS OF A COMPANY IN 2018

The main focus and major projects of the company for 2018 went in two directions:

Projects related to the overall renovation and migration of core business management systems. Here we have executed and continue to perform 10 successful customer orders in Bulgaria, Albania, Bahamas and Romania for 2019. Over 35% of the revenue in this internal vertical for the company are from projects abroad.

The second successful revenue stream is from joint projects with internationally recognizable players, such as Axiomme and Exprivia, with whom we carry out major projects for banks of regional importance. More and more often, the company provides direct consulting services to financial institutions in areas such as building digital and IT strategies, building complete or partial IT architectural solutions, and providing highly-qualified expertise in analyzing and specifying customer-driven solutions. Along with the work commitments, SirmaBC has been a successful sponsor of several key events in the industry.



Objectives for 2019

The SBC continues to comply with the long-term strategy for the development of its activities entirely with its own funds. In addition, the company has taken some steps to provide a better staff base and a better regional presence of the company, acquiring its own office in Plovdiv. Investments in own products for 2019 are increased by 25% to the amount of BGN 400 thousand. As in 2018 in 2019, we do not expect the need to attract additional financial resources from funds or financial investors. SirmaBC expects:

- Increase revenue by 20%;
- Increase in profit by 10%;
- Increasing the investment in own products and services by 20%;
- Increase of the cost of courses and seminars for employees 10%;
- Increase of the number of staff and increase of the average salary in the company by 8-10%;

- Reinforcing strategic partnerships with global leaders in the financial and IT sector.

The main challenge for companies operating and assisting financial players in implementing their digital programs is and will remain in 2018 attracting and retaining staff. For a consecutive year, the IT sector in Bulgaria is making steady progress. The country is working on more and more diverse IT projects. According to statistics, this is also the fastest growing segment in the Bulgarian economy. The work of a highly qualified IT specialist generates between 25-30 thousand Euro per year, which is between two and three times the average labor productivity in the country.

Trends will continue after 2018, which means that companies in the sector will still need trained staff who are still scarce in the sector. The biggest challenge for us remains the attraction and retention of specialists. The high remuneration of their labor is no longer crucial. In summary, the major increase in the company's budget will be in the employee costs.

FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	5 858	4 657	1201	25,79%
EBITDA	833	906	-73	-8,06%
Depreciation	(294)	(437)	143	-32,72%
Net Result	516	350	166	47,43%
EBITDA margin	14,22%	19,45%	-0,05	-26,91%
Net Profit margin	8,81%	7,52%	0,01	17,20%
Sales per share	2,3063	1,8335	0,47	25,79%
EPS	0,2031	0,1378	0,07	47,43%
ROE	0,1587	0,1147	0,04	38,36%
Total Assets	4 763	4 082	681	16,68%
Intangibles	449	642	-193	-30,06%
Book value	2 803	2 410	393	16,31%
Equity	3 252	3 052	200	6,55%
Total Liabilities	1 511	1 030	481	46,70%
Interest bearing	0	0	0	n/a
D/E	0,0000	0,0000	0,00	n/a
ROA	0,1083	0,0857	0,02	26,35%



6.7. Sirma Group Inc./dba Panaton

- <http://panatonsoftware.com/>
- **Sirma USA is a subsidiary of Sirma Solutions**
- **Sirma USA operates in the cross-industry segment of specialization**

General Business Conditions

We operate exclusively in North America and our business follows closely the general economic trends of the American technology market. In 2018 the technology sector was strong with substantial growth and our results reflected these trends.

Our leading clients are in the Cyber Security, Insurance, Financial Services, Non-Profit and Semiconductor sectors.

We offer highly customized, complex software solutions and custom systems development and are primarily focused on small to medium enterprises and startups.

The market demand for highly competent software developers that can deliver turn-key, custom solutions continues to be strong. The very rapid pace of technology innovation that is characteristic for the US and particularly for Silicon Valley continuously generates new startups and new product ideas from existing clients, which is a good fit to the type of work we are best at.

Our US business is mostly driven by referral and we do not invest in generic digital marketing, advertising or trade-show appearances. We have excellent reputation and a depth of present and former clients that allows us to generate the majority of new professional services business by referral and word of mouth.

An exception to this pattern has been our Non-profit business, focused on our Conservation Space Museum product. In this area we invested in a broader marketing effort, including trade-show appearances. Still, all of our clients have been through referrals from our existing primary contract with the National Gallery of Art in Washington DC.

Regional Business Conditions

We were able to increase our hourly rates by as much as 7% on average, as the North American market is retreating from using generally lower-quality and competency services from India and what is perceived as "insecure" services from Russia and Ukraine, where the majority of the large outsourcing firms reside.

Economic conditions remain strong for offshore engineering labor since there is a shortage of qualified engineering labor in the U.S. as well as a healthy economic outlook for 2019 based on key indicators.

Business Growth in 2018 and Achievement of the Investment Goals

The US business grew Revenues by approximately 20% in 2018. We were able to expand the client portfolio with several new strategic customers and to develop core modular technology that supports our long-term efficiency and profitability.

The US division did not make any investments in 2018.

New Clients

Non-Profit / Museum Business:
Yale University Library and Museum
Denver Art Museum
Arizona State University

Financial Services:
TimeSuite
Mascoma Bank

Semiconductors:
Resonant

Mobile Apps:
Jungo Sports

Insurance (AI/Machine Learning):
Pets Best

New products:

Based on our ongoing work in cloud computing and big data analytics we developed **Kanin.io** a framework for Real Time Analytics. We have two new projects in 2019 that will take advantage of its capabilities.

We also developed **BOcore** (Business Objects Core) - a framework for rapid business object prototyping that we intend to use across multiple new projects. This pre-built starting point for implementing new business systems allows us to cut down the time required to deliver minimum viable versions of new projects.

Important Events

Attended the American Alliance for Museums as well as the show for Conservators where we validated that this is not a predictable audience for revenues around a focused product line. Sirma should stick to our core competency of integration and software enhancement for one off projects with Museums that have funding (Van Gogh Museum, The Vatican, Etc)

New Contracts

For 2019 we have two new contracts – with uBeam, who are a new client and with Mascoma Bank, which is an expansion of the existing relationship.



We believe that our existing contracts are at a low to medium continuity risk – in other words we expect to not have more than 20% churn of projects in 2019. It is important to note that our business is primarily with small to medium and startup companies, which are inherently riskier themselves.

Business Challenges in 2018

By a long margin our most pressing challenge is our ability to recruit and retain highly qualified software engineers in Bulgaria. The shrinking labor pool and inflation of salaries in the sector are ongoing problems.

Forecast for 2019

We believe that we will be able to bring in 2 to 3 new major accounts and grow the year to year services Revenues in North America by more than 15%. It is important to note that

with our services based business, our revenue and profitability is directly related to the number of billable staff and billable hours per year.

This forecast could be easily exceeded if our Kanin.io and related add-ons is well received and we can begin extracting product revenues from it.

Overall for 2019 the outlook remains healthy based on key economic indicators. Once we are completed with the Mascoma Project, we'll be able to get references for additional work in Regional Banks and Credit Unions. We also see signs that Kanin IO will be a integral part of the offering for Banks for Fraud Detection / Prevention.

FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues	6 928	853	6075	712,19%
EBITDA	(197)	(1 431)	1234	-86,23%
Depreciation	(15)	-	-15	n/a
Net Result	(210)	(1 431)	1221	-85,32%
EBITDA margin	-2,84%	-167,76%	1,65	-98,31%
Net Profit margin	-3,03%	-167,76%	1,65	-98,19%
Sales per share	0,3211	0,0395	0,28	712,19%
EPS	-0,0097	-0,0663	0,06	-85,32%
ROE	-0,2652	-1,0882	0,82	-75,63%
Total Assets	4 108	2 235	1873	83,80%
Intangibles	1 266	5	1261	25220,00%
Book value	(474)	1 310	-1784	-136,18%
Equity	792	1 315	-523	-39,77%
Total Liabilities	3 316	920	2396	260,43%
Interest bearing	21	-	21	n/a
D/E	0,0265	0,0000	0,03	n/a
ROA	-0,0511	-0,6403	0,59	-92,02%

6.8. Sirma ICS

- <http://sirmaics.com/>
- Sirma ICS is a subsidiary of Sirma Solutions
- Sirma ICS JSC operates in the Finance segment of specialization
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 270,000 number of shares or 90% of the capital.

Sirma ICS in 2018

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

Conditions for Business Development in 2018

Marketing analysis of the industries in which the company operates - The Company operates in the insurance sector with target clients insurance brokers and insurance companies. Both segments show revenue growth and,



therefore, digital demand is on the increase. At the same time, both segments reduce the number of market participants, a trend particularly evident in the segment of insurance brokers. The reason for this is the growing regulatory and financial requirements for insurance brokers, leading to a reduction in their number.

Marketing analysis of the company's products and services - The company offers Sirma Insurance Enterprise Platform and Sirma Insurance Enterprise MTPL API, as well as customized solutions and developers such as websites, end-to-end web portals and administrative portals, mobile applications, process and document management, and others. Due to regulatory changes and changes in the way the web services of the insurance companies were imposed, the full processing of the Sirma Insurance Enterprise Web Calculator was imposed, which will continue until the middle of 2019. The company's products are the most recognizable on the market. All components of Sirma Insurance Enterprise and are available as standalone SaaS solutions.

Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment, but by working with our international clients in 2019 a plan and assessment will be prepared for the necessary resources for expansion in other markets. Potential first international markets are Romania, Serbia, Macedonia and Albania.

