



Sirma Group

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF SIRMA GROUP HOLDING JSC FOR THE PERIOD ENDED 30.06.2018



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1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

Sirma Group Holding JSC is a holding company is registered on 25.04.2008 with the Registry Agency with UIC 200101236.

Seat and registered office: BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784,Mladost area, bul. Tsarigradsko Shosse, No 135.

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.

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

The capital of the Company is amended as follows:

Date	Size of capital
30.10.2015	59 360 518 BGN
23.10.2014	49 837 156 BGN
22.10.2010	73 340 818 BGN
15.10.2008	77 252 478 BGN
25.4.2008	50 000 BGN

The company's capital is paid 100%.

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules
Value: 61 555 838 BGN
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 BGN
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 BGN

"Sirma Group Holding" JSC is a public company under the Public Offering of Securities Act.



1.1 Distribution of share capital

As of 30.06.2018 the distribution of the share capital of Sirma Group Holding is as follows:

	30.06.2018 BGN '000	31.03.2018 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	1022	1030
Including legal entities	52	53
individuals	970	977
Number of shares held by legal entities	10 129 449	9 927 787
% Of participation of entities	17,06%	16,72%
Number of shares held by individuals	49 231 069	49 432 731
% Participation of individuals	82,94%	83,28%

As of 30.06.2018 Sirma Group Holding JSC possesses repurchased 474 724 own shares with total amount of BGN 474 724.

As of 30.06.2018 Ontotext owns 550 shares of the parent company Sirma Group Holding JSC, with total amount of BGN 643,50.

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 30.06.2018	Number of shares at 31.03.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 877 374	2 864 965	1	2 877 374	4,85%	4,89%
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	1 392 746	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	2 914 542	2 964 542	1	2 914 542	4,91%	4,95%
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%
Vasil Stanimirov Mirchev	394 981	601 828	1	394 981	0,67%	0,67%
Peter Nikolaev Konyarov	1 271 910	1 289 307	1	1 271 910	2,14%	2,16%
Emiliana Ilieva Ilieva	2 303 185	2 295 525	1	2 303 185	3,88%	3,91%
Elena Yordanova Kozuharova	1 963 950	2 086 190	1	1 963 950	3,31%	3,34%
Ivo Petrov Petrov	893 350	773 350	1	893 350	1,50%	1,52%
Stanislav Ivanov Dimitrov	649 868	649 868	1	649 868	1,09%	1,10%
Expat Bulgaria SOFIX UCITS ETF	977 907	977 907	1	977 907	1,65%	1,66%
FOUNDATION FOR EDUCATIONAL TRANSFORMATION	517 101	517 101	1	517 101	0,87%	0,88%
"NN Universal Pension Fund"	2 434 539	2 434 539	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"	625 000	589 277	1	625 000	1,05%	1,06%
"Mandjucov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Others	9 971 940	9 787 971	1	9 971 940	16,80%	16,93%
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 30.06.2018	% 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 31.03.2018	% 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%

1.2 Management authorities

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

The Board of Directors as of 30.06.2018 includes the following members:

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

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

Current term of the Board of Directors is until: 27.07.2019

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.

The following committees have been established to the Board of Directors:

Committee on investments and risk
Remuneration Committee
Committee for disclosure of information

Audit Committee



**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 30.06.2018**

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

Shareholders	Number of shares at 30.06.2018	Number of shares at 31.03.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 877 374	2 864 965	1	2 877 374	4,85%	4,89%
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	17 777 194	17 738 062		17 777 194	29,95%	30,19%

During 31.03.2018 – 30.06.2018 :

- Atanas Kostadinov Kiryakov acquired 12 409 shares of "Sirma Group Holding" JSC.
- Tsvetan Borisov Alexiev acquired 14 377 shares of "Sirma Group Holding" JSC.
- Georgi Parvanov Marinov acquired 12 346 shares of "Sirma Group Holding" JSC;

Investor's Relationship Director is Stanislav Borisov Tanushev.

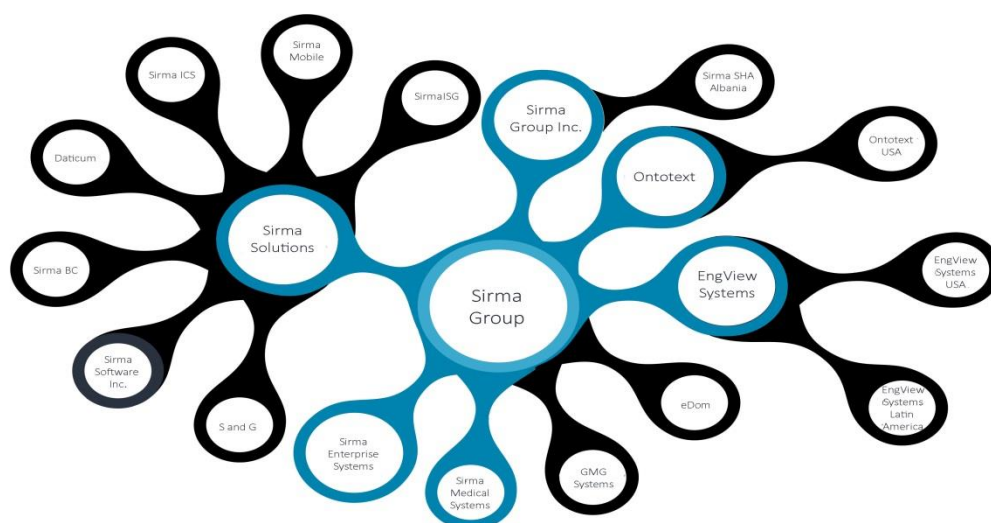
1.3 Structure of the Group and scope of activity

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

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

Generating robust growth, cost-effectiveness and consistent business results are among the top priorities for all companies in the group.

Due to lack of relevance in the consolidated statement of Sirma Group Holding JSC are not included the reports of Sirma Media, Flash Media, EngView Systems USA, EngView Systems Latin America, Sirma Sha, eDom and GMG Systems.



PORTFOLIO OF SIRMA GROUP HOLDING JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Percentage of capital with adjusted repurchased own shares at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Percentage of capital with adjusted repurchased own shares at 31.03.2018	Changes BGN '000
Sirma Solutions	36 260	75,61%	80,62%	36 260	75,61%	80,62%	0
Sirma Enterprise Systems	6 895	88,71%	90,13%	6 895	88,71%	90,13%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	100,00%	100,00%	3 471	100,00%	100,00%	0
Ontotext	9 650	58,51%	58,51%	9 650	58,51%	58,51%	0
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	56 392			56 392			0

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	0
Daticum	1 394	60,50%	1 394	60,50%	0
Sirma USA	0	0%	0	0%	0
Sirma Software Inc.	17 630	97,57%	17 630	97,57%	0
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	0
Sirma ISG	0	71%	0	71%	0
Sirma ICS	270	90,00%	270	90,00%	0
Total	20 785		20 785		0

Subsidiaries of "Ontotext"

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-

Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Changes BGN '000
EngView Systems Latin America	7	95%	7	95%	0
EngView USA	9	100%	9	100%	0
Total	16		16		0

Associated companies of "Sirma Group Holding" JSC

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Changes BGN '000
GMG Systems (IN LIQUIDATION)	214	19,93%	214	19,93%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	221		221		0



Associated companies of “Sirma Solutions”

Company	Value of the investment at 30.06.2018 BGN '000	Percentage of capital at 30.06.2018	Value of the investment at 31.03.2018 BGN '000	Percentage of capital at 31.03.2018	Changes BGN '000
SEP Bulgaria	0	6,50%	0	6,50%	0
EYE BILL INTERACTIVE	0	34%	0	34%	0
EXCELL MANAGEMENT	0	34%	0	34%	0
Flash Media	0	50%	0	50%	0
Sirma Mobile	15	40%	15	40%	0
Total	15		15		0

For more information about the Group companies - Appendix 1.

