

Annual Report

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

Contents

1/ STATEMENT BY THE BOARD OF DIRECTORS OF SIRMA GROUP HOLDING JSC	3
2/ ORGANIZATION AND REPRESENTATION	4
3/ PORTFOLIO OF SIRMA GROUP HOLDING JSC	6
4/ CAPITAL STRUCTURE AND MANAGEMENT BODIES	7
4.1. Distribution of share capital	7
4.2. Management bodies.....	8
5/ SIRMA GROUP HOLDING IN 2018	13
5.1. Economic Trends	13
Economic Trends.....	13
5.2. Strategy execution of Sirma Group Holding	14
5.3. Major events in 2018	18
5.4. Key legal information in 2018	22
Transactions with shares for the period 01.01.2018 - 31.12.2018:.....	22
Litigation for the period 01.01.2018 - 31.12.2018:.....	22
5.5. Audit compensation in 2018	23
5.6. Information for contracted large transactions in 2018.....	23
5.7. Information of the used financial instruments in 2018	23
5.8. R&D activity of the company in 2018.....	23
5.9. Possible future development of the company	23
5.10. Contracts under Art.240b of the Commercial Code in 2018.....	23
6/ INDIVIDUAL FINANCIAL RESULTS	24
6.1. Revenues	24
6.2. Expenses	25
6.3. Revenues and expenses (NET)	25
6.4. Assets	25
6.5. Equity	26
6.6. Liabilities	26
6.7. Cash flow	30
6.8. Ratios and indicators.....	31
6.9 Related-party transactions	33
7/ PERSONNEL AND ECOLOGY	33
8/ RISK FACTORS	34
8.1 System Risks.....	34
8.1.1. Economic Growth.....	34
8.1.2. Political Risk.....	34
8.1.3. Credit Risk.....	34
8.1.4. Currency Risk.....	35
8.1.5. Interest Rate Risk.....	35
8.1.6. Inflationary Risk.....	36



8.1.7. Risk from unfavorable changes in tax and other legislation	36
8.1.8. Force Majeure Risks	36
8.2. Non-system Risks.....	36
8.2.1. Industry Risks.....	36
8.2.2. Specific Company Risk	36
8.2.3. Operation Risk	36
8.2.4. Intellectual Property Protection	37
8.2.5. Risk of concluding insider deals at prices differing from the market ones	37
8.2.6. Risk of asset depreciation	37
8.3. Risk factors, characteristic of share traded on the Stock Exchange	37
8.3.1. Price Risk.....	37
8.3.2. Liquidity Risk.....	38
8.3.3. Inflation Risk	38
8.3.4. Dillution Risk	38
8.3.5. Currency Risk	38
8.3.6. Lack of an annual dividend payment guaranty.....	38
8.3.7. Risk of change in the tax treatment of investments in shares	38
8.3.8. Risk factors included in the Registration document	38
9/ OTHER INFORMATION AS PER APPENDIX 11 of ORDINANCE 2 OF THE FSC	39
10/ CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY	41
11/ EVENTS AFTER THE END OF THE REPORTING PERIOD.....	42



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

The present annual individual 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 individual 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 that would have a material impact on the individual financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

The words "purpose", "predict", "accept", "believe", "in the future", "we could", "rely", "we are confident", "appreciate", "expect", " ", "we intend", "we can", "can", "prospect", "plan", "project", "predict", "would" and other similar expressions are intended to identify these forward-looking statements. Such estimates are, for example, those made in the Business Results section of our quantitative and qualitative disclosures about market risk in accordance

with International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the financial statements, our prospects for development, and other forecast information that appears in other parts of this report. Unless required by law, we do not commit and we have no obligation to update or revise predictive statements as a result of new information we have received about the conditions that existed at the time of this report, future events, or otherwise unless we are obliged to do so under the law.

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

In our Individual Management Report, we analyze our business activities for the reporting financial period as well as the current situation of Sirma Group Holding. 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 separate financial statements have been prepared in accordance with IFRSs. Internal control over financial reporting ensures the reliability of the information presented in the separate financial statements. Our Board of Directors has confirmed the effectiveness of our internal financial reporting.