Business Development in 2018 and Investments

In 2018, Sirma ICS continued to pursue its strategic goals:

- Increasing product range in insurance broker software and product optimization and functionality: In May 2018, we successfully replaced our core software product ICS Platform with the new Sirma Insurance Enterprise, with the following major improvements:
 - o Completely new interface and user management system
 - o GDPR compliancy
 - o Complying with the requirements of Ordinance 54 of the FSC
 - o With over 20 new modules and functionalities, including completely new rights and user management modules, a new login system, new forms for forms and reports, and more.
- 100% of our customers have switched to our new system.
- Creation of a positive reputation of the company with the companies in the insurance sector in Bulgaria.

- We continued the development of e-insurance in the module "ICS WEB PLATFORM" by attracting a large operator for a client.

- Building new portals and mobile applications, including client portfolios of insurance companies and insurance brokers.

Many new brokers and insurance companies were attracted, and the company's pricing policy was changed. The new software product, Sirma Insurance Enterprise, has completely replaced the previous ICS Broker Platform. The monthly license fee for the new product has been increased and the cost of using the system also leads to increased financial stability and sustainability of the company.

In 2018, the company relied on a robust and sustainable model of product sales with a monthly license fee, rather than relying on large one-time deals that were more predictable.

New:

- customers

The Company entered into 16 new contracts with insurance brokers and 2 with insurance companies. Among the new clients are 3 bank brokers, 2 leasing brokers and a large provider of telecommunication services.

- projects

1. Individualization of the Sirma Insurance Enterprise Platform for bank brokers,

2. API for Third Party Liability Insurance for the Telecommunications Sector,

3. API for Leasing Companies,

- products

2 new mobile apps

- services

consulting services to end customers

Important events for Sirma ICS in 2018

In 2018 changes made by the FSC on the registers of the Guarantee Fund for the exchange and protection of information and for the issuance and reporting of the compulsory insurances under Art. (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data relation to the processing of personal data and on the free movement of such data and repealing Directive 95/46 / EC (Single Data Protection Regulation),



In the first months of 2019 - change in the Guarantee Fund regulations on the contribution of insurers offering in the Republic of Bulgaria obligatory Third Party Liability Insurance to the Uninsured Vehicles Fund of the Guarantee Fund.

New Contracts

Individualization of the Sirma Insurance Enterprise Platform for Bank Brokers, API for Third Party Liability Insurance, API for Leasing Companies, 2 new Mobile Applications, End customer consultancy services.

Information on Client Retention

Customers are professionally serviced and the product they receive is constantly being developed, with customers being upgraded and at the same time all necessary regulatory changes are implemented. Due to regulatory changes 5 of the company's clients have stopped their business activity.

Challenges and unsolved issues in 2018

An unresolved issue is the Sirma Insurance Enterprise Web Calculator for which changes have occurred as a result of

regulatory changes. Launch of the product is scheduled in Q2 2019.

Perspectives for 2019

We are anticipating growth of the Sirma Insurance Enterprise Platform, attracting customers for Sirma Insurance Enterprise Web Calculator, initiating SIE Platform individualization work for bank brokers and leasing companies. Work on 2 mobile applications, create at least 2 new mobile applications, create websites and web portals for clients.

We anticipate the closing of new contracts for an amount of over BGN 200,000 for the year.

Extraordinary Information

Increasing regulatory requirements. Aggravation of the requirements to the main clients of the company - insurance brokers and insurance companies, leading to mergers and acquisitions and respectively, a smaller market.

Planned Increase of Head Count in 2019

The company does not plan to increase head count in 2019.

FINANCIAL RESULTS

BGN '000	2018	2017	Change 2018/2017	Change
			BGN '000	2018/2017
				%
Revenues	701	1 327	-626,00	-47,17%
EBITDA	95	350	-255,00	-72,86%
Depreciation	(17)	(15)	-2,00	13,33%
Net Result	64	294	-230,00	-78,23%
EBITDA margin	13,55%	26,38%	-0,13	-48,62%
Net Profit margin	9,13%	22,16%	-0,13	-58,79%
Sales per share	2,3367	4,4233	-2,09	-47,17%
EPS	0,2133	0,9800	-0,77	-78,23%
ROE	0,0900	0,4537	-0,36	-80,16%
Total Assets	1 119	1 078	41,00	3,80%
Intangibles	1 041	954	87,00	9,12%
Book value	(330)	(306)	-24,00	7,84%
Equity	711	648	63,00	9,72%
Total Liabilities	408	430	-22,00	-5,12%
Interest bearing	27	32	-5,00	-15,63%
D/E	0,0380	0,0494	-0,01	-23,10%
ROA	0,0572	0,2727	-0,22	-79,03%



6.9. S&G Technology Services

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

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

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

In 2018, the company successfully completed projects in major international banks in Ireland, Kenya, Luxembourg and the UK.

6.10. Sirma Group Holding – individual financial results

BGN '000	2018	2017	Change 2018/2017 BGN '000	Change 2018/2017 %
Revenues*	5 884	5 735	149	2,60%
EBITDA	3 281	3 338	-57	-1,71%
Depreciation	(242)	(324)	82	-25,31%
Net Result	2 596	2 809	-213	-7,58%
EBITDA margin	55,76%	58,20%	-0,02	-4,20%
Net Profit margin	44,12%	48,98%	-0,05	-9,92%
Sales per share	0,0991	0,0966	0,00	2,60%
EPS	0,0437	0,0473	0,00	-7,58%
ROE	0,0360	0,0404	0,00	-10,88%
Total Assets	93 551	79 836	13 715	17,18%
Intangibles	9 394	5 136	4 258	82,90%
Book value	62 686	64 370	-1 684	-2,62%
Equity	72 080	69 506	2 574	3,70%
Total Liabilities	21 471	10 330	11 141	107,85%
Interest bearing	15 866	6 419	9 447	147,17%
D/E	0,2201	0,0924	0,13	138,35%
ROA	0,0277	0,0352	-0,01	-21,13%

* according to the FSC's instructions, the dividend income is included in the income from the main activity of "Sirma Group Holding" JSC



7/ RESULTS BY SEGMENT

SIRMA GROUP HAS DEFINED ITS OPERATIONS IN SEVERAL SEGMENTS:

STRATEGIC VERTICALS



Finance

Sirma Business Consulting

Leading integrator and implementer of Oracle FlexCube™

S&G Technology Services

Leading integrator and implementer of Temenos core banking software.

Sirma ICS

Leading provider of insurance broker platform.



Healthcare and Life Sciences

Sirma Medical Systems

Software applications for management and control of chronic diseases; leading product Diabetes-M.

Ontotext

Data integration, text analysis and semantic search. Analyze reports from clinical trials of medicines, patient records and scientific papers for pharmaceutical companies and health insurers.



Industrial Solutions

Eng View

Leader in the provision of products and solutions for the measurement industry; OEM partner of QVI – the world's second biggest manufacturer of machines for the measurement industry.



Market Intelligence and Publishing

Ontotext

Global leader in semantic solutions for data integration and content analysis for media, business and investment information agencies, and scientific publishers.

Sirma Group Inc

Provider of software solutions and services for galleries, museums, archives and libraries (GLAM).



Retail and Utility

Sirma Solutions

Among the leading providers of face recognition solutions; Solutions and services based on algorithms for machine learning;

Sirma USA

Developer of an innovative solution for Cyber Security.

Sirma CI

(Customer Intelligence)

Cognitive software solutions for omnichannel retail and communications.



7.1. Segment Core Technologies / SENPAI

What we did in 2018?

Ontotext has launched two new versions of GraphDB - 8.7 and 8.8. GraphDB 8.7 offers vector-based concept matching and better scalability, performance and data governance. The latter version offers integration with MongoDB for metadata on a large scale, new semantic search for similarity based on graph integration, and faster and more flexible fulltext search (FTS) connectors. Ontotext signed a deal with Fujitsu Technology Solutions SA, Madrid, which bought licenses for GraphDB Enterprise Cluster Configuration, and joined the group of three other top 10 IT service providers using GraphDB as part of their AI platforms: InfoSys, Atos Origin and NTT Data.

FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018	31.12.2017
			BGN '000	BGN '000
Core Technologies	Revenues	Revenues from sales of services	5 606	5 258
		Revenue from financing	119	-
	Revenues Total		5 725	5 258
	Expenses without depreciation	Other expenses	(272)	(40)
		Material expenses	(9)	(36)
		Expenses for external services	(3 178)	(4 527)
		Wage expenses (wages)	(3 316)	(3 215)
		Social Security expenses	(256)	(339)
	Expenses without depreciation Total		(7 031)	(8 157)
	Capitalization 613	Expenses for external services	3 968	4 292
		Wage expenses (wages)	531	865
		Social Security expenses	59	85
		Depreciation and amortization expenses	62	-
	Capitalization 613 Total		4 620	5 242
	Unfinished production 611	Depreciation and amortization expenses	18	9
		Expenses for external services	64	8
		Wage expenses (wages)	177	411
		Material expenses	0	1
		Social Security expenses	15	42
	Unfinished production 611 Total		274	471
	Depreciation and amortization	Depreciation and amortization expenses	(2 079)	(1 465)
	Depreciation and amortization Total		(2 079)	(1 465)
	Result		1 509	1 349

In 2018 the revenues of the segment grew by 8,88%, and the result increased by 11,87% or 160 thousand BGN compared to 2017.



7.2. Segment Cross Industry Solutions

This is Sirma's largest segment. It includes consulting, system integration, and public sector. Companies of Sirma Group operating in the Cross-industry segment are: Sirma Solutions JSC, Sirma USA, Datium JSC.