1.4 Major events in H1 2018

Information of major events and business news in H1 2018 can be found in Appendix 3.

2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for the preparation of the consolidated financial statements

The interim consolidated financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRSs), which are comprised of: Financial Reporting Standards and Interpretations Committee interpretations (IFRIC) the International Accounting Standards Board (IASB) and the International Accounting Standards and Interpretations Standing Interpretations Committee (SIC) interpretations endorsed by the International Accounting Standards Committee (IASB) effective in effect on 1 January 2018 and which have been adopted by the Commission of the European Union.

From the adoption of these standards and / or interpretations, effective for annual periods beginning on 1 January 2018, there have been no changes in the accounting policy of the Company except some new ones and the extension of already established disclosures without any other change - in the classification or evaluation of individual reporting objects and operations.

For more information - Appendix 2 - Summary of the significant consolidated accounting policies of Sirma Group Holding JSC.



3/ CONSOLIDATED REVENUES

Consolidated revenues in H1 2018 includes:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Operating revenues from the sale of goods	10 522	8 688	1 834	21,11%
Operating revenues from sales of services	17 630	13 035	4 595	35,25%
Revenues from financing	89	89	0	-0,52%
Operating revenue from others	219	189	30	15,85%
Total	28 460	22 001	6 459	29,36%

Consolidated revenues grow steadily at a high rate of 29,36% or BGN 6 459 thousand during the period considered, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

The largest share in the increase of consolidated revenues is the consolidated revenues from sales of services, increased by BGN 4 595 thousand or by 35,25% compared to the previous period, followed by consolidated revenues from sales of goods, increased by BGN 1 834 thousand or by 21,11% compared to H1 2017.

Revenues from sales of services by type:

Type of service	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Backup services	47	36	11	28,92%
MAN connectivity	14	11	3	22,18%
Subscriptions	1 912	1434	478	33,34%
Administrative, accounting services	10	10	0	0,00%
Outsourcing services	30	21	9	45,61%
Installation fee	1	1	0	45,77%
Internet	53	55	(2)	-4,48%
Co-location	43	44	(1)	-1,77%
Consulting services	3 358	1 820	1 538	84,55%
Consumables	75	82	(7)	-8,18%
Rental of software license	110	78	32	40,82%
Rental of hardware and licenses	40	43	(3)	-7,47%
Cabinet rental	91	89	2	2,60%
Rents	2	1	1	233,33%
Cloud Services	393	354	39	10,97%
Training	25	45	(20)	-44,12%
License revenues	367	1 403	(1 036)	-73,84%
Revenue from European Projects - IAS 20	249	473	(224)	-47,40%
System integration	4 054	494	3 560	721,24%
Software services	6 669	6 402	267	4,16%
Technical Support	66	82	(16)	-19,39%
Hosting	21	57	(36)	-63,29%
Total	17 630	13 035	4 595	35,25%



Consolidated revenues by region:

Region	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Australia	3	50	(47)	-94,00%
Asia	105	408	(303)	-74,26%
Africa	26	17	9	52,94%
Europe	18 879	11 122	7 757	69,74%
United Kingdom	4 961	4 216	745	17,67%
South America	30	14	16	114,29%
North America	4 456	6 174	(1 718)	-27,83%
Total	28 460	22 001	6 459	29,36%

"Sirma Group Holding" JSC and the companies from the Group realize their production and services without geographical restrictions. However, traditionally the highest sales Group generates in Europe and North America. These, together with United Kingdom revenues, occupy traditionally 99,42% of the total amount of consolidated revenue. Nevertheless, due to the exceptional diversification of its products and services, which are applied in many different sectors and customers, we can not talk about any dependence of the Group on individual clients or on particular services.

Consolidated revenue by country:

Countries	30.6.2018 BGN '000	30.6.2017 BGN '000	Изменение BGN '000	Изменение %
Albania	27	19	8	44,93%
Austria	1 156	601	555	92,40%
Belgium	713	16	697	4270,34%
Bulgaria	13 452	8 914	4 538	50,91%
Canada	581	839	(258)	-30,73%
Czech Republic	21	11	10	99,91%
Denmark	11	117	(106)	-90,59%
Egypt	14	17	(3)	-15,43%
Germany	1 549	180	1 369	759,66%
Gibraltar	1	96	(95)	-98,96%
Great Britain (UK)	4 908	4 216	692	16,41%
Greece	271	25	246	1003,71%
Italy	128	153	(25)	-16,30%
Japan	19	62	(43)	-69,18%
Netherlands	95	44	51	114,63%
Norway	68	3	65	2260,77%
Portugal	12	58	(46)	-79,46%
Romania	137	91	46	49,96%
Singapore	5	58	(53)	-91,41%
Serbia	278	-	278	n/a
Switzerland	801	127	674	532,58%
Trinidad and Tobago	47	418	(371)	-88,76%
United Arab Emirates	10	261	(251)	-96,17%
Virgin Islands (British)	53	43	10	22,00%
United States	3 802	5 336	(1 534)	-28,74%
Others	301	297	4	1,35%
Total	28 460	22 001	6 459	19,85%

In H1 2018 the Group sold products and services in 49 countries. The largest share of the consolidated revenues were from Bulgaria and amounted to BGN 13 452 thousand or 47,22% of total sales revenue, followed by Great Britain with BGN 4 908 thousand or 17,25% and US by BGN 3 802 thousand or 13,36%.



4/ CONSOLIDATED EXPENSES

4.1/ CONSOLIDATED STAFF EXPENSES

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Sick Leave	35	24	11	45,83%
Bonuses	597	-	597	n/a
Paid leave	409	529	(120)	-22,68%
Expenses for wages under civil contracts	45	149	(104)	-69,80%
Payroll costs for contracts for management and control	672	773	(101)	-13,07%
Social securities costs for civil contract	1	7	(6)	-85,71%
Social securities costs for contracts for management and control	19	46	(27)	-58,70%
Social securities costs for labour contracts	979	950	29	3,05%
Wage costs	7 839	8 004	(165)	-2,06%
Total	10 596	10 482	114	1,09%

During H1 2018 the staff on Labour Contracts in the Group decreased by 2,24% and the consolidated staff expenses increased by 1,09%.