The reporting period is the financial period ending on 31.12.2018. The report reviews the activity of Sirma Group Holding JSC.



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.

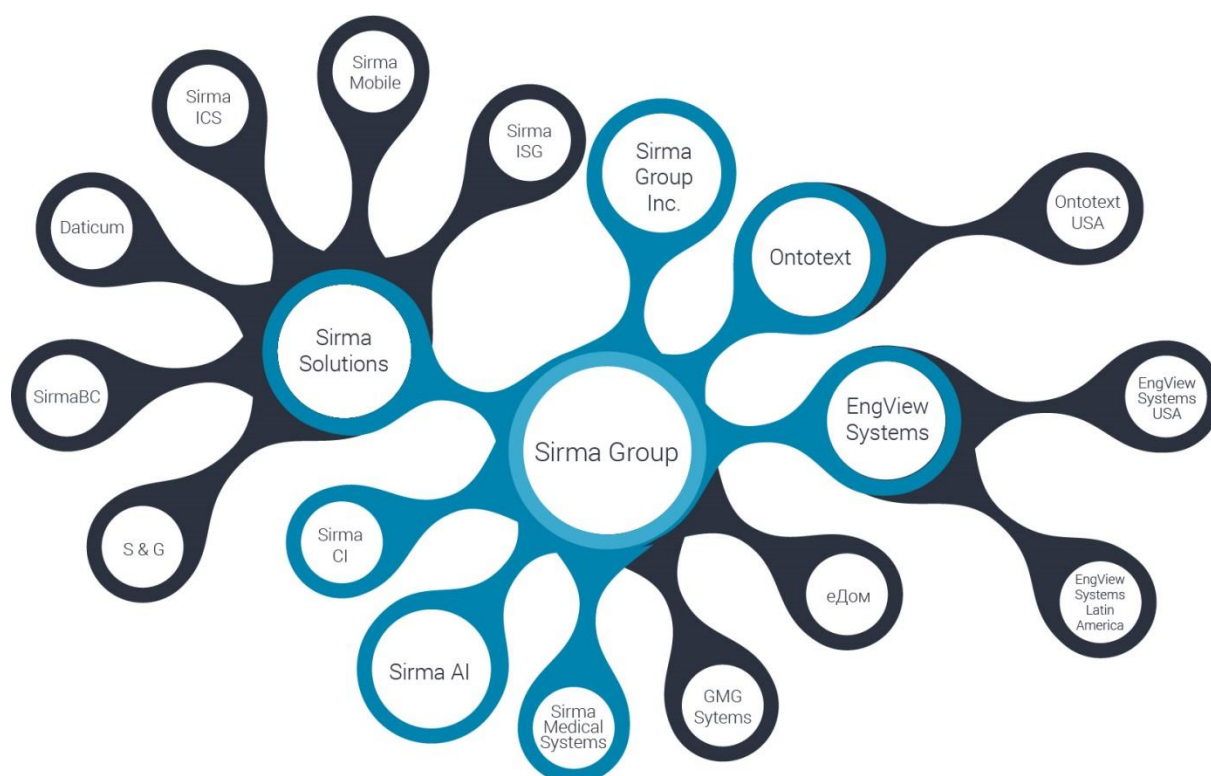
Over the years, Sirma has created over 20 companies, investing in them a tremendous financial and human

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

- On 26.10.2018 a new daughter company of Sirma Group Holding JSC was incorporated – Sirma CI JSC
- As of 30.11.2018 the daughter company Sirma Enterprise Systems JSC is renamed to Sirma AI JSC



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:

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 to companies in which the holding company participates, financing of the companies in which the holding company participates, organization of the accounting and preparation of financial statements 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.