SIRMA GROUP PRODUCTS, SERVICES AND Solutions IN THE Cross industry SEGMENT:

Vertical	Product, Solution, Service	Application	
Cross-Industry Solutions	Sirma Enterprise Intelligent Platform	Intelligent processes and documents	
	Computer vision	Finance management	
	E-services and e-government	Human Resources	
	Cyber security for applications	Marketing and sales	
	DevOps	Managing and developing products and services	
	Tiimz	Information security	
	Mobile Parental Control/Bipper;	Cloud Services, Data Center	
	Digital Signature Solution;		
	GoDigital		
	Manage "DevOps" processes		
	System integration		
	IT consulting services;		
	Sirma Enterprise Solutions;		
	Cloud services/laaS		
	Daticum Cloud Platform		
	Sirma Complete Cloud		
	VipCloud		
		Cloud infrastructure as a service (IaaS)	
		Managed services	
		Backup as a service (BaaS)	
	Disaster Recovery as a service (DRaaS)		
	Leased servers and equipment		
	Colocation of hardware equipment		
	Construction and operation of backup data centers		
	Custom Software Development		

What we did in 2018?

Sirma Solutions started the project for the development and upgrading of the information system for reimbursement of medicines prices. The company completed Phase I of the FMO project. Sirma USA has continued the successful implementation of the project with MascomaBank, to create "Bank Statement Printing" management software. We have carried out Phase 3 of AXCESS project, which includes improvements to the bid platform, for California-based client. For KOUNT project we have successfully completed the implementation of a "velocity engine" for financial transactions risk assessment. Datium JSC was certified under ISO / IEC 9001: 2015q as well as ISO / IEC 27001: 2013. Another audit has been successfully completed under an additional ISO / IEC 27018: 2014 standard, which refers to the implementation of personal data protection measures (GDPR). The company established a strategic partnership with DGM, through which DGM's customers will be served by DATICUM cloud platform.



FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018	31.12.2017
			BGN '000	BGN '000
Cross Industry	Revenues	Other operating revenue	1 492	322
		Revenues from sales of goods	12 027	11 361
		Revenues from sales of services	25 670	22 058
		Revenues from sales of FA	2	-
		Revenue from financing	171	179
		Revenues Total	39 362	33 920
	Expenses without depreciation	Other expenses	(1 780)	(614)
		Book Value of Goods Sold	(10 174)	(10 141)
		Expenses for external services	(3 786)	(4 973)
		Wage expenses (wages)	(7 470)	(7 158)
		Material expenses	(10 263)	(7 886)
		Social Security expenses	(882)	(719)
	Expenses without depreciation Total	(34 355)	(31 491)	
	Capitalization 613	Depreciation and amortization expenses	710	643
		Expenses for external services	867	3 064
		Wage expenses (wages)	830	1 497
		Social Security expenses	117	198
	Capitalization 613 Total	2 524	5 402	
	Unfinished production 611	Other expenses	56	270
		Wage expenses (wages)	548	4
		Social Security expenses	83	-
	Unfinished production 611 Total	688	274	
Depreciation and amortization	Depreciation and amortization expenses	(1 663)	(1 687)	
Depreciation and amortization Total		(1 663)	(1 687)	
Result		6 556	6 418	

In 2018, the segment posted result growth by BGN 138 thousand or 2,15% compared to 2017.

7.3. Financial Segment

The companies from sirma group which operate in the financial segment: Sirma Business Consulting JSC, S&G Technology Services, Sirma ICS JSC.

Products, solutions and services of Sirma Group for the financial segment

Vertical	Product, solution, service	Use
Finance	Implementation of Oracle FlexCube & Temenos	Automation of the back-office functions
	Software for insurance broker ICS Platform	Prevention of money laundering
	System for regulatory reporting RepXpress	Prevention of fraud
	UBX Central Credit Register	Risk assessment
	System for regulatory reporting CeGate	Compliance evaluation
	Card management and transactions as a service	Personalized services
	Migration of key financial systems, products and services to the cloud	Client service, improvement of client satisfaction and engagement using all communication channels and sales
	Multi-functional and multi-channel platforms	Client service, cross and up sales
	Chatbot and intelligent assistants	Customer knowledge, sales and behavior forecast



What we did in 2018?

Sirma Business Consulting signed a new contract with a Bank of the Bahamas Bank of the Caribbean. The contract provides a full upgrade of all banking information systems to the latest version of Oracle FlexCube 12. The overall project duration is 18 months. The contract value is \$ 1.2 million.

S & G Technology Services enriched its portfolio of innovative projects. The company successfully completed a new fully integrated mobile application for UBB (part of the KBC Group), it also introduced Open Banking for T24 together with Temenos. Both projects will help S & G become a preferred European consultant, in the field of banking software, enabling clients to achieve digital transformation and compliance.

FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018 BGN '000	31.12.2017 BGN '000	
Financial	Revenues	Other operating revenue	46	41	
		Revenues from sales of services	7 373	6 220	
		Revenues from sales of FA	18	-	
		Revenues Total		7 437	6 261
	Expenses without depreciation	Other expenses	(220)	(269)	
		Book Value of FA Sold	(11)	-	
		Expenses for external services	(1 452)	(1 474)	
		Wage expenses (wages)	(3 700)	(3 213)	
		Material expenses	(260)	(72)	
		Social Security expenses	(431)	(406)	
		Expenses without depreciation Total		(6 074)	(5 434)
	Capitalization 613	Depreciation and amortization expenses	-	89	
		Expenses for external services	-	324	
		Wage expenses (wages)	12	241	
		Social Security expenses	3	27	
		Capitalization 613 Total		15	681
	Depreciation and amortization	Depreciation and amortization expenses	(311)	(543)	
		Depreciation and amortization Total		(311)	(543)
	Result			1 067	965

In 2018, the segment posted result growth of BGN 102thousand or 10,57% compared to 2017.



7.4. Segment Market Intelligence, Publishing and Cultural Heritage

COMPANIES OF SIRMA GROUP WHICH OPERATE IN THE SEGMENT: **ONTOTEXT JSC**

Product, services and solutions of sirma group in the segment MARKET INTELLIGENCE, PUBLISHING AND CULTURAL HERITAGE

Vertical	Product, solution, service	Use
Market intelligence, Publishing and Cultural heritage	GraphDB	Extraction, linking, structuring and enriching of information from various sources
	Instrument for text analysis	Text analysis of unstructured data
	Platform for dynamic semantic publishing	Data base integration within big graphs of data
	Digital assistant for fact-checking - Hercule	Analysis of documents, extraction of information and meta-data generation, which link text with structured data
	Text and data management	Linking company knowledge, information extracted from text and public open data.
	Content management and collaboration	Content query and indexation
	Public Content Management	Context and personalized content suggestion.
	Sirma Enterprise Platform	Helps research various content, published on the Internet, such as news, video and publication in social networks.
	Museum Space	Intelligent query, personalized content, suggestions, discovery of fake news, fact check, popularity ranking
	Collection Management	Intelligent transformation of every kind of organization
	SEIP	Creation of vertical business solutions based on specific areas of knowledge
	Data, Knowledge and Analytical services	Creation, storage and restoration of versions of important documents for cultural heritage objects
Digital Asset Management	Safeguards important objects and digital archives of becoming victims of inadequate policies for protection of records, changes in the documents, accidents or disasters caused by man or nature.	

What we did in 2018?

We are working hard to expand partnerships with global IT service providers, consultants and system integrators. This is a vital part of Ontotext and Sirma's business development strategy, the approach we use in order to offer our cognitive business solutions for large businesses and governments around the world. Ontotext won € 1.4M funding and secured a total of € 3.1M for R&D in the field of AI.



FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018 BGN '000	31.12.2017 BGN '000
Market intelligence, Publishing and Cultural heritage	Revenues	Other operating revenue	9	9
		Revenues from sales of services	2 711	2 116
		Revenues from sales of materials	-	1
	Revenues Total		2 720	2 126
	Expenses without depreciation	Other expenses	(87)	(33)
		Expenses for external services	(942)	(612)
		Wage expenses (wages)	(962)	(807)
		Material expenses	(34)	(8)
		Social Security expenses	(90)	(75)
		Expenses without depreciation Total		(2 115)
	Depreciation and amortization	Depreciation and amortization expenses	(13)	(65)
	Depreciation and amortization Total		(13)	(65)
	Result		592	526

In 2018, the segment recorded a increase in its result by BGN 66 thousand, compared to 2017.

7.5. Segment Industrial Solutions

The company within Sirma Group, which primarily operates in the Industrial segment: EngView Systems Sofia JSC.

Products, services and solutions of sirma group in the industrial segment:

Vertical	Product, service, solution	Use
Industrial solutions	EngView Package & Display Designer Suite	CAD tools for design of packaging and displays
	packGate	Online portal for packaging and display manufacturing connecting customers with manufacturers
	e-Callipre	Electronic caliper
	ScanFit & Measure	Intelligent video measurement software.
	E-QMA	Quality management
	TurnCheck	Specialized software for the measurement of shafts and rotary parts, part of OEM solution for quality control in their production.

What we did in 2018?

EngView Systems participated in all major exhibitions and trade events related to the packaging and aluminum industry (Brazil, Germany, Italy). The company has strengthened its partnership with its major Italian distributor – Viscom, and both companies took part in an important regional exhibition for the press, advertising, and packaging. It was presented the new cloud-based solution for



online design and sales of packaging. The joint participation of SGIA's largest exhibition for the printing industry, with two of OEM's partners, Colex and MultiCam. Among the most famous trade exhibitions in which the company participated were FachPack2018 (Germany), Grafima2018 (Serbia), CorrugatedWeek2018 (USA), FASTSIGNS 2018 OUTSIDE SALES SUMMIT (USA), International Graphic Arts Show in Tokyo, Sign & Digital 2018 in Birmingham, UK, ISA Sign Expo 2018 (USA). EngView Systems has become a member of the Ghent Workgroup - GWG association, working to develop standards for describing packaging manufacturing processes. The measurement products were jointly presented to M-Tech Tokyo 2018 with a local partner.