Count of staff in the Group:

30.06.2018

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	42	5	47
SIRMA ENTERPRISE SYSTEMS	2	3	5
SIRMA BUSINESS CONSULTING	56	5	61
SIRMA GROUP HOLDING	24	8	32
SIRMA SOLUTIONS	140	7	147
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	0	0	0
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	54	3	57
Total	349	46	395

30.06.2017

Company	LC	CMC	Total
SIRMA ICS	11	1	12
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	37	5	42
SIRMA ENTERPRISE SYSTEMS	2	3	5
SIRMA BUSINESS CONSULTING	50	5	55
SIRMA GROUP HOLDING	26	8	34
SIRMA SOLUTIONS	143	7	150
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	5	1	6
SIRMA USA	4	2	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	58	3	61
ONTOTEXT USA	3	1	4
Total	357	49	406



4.2/ CONSOLIDATED OPERATING EXPENSES

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000
Material expenses	(753)	(230)	-523
Change in %			227,39%
Expenses for external services	(6 021)	(2 665)	-3356
Change in %			125,93%
Depreciation and amortization of non-financial assets	(1 983)	(4 863)	2880
Change in %			-59,22%
Cost of goods sold and other current assets	(9 678)	(8 310)	-1368
Change in %			16,46%
Changes in stocks of finished products and incomplete production	1 430	216	1214
Change in %			562,04%
Capitalized own expenses	2 823	7 248	-4425
Change in %			-61,05%
Other expenses	(756)	(786)	30
Change in %			-3,82%
Total expenses	(14 938)	(9 390)	-5548
Change in %			59,08%

In H1 2018, consolidated operating expenses gradually increased in line with the Group's consolidated revenues. The highest share in consolidated operating expenses has consolidated external service costs (40,31%), followed by depreciation and amortization (13,27%).

4.2.1/ CONSOLIDATED MATERIAL EXPENSES

Consolidated costs for materials include:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Water	1	2	(1)	-50,00%
Fuel for cars	20	23	(3)	-13,04%
Others	10	25	(15)	-60,00%
Electricity	94	78	16	20,51%
Inventory	56	21	35	166,67%
Software protection	12	12	-	0,00%
Computer Components	7	14	(7)	-50,00%
Consumables for cars	2	1	1	100,00%
Office maintenance and repair materials	7	4	3	75,00%
Heating	7	7	-	0,00%
Office supplies	8	14	(6)	-42,86%
Promotional materials	4	8	(4)	-50,00%
System integration	507	-	507	n/a
Toner	1	1	-	0,00%
Hygienic materials	9	8	1	12,50%
Vehicle repair parts	8	12	(4)	-33,33%
Total	753	230	523	227,39%

During the period under review, consolidated material expenses increased by BGN 523 thousand or by 227,39%. The increase is mainly attributable to the increase in material expenses for system integration, which increased by BGN 507 thousand.



4.2.2/ CONSOLIDATED EXPENSES FOR EXTERNAL SERVICES

Consolidated expenses for external services include:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Subscriptions	273	210	63	30,00%
Administrative service	19	1	18	1800,00%
Others	170	200	(30)	-15,00%
Insurance	43	23	20	86,96%
Internet	40	46	(6)	-13,04%
Fees and commissions	68	80	(12)	-15,00%
Consulting services	667	580	87	15,00%
Courier, transport	25	20	5	25,00%
Mobile phones	33	54	(21)	-38,89%
Staff recruitment	6	15	(9)	-60,00%
Rental software license	123	86	37	43,02%
Rentals	360	430	(70)	-16,28%
Audit	11	19	(8)	-42,11%
Security	27	32	(5)	-15,63%
Parking	3	12	(9)	-75,00%
Maintenance and repair of vehicles	15	13	2	15,38%
Maintenance and repair of the office	23	5	18	360,00%
Cleaning	8	20	(12)	-60,00%
Translation services	2	1	1	100,00%
Marketing and Advertising	263	247	16	6,48%
Repair of Comp. and office equipment	4	4	-	0,00%
Connectivity	18	14	4	28,57%
Seminars and training	46	88	(42)	-47,73%
Software services	3 665	357	3 308	926,61%
Project subcontracting services	13	16	(3)	-18,75%
Hosting	94	84	10	11,90%
Fixed phones	2	8	(6)	-75,00%
Total	6 021	2 665	3 356	125,93%

During H1 2018 consolidated expenses for external services increased by BGN 3 356 thousand or by 125,93%. Growth was due mostly to the rise in software service expenses, which increased by BGN 3 308 thousand or by 926,61%.

4.2.3/ CONSOLIDATED OTHER EXPENSES

Consolidated other expenses include:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Local taxes and fees	54	87	(33)	-37,93%
Tax representative expenses	1	9	(8)	-88,89%
Donations	32	11	21	190,91%
Others	29	107	(78)	-72,90%
Business trips in the country	35	102	(67)	-65,69%
Business trips abroad	335	258	77	29,84%
Negotiations on commercial contracts	1	1	-	0,00%
Entertainment expenses	39	40	(1)	-2,50%
Differences in partial tax credit	3	6	(3)	-50,00%
Expenses without documents	34	31	3	9,68%
Social expenses	193	134	59	44,03%
Total	756	786	(30)	-3,82%

In H1 2018, consolidated other expenses decreased by BGN 30 thousand or by 3,82%.



4.2.4/ CONSOLIDATED EXPENSES FOR DEPRECIATION AND AMORTIZATION

Consolidated depreciation and amortization expenses include:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Tangible assets	426	456	(30)	-6,58%
Intangible assets	1 557	4 407	(2 850)	-64,67%
Total	1 983	4 863	(2 880)	-59,22%

Amortization and depreciation expenses during the period decreased by 59,22% or by BGN 2 880 thousand.

Depreciation and amortization expenses	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Other intangible long term assets	67	66	1	1,52%
Other tangible long term assets	4	3	1	33,33%
Intellectual Property Rights and Software Modules	524	552	(28)	-5,07%
Software Software Products - Acquired	50	50	-	0,00%
Development products	560	3 431	(2 871)	-83,68%
Products for commercial applications	308	308	-	0,00%
Depreciation expenses of own buildings	98	56	42	75,00%
Expenses for depreciation of computer equipment	267	276	(9)	-3,26%
Depreciation expenses of machinery and equipment	49	53	(4)	-7,55%
Expenses of depreciation on mobile phones	4	5	(1)	-20,00%
Expenses for amortization of repairs of leased assets	7	8	(1)	-12,50%
Fixtures and fittings	15	14	1	7,14%
Vehicles	30	41	(11)	-26,83%
Total	1 983	4 863	(2 880)	-59,22%

4.2.5/ CONSOLIDATED CAPITALIZED OWN EXPENSES

Capitalized own expenses	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
ONTOTEXT	376	1 036	(660)	-63,71%
SIRMA ICS	112	139	(27)	-19,42%
SIRMA SOLUTIONS	916	3 717	(2 801)	-75,36%
SIRMA ENTERPRISE SYSTEMS	-	811	(811)	-100,00%
ENGVIEW SYSTEMS SOFIA	588	327	261	79,82%
SIRMA GROUP HOLDING	769	716	53	7,40%
SIRMA MEDICAL SYSTEMS	62	177	(115)	-64,97%
SIRMA USA	-	325	(325)	-100,00%
Total	2 823	7 248	(4 425)	-61,05%

Capitalized expenses during the period decreased by 61,05% or BGN 4 425 thousand.