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

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

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

Capital

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

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

Non-monetary contributions - description:

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

Value: 61 555 838 Levs

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

Value: 11 734 980 Levs

3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul."Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.200. and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004
Value: 3 911 660 Levs

Total Value: 77 202 478 levs

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



History of the shareholder capital

- Through an initial public offering, according to a resolution of the GMS dated 04.12.2014, an increase of the capital of Sirma Group Holding JSC was registered on 30.10.2015, increasing the capital to 59 360 518 leva.
- During the transformation entered in the Commercial Register on 23.10.2014, the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares. This decrease is a result of the estimated fair value of the shares of Sirma Group Holding JSC by three independent valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.
- On 22.10.2010, as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of Sirma Group Holding JSC from 77,252,478 leva to 73,340,818 leva was recorded through the cancellation of 3,911,660 shares with a par value of one each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n in Bulgarian commercial law.

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

- 29 software modules worth 61 555 838 leva;
- Non-monetary contribution representing real estate amounting to 3 911 660 leva:

□ 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

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

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

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

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

3/ PORTFOLIO OF SIRMA GROUP HOLDING JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2018 (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 30.09.2018 (in BGN'000)	Percentage of capital at 30.09.2018	Percentage of capital with adjusted repurchased own shares at 30.09.2018	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

Associated companies and joint ventures 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 30.09.2018 (BGN'000)	Percentage of capital at 30.09.2018	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)



INFORMATION ON PARTICIPATION

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

4/ CAPITAL STRUCTURE AND MANAGEMENT BODIES

4.1. Distribution of share capital

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.

4.2. Management bodies

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

The Board of Directors as of 31.12.2017 r. 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.

5/ SIRMA GROUP HOLDING IN 2018

5.1. Economic Trends

Macro frame

Economic Trends

Macro frame

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.

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.



The economic assessment of the Governing Council of the European Central Bank as of September 13, 2018 shows that the broad economic growth in the euro area continues despite the somewhat slowdown following high growth in 2017. In the second quarter of 2018 GDP in real terms the eurozone grew by 0.4% quarter on quarter, as well as in the first quarter. The ECB's monetary policy measures continue to support domestic demand. Private consumption is supported by rising employment (which in turn reflects reforms already made in the labor market) as well as rising wages. Business investment is stimulated by favorable financing conditions, increasing business profitability and stable demand. Housing investments remain high. In addition, the expansion of global economic activity is expected to continue and thus boost the euro area exports.

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.

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.

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.

5.2. Strategy execution of Sirma Group Holding

In pursuance of the strategy, the group will move to a new technological level by creating a NEW MODERN CLOUD SYSTEM OF SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES BASED ON COGNITIVE TECHNOLOGIES, USING THE TRANSITION OF ENTERPRISES AND ORGANIZATIONS FROM DIGITAL TO INTELLIGENT.

For this purpose, Sirma reorganizes the corporate structure, concentrates intellectual property and solutions for financing development. The Group will continue to work towards the development of foreign markets and the sale of customized solutions to complex problems. At the same time, we are

looking to accelerate the growth of recurring revenue with low marginal costs - moving from product sales to cloud-based services, the SaaS model, and investment in marketing and sales.

Targets

The Group has set out the following targets for reporting on the implementation of the strategy:

- >35% average annual revenue growth
- >70% revenue share from SaaS
- > 70% revenue share from North America and Europe
- > 29% EBITDA margin

Achievements

The current status of the goals:

- > 20% average annual revenue growth
- 40% revenue share from SaaS
- 40% revenue share from North America and Europe
- >17% EBITDA margin



Revenue growth will be backed by strengthening market share in cognitive services, one of the most promising segments of the IT sector where Sirma Group has significant expertise.

Implement the strategy

The levers we will focus on implementing the strategy include:

- Strengthening the leading positions for software services, managed services, system integration;
- Increase investment in marketing and sales of the existing product portfolio

- Marketing of products on the foreign market, with a focus on insurance, engineering and healthcare
- Acquisition of companies as a sales platform
- Add new services - Data as a Services; PaaS; SaaS, and so on.
- Decrease the amount of non-controlling participation and consolidation of IP rights

The Group aims to become a globally recognized player in the market for the delivery of cognitive products, solutions and services by uniting the internationally renowned and market-proven products and top technologies in the Sirma Cognitive System and developing vertical specialization.