FINANCIAL RESULTS FOR THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018 BGN '000	31.12.2017 BGN '000
Industrial solutions	Revenues	Other operating revenue	19	17
		Revenues from sales of goods	90	29
		Revenues from sales of services	2 919	2 850
	Revenues Total		3 028	2 896
	Expenses without depreciation	Other expenses	(127)	(119)
		Expenses for external services	(985)	(811)
		Wage expenses (wages)	(1 830)	(1 991)
		Material expenses	(49)	(66)
		Social Security expenses	(209)	(214)
		Book Value of Goods Sold	(54)	(29)
	Expenses without depreciation Total		(3 254)	(3 230)
	Capitalization 613	Expenses for external services	129	289
		Wage expenses (wages)	945	596
		Social Security expenses	101	62
	Capitalization 613 Total		1 175	947
	Depreciation and amortization	Depreciation and amortization expenses	(161)	(162)
		Depreciation and amortization Total		(161)
Result			788	451

In 2018, the segment posted increase in its result of 74,72% or BGN 337 thousand compared to 2017.

7.6. Segment Retail & Utility

Companies in Sirma Group, which operate in the segment Retail: Sirma Solutions, Sirma USA.

Vertical	Product, service, solution	Use
Retail & Utility	Comprehensive solution for in-store marketing – MarketVidia	Facial recognition with high precision
	Platform for management of loyalty programs LOYAX	Demographic identification
	Marketing and forecast analytics for consumer behaviour	Automated data collection
	Mobile OCR	Heatmap analysis in stores
	Chatbot, intelligent assistants	Improvement of customer experience
		Multi-channel communication
		Security – national, corporate

What we in 2018?

Sirma Solutions signed a long-standing contract with a large international retailer. The company has delivered consulting IT services, implementation and delivery of software and hardware for lottery management, games and promotional activities nationwide. We have just finished the details of the long-term partnership with one of the leading telecoms in Bulgaria for distribution of a software platform as VAS (value-added service) of a cloud solution, targeting the SMB segment. The project will start at the beginning of Q2 2019.



FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018	31.12.2017
			BGN '000	BGN '000
Retail & Utility	Revenues	Revenues from sales of services	158	1 321
	Revenues Total		158	1 321
	Expenses without depreciation	Other expenses	(0)	(20)
		Expenses for external services	(1)	(250)
		Wage expenses (wages)	(44)	(749)
		Material expenses	-	(7)
		Social Security expenses	(6)	(88)
	Expenses without depreciation Total		(51)	(1 113)
	Capitalization 613	Depreciation and amortization expenses	-	4 031
		Wage expenses (wages)	-	450
		Social Security expenses	-	55
	Capitalization 613 Total		-	4 536
	Depreciation and amortization	Depreciation and amortization expenses	-	(4 036)
	Depreciation and amortization Total		-	(4 036)
	Result		107	708

In 2018 the segment result decreased by BGN 601thousand compared to 2017.

7.7. Segment Healthcare & Life Sciences

The company within Sirma Group, which mainly operates in the segment Healthcare: Sirma Medical Systems JSC.

Products, services and solutions of sirma group in the segment healthcare:

Vertical	Product, service, solution	Use
Healthcare & Life sciences	Intelligent mobile application for control of diabetes – Diabetes: M	Diabetes management
	Platform for comprehensive monitoring of chronic diseases	Process optimization in various clinics and hospitals
	Software platform for management of healthcare institutions	Collection, access and sharing of information for health or sickness
	Personal health terminal – electronic patient file	

What we did in 2018?

MPI2 was presented on the annual congress of the American Speech and Hearing Association, at the ASHA Convention 2018 / Boston, Massachusetts. MPI2 is the only software application validated by clinical trials of the Food and Drug Administration in the United States. Ontotext, in collaboration with 20 researchers from all over Europe, won funding for a research project ExaMode, under the Horizon 2020 framework. ExaMode is a Big Data project for Healthcare. By using artificial intelligence algorithms, the project revolutionizes pathological diagnosis.



FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2018 BGN '000	31.12.2017 BGN '000
Healthcare & Life sciences	Revenues	Other operating revenue	12	-
		Revenues from sales of services	383	252
	Revenues Total		395	252
	Expenses without depreciation	Other expenses	(19)	(3)
		Expenses for external services	(13)	(186)
		Wage expenses (wages)	(394)	(347)
		Expenses for materials	(2)	-
		Social Security expenses	(33)	(32)
	Expenses without depreciation Total		(461)	(568)
	Capitalization 613	Depreciation and amortization expenses	12	21
		Wage expenses (wages)	103	290
		Social Security expenses	11	27
	Capitalization 613 Total		126	339
	Depreciation and amortization	Depreciation and amortization expenses	(12)	(21)
		Depreciation and amortization Total	(12)	(21)
	Result		48	2

In 2018 the segment result decreased by BGN 46 thousand compared to 2017.

8/ INVESTMENTS BY COMPANY

For information on the investments by company, please refer to Appendix 4.

9/ MAIN MARKETS

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

REVENUE BY REGIONS AND COUNTRIES:

Region	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Australia	3	71	(68)	-95,77%
Asia	232	760	(528)	-69,47%
Africa	39	38	1	2,63%
Europe	38 203	32 825	5 378	16,38%
United Kingdom	8 698	8 157	541	6,63%
South America	12	33	(21)	-63,64%
North America	11 638	10 152	1 486	14,64%
Total	58 825	52 036	6 789	13,05%

"Sirma Group Holding" JSC and the companies from the Group realize their production and services without geographical restrictions. However, traditionally the highest sales Group generates in Europe and North America. These, together with United Kingdom revenues, occupy traditionally 99,51 % of the total amount of consolidated revenue. Nevertheless, due to the exceptional diversification of its products and services, which are applied in many different sectors and customers, we can not talk about any dependence of the Group on individual clients or on particular service

10/ CONSOLIDATED FINANCIAL RESULTS

10.1. Consolidated revenues

Consolidated revenues in 2018 includes:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Operating revenues from the sale of materials	-	1	(1)	-100,00%
Operating revenues from the sale of goods	12 117	11 390	727	6,38%
Operating revenues from sales of services	44 820	40 077	4 743	11,83%
Revenue from revaluation and sale of FA	20	-	20	n/a
Revenues from financing	290	179	111	62,01%
Operating revenue from others	1 578	389	1 189	305,66%
Total	58 825	52 036	6 789	13,05%

Consolidated revenues grow steadily at a high rate of 13,05% or BGN 6 789 thousand during the period considered, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

Revenues from sales of services by type:

Type of service	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Backup services	97	80	17	21,25%
MAN connectivity	32	26	6	23,08%
Subscriptions	3 606	3021	585	19,36%
Administrative, accounting services	19	21	(2)	-9,52%
Outsourcing services	78	36	42	116,67%
Installation fee	2	2	-	0,00%
Internet	111	108	3	2,78%
Co-location	88	86	2	2,33%
Consulting services	6 424	3 975	2 449	61,61%
Consumables	165	172	(7)	-4,07%
Rental of software license	226	170	56	32,94%
Rental of hardware and licenses	90	99	(9)	-9,09%
Cabinet rental	183	179	4	2,23%
Rents	2	2	-	0,00%
Cloud Services	2 902	2 226	676	30,37%
Training	41	70	(29)	-41,43%
License revenues	2 283	1 984	299	15,07%
Revenue from European Projects - IAS 20	639	669	(30)	-4,48%
System integration	3 639	9 402	(5 763)	-61,30%
Software services	23 862	17 518	6 344	36,21%
Technical Support	136	149	(13)	-8,72%
Hosting	195	82	113	137,80%
Total	44 820	40 077	4 743	11,83%



10.2. Consolidated staff expenses

Consolidated staff costs include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Unused leave	77	0	77	n/a
Sick Leave	64	45	19	42,22%
Bonuses	227	60	167	278,33%
Paid leave	1 100	1 177	(77)	-6,54%
Expenses for wages under civil contracts	106	214	(108)	-50,47%
Payroll costs for contracts for management and control	1 322	1 351	(29)	-2,15%
Expenditure on retirement benefits under IAS 19	18	(25)	42	n/a
Social securities costs for civil contract	4	11	(7)	-63,64%
Social securities costs for contracts for management and control	38	38	-	0,00%
Social securities costs for unused leave	18	(3)	21	-700,00%
Social securities costs for labour contracts	2 017	1 937	80	4,13%
Wage costs	16 094	15 955	139	0,87%
Total	21 085	20 760	325	1,57%

In 2018 the staff on Labour Contracts in the Group retains its number and the consolidated staff expenses increased by 1,57%.

Count of staff in the Group:

31.12.2018

Company	LC	CMC	Total
SIRMA CI	5	3	8
SIRMA ICS	9	1	10
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	42	5	47
SIRMA AI	1	2	3
SIRMA BUSINESS CONSULTING	56	5	61
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	7	3	10
ONTOTEXT	58	3	61
Total	352	48	400

31.12.2017

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	10	7	17
ENGVIEW SYSTEMS SOFIA	39	5	44
SIRMA AI	2	3	5
SIRMA BUSINESS CONSULTING	53	5	58
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	144	7	151
SIRMA MEDICAL SYSTEMS	4	3	7



SIRMA GROUP INC.	1	0	1
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	59	3	62
Total	352	47	399

10.3. Consolidated operating expenses

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Material expenses	(10 710)	(8 148)	(2 562)
Change in %			31,44%
Expenses for external services	(11 059)	(13 481)	2422
Change in %			-17,97%
Depreciation and amortization of non-financial assets	(4 412)	(8 179)	3767
Change in %			-46,06%
Cost of goods sold and other current assets	(10 239)	(10 170)	(69)
Change in %			0,68%
Changes in stocks of finished products and incomplete production	962	745	217
Change in %			29,13%
Capitalized own expenses	8 523	17 330	(8 807)
Change in %			-50,82%
Other expenses	(2 730)	(1 579)	(1 151)
Change in %			72,89%
Total expenses	(29 665)	(23 482)	(6 183)
Change in %			26,33%

In 2018, consolidated operating expenses gradually increased in line with the Group's consolidated revenues. The highest share in consolidated operating expenses has consolidated external service expenses (37,28%), followed by material expenses (36,10%).