4.2.6/ CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Changes in inventories of finished goods and work in progress	1 430	216	1 214	562,04%

4.2.7/ COST OF GOODS SOLD AND OTHER CURRENT ASSETS

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Cost of goods sold and other current assets	9 678	8 310	1 368	16,46%



4.2.8/ CONSOLIDATED RESULTS BY SEGMENTS

The segment reporting in the Group is organized on the basis of the main business activities, performed by the Group companies:

30.06.2018 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Market Intelligence, Publishing and Cultural Heritage	Retail	G&A for all sectors	Total
Revenues from sales of services	1 233	7 930	3 864	378	1 214	3 553	63		18 236
Revenues from sales of goods		9 905			16				9 922
Revenues from financing									-
Other operating revenues		85							85
Total Revenues									-
Expenses without depreciation		177	12	10	10	9			218
Wage expenses (wages)	1 233	18 097	3 876	388	1 241	3 562	63		28 460
Social Security expenses									
Expenses for external services	(922)	(2 435)	(1 970)	(227)	(974)	(1 336)	(312)	(1 420)	(9 596)
Material expenses	(74)	(261)	(230)	(19)	(111)	(69)	(38)	(197)	(999)
Book value of sold goods / production and assets	(198)	(1 682)	(930)	(49)	(255)	(957)	(14)	(1 936)	(6 021)
Other expenses		(583)	(50)		(28)		(3)	(88)	(753)
Expenses without depreciation Total		(9 585)			(93)				(9 678)
Capitalization 613	(12)	(79)	(221)	(15)	(57)	(48)	(1)	(324)	(756)
Unfinished production 611	(1 206)	(14 627)	(3 401)	(309)	(1 519)	(2 410)	(367)	(3 965)	(27 803)
EBITDA	1 100	-	112	62	588	-	192	770	2 823
Depreciation and amortization	181	114	134	36		965		-	1 430
EBIT	1 308	3 582	721	177	310	2 117	(112)	(3 196)	4 907



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30.06.2017 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Market Intelligence, Publishing and Cultural Heritage	Retail	G&A for all sectors	Total
Revenues from sales of services	882	5 883	2 630	276	1 298	2 497	85		13 551
Revenues from sales of goods		8 153			46				8 199
Revenues from financing									-
Other operating revenues		62							62
Total Revenues									-
Expenses without depreciation		131	23		26	9			189
Wage expenses (wages)	882	14 230	2 653	276	1 370	2 505	85		22 001
Social Security expenses									
Expenses for external services	(1 074)	(2 920)	(1 545)	(162)	(1 003)	(216)	(371)	(2 188)	(9 479)
Material expenses	(102)	(307)	(165)	(15)	(130)	(17)	(43)	(225)	(1 004)
Book value of sold goods / production and assets	(88)	(676)	(402)	(51)	(228)	(170)	(95)	(956)	(2 665)
Other expenses		(98)	(32)		(15)		(2)	(82)	(229)
Expenses without depreciation Total		(8 209)			(101)				(8 310)
Capitalization 613	(17)	(169)	(126)	(1)	(66)	(18)	(10)	(380)	(786)
Unfinished production 611	(1 281)	(12 379)	(2 270)	(228)	(1 544)	(422)	(520)	(3 831)	(22 474)
EBITDA	1 564	1 194	228	165	356	1	3 025	716	7 248
Depreciation and amortization	212	4							216
EBIT	1 377	3 049	611	213	181	2 085	2 590	(3 115)	6 991



5/ CONSOLIDATED FINANCIAL INCOME / COSTS NET

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Financial costs	(634)	(613)	(21)	3,43%
Financial income	472	223	249	111,66%
Financial income / expenses net	(162)	(390)	228	-58,46%

Consolidated financial expenses increased by BGN 21 thousand or by 3,43 % in H1 2018, mainly due to the exchange rate differences on currency transactions. Financial income also increased by BGN 249 thousand or by 111,66%, mainly due to the increase in revenues from currency operations.

5.1/ CONSOLIDATED FINANCIAL INCOME

Consolidated financial income includes:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Interest income on deposits	1	3	-2	-66,67%
Interest income on loans	51	47	4	8,51%
Revenues from currency operations	420	173	247	142,77%
Total	472	223	249	111,66%

5.2/ CONSOLIDATED FINANCIAL COSTS

Consolidated financial costs include:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Interest costs NRA	29	16	13	81,25%
Interest costs	1	3	(2)	-66,67%
Interest costs on loans	196	163	33	20,25%
Interest costs on lease contracts	5	7	(2)	-28,57%
Costs on currency operations	332	371	(39)	-10,51%
Other financial costs	71	53	18	33,96%
Total	634	613	21	3,43%

6/ CONSOLIDATED OTHER COMPREHENSIVE INCOME

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Other comprehensive income	572	584	(12)	-2,05%
including other comprehensive income of non-controlling interest	95	111	(16)	-14,38%
including other comprehensive income of equity holders of the parent company	477	473	4	0,84%
Total comprehensive income	3 336	1 773	1 563	88,16%
including total comprehensive income of the non-controlling interest	1 503	674	829	123,08%
including total comprehensive income of equity holders of the parent company	1 833	1 099	734	66,75%



7/ CONSOLIDATED ASSETS

Like the revenues, assets posted an increase of BGN 7 954 thousand or 6% over 2017. Traditionally, most of them, or 33,10%, occupy intangible assets, incl. Goodwill (13,91%), which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

7.1. NON-CURRENT ASSETS

Assets	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Non-current assets				
Intangible assets	46 504	48 471	(1 967)	-4,06%
Property, plant and equipment	4 970	5 214	(244)	-4,68%
Investments in subsidiaries	222	222	-	0,00%
Investments in Associates	236	236	-	0,00%
Deferred tax assets	200	198	2	1,01%
Expenses for acquisition of fixed assets	40 691	36 737	3 954	10,76%
Goodwill	19 540	19 540	-	0,00%
Total	112 363	110 618	1 745	1,58%

Non-current assets increased by BGN 1 745 thousand or by 1,58% during H1 2018.