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIAR COMPANIES

In 2018, as in previous years, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as

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

MARKETING

In operational terms, the annual marketing strategy and budget of the Sirma Group Holding for 2018 ensured the planning, development and successful implementation of the following activities:

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

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

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

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

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



FINANCIAL ACTIVITY AND MANAGEMENT OF FINANCIAL RESOURCES OF THE GROUP

ASPECTS OF THE FINANCIAL ACTIVITY OF HOLDING AND GROUP

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

I. Goals

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

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

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

II. Execution of functions

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

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

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

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

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

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

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

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

III. Completed tasks

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

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

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

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

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

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

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

- ACCOUNTING SERVICES

In 2018 Sirma Group Holding performed the accounting services of 18 subsidiaries and associated companies and related companies, which has 4 companies more than the previous period. In addition to regular accounting services, management is presented with various BI reports built as know-how of the Group. The FAD of Sirma Group Holding achieved monthly reporting of results at individual and group level. The department also managed to manage the companies' relationships with the fiscal and social security

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

- LEGAL SERVICES

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

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



- MANAGEMENT OF RISKS

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

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

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

Risk management in the Sirma Group Holding includes:

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

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

The risk table is reviewed and reassessed on a regular basis, as there is a chance that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

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

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

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

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

IMPACT OF EXCLUSIVE FACTORS

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

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

Sirma Group Holding 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.

5.3. Major events in 2018

The following major events took place 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.



5.4. Key legal information in 2018

Transactions with shares for the period 01.01.2018 - 31.12.2018:

Merger of subsidiaries of the Holding

Pursuant to the Strategy of Sirma Group Holding JSC, on 04.05.2018 two of the subsidiaries of the Holding were merged: Sirma Group Inc. and Sirma USA.

The new company from 08.05.2018 will be Sirma Group Inc. and will be based in the USA, Idaho 83702, Boise 202 N, 9th Street Suite 303B.

Purchase of own shares by Sirma Enterprise Systems

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;

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.



5.5. Audit compensation in 2018

The selected registered auditor of the Company's individual financial statements Teodora Ivanova Tsvetanova, Diploma № 0771 from 2012, received audit fee amounting to 6 thousand leva excluding VAT for 2018.

5.6. 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 related to the development of the Sirma Cloud:

Purchases:

- Deal 1 for BGN 2 090 thousand
- Deal 2 for BGN 681 thousand
- Deal 3 for BGN 295 thousand

Sales:

- Deal 1 for BGN 2 090 thousand
- Deal 2 for BGN 681 thousand
- Deal 3 for BGN 293 thousand

5.7. Information of the used financial instruments in 2018

In 2018 the company has not used any financial instruments.

5.8. 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 6 261 360.

5.9. 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/>.

5.10. 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/ INDIVIDUAL FINANCIAL RESULTS

6.1. Revenues

The company's revenue includes:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	5 558	4 569	989	21,65%
Interest income	269	248	21	8,47%
Revenue from participations	-	859	(859)	-100,00%
Revenues from financing	54	54	-	0,00%
Other Revenues	3	5	(2)	-40,00%
Total	5 884	5 735	149	2,60%

In 2018 the revenues of Sirma Group Holding increased by BGN 149 thousand or by 2,60% compared to 2017. The main share in the increase of the revenues has the sales revenues, which increased by BGN 989 thousand or by 21,65% compared to 2017.

Revenues in the period include interest and from participations, since the business of acquiring businesses and parts of them, as well as the provision of loans and the

receipt of deposits is the main activity of the holding company.

Revenues from financing are in connection with the Grant Contract BI-02-16 / 02.02.2012 under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is for buying fixed assets and incubating new startups.