10.4. Consolidated financial income/costs (net)

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Financial costs	(1 306)	(1 049)	(257)	24,50%
Financial income	779	439	340	77,45%
Financial income / expenses net	(527)	(610)	83	-13,61%

Consolidated financial expenses increased by BGN 257 thousand or by 25,50 % in 2018, mainly due to the exchange rate differences on currency transactions. Financial income increased by BGN 340 thousand or by 77,45%, mainly due to the increase in revenues from currency operations.

10.5. Consolidated assets

Like the revenues, assets posted an increase of BGN 13 192 thousand or 9,95% over 2018. Traditionally, most of them, or 34,29%, occupy intangible assets, incl. Goodwill (15,43%), which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

NON-CURRENT ASSETS

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Non-current assets				
Intangible assets	49 968	48 471	1 497	3,09%
Property, plant and equipment	5 041	5 214	(173)	-3,32%
Investments in subsidiaries	7	222	(215)	-96,85%
Investments in Associates	157	236	(79)	-33,47%
Deferred tax assets	307	198	109	55,05%
Expenses for acquisition of fixed assets	40 020	36 737	3 283	8,94%



Goodwill	22 482	19 540	2 942	15,06%
Total	117 982	110 618	7 364	6,67%

Non-current assets increased by BGN 7 364 thousand or by 6,67% during 2018.

CURRENT ASSETS

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current assets				
Inventories	3 151	2 576	575	22,32%
Trade receivables	10 232	9 098	1 134	12,46%
Receivables from related parties	1 387	2 460	(1 073)	-43,62%
Tax receivables	392	386	6	1,55%
Other receivables	1 055	1 114	(59)	-5,30%
Prepaid expenses	460	164	296	180,49%
Money and cash equivalents	11 068	6 119	4 949	80,88%
Total	27 745	21 917	5 828	26,59%

Current assets increased by BGN 5 828 thousand or by 26,59% in 2018.

10.6. Equity

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Main / Share Capital	59 361	59 361	0
<i>Change</i>			0,00%
Reserves	5 622	6 826	(1 204)
<i>Change</i>			-17,64%
Retained earnings / (Accumulated loss) from previous years	23 792	15 513	8279
<i>Change</i>			53,37%
Non-controlling interest	15 747	25 221	(9 474)
<i>Change</i>			-37,56%
Changes resulting from purchased own shares	(475)	(475)	0
<i>Change</i>			0,00%
Total	104 047	106 446	(2 399)
Change			-2,25%

Equity during the period decreased by BGN 2 399 thousand or by 2,25%.

10.7. Consolidated liabilities

Like the consolidated assets, the consolidated liabilities increased by BGN 15 591 thousand or 59,76% in 2018, which can be traced back to the following tables.

NON-CURRENT LIABILITIES

Non-current liabilities	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Provisions	203	177	26	14,69%
Long-term loans	9 359	1 924	7 435	386,43%
Finance lease liabilities	127	199	(72)	-36,18%
Other liabilities	8	-	8	100,00%
Financing (Grants)	58	159	(101)	-63,52%



Liabilities to suppliers	-	28	(28)	-100,00%
Deferred tax liabilities	1 084	1 335	(251)	-18,80%
Total	10 839	3 822	7 017	183,59%

Non-current liabilities increased by BGN 7 017 thousand or by 183,59% in 2018.



Long-term and short-term bank loans

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.12.2018	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	2 200 000,00	2 110 432	11.8.2017	2,50%			31.7.2019	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building (EUR 2 282 021)
Sirma Group Holding JSC	Societe Generale Expressbank	overdraft	BGN	2 000 000,00	1 993 800	8.8.2017	1 m. SOFIBOR +1,8%			31.8.2019	Pledge of 1 392 740 registered shares of the capital of Datium AD, owned by Sirma Solutions AD
Sirma Group Holding JSC	Unicredit Bulbank	investment	BGN	1 781 507,00	1 505 678	7.4.2017	ADI + 2.332% (no less than 2.5%)	103	16 495,00	7.4.2027	Office №1, 2, 3, 4, 5, 6, 7, 9, 11
Sirma Group Holding JSC	Allianz Bank Bulgaria	investment	EUR	123 000,00	61 200	18.12.2013	6m. LIBOR EUR + 4.75%, but not less than 4.75%	62	1 030,00	25.11.2023	Office №8 , 3th floor+pledge of receivables totaling EUR 123,000
Sirma Group Holding JSC	Unicredit Bulbank	investment	EUR	300 000,00	125 020	8.10.2013	3 m. EURIBOR + 4.45%	63	2 083,00	8.12.2023	Office №19; Office №20; Office №21 + pledge of receivables
Sirma Group Holding JSC	Unicredit Bulbank	investment	BGN	9 780 000,00	9 780 000	26.1.2018	ADI + 1.182% (no less than 1.35%)	42	120000/ 252000/ 240000	26.7.2022	Pledge under the terms of LPO of the commercial enterprise Sirma Solutions JSC, Pledge of 2 443 682 (BGN 10) ordinary shares of Sirma Solutions' equity and 3,550 shares (BGN 1)



from Sirma ISG Ltd.
Pledge on all future
receivables and current
receivables available and
future on the accounts of
the account holder and
third party debtors. Pledge
of 270000 shares of the
capital of SirmalCS JSC,
25000 shares of the
capital of Flash Media
JSC, 20000 shares of the
capital of Sirma Mobile
JSC

Loans for which the Issuer is a guarantor								
Sirma Solutions	overdraft	BGN	420 000,00	30	30.5.2015	ADI + 1.8% (no less than 1.8%)	31.10.2018	Office №19; Office №20; Office №21 + pledge of receivables
Ontotext	overdraft	EUR	460 000,00	91 307	30.5.2016	1 m. EURIBOR (but not less than 3.5%) in euro or 1 m. SOFIBOR (but not less than 2,9%) in BGN	31.10.2018	Ontotext - Contracts for 391 041 GBP + 848 316 GBP;
Sirma Enterprise Systems	overdraft	BGN	550 000,00	541 403	8.10.2013	1 m. SOFIBOR + 2,9%, but not less than 2,9%	31.10.2018	Office №19; Office №20; Office №21 + pledge on receivables + contract EUR 400 000.
Sirma Solutions	overdraft	EUR	810 000,00	475 958	30.5.2015	1 m. EURIBOR+3.5 % (but no less than 3.5%) in EUR or ADI+1.8% (but no less than 1.8%) in lv.	31.10.2018	3th Floor, 135 Tsarigradsko shose office building Sofia + pledge on receivables \$ 700,000 / annually by Sirma USA and all other receivables
Sirma Solutions	overdraft	EUR	700 000,00	512 846	30.5.2015	1 m. EURIBOR + 2,9%	31.10.2018	Another mortgage 3th floor, office building Tsarigradsko shose 135; Next mortgage Office №19; office №20; office №21 floor 4; Pledge under the terms of the Contract on receivables under Contracts concluded between Sirma Solutions AD and its clients in the total amount of BGN 9 210 022

CURRENT LIABILITIES

Current liabilities	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Provisions	794	714	80	11,20%
Pension obligations to the staff	1 539	1 434	105	7,32%
Short-term loans	9 065	8 452	613	7,25%
Finance lease liabilities	42	41	1	2,44%
Trade and other payables	8 781	4 815	3 966	82,37%
Short-term obligations affiliates	292	1	291	29100,00%
Tax obligations	1 272	1 078	194	18,00%
Contract liabilities with clients	7 895	2 583	5 312	205,65%
Financing	230	414	(184)	-44,44%
Other liabilities	931	2 735	(1 804)	-65,96%
Total Current liabilities	30 841	22 267	8 574	38,51%

Current liabilities increased by 38,51% in 2018.

10.8. Cash flows

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

SUMMARY OF CASH FLOW

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Net cash flow from operating activities	9 089	8 616	473	5,49%
Net cash flow from investing activities	(10 694)	(14 257)	3 563	-24,99%
Net cash flow from financing activities	6 554	5 685	869	15,29%
Net change in cash and cash equivalents	4 949	44	4 905	11147,73%
Cash and cash equivalents at the beginning of the year	6 119	6 075	44	0,72%
Cash and cash equivalents at the end of the year	11 068	6 119	4949	80,88%

10.9. Indicators and ratios

№	Indicators	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
1	Revenue from operating activities	58 825	52 036	6 789	13,05%
2	Cost of sales	(48 020)	(42 663)	(5 357)	12,56%
3	Gross profit / loss	10 805	9 373	1 432	15,28%
4	Other operating costs	(2 730)	(1 579)	(1 151)	72,89%
5	Operating profit / loss	8 075	7 794	281	3,61%
6	Financial income	779	439	340	77,45%
7	Financial costs	(1 307)	(1 049)	(258)	24,59%
8	Profit / loss before tax expense	7 548	7 184	364	5,07%
9	Tax costs	(686)	(994)	308	-30,99%
10	Net profit / loss	6 862	6 190	672	10,86%
11	Dividend	0	594	(594)	-100,00%
12	Cash and cash equivalents	11 068	6 119	4 949	80,88%
13	Inventories	3 151	2 576	575	22,32%
14	Short-term assets	27 745	21 917	5 828	26,59%
15	Total amount of assets	145 727	132 535	13 192	9,95%
16	Average arithmetic total asset value for 5 quarters	139 421	123 799	15 622	12,62%
17	Current liabilities	30 841	22 267	8 574	38,51%
18	Debt	18 593	10 616	7 977	75,14%
19	Liabilities (borrowed funds)	41 680	26 089	15 591	59,76%
20	Equity	104 047	106 446	(2 399)	-2,25%
21	Equity averaged 5 quarters	107 882	104 445	3 437	3,29%
22	Turnover capital	(3 096)	(350)	(2 746)	784,57%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	-	0,00%
24	Gain / loss minority interest	1209	1890	(681)	-36,03%
25	Interest expenses	338	263	75	28,52%
26	Weighted average price of last trading session	0,898	1,085	-0,1870	-17,24%
27	Last price per share of last trading session	0,91	1,088	-0,1780	-16,36%