7.1.1. PROPERTY, PLANT AND EQUIPMENT

Name of group of tangible assets	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Buildings and constructions	3 829	3 951	(122)	-3,09%
Machinery and equipment	107	128	(21)	-16,41%
Vehicles	65	95	(30)	-31,58%
Office furniture	170	100	70	70,00%
Computer equipment and mobile phones	699	856	(157)	-18,34%
Renovations of rented premises	100	84	16	19,05%
Total	4 970	5 214	(244)	-4,68%

Pledge on fixed assets and other assets

As of June 30, 2018 there are established pledge on fixed tangible assets of the Group in relation to borrowings as follows:

- OFFICE № 8 / eight /, located in Sofia, Sofia District Mladost, on the 3rd (third) floor - II (second) office floor, in the building of "Tsarigradsko shose - 7 km" Blvd. (one hundred and thirty-five), elevation +7.45 (plus seven forty-five hundredths) meters, with a built-up area of 176.74 (one hundred and seventy-six whole and seventy four hundredths) sq.m, consisting of OFFICE ROOM, : northeast - office №7 (seven), southeast - corridor and staircase, southwest - yard, northwest - street, along with 4.631% (four hundred and sixty thirty one thousandth per hundred) IDEAL PARTS of the common parts of the building, which, according to a copy of a cadastral map with data from CRNI, is a building with identifier 68134.4081.392.1 / sixty-eight thousand one hundred and thirty-four point, four thousand eighty-one point, three hundred and ninety two, one, one, along the cadastral map and the cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the building - Sofia, st. 1000, 13 Tsarigradsko shosse Blvd., with an area of Sketch 999.00 sq.m. / ninety ninety-nine square meters /, with number of floors: 5, with purpose: Administrative, business building,



with previous plan number: none, old identifier: none, which building is located in a land plot with identifier № 68134.4081.392, and so ideal shares of the right to build on the yard in which the building was built, the whole of which has an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a Regulated Land II-392 (second assigned for a plot of land number ninety-two) in the 11th (eleven) on the plan of the city of Sofia, (the first, assigned for a property number three hundred and ninety-two), street and UPI III-392 (third, assigned for property number three hundred and ninety-two), which, according to a copy of a cadastral map with data from CRNI, represents a land property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four point four thousand eighty one point three hundred ninety-two / , on the cadastral map and cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the property - Sofia, Mladost district, 135 Tsarigradsko shose Blvd. sketch 3161.00 sq.m. / three thousand one hundred and sixty one square meters /, with a permanent purpose on the territory: Urbanized, with a permanent use: for another type of development, with a number according to the previous plan: 392, district: 11, plot: II, neighbors on the land property on sketch: property with identifier № 68134.4081.10, property with identifier № 68134.4081.48, property with identifier № 68134.4081.55.

Property Act - Decree on the assignment of immovable property dated 23.09.2013, on private enforcement agent Nedelcho Mitev, 43840, filed on 18.10.2013, volume CXXII, number 124

Contractual mortgage of 20.12.2013, Notary Deed 119, Volume X, Reg. No 26272, Case 1690 of 2013 for provision of credit from Allianz Bank Bulgaria AD at the amount of 123000 Euro.

- OFFICE 19 / nineteen /, with identifier 68134.4081.392.1.19 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nineteen / with a built-up area of the office 99.21 / ninety nine and twenty one hundredths / sq.m, consisting of: office premises, neighbors, corridor, office №20 and neighbors with identified identifiers: the same floor: 68134.4081.392.1.20, under the object: none, above the building: none, together with 2.597% / two five hundred and ninety seven thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the building right on the yard a place described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20, number 38867, for securing an investment loan from Unicredit Bulbank AD at the amount of EUR 300000.

- OFFICE №20 / twenty /, with identifier 68134.4081.392.1.20 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty / with an area of 144.39 / one hundred and forty-four and thirty-nine hundredths / sq.m., consisting of: office space, together with a terrace, with an area of 3.41 / three whole forty one hundredths / sq. in neighboring areas, according to architectural design: office №19, corridor, office №21 and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.19, 68134.4081.392.1.21, under the object: none, above the object : no, together with 3.784% / three hundred seven hundred and eighty four thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the right to build on the yard described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867 ,. for securing an investment loan from Unicredit Bulbank AD amounting to EUR 100000.

- OFFICE N ° 21 / twenty-one /, with identifier 68134.4081.392.1.21 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty-one), with an office area of 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of: office premises, neighbors according to architectural project: office №20, corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.20, under the object: none, above the object: none, together with 2.132% / two whole thirty-two thousand per cent / common parts of the common parts of the building and so many common parts from the right to build on the yard, landed property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two /, the whole of which is 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for a property number three hundred and ninety-two /, from the 11th district / eleven / Sofia, Mladost area, Tsarigradsko Shosse Blvd. - 7 / seventh / kilometer, with neighbors: North - plot I-392, east and west - streets, south - plot III-392, 115, Volume 2, Case 247/2002

Act of Property under Items 1.2, 1.3, and 1.4 - Notary Deed of 10.10.2013, Number 181, Volume VII, Reg. No. 20818, Case 1214 of 2013

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867 ,. for securing an investment loan from Unicredit Bulbank AD amounting to EUR 300,000.

- Floor 3 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shosse Blvd. with a total area of 796,50 sq.m. Notary deed for the purchase and sale of immovable property № 126, Volume I, reg. № 4551, case № 116 of 23.04.2003.

Contractual mortgage from 13.06.2014, Deed of Deed 84, Volume I-1, Reg. No 2002, Case 63 of 2014 for provision of overdraft loan from Unicredit Bulbank AD at the amount of EUR 100000.



- Floor 5 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shose Blvd., with an area of 281.81 square meters, according to the Notary deed for sale and purchase of real estate № 86, vol. 4, Reg. No. 10237, Case No 592 of 23.12.2004.

Contractual mortgage of 23/09/2014, Notary Act 37, Volume 18, Reg. No 36189, for the provision of an overdraft loan from ALIANZ BANK BULGARIA amounting to EUR 100000.

- OFFICE № 10 (ten), located in the high office building, built on 135 Tsarigradsko shosse Boulevard (one hundred thirty-five), located in the middle of the eastern part of the third (second office) floor of the building (elevation + 7.45 / plus seven whole forty-five hundredths /), with built-up area of 144.39 / one hundred and forty-four thirty-nine hundredths / sq.m., at boundaries: northeast - first office in number, counted from north to south, southeast - yard, northwest - corridor, as well as the deduction of the property 3.93% / three ninety and three hundredth per cent / common parts of the common parts of the building, corresponding to 44.32 / forty four and thirty-two hundredths / sq.m. built area and 3.93% / three hundred and ninety-three hundredth per cent / ideal parts of the right to build on the yard on which the building, which constitutes a regulated plot of land / plot № II-392 / second, allocated for a plot with a plot number three hundred and ninety-two (from the 11th district), according to the regulation of the territory of Tsarigradsko shose - 7 / seventh / kilometer, Sofia, approved by Order No. RD-09-50-631 of 20.11.1998, which property has an area of 3150 / three thousand one hundred and fifty / sq. meters and is at boundaries: northeast - UPI purpose number I-392 / first, assigned for a property with a numbering number three hundred and ninety-two /, southeast - street, southwest - plot / plot № III- 392 / third, assigned to property number three hundred and ninety-two / street, according to a Notary deed for the purchase and sale of real estate, entered in the Registry Office - Sofia with int. Reg. No 94655 / 17.12.2008, Act No 43, Volume CCXLL, Case No 66314/08;

Contract for financial leasing 05912-001 / 2014 dated 23.04.2014, concluded with "PIRAEUS LEASING BULGARIA" AD.

A Contractual Mortgage and a Contract for Special Pledge on Receivables to secure Contract № 100-1622 dated July 21, 2015 for overdraft loan from Eurobank Bulgaria AD at the amount of BGN 1 200 000.