Sales revenue includes:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	301	317	(16)	-5,05%
Consulting services	-	133	(133)	-100,00%
Administrative service	872	863	9	1,04%
Software services	-	1 044	(1 044)	-100,00%
Sales of licenses	906	625	281	44,96%
Cloud Services	3 316	1 510	1 806	119,60%
Others	163	77	86	111,69%
Total	5 558	4 569	989	21,65%

Revenue by regions and countries:

	31.12.2018 BGN '000	Relative share	31.12.2017 BGN '000	Relative share
USA	4	0,07%	147	3,22%
Germany	255	4,59%	-	0,00%
Bulgaria	5 299	95,34%	4 422	96,78%
Total	5 558		4 569	

Revenue generated by the biggest clients of the company:

	31.12.2018 BGN '000	Relative share	Relationship	31.12.2017 BGN '000	Relative share	Relationship
Client 1	4 099	73,75%	Related party	1 681	36,79%	Related party
Client 2	255	4,59%	Unrelated party	1 143	25,02%	Related party
Client 3	170	3,06%	Related party	873	19,11%	Related party



6.2. Expenses

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change
Material expenses	(91)	(76)	(15)
Change in %			19,74%
Expenses for external services	(4 624)	(3 860)	(764)
Change in %			19,79%
Staff expenses	(1 344)	(1 486)	142
Change in %			-9,56%
Depreciation and amortization expenses	(242)	(324)	82
Change in %			-25,31%
Capitalized own expenses	3 761	3 361	400
Change in %			11,90%
Carrying amount of assets sold	(81)	-	(81)
Change in %			n/a
Interest expenses	(6)	(7)	1
Change in %			-14,29%
Other expenses	(155)	(174)	19
Change in %			-10,92%
Total expenses	(2 782)	(2 566)	(216)
Change in %			8,42%

In 2018 the expenses of Sirma Group Holding increased by 216 thousand levs or 8,42% compared to 2017. The main part of the expenses are the expenses for external services, which increased by 764 thousand levs or by 19,79% compared to a previous period.

The total costs of transactions with the largest suppliers of the company are as follows:

	31.12.2018 BGN '000	Relative share	Link to the Issuer	31.12.2017 BGN '000	Relative share	Link to the Issuer
Supplier 1	2 771	44,02%	unrelated entity	3 180	53,65%	related entity
Supplier 2	510	26,12%	related entity	152	2,72%	unrelated entity
Supplier 3	295	8,10%	unrelated entity	78	1,39%	unrelated entity

6.3. Revenues and expenses (NET)

	31.12.2018 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Financial expenses	(306)	(160)	(146)	91,25%
Financial income	84	11	73	663,64%
Financial income / expenses net	(221)	(149)	(72)	48,93%

In 2018 financial revenues / expenses (net) of Sirma Group Holding increased by BGN 72 thousand compared to 2017.

6.4. Assets

The total assets of Sirma Group Holding JSC at the end of 2018 are with BGN 13 715 thousand (17,18%) higher than their value at the end of 2017.

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Non-current assets				
Intangible assets	530	33	497	1506,06%
Property, plant and equipment	840	427	413	96,72%
Expenditure on acquisition of fixed assets	8 864	5 103	3 761	73,70%
Investments in subsidiaries	67 904	56 392	11 512	20,41%
Investments in associates and joint ventures	150	214	(64)	-29,91%
Investment property	6 604	6 682	(78)	-1,17%
Investments in joint ventures	7	7	-	0,00%
Deferred tax assets	21	12	9	75,00%
Non-current assets	84 920	68 870	16 050	23,30%



	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Current assets				
Inventories	-	29	(29)	-100,00%
Trade receivables	484	1 515	(1 031)	-68,05%
Receivables from related parties	6 504	8 475	(1 971)	-23,26%
Tax receivables	69	0	69	n/a
Other receivables	353	336	17	5,06%
Prepaid expenses	7	7	-	0,00%
Cash and cash equivalents	1 214	604	610	100,99%
Current assets	8 631	10 966	-2 335	-21,29%

6.5. Equity

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Equity and liabilities				
Equity				
Main / Share Capital	59 361	59 361	-	0,00%
Purchased own shares	(475)	(475)	-	0,00%
Reserves	5 462	5 462	-	0,00%
Emission premiums	592	311	281	90,35%
Retained earnings / (Accumulated loss) from previous years	7 140	4 847	2 293	47,31%
Total equity	72 080	69 506	2 574	3,70%

In 2018, Equity increased by BGN 2 574 thousand compared to the previous reporting period.