Indicators	31.12.2018	31.12.2017	Change %	Change
EBITDA	12 825	16 236	(3 411)	-21,01%
DEPRTIATION	(4 412)	(8 179)	3767	-46,06%
EBIT	8 413	8 057	356	4,42%
FIN/INVEST NET	(528)	(610)	82	-13,44%
EBT	7 548	7 184	364	5,07%
ROA	0,0388	0,0324	0,0063	19,56%
ROA(BSE)	0,0405	0,0347	0,0058	16,73%
Debt/EBITDA Ratio	1,4497	0,6539	0,7959	121,72%
Quick Ratio	0,7974	0,8686	-0,0711	-8,19%
ROE (BSE)	0,0524	0,0412	0,0112	27,28%
ROE	0,0636	0,0593	0,0043	7,32%
Debt/Equity Ratio (BSE)	0,4006	0,2451	0,1555	63,44%
Profitability ratios				
Gross profit margin	0,1837	0,1801	0,0036	1,97%
Operating profit margin	0,1373	0,1498	-0,0125	-8,35%
Net profit margin	0,1167	0,1190	-0,0023	-1,94%
Coefficients for assets and liquidity				
Assets turnover ratio	0,4275	0,4239	0,0036	0,86%
Assets turnover ratio (BSE)	0,4219	0,4203	0,0016	0,38%
Operating cycle	-19,0003	-148,6743	129,6740	-87,22%
Current ratio	0,8996	0,9843	-0,0847	-8,60%
Quick ratio	0,7974	0,8686	-0,0711	-8,19%
Cash ratio	0,3589	0,2748	0,0841	30,59%
Odds per share				
P/S ratio	0,9062	1,2377	-0,3316	-26,79%
P/E ratio	7,7683	10,4050	-2,6366	-25,34%
P/B ratio	0,6840	0,7751	-0,0911	-11,76%
Revenue per share	0,9910	0,8766	0,1144	13,05%
Earnings per share	0,1156	0,1043	0,0113	10,86%
Book value of equity per share	1,8174	1,7595	0,0579	3,29%
Dividends ratio				
Divident payout ratio	0,0000	0,0960	-0,0960	-100,00%
Earnings retention ratio	1,0000	0,9040	0,0960	10,61%
Divident per share	0,0000	0,0100	-0,0100	-100,00%
Development Ratios				
Revenue growth	0,1305	2,2266	-2,0962	-94,14%
Gross profit growth	0,1528	9,1549	-9,0022	-98,33%
Assets growth	0,0995	0,1046	-0,0050	-4,80%
Leverage Ratios				
Debt/taotal assets	0,1334	0,0858	0,0476	55,52%
Debt/capital	0,1470	0,0923	0,0547	59,34%
Debt/equity	0,1723	0,1016	0,0707	69,56%
Total assets/equity	1,2924	1,1853	0,1071	9,03%
Market value of the company	54 019	64 585	(10 566)	-16,36%

10.10. Related-company transactions

Related company	Type of relation	Period of relation
Pirina Technologies	Subsidiary	01.09.2008 until 31.07.2014
Pirina Technologies	Other related parties	31.07.2014 until now
Sirma Media	Subsidiary	01.01.2009 until 31.07.2014
Sirma Media	Other related parties	31.07.2014 until now
Sirma Mobile	Companies under common indirect control	15.1.2013 until now



Purchases:

Company	Type	Type of Connectivity	31.12.2018 (BGN '000)
EngView Systems Sofia	Service expenses	Other related parties	-3
Sirma Business Consulting	Other expenses	Other related parties	-59
Sirma Group Holding	Other expenses	Other related parties	-6
Sirma AI	Other expenses	Other related parties	-33
Sirma Solutions	Service expenses	Companies under common indirect control	-593
Sirma Solutions	Other expenses	Companies under common indirect control	-131
Total			-825

Company	Type	Type of Connectivity	31.12.2017 (BGN '000)
EngView Systems Sofia	Service expenses	Other related parties	-17
Sirma Solutions	Service expense	Companies under common indirect control	-41
Sirma Group Holding	Service expenses	Companies under common indirect control	-32
Total			-90

Sales:

Company	Type	Type of Connectivity	31.12.2018 (BGN '000)
EngView Systems Sofia	Sale of service	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	11
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Group Holding	Interest income	Other related parties	31
Sirma Solutions	Sale of service	Other related parties	11
Sirma Solutions	Interest income	Other related parties I	24
Sirma Solutions	Interest income	Companies under common indirect control	9
Total			97

Company	Type	Type of Connectivity	31.12.2017 (BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	13
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Group Holding	Other sales	Companies under common indirect control	4
Sirma Solutions	Other sales	Companies under common indirect control	2
Total			30

Loans (balances):

31.12.2018

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	785
Sirma AI	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Other related parties	5

31.12.2017

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	608
Sirma AI	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Companies under common indirect control	284
Sirma Solutions	loan	Other related parties	331



10.11. Personnel and 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 2018, the use of plastic cups stopped, and they were replaced with porcelain and glass.

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.

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.

11/ RISK FACTORS

11.1 System Risks

The general risks stem from possible changes in the overall economic system and, in particular, a change in the conditions of the financial markets. They can not be diversified, as all economic entities in the country are exposed to them.

Twenty-five years after the end of the planned economy in Bulgaria, a policy of economic reforms and stabilization aimed at the imposition and functioning of the principles of a free market economy is being pursued. As a result, business entities in Bulgaria have a limited history of activity in free market conditions. In this regard, Bulgarian companies, compared to Western companies, are characterized by a lack of experience in the market economy and limited capital resources, with which to develop their business. Bulgaria also has limited infrastructure to maintain the market system.

In Bulgaria, as in most transition countries, there is a trade deficit and a current account deficit. Our country is an importer of crude oil and energy resources. In this regard, increases in oil prices and energy resources reduce the competitiveness of the Bulgarian economy and, in addition, its dependence on oil and energy imports further exposes the economy to currency risks from unfavorable changes in the USD exchange rate against the Bulgarian Lev. The capital gains from privatization are expected to gradually decrease as the privatization program is completed.

Economic Growth

The interaction between economic growth and external indebtedness of the country has a direct impact on the formation and change of market conditions and the investment climate. Official statistics show real GDP and GDP growth per capita in recent years, which are in line with the government's development agenda.

According to published information from NSI, after the introduction of the currency board system in 1997, Bulgaria

achieved macroeconomic stability and good indicators for economic development.

Delayed economic growth, not only in Bulgaria but also in other countries where the Company realizes its output, means reduced activity on the part of economic operators, where there is also a reduced level of investment in general and in particular in software solutions. In this respect, lower economic growth adversely affects the Company's activity and would prevent the future plans from being realized according to predefined parameters.

Company's activity and would prevent the future plans from being realized according to predefined parameters.

Political Risk

The political risk is the likelihood of a change in government, or a sudden change in its policy, the emergence of internal political turmoil and unfavorable changes in European and / or national legislation, resulting in a negative change in the environment in which local businesses operate, and investors to suffer losses.

The political risks for Bulgaria at international level are related to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increasing the social stability of the inefficient spending on the one hand, as well as the severe destabilization of the countries The Middle East, the increasing threats of terrorist attacks in Europe, refugee waves, and the volatility of key countries in the immediate vicinity of Bulgaria.

Bulgaria, as well as the other EU member states in the region, continues to be seriously affected by the common European problem of the intensive Middle East refugee flow.



Other factors that also affect this risk are possible legislative changes, particularly those that concern the economic and investment climate in the country.

Credit Risk

The credit risk of the country is related to the ability of the state to repay its obligations regularly. In this respect, Bulgaria is constantly improving its position on the international debt markets, which facilitates the access of state and economic agents to external financing. The most important effect of the credit rating improvement is the lowering of loan risk premiums, which leads to more favorable interest rates (on equal terms). For this reason, the potential increase in the country's credit rating would have a beneficial impact on the Company's activity and more precisely on its financing. On the other hand, lowering the credit rating of Bulgaria would have a negative impact on the cost of financing the Company unless its loan agreements are fixed-rate. The determination and measurement of this risk is carried out by specialized international credit agencies.

At the date of this document, the credit rating of the Republic of Bulgaria is as follows:

- Standard & Poors - Long-term BB +, short-term C, stable outlook both in foreign and local currencies;
- Moody's - Long-term Baa2 with a stable outlook for foreign and local currencies;
- Fitch Ratings - foreign currency long-term BBB- with stable outlook, short-term F3 with stable outlook and local currency long-term BBB with stable outlook.

Bulgaria continues to fund its needs under relatively good credit conditions, given the reduced long-term ratings. The quantitative easing policy of the European Central Bank implies the maintenance of historically low interest rates in Europe, from which it would stimulate the attraction of credit resources from all economic subjects, including the Company.

Currency Risk

Exposure to the currency risk is the dependence and effects of exchange rate fluctuations. The systemic currency risk is the probability of a possible change in the currency regime of the country (The Currency Board), which would either lead to a depreciation of the Lev or a rise in the Lev against foreign currencies. The currency risk will have an impact on companies with considerable market share, whose payments are made in a currency other than the Lev and the Euro. Since the Bulgarian Lev is fixed to the Euro in EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian Levs in circulation equal to the foreign currency reserves of the bank, the risk of depreciation of the Lev against the European currency is minimal and consists in the eventual early elimination of the Currency Board in the country. This seems unlikely at this stage as the expectations are that the Currency Board will be abolished when the Euro is adopted in Bulgaria as an official legal tender. Theoretically, the currency risk could rise when Bulgaria joins the second stage of the European Monetary Mechanism (ERM II). This is a regime in which the country has to maintain the exchange rate against the Euro within +/- 15% against the central parity. In practice, all countries currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are experiencing fluctuations that are substantially lower than the ± 15% allowed. The fixed exchange rate of the Lev to the Euro does not eliminate the risk of unfavorable movements of the Euro against other major currencies (US Dollar, British Pound, Swiss Franc) on the international financial markets, but at present

the company does not consider that such a risk would have a significant impact on its activities. The Company may be affected by the currency risk depending on the type of currency of its revenue and the type of currency of potential borrowings of the company.