- OFFICE with meeting room, cafeteria and service rooms (converted from restaurant), with identifier 68134.4081.392.1.22 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty-two), located in the city of Sofia, district "Mladost", 136 Tsarigradsko Shose Blvd./155 / thirty-five /, in 5 / five / storey administrative, business building with identifier 68134.4081.392.1 / eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two. one / on the 5th floor / floor, in the attic of the building, elevation + 16.90 m., with a built-up area of the office 281.81 / two hundred eighty one one and eighty one hundredths / sq.m., to neighbors according to document for property: northeast - staircase and terrace, southwest - staircase and terrace, southeast - terrace and northwest - terrace, and neighbors with identified identifiers: on the same floor: none, under the object: 68134.4081.392.1.18, 68134.4081.392.1.19 , 68134.4081.392.1.20, 68134.4081.392.1.21, 68134.4081.392.1.17, over the object: none, together with 7.384% / seven whole three hundred eighty four thousand per cent / ideal parts of bshtite areas and the right to build on the land, land with ID 68134.4081.392 / sixty-eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two), the whole with an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a regulated landed property II-392 (second, assigned for cadastre number three hundred ninety-two) in the 11th district), according to the plan of Sofia, Tsarigradsko Shosse - 7th kilometer, with neighbors, according to a document of ownership: north - UPI I-392, south - UPI III-392, east and west - street.

- All current and future receivables arising from the Grant Agreement with BG161PO003-2.2.01-0012-C0001 under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-1203 "under Priority Axis 2" Increasing the efficiency of businesses and the development of a favorable business environment ", Impact area 2.2. "Establishment of Business Support Infrastructure", Operation 2.2.2 "Establishment of Regional Business Incubators", which was signed between SIRMA GROUP HOLDING JSC and the Ministry of Economy, Energy and Tourism, Executive Agency for Promotion of Small and Medium Enterprises enterprises with contract

number BI-02-16 / 02.02.2012 and concluded with it Additional Agreement № BI-02-16-A-3 dated 27.01.2015 between SIRMA GROUP HOLDING JSC and the Ministry of Economy , through the Directorate-General for European Funds for Competitiveness, vein by the Contracting Authority grants under Component 1 and Component 2 of 500 293.50 BGN.

Contractual Mortgage E from 10.04.2017, Notary Act 127, Volume 3, Reg. No 6930, for securing an investment loan from Unicredit Bulbank AD at the amount of BGN 1 781 507.



- OFFICE № 1 / one /, with identifier 68134.4081.392.1.1 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. one / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 152.48 / one hundred and fifty-two forty and forty eight hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №2, street, yard and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.2, under the facility: 68134.4081.392.1.50, above the site: 68134.4081.392.1.7 , together with 3.996% / three nine hundred and ninety-six thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE 2 (two), with identifier 68134.4081.392.1.2 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. two / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 176.56 / one hundred and seventy-six fifty-six hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №1, street, Reg. III-392 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.1, under the object: 68134.4081.392.1.50, above the site: 68134.4081. 392.1.8, together with 4.627% / four six hundred twenty seven thousand per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 3 / three /, with identifier 68134.4081.392.1.3 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. three / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 95.50 / ninety five fifty fifty hundredths / sqm, consisting of: one office space, with neighbors, for property: UPI III-392, yard with low body, office №4 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, under the project: 68134.4081.392.1.50, above the building: 68134.4081 .392.1.9, together with 2.502% / two whole five hundred and two thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 4 / four /, with identifier 68134.4081.392.1.4 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. four / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.30 / seventy-nine thirty and thirty cent / sq.m, consisting of: one office space, for property: office №3, yard built with low body, office №5 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.3, 68134.4081.392.1.5, under the project: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.078% / two hundred and seventy-eight thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 5 / five /, with identifier 68134.4081.392.1.5 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. five / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.40 / seventy-nine whole and forty hundredths / sq.m, consisting of: one office space, for property: office №4, yard built with low body, office №6 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, 68134.4081.392.1.6, under the facility: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.081% / two hundred and eighty one thousand per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 6 / six /, with identifier 68134.4081.392.1.6 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. six / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 81.30 / eighty one and thirty hundredths / sq.m, consisting of: one office space, with neighbors, according to document for property: office №5, yard built with low body, sanitary premises and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.5, under the project: 68134.4081.392.1.50, above the building: 68134.4081.392.1 .10, 68134.4081.392.1.11, together with 2.130% / two hundred and thirty thousand per cent / ideal parts of the common parts of the building and the right to build on the site described above;
- OFFICE № 7 (seven), with identifier 68134.4081.392.1.7 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. seven / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, built-up area 153.04 / one hundred and fifty three and four hundredths / sq.m, consisting of: one office space, ownership document: street, office number 8, corridor, sanitary premises and yard, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.8, under the facility: 68134.4081.392.1.1, over the site: 68134.4081.392.1. 12, together with 4.010% / four ten thousandths per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 9 (nine), with identifier 68134.4081.392.1.9 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nine / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, with built-up area 99.15 / ninety nine and fifteen hundredths / sq.m, consisting of: one office space, with neighbors, for property: UPI III-392, yard built with low body, office №10



and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the project: 68134.4081.392.1.3, above the site: 68134.4081.392.1.12, together with 2.598% / two five hundred

and ninety-eight thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below and

- OFFICE № 11 / eleven /, with identifier 68134.4081.392.1.11 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. eleven), according to the scheme of the site on the 2nd (second) floor, elevation 7.45 m, with built-up area 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of one office space, according to a document of ownership: office №10, yard built with a low body, yard and sanitary premises, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the object: 68134.4081.392.1.6, above the site: 68134.4081.392.1.12, together with 2.132% / two hundred thirty-two thousandth per cent / ideal parts of the common parts of the building and the right to build on the yard, all the lot with an area of 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for property cadastre number three hundred ninety-two /, from the 11th district / eleven /, according to the plan of the city of Sofia, "Tzarigradsko Shose" - 7 / seventh / kilometer, with neighbors: Regulated plot I-392, UPI III-392 and two streets.

As the only significant non-current tangible assets can be determined: the office-building owned by the Company - offices, floor 1, floor 2, floor 3, floor 5 and part of floor 4 of an office building, located in 135 Tzarigradsko Shosse Blvd., and servers and infrastructure equipment owned by Daticum JSC.

As of the date of this document, the Company does not plan the purchase of significant tangible fixed assets.

7.1.2. INTANGIBLE ASSETS

Name of the group of intangible assets and goodwill	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Goodwill	19 540	19 540	-	0,00%
Development products	5 864	6 423	(559)	-8,70%
Software products	64	114	(50)	-43,86%
Rights on Software Modules and Industrial Property	39 607	27 395	12 212	44,58%
Reclassified from held for sale to SENPAI embedded assets	-	13 511	(13 511)	-100,00%
Other intangible fixed assets	969	1 028	(59)	-5,74%
Total	66 044	68 011	(1 967)	-2,89%

7.1.2.1. GOODWILL

The management of the Group has made the necessary procedures to perform the statutory impairment test for goodwill recognized in the consolidated financial statements for the acquisition of subsidiaries. For this purpose, it is accepted that each individual company appears as a "cash-generating unit". The calculations were made by the management taking into account the estimates of independent licensed valuers as of December 31, 2015 and a detailed review was made as to whether events and facts appeared to indicate changes in the assumptions and judgments made by the end of 2015 at 30.06.2018 As a basis for cash flow projections (before tax), the financial budgets developed by the management of the respective companies and the Group as a whole, covering a three to five year period, as well as other medium- and long-term plans intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions used to calculate the recoverable value of each object are in the following ranges:

- Growth rate in the three (or five) year period - from minus 1% to 50%;
- EBITDA growth rate - basically in the range of 1% to 67%;
- post-forecast growth in terminal value calculation - 0%;
- Discount rate (based on WACC) - from 3% to 30%.