Sirma Group Holding JSC had purchased 474 724 own shares. There is no new issue of shares in 2018.

6.6. Liabilities

The amount of the liabilities of Sirma Group Holding JSC at the end of 2018 is BGN 11 141 thousand (107,85 %) higher than their value at the end of 2018.

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Non-current liabilities				
Provisions	27	10	17	170,00%
Long-term loans	9 399	1 870	7 529	402,62%
Finance lease liabilities	66	114	(48)	-42,11%
Long-term payables to related parties	-	141	(141)	-100,00%
Deferred income and financing	26	81	(55)	-67,90%
Deferred tax liabilities	82	60	22	36,67%
Non-current liabilities	9 600	2 276	7 324	321,79%

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Current liabilities				
Provisions	53	56	(3)	-5,36%
Pension obligations to the staff	113	36	77	213,89%
Short-term loans	6 355	4 393	1 962	44,66%
Finance lease liabilities	46	42	4	9,52%
Trade and other payables	4 340	41	4 299	10485,37%
Short-term payables to related parties	567	3 168	(2 601)	-82,10%
Tax obligations	330	251	79	31,47%
Deferred income and financing	55	55	-	0,00%
Other liabilities	12	12	-	0,00%
Current liabilities	11 871	8 054	3 817	47,39%



Information on loans received and granted to the issuer or its subsidiary:

Loans Received:

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



*Annual report of the management of Sirma Group Holding JSC
for 2018*

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	Unicredit Bulbank	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.			31.10.2018	Ontotext - Contracts for 391 041 GBP + 848 316 GBP;



						SOFIBOR (but not less than 2,9%) in BGN		
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



Loans given:

Lender	Recipient of the credit	Relationship with the issuer	Currency	Unsettled principal at 31.12.2018	Interest rate	End date of the contract
Sirma Group Holding	Sirma Solutions	subsidiary	BGN	801	3,75%	31.12.2019
Sirma Group Holding	Sirma AI	subsidiary	BGN	3583	5%, 5.5%	31.12.2019
Sirma Group Holding	Sirma Medical Systems	subsidiary	BGN	516	5,00%	31.12.2019
Sirma Group Holding	Engview Systems Sofia	subsidiary	BGN	60	2,5%	31.12.2019
Sirma Solutions	Sirma Media	a company under common control with key management personnel	BGN	331	10%, 7.5%, 6.5%, 4%	31.12.2019
Sirma Solutions	Sirma ISG	a company under common control with key management personnel	BGN	107	6,50%	31.12.2019

6.7. Cash flow

	31.12.2018	31.12.2017	Change	Change
	BGN '000	BGN '000	(BGN '000)	(%)
Net cash flow from operating activities	3 714	(163)	3 877	-2378,53%
Net cash flow from investing activities	(12 205)	(5 617)	(6 588)	117,29%
Net cash flow from financing activities	9 101	4 945	4 156	84,04%
Net change in cash and cash equivalents	610	(835)	1 445	-173,05%
Money and cash equivalents at the beginning of the year	604	1 439	(835)	-58,03%
Cash and cash equivalents at the end of the year	1 214	604	610	100,99%

The Company has no liquidity problems and operates with the available resources while maintaining a low level of indebtedness for the period under review.