According to "External Debt Statistics: Guide for Compilers and Users", p. 7, par. 2.3, Gross external debt at a given time represents the amount of current and unconditional liabilities requiring principal (s) and / or interest on the debtor in a future moment due to non-residents by the residents of an economy. High gross external debt is a prerequisite for potential debt repayment problems, especially when there is a significant currency risk.

According to the preliminary data of the BNB of 27.12.2018 gross external debt at the end of October 2018 was EUR 33,982.5 million (64.4% of GDP²), which is EUR 585.2 million (1.8%) more than the end in 2017 (EUR 33 397.3 million, 64.6% of GDP). Debt increased by EUR 878.8 million (2.7%) compared to October 2017 (EUR 33,103.7 million, 64.1% of GDP). At the end of October 2018 long-term liabilities amounted to EUR 25,879.5 million (76.2% of gross debt, 49% of GDP), increasing by EUR 284.2 million (1.1%) compared to end-2017 (EUR 25,595.3 million) 76.6% of the debt, 49.5% of GDP). Long-term debt increased by EUR 225.3 million (0.9%) compared to October 2017 (EUR 25,654.2 million, 49.7% of GDP). Short-term liabilities amounted to EUR 8103.1 million (23.8% of gross debt, 15.3% of GDP) and increased by EUR 301 million (3.9%) compared to end-2017 (EUR 7802 million, of GDP). Short-term external debt increased by EUR 653.5 million (8.8%) compared to October 2017 (EUR 7449.6 million, 14.4% of GDP).

Interest Rate Risk

The interest rate risk is related to possible negative changes in the interest rates established by the financial institutions in the Republic of Bulgaria.

At its meeting on monetary policy on 13 December 2018, the Governing Council decided to suspend net asset purchases in December 2018, keeping the ECB's key interest rates unchanged and further developing its asset reinvestment guidance. Although incoming data are weaker than expected, reflecting lower external demand, and due to country and sector-specific factors, strong domestic demand continues to support the eurozone's economic upturn and the steadily rising inflationary pressures. This reinforces the Board of Trustees' belief that a sustained convergence of inflation to its target level will continue and will persist even after the net asset purchase cease. At the same time, there remains considerable uncertainty about geopolitical factors, the threat of protectionism, vulnerabilities in emerging countries and the fluctuations in financial markets. Therefore, a policy of significant monetary stimulus is still needed to support the further strengthening of domestic price pressures and overall inflation dynamics in the medium term. The Governing Council's benchmark on key ECB interest rates, backed by the reinvestment of a significant volume of assets, continues to provide the necessary money supply for the sustainable convergence of inflation to its target level. In any event, the Governing Council is prepared to adjust all its instruments according to circumstances to ensure that inflation continues steadily closer to its target level.

The key interest rates set by the BNB for the period 01.01.2018 - 31.12.2018 is 0.00%.



Inflationary Risk

Inflationary risk is a general price increase whereby money is depreciated and there is a likelihood of loss from households and firms.

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According to NSI, the harmonized consumer price index for December 2018 compared to November 2018 is 100.0%, ie, monthly inflation is 0.0%. Annual inflation in December 2018 compared to December 2017 was 2.3%. The average annual inflation for January - December 2018 compared to January - December 2017 was 2.6%.

Inflation for the period 01.01.2018 - 31.12.2018 is the following:

January 2018	- 0,3%
February 2018	- 0,3%
March 2018	- -0,3%
April 2018	- 0,4%
May 2018	- 0,3%
June 2018	- 0,1%
July 2018	- 0,7%
August 2018	- 0,1%
September 2018	- 0,3%
October 2018	- 0,7%
November 2018	- -0,1%
December 2018	- 0,0%

Risk from unfavorable changes in tax and other legislation

The taxes paid by Bulgarian merchants include taxes at source, local taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. The tax system in Bulgaria is still developing. This may result in contradictory tax practices, both at state and local level.

Investors should also take into account that the value of the investment in shares may be adversely affected by changes in the current tax legislation, including its interpretation and application. In addition, tax legislation is not the only one that can undergo changes, and these changes adversely affect the Company's business. Although the bulk of Bulgarian legislation is already harmonized with EU law, the application of the law is subject to criticism by the European partners in Bulgaria. Judicial and administrative practice remains problematic: the Bulgarian courts are not able to effectively resolve disputes over property rights, breaches of legal and contractual obligations, etc., resulting in a systemic regulatory risk being relatively high.

Unfavorable changes to tax and other laws would lead to a worsening of the general conditions in which the Company operates, from wherever its future results may deteriorate. In particular, the increase in the corporate income tax and other taxes would reduce the ultimate disposable profit for new investments and / or the distribution of dividends to its shareholders.

Force Majeure Risks

Force majeure events such as natural disasters, sabotage, war and terrorist acts, and others may lead to unpredictable changes in investor and interest in the market for all shares, as well as, in particular, the shares of

Sirma Group Holding, Some force majeure events do not provide for the possibility of insurance.

Force majeure events could seriously affect the Company's performance by reducing its ability to conduct normal business activities and cause an increase in some cost items.

11.2. Non-system Risks

Non-system risks are associated with the overall investment risk specific to the firm and the industry itself. Non-system risks can be divided into two types: sectoral risk related to the uncertainty in the development of the sector as a whole and general business risk - arising from the specifics of the particular company.

Industry Risks

The activity of the Company and of the companies within Sirma Group are exposed to various risks, including: 1) risks typical of the Information and Communication Technology (ICT) industry and 2) risks specific to the Company itself. Revenue and profit of the Company may be adversely affected by a number of factors: the financial market situation and the information and communication technology market; the ability of the Company to ensure effective management, assessment of the different risks and economic feasibility of individual transactions, the economic climate in the country and others.

Specific Company Risk

The company risk is related to the nature of the Company's business, as for every firm it is important that the return on the invested funds and resources is consistent with the risk associated with the investment.

The main company risk for Sirma Group Holding JSC is related to the possibility of reduction of the solvent demand for the products and services offered by the Group, as well as changes in the terms of sale of those products and services. The company risk may have an impact on the growth of service and software solutions development contracts. Uncertainty can be measured by the variability of revenue earned over time. This means that the more volatile the revenues of a company, the greater the uncertainty of the company to realize a positive financial result, ie. the risk for the investors, respectively the creditors, will be higher.

Operation Risk

Operational risks are related to the management of the company and can be expressed in the following:

- Making erroneous decisions for the ongoing management of the investment and liquidity of the company by the management staff;
- the inability of the management team to start the implementation of planned projects or lack of suitable personnel for this;
- key employees leaving and impossibility to recruit new ones;
- the risk of excessive spending on management and administration, leading to a reduction in the overall profitability of the company.

Various mechanisms will be used to optimize and manage this risk, including the following:

- sound investment policy;



- optimizing the structure, quality and return on assets of the Company;
- protection against unfavorable and undesirable external factors and attacks, etc.

Intellectual Property Protection

The protection of the intellectual property of the Group is crucial to its success. It uses a variety of tools to identify and control potential risks and to protect its intellectual property. These measures include application for patents, trademarks, and other brands and copyrights to prevent infringement of copyright and trademarks. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its own technology. All these measures provide only limited protection and its rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third countries can independently develop technologies that are substantially equivalent to or better than the technology of the Company. In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers to be its own. In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or third party use, which could have an adverse effect on the competitive and financial situation and lead to a decline in sales. In addition, the laws and courts of some countries may not offer effective protection of intellectual property rights.

Risk of concluding insider deals at prices differing from the market ones

The company is part of an economic group. The risk of engaging in transactions with Group entities, whose conditions differ from market at the date of the transaction is eliminated to the extent that the Company seeks to maintain a transparent policy regarding its relations and the treatment of related companies. As far as there are transactions in the economic group, they are concluded under standard market conditions at the moment of transaction and do not favor any of the parties.

Risk of asset depreciation

The impairment risk of assets is related to the possibility of reducing the carrying amount of the Company's assets. Possible impairment of tangible and / or intangible fixed assets would result in the need to account for an impairment loss. This, in turn, may worsen the Company's future financial performance as well as lead to a final negative financial result for an annual period. This in turn leads to the risk of not being able to distribute dividends to existing shareholders at this future moment, as well as a possible decrease in the market price of a shares of the Company due to the deteriorated financial indicators

11.3. Risk factors, characteristic of shares traded on the Stock Exchange

The risk of investing in securities is linked to the uncertainty and the inability to accurately predict future effects and the impact on the expected return on the investment made.

The main risk and uncertainty for the shareholders of Sirma Group Holding JSC is the probability that the investments in the company's shares will not retain its value, nor generate the expected return on them, due to a

decrease in the price of the shares or a lack of other income (dividends) from them.

Sirma Group Holding JSC informs potential investors that investing in shares is associated with certain risks. Investors should carefully read and understand the risks associated with investing in shares of the current issue before making an investment decision.

Sirma Group Holding JSC seeks to maintain a low risk profile by maintaining low levels of financial and operational leverage, a high level of operational efficiency, the introduction of strict rules and procedures in the management of the activity and strict control over their compliance, diversification of the client base and suppliers.

The above makes the company resistant to external negative shocks, but nevertheless has significant risks for its business that could negatively affect the company's results.