The key assumptions used in the calculations are specifically determined for each reputable company treated as a separate cash-generating unit and according to its specific business, business environment and risks. The tests and judgments of the Group's management for the impairment of recognized goodwill are made in the light of its projections and intentions regarding future economic benefits that the Group expects to obtain from its subsidiaries,



through the use of their internally-created trademarks, commercial experience and revenues generated and expected in future by them, securing positions on Bulgarian and foreign markets (development and preservation), expectations for future sales and restructuring of the activity, etc. For these reputations the analysis of reasonably possible changes in the key assumptions used to calculate the value in use shows that the carrying amount of the goodwill would be higher than the recoverable amount.

There is no change in Goodwill for the reporting period and it retains the amount of BGN 19 540 thousand:

	30.06.2017 BGN '000
Acquired company	
Sirma Solutions	11 754
EngView Systems Latin America	14
Panaton Soft. Ink. USA	1 863
Sirma Enterprise Systems	5 722
Ontotext	19
S&G Technology Services Ltd.	164
Sirma Business Consulting	4
Total Goodwill	19 540

7.1.3. EXPENDITURE ON THE ACQUISITION OF LONG-TERM INTANGIBLE ASSETS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Expenditure on acquisition fixed assets	40 691	36 737	3 954	10,76%

7.1.4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, investments were recorded in the accounting records in EngView USA and EngView Latin America. These companies do not participate in the consolidated statement of Sirma Group Holding JSC, because they are not material.

The core business of Group companies is concentrated in the IT sector.

The parent company and its subsidiaries operate on the territories of the Republic of Bulgaria and the USA.

The shares of the subsidiaries are not traded on a regulated market.

7.1.5. DEFERRED TAX ASSETS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Deferred tax assets				
Unused leave	73	71	2	2,82%
Depreciation	3	3	0	0,00%
Loss	16	16	0	0,00%
Impaired receivables	10	10	0	0,00%
Impairment of inventories	5	5	0	0,00%
Impairment of investments	65	65	0	0,00%
Unpaid amounts to individuals	23	23	0	0,00%
Taxed temporary difference on expense	5	5	0	0,00%
Total	200	198	2	1,01%



7.2. CURRENT ASSETS

Assets	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current assets				
Inventories	4 495	2 576	1 919	74,50%
Trade receivables	11 094	9 098	1 996	21,94%
Receivables from related parties	2 434	2 460	(26)	-1,06%
Tax receivables	440	386	54	13,99%
Other receivables	1 536	1 114	422	37,88%
Prepaid expenses	326	164	162	98,78%
Money and cash equivalents	7 801	6 119	1 682	27,49%
Total	28 126	21 917	6 209	28,33%

Current assets increased by BGN 6 209 thousand or by 28,33% during H1 2018.

7.2.1. INVENTORIES

Inventories are:

Assets	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Materials	89	86	3	3,49%
Goods	1 289	891	398	44,67%
Other tangible assets	106	57	49	85,96%
Work in progress- projects	3 011	1 542	1 469	95,27%
Total	4 495	2 576	1 919	74,50%

7.2.2. RECEIVABLES FROM RELATED PARTIES

Consolidated receivables from related parties:

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables on sale of goods and services	748	814	(66)	-8,11%
Commercial loans	1 685	1 645	40	2,43%
Deposits provided	1	1	-	0,00%
Total	2 434	2 460	(26)	-1,06%

The balance of receivables is formed from receivables from companies not participating in the consolidation but related parties within the meaning of the law.

Sales receivables are interest-free and are in BGN, EUR or USD.

Typically, companies in the Group negotiate a payment term for sales receivables between 10 and 30 days, and for sales receivables of materials up to 90 days.

The Group has set a maximum credit period of up to 360 days for which it does not charge interest to the related party-related counterparties. The delay after this period was accepted by the Group as an indicator of impairment.

The management of the Group companies assesses the collection by analyzing the specific receivables and the condition of the debtor company as well as the circumstances of the delay and the repayment options and then decides whether to recognize and accrue impairment on an individual basis and to what extent.

Loans are provided for working capital to the respective counterparties. As of 31.12.2017 the loans are not further secured by a special pledge or guarantee.



The conditions under which loans to affiliated companies are granted are as follows:

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables from entities under indirect common control							
Sirma ISG	250	31.12.2018	5,00%	254	250	0	0,00%
Sirma Media	18	31.12.2018	6,50%	18	18	0	0,00%
Pirina Technologies	590	31.12.2018	6,50%	590	591	-1	-0,17%
Sirma ICS	250	31.12.2018	3,00%	250	250	0	0,00%
Subsidiaries							
Sirma Solutions	800	31.12.2018	3,75%	801	800	0	0,00%
Sirma Enterprise Systems	3273	31.12.2018	5%, 5,5%	3 566	3164	109	3,45%
Sirma Medical Systems	486	31.12.2018	5,00%	498	343	143	41,69%

All related party transactions are under market conditions and receivables are not secured.

7.2.3. TRADE RECEIVABLES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables from customers	10 884	9 142	1 742	19,05%
Impairment of uncollectible receivables	(21)	(21)	-	0,00%
Provider advances made	231	212	19	8,96%
Total	11 094	9 333	1 761	18,87%

Maturity analysis of trade receivables

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
up to 90 days	8 746	6110	-386	-6,32%
from 91 to 180 days	411	1906	127	6,66%
from 180 to 360 days	294	203	-124	-61,08%
Regular receivables up to 1 year	9 451	8219	-383	-4,66%
from 1 to 2 years	257	283	-83	-29,33%
over 2 years	1 386	831	303	36,46%
Regular receivables over 1 year	1 643	1114	220	19,75%
Total	11 094	9333	-163	-1,75%



Receivables from customers are interest-free and are mainly in: Bulgarian BGN, EUR, CAD and US \$.

Typically, the Group companies negotiate with customers the payment term for sales receivables of 30 to 180 days, unless there are certain specific maturity conditions for certain customers.

The group has defined a usual 360-day credit period for which it does not charge interest to customers. The delay after this period was accepted by the Group as an indicator of impairment. The management of the Group companies assesses the collection by analyzing the exposure of the particular client, the repayment options (to the client and through the collateral) and decides on the recognition and accrual of the respective impairment.