6.8. Ratios and indicators

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

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

Indicators	31.12.2018 BGN '000	31.12.2017 BGN '000	Delta	
			(Abs.)	BGN '000
Revenue from operating activities	5 884	5 735	149	5 884
Cost of sales	(2 627)	(2 392)	(235)	(2 627)
Gross profit / loss	3 257	3 343	(86)	3 257
Other operating costs	(155)	(174)	19	(155)
Operating profit / loss	3 102	3 169	(67)	3 102
Financial income	84	11	73	84
Financial costs	(306)	(160)	(146)	(306)
Profit / loss before tax expense	2 880	3 020	(140)	2 880
Tax costs	(284)	(211)	(73)	(284)
Net profit / loss	2 596	2 809	(213)	2 596
Dividend	0	594	(594)	0
Cash and cash equivalents	1 214	604	610	1 214
Inventories	0	29	(29)	0
Short-term assets	8 631	10 966	(2 335)	8 631
Total amount of assets	93 551	79 836	13 715	93 551
Average arithmetic total asset value for 5 quarters	84 405	75 099	9 307	84 405
Current liabilities	11 871	8 054	3 817	11 871
Debt	15 866	6 419	9 447	15 866
Liabilities (borrowed funds)	21 471	10 330	11 141	21 471
Equity	72 080	69 506	2 574	72 080
Equity averaged 5 quarters	70 053	68 184	1 868	70 053
Turnover capital	-3 240	2 912	(6 152)	-3 240
Number of shares at the end of the period (in thousands)	59 361	59 361	-	59 361
Gain / loss minority interest	(211)	(107)	(104)	(211)
Interest expenses	0,898	1,085	-0,187	0,898
Weighted average price of last trading session	0,91	1,088	-0,178	0,91



Indicators	31.12.2018	31.12.2017	Delta	
			(Abs.)	(%)
EBITDA	3 281	3 338	(57)	-1,71%
DEPRITIATION	(242)	(324)	82	-25,31%
EBIT	3 039	3 014	25	0,83%
FIN/INVEST NET	(222)	(149)	(73)	48,99%
EBT	2 880	3 020	(140)	-4,64%
ROA	0,0277	0,0352	-0,0074	-21,13%
ROA(BSE)	0,0308	0,0374	-0,0066	-17,77%
Debt/EBITDA Ratio	4,8357	1,9230	2,9127	151,47%
Quick Ratio	0,7271	1,3580	-0,6309	-46,46%
ROE (BSE)	0,0371	0,0412	-0,0041	-10,05%
ROE	0,0371	0,0412	-0,0041	-10,05%
EBITDA	0,2979	0,1486	0,1493	100,43%
Profitability ratios				
Gross profit margin	0,5535	0,5829	-0,0294	-5,04%
Operating profit margin	0,5272	0,5526	-0,0254	-4,59%
Net profit margin	0,4412	0,4898	-0,0486	-9,92%
Coefficients for assets and liquidity				
Assets turnover ratio	0,0707	0,0765	-0,0058	-7,59%
Assets turnover ratio (BSE)	0,0697	0,0764	-0,0067	-8,71%
Operating cycle	-1,8160	1,9694	-3,7855	n/a
Current ratio	0,7271	1,3616	-0,6345	-46,60%
Quick ratio	0,7271	1,3580	-0,6309	-46,46%
Cash ratio	0,1023	0,0750	0,0273	36,37%
Odds per share				
P/S ratio	9,0595	11,2305	-2,1709	-19,33%
P/E ratio	20,5340	22,9287	-2,3947	-10,44%
P/B ratio	0,7395	0,9266	-0,1871	-20,19%
Revenue per share	0,0991	0,0966	0,0025	2,60%
Earnings per share	0,0437	0,0473	-0,0036	-7,58%
Book value of equity per share	1,1801	1,1486	0,0315	2,74%
Dividends ratio				
Divident payout ratio	0,0000	0,2115	-0,2115	-100,00%
Earnings retention ratio	1,0000	0,7885	0,2115	26,82%
Divident per share	0,0000	0,0100	-0,0100	-100,00%
Development Ratios				
Revenue growth	0,0260	0,3750	-0,3490	-93,07%
Gross profit growth	-0,0257	0,7179	-0,7436	n/a
Assets growth	0,1718	0,1022	0,0696	68,11%
Leverage Ratios				
Debt/taotal assets	0,1880	0,0855	0,1025	119,92%
Debt/capital	0,1847	0,0860	0,0986	114,62%
Debt/equity	0,2265	0,0941	0,1323	140,58%
Total assets/equity	1,2049	1,1014	0,1035	9,39%
Market value of the company	54019	64585	-10566,26	-16,36%