Price Risk

The changes in the price of the shares of Sirma Group Holding JSC can be created both from the fundamental state of the Company - current and expected results from the activity and financial results as well as from the economic and market conditions in Bulgaria and from the market and economic conditions in the world economy.

Shareholders should keep in mind that events that may cause sudden fluctuations in market prices of shares that have previously occurred on the Bulgarian capital market and in international financial markets may occur and that such fluctuations are likely to affect unfavorable price movements of the shares of Sirma Group Holding JSC.

The market value of the shares will be determined on the basis of supply and demand, and the share price may increase or decrease. These "price fluctuations" can cause a security to cost at a certain point much less than the value at which it is purchased. This price dynamic is particularly typical for the ordinary stock market, whose stock prices may be subject to sharp fluctuations as a result of publicly disclosed information about the Company's financial performance, changes in legislation and other material events.

A significant number of sales of the shares of Sirma Group Holding JSC for a certain period of time may have an adverse effect on the maintenance of their achieved price level. Such an event would result from a significant excess of the sellers of those shares over buyers in that period. At this point in time, the Issuer or a third party does not commit to maintaining a particular price level and a significant number of sales may lead to a decrease in that level.

The Company does not guarantee to investors that the price of its shares will remain stable and / or increase its value in the future. At the moment of preparation of this document, Sirma Group Holding JSC or, to the best of its knowledge, other persons, do not intend to purchase shares of the Company in order to preserve and / or increase the market price of the Company's shares after the increase of capital.

Liquidity Risk

Liquidity risk is directly related to the liquidity of the securities market itself and expresses the potential for short-term purchase or sale of the securities on the secondary market. The liquidity of the issue depends on the number of investors who will be interested in investing



in the issue. The liquidity risk of the shares will also depend on the development of the equity market in terms of the volume and variety of instruments offered, the issuer's financial position, the ability of the local capital market to attract new investors,

Investors should keep in mind that the BSE is significantly smaller and less liquid than the securities markets in most developed market economies. Thus, for the shareholders of Sirma Group Holding JSC there is no guarantee that the listing of the shares of the Company on the BSE will guarantee their active trading and sufficient liquidity.

Inflation Risk

The manifestation of the inflationary risk for the shareholders of Sirma Group Holding JSC would arise in cases when the income from the shares (increase in the price and / or received dividends) were lower than the inflation for the investment period. The inflation processes leads to a decrease in the real yield that investors receive.

Although in the long run equity yields usually outweigh the inflationary processes in Bulgaria and other countries with a developed market economy, there is no guarantee for the investors in the shares of Sirma Group Holding JSC that their investment in shares of the Company will represent a real protection against inflation.

Dilution Risk

Pursuant to the Articles of Association of the Company no limitations on the maximum amount of future issues of shares are envisaged. For this reason, shareholder participation may be reduced as a result of a public offering if they do not exercise their rights and do not subscribe a proportionate share of the new shares. In the event that, as a result of a future public offering, the number of issued shares of the Company increases at a faster rate than the amount of the assets of the Company, it is possible to decrease the value of the assets per share of the Company.

Currency Risk

This current issue is denominated in BGN. Currency risk of the investment exists for investors whose funds are denominated in US dollars or currencies other than Lev and Euro, due to the constant exchange rate movements. Investors who take a currency risk in the purchase of the current issue would increase or reduce the effective return on their investment as a consequence of strengthening or weakening the BGN and EUR exchange rate against the currency in which the investor's funds are denominated.

Stability and high confidence in the credibility of the Currency Board in the country, as well as the relatively stable positions of the euro on international currency markets, reduce the existence of the currency risk to minimum levels.

Lack of an annual dividend payment guaranty

The financial results of the company depend on many factors, including the skills and professionalism of the management team, the development of the market in which the company operates, the economic development of the country and the region, etc. There is a risk for investors due to the lack of a guarantee for annual dividends payment.

Risk of change in the tax treatment of investments in shares

The risk of changing in the taxation of investments in securities is linked to the change in the current taxation regime for such instruments. The latter may be considered favorable, as capital gains are tax-exempt. Changes in capital gains tax, as well as other potential changes in the taxation of securities' investments, may have a negative impact on the final realized net result by an investor.

Risk factors included in the Registration document

The specific risks associated with the core activity of Sirma Group Holding JSC, as well as the general risks that may have an impact on its activities, are detailed on pages of the Registration document, Section "Risk Factors".

For additional information on the risk factors affecting the Group's activity, see Appendix 5.

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

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

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 year.



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

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

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

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

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

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

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

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

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

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

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

12.7. INFORMATION ABOUT OCCURRING CHANGES 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.

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

Under Bulgarian law, the management should prepare an interim report on the operations and a financial statement for each quarter to give a true and fair view of the Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's responsibility also includes the implementation of an

internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;



- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.

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

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

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

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

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

12.9. INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR.

During the period considered, after the decision of the General Meeting of Shareholders of Sirma Group Holding, held on 15.06.2017, based on article 20 from Regulation № 48/ 20.03.2013 regarding the remuneration requirements of FSC, members of the Remuneration committee were appointed:

Georgi Parvanov Marinov – chairman

Yordan Stoyanov Nedev - member

Petar Borisov Statev- member

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

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

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

Stanislav Tanushev

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Sofia 1784

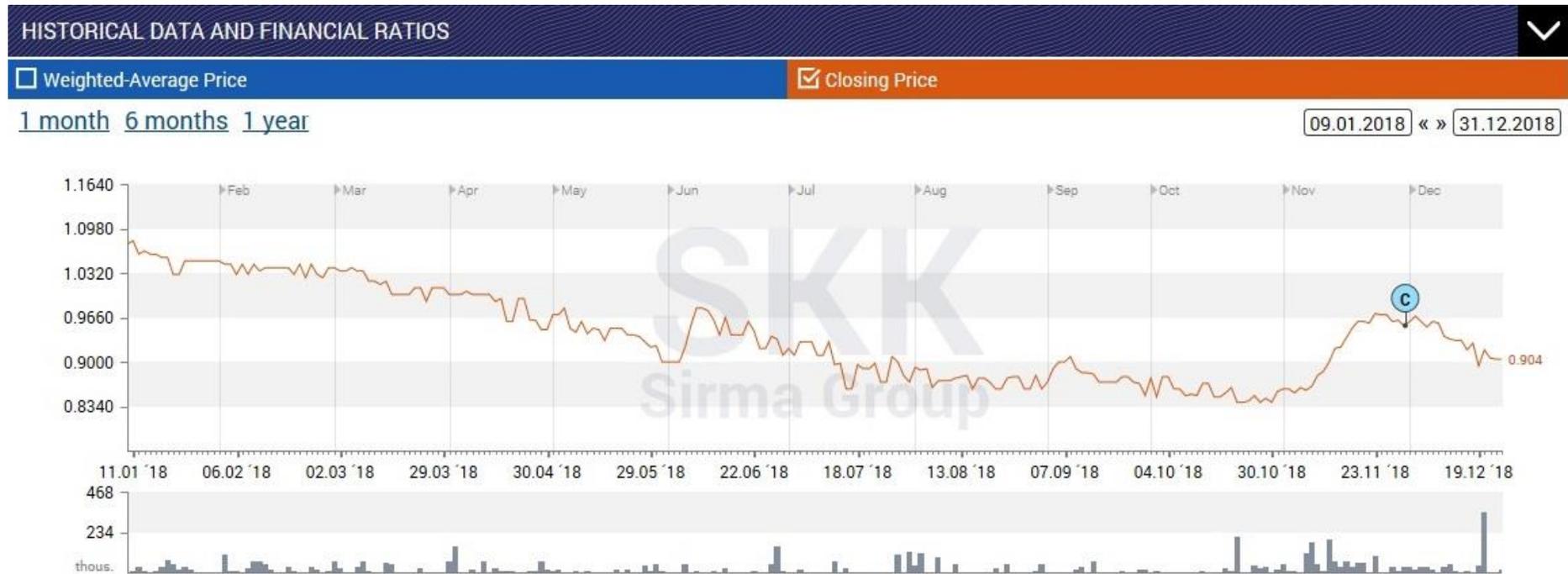
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13/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY

Price of shares:



14/ EVENTS AFTER THE END OF THE REPORTING PERIOD

Purchase of "Ontotext" from "Sirma AI"

On January 18, 2019, a contract was concluded on the grounds of Art.15 of the Commercial Act and a decision of the General Meeting of Shareholders of Ontotext JSC, by which the commercial enterprise of Ontotext JSC, as a set of rights and obligations and factual relations created by realization of its previous business activity was sold to Sirma AI JSC for a price equal to the net asset value, according to the balance sheet of the company as at 17.01.2019 - BGN 21 249 612,89.

Sale of a separate part of „Sirma Solutions“ to „Sirma AI“

On 23 January 2019, a contract was signed under which the subsidiary Sirma Solutions transferred the ownership right to a separate part of its trading company Sirma Solutions, UIC 040529004 as a separate set of rights, obligations and factual relations, created in the course of his previous commercial activity to Sirma AI, for a price of BGN 20 912 384.19 (twenty million nine hundred and twelve thousand three hundred eighty four and four hundred levs). In the separate part of the enterprise are included assets - software modules, contracts with receivables on them and employees.

Sale of a separate part of "Daticum" to to „Sirma AI“

On 7 March 201, a contract was signed under which the subsidiary Daticum transferred the ownership right to a separate part of its trading company "Daticum", UIC 200558943, as a separate set of rights, obligations and factual relations, created in the course of his previous commercial activity of "Sirma AI", for a price of BGN 1 241 786.93 (one million two hundred and forty thousand and one thousand seven hundred and eighty-six leva and 93 st.). In the separate part of the enterprise are included assets - cloud platform and employee liability.

Sofia

18.04.2019

CEO:



Tsvetan Alexiev