6.9 Related-party transactions

The types of connectivity are:

- 1 Subsidiary
- 2 A company under common control with key management personnel
- 3 Other related parties

Purchases

Type	Type of Connectivity	Description	31.12.2018	31.12.2017
			BGN '000	BGN '000
Materials	1	Inventory	(1)	-
Materials	1	Computer Components	(4)	(1)
Materials	1	Office supplies	(3)	(3)
External services	1	Maintenance and repair of the office	-	(11)
External services	2	Internet	(17)	(17)
External services	1	Fees and commissions	-	(1)
External services	1	Consulting services	-	(7)
External services	2	Consulting services	(4)	-
External services	3	Advertising and marketing	-	(32)
External services	1	Software services	(592)	(3 177)
External services	2	Software services	(200)	-
External services	1	Rental software license	(3)	-
External services	2	Rental software license	(79)	-
Interest on deposits	1	Interest expense on deposits	(6)	(7)
Interest on loans	1	Interest expense on loans	-	(15)

Sales

Type	Type of Connectivity	Description	31.12.2018	31.12.2017
			BGN '000	BGN '000
Services	1	Subscriptions	95	-
Services	1	Administrative, accounting services	661	709
Services	2	Administrative, accounting services	179	132
Services	3	Administrative, accounting services	20	20
Services	1	Consulting services	-	133
Services	1	Consumables	23	23
Services	2	Cabinet rental	-	13
Services	1	Rentals	262	251
Services	2	Rentals	37	54
Services	1	Cloud services	3 316	-
Services	1	Revenue from the sale of licenses	575	625
Services	2	Revenue from the sale of licenses	76	-
Services	1	Technical Support	29	29
Services	2	Technical Support	14	14
Interest on loans	1	Interest income on loans	221	204
Interest on loans	2	Interest income on loans	18	13
Interest on loans	3	Interest income on loans	41	34

7/ 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.

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

strategy and policies. Sirma Group Holding's policies in this regard are aimed at stimulating the responsibility and

motivation of the staff to fulfill the assigned tasks and objectives.

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



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

Sirma Group Holding JSC	31.12.2018	31.12.2017
	Average number of employees	Average number of employees
Employment contract	23	24
Contract for management and control	8	8
TOTAL	31	32

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

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

8/ RISK FACTORS

8.1 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.

8.1.1. 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.

8.1.2. 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.

8.1.3. 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.

8.1.4. 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).

8.1.5. 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%.



8.1.6. Inflationary Risk

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

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

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%

8.1.7. 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.

8.1.8. 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.

8.2. 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.

8.2.1. 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.

8.2.2. 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.

8.2.3. 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.

8.2.4. 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.

8.2.5. 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.

8.2.6. 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

8.3. Risk factors, characteristic of share 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.

8.3.1. 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.

8.3.2. 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.

8.3.3. 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.

8.3.4. Dillution 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.

8.3.5. 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.

8.3.6. 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.

8.3.7. 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.

8.3.8. 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".



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

9.1. 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.

9.2. 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.

9.3. 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.

9.4. 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.

9.5. 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.

9.6. 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.



9.7. 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.

9.8. 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.

9.9. 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

9.10. 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.

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

Stanislav Tanushev

Bul. 135 Tsarigradsko shose, fl. 3

Sofia 1784

ir@sirma.com

Contact phone: +359 2 976 8310



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

Price of shares:



11/ 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 leva). 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

CEO:



07.03.2019

Tsvetan Alexiev