7.2.4. TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Prepaid expenses	326	164	162	98,78%
Other receivables	1 536	1 114	422	37,88%
Total	1 862	1 278	584	45,70%

Tax receivables include:

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Profit tax receivables	9	9	-	0,00%
VAT receivables	431	377	54	14,32%
Total	440	386	54	13,99%

7.2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current accounts	7 559	6 062	1 497	24,69%
Cash in hand	97	55	42	76,36%
Blocked cash	145	2	143	7150,00%
Total	7 801	6 119	1 682	27,49%



8/ EQUITY

Equity during the period increased by BGN 2 165 thousand or by 2,03%.

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Main / Share Capital	59 361	59 361	0
<i>Change</i>			0,00%
Reserves	7 578	6 826	752
<i>Change</i>			11,02%
Retained earnings / (Accumulated loss) from previous years	18 284	15 513	2771
<i>Change</i>			17,86%
Non-controlling interest	23 863	25 221	-1358
<i>Change</i>			-5,38%
Changes resulting from purchased own shares	(475)	(475)	0
<i>Change</i>			0,00%
Total	108 611	106 446	2165
<i>Change</i>			2,03%

8.1 MAIN SHARE CAPITAL

As at 30.06.2018 the registered share capital of SIRMA GROUP HOLDING JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with a nominal value of BGN 1.

Shares are ordinary, dematerialized with the right to vote, the right to receive a dividend and a liquidation share.

8.2 RESERVES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Emissions premiums	1 706	1 634	72	4,41%
Reserves	3 104	3 036	68	2,24%
Reserves from restated reports	2 768	2 156	612	28,39%
Total	7 578	6 826	752	11,02%

8.3 RETAINED EARNINGS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Retained earnings / (Accumulated loss) from previous years	16 928	11 213	5715
<i>Change</i>			50,97%
Current financial result	2 764	6 190	-3426
<i>Change</i>			-55,35%
including profit from non-controlling interest	1 478	2 036	-558
<i>Change</i>			-27,41%
including profit per equity holders of the parent company	1 356	4 300	-2944
<i>Change</i>			-68,47%
including loss from non-controlling interest	(70)	(146)	76
<i>Change</i>			-52,05%
Total	19 692	17 403	2289
<i>Change</i>			13,15%



8.4 NON-CONTROLLING INTEREST

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Non-controlling interest	23 863	25 221	(1 358)	-5,38%

9/ CONSOLIDATED LIABILITIES

Like the consolidated assets, the consolidated liabilities increased by BGN 5 789 thousand or 22,19% in H1 2018, which can be traced back to the following tables.

9.1. NON-CURRENT LIABILITIES

Non-current liabilities	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Provisions	177	177	-	0,00%
Long-term loans	8 953	1 924	7 029	365,33%
Finance lease liabilities	126	199	(73)	-36,68%
Financing (Grants)	58	159	(101)	-63,52%
Liabilities to suppliers	-	28	(28)	-100,00%
Deferred tax liabilities	1 335	1 335	-	0,00%
Total	10 649	3 822	6 827	178,62%

Non-current liabilities increased by BGN 6 827 thousand or by 178,62% in H1 2017.

9.1.1. LONG-TERM LOANS AND FINANCIAL LEASING

Long-term finance lease liabilities

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Finance lease liabilities	126	199	(73)	-36,68%



The lease for the purchase of real estate has the following parameters:

Company	Creditor	Currency	Credit amount in currency	Type	Value at 30.06.2018	Interest rate	Contract end date
Sirma Group Holding	Pireos Leasing	Euro	154 081	Leasing	68 621	3M Euribor + 4,75%	30.4.2021

Long-term loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	30.6.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	211	244	-12	-5%
Unicredit Bulbank AD (BGN)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	1 572	1506	-66	-4%
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	103	120	-6	-5%



9.1.2. DEFERRED TAX LIABILITIES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Depreciation	35	35	0	0,00%
Unpaid amounts to individuals	20	20	0	0,00%
Taxable temporary differences due - from Tax balance and Acc.balance value	1280	1280	0	0,00%
Total	1335	1335	0	0,00%

9.1.3. LONG-TERM LIABILITIES TO SUPPLIERS

There are no entries in the registers during the period.

9.1.4. LONG-TERM FINANCING

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Financing	58	159	(101)	-63,5%

9.1.5. LONG-TERM PROVISIONS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Long-term provisions	177	177	0	0%

9.2. CURRENT LIABILITIES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current liabilities				
Provisions	665	714	(49)	-6,86%
Pension obligations to the staff	1 357	1 434	(77)	-5,37%
Short-term loans	5 167	8 452	(3 285)	-38,87%
Finance lease liabilities	42	41	1	2,44%
Trade and other payables	8 545	4 815	3 730	77,47%
Short-term obligations affiliates	246	1	245	24500,00%
Tax obligations	380	1 078	(698)	-64,75%
Advances received	3 110	2 583	527	20,40%
Deferred income and financing	670	414	256	61,84%
Other liabilities	1 047	2 735	(1 688)	-61,72%
Total Current liabilities	21 229	22 267	(989)	-4,66%

Current liabilities decreased by 4,66% in H1 2018.



9.2.1. SHORT-TERM LOANS AND FINANCIAL LEASING

Short-term loans

Company	Bank	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
EngView Systems Sofia	Bulbank	2	2	-	0,00%
Ontotext	EUR/ Bulbank	-	474	(474)	-100,00%
Sirma Enterprise Systems	Bulbank	549	549	-	0,00%
Sirma Group Holding	Societe Generale Expressbank	-	1 994	(1 994)	-100,00%
Sirma Group Holding	Eurobank	1 498	2 194	(696)	-31,72%
Sirma Group Holding	Allianz Bank Bulgaria	24	24	-	0,00%
Sirma Group Holding	Bulbank	49	49	-	0,00%
Sirma USA	Bank	30	16	14	87,50%
Sirma Solutions	EUR/Bulbank	-	1 546	(1 546)	-100,00%
Sirma Solutions	Bulbank	1 572	1 188	384	32,32%
Sirma Solutions	EUR/Bulbank	438	416	22	5,29%
Total		4 162	8 452	(4 290)	-50,76%

Short-term finance lease liabilities

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Short-term finance lease liabilities	42	41	1	2,44%

9.2.2. TRADE AND OTHER PAYABLES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Obligations to suppliers	8 038	4 112	3 926	95,48%
Other estimates with suppliers	507	703	(196)	-27,88%
Total	8 545	4 815	3 730	77,47%

9.2.3. DUTIES ON ADVANCES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Clients on advances in BGN	1 317	929	388	41,77%
Clients on advances in foreign currency	1 793	1 654	139	8,40%
Total	3 110	2 583	(171)	20,40%



9.2.4. SHORT-TERM PAYABLES TO RELATED PARTIES

Short-term obligations to affiliates by type are as follows:

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Delivery of services	245	-	245	n/a
Liabilities on borrowings received	1	1	-	0,00%
Total	246	1	245	24500,00%

9.2.5. TAX OBLIGATIONS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
VAT receipts	96	32	64	200,00%
Profit tax receipts	-	651	(651)	-100,00%
Other budget receipts	19	20	(1)	-5,00%
TTA receipts	265	375	(110)	-29,33%
Total	380	1 078	(698)	-64,75%

9.2.6. PENSION AND OTHER OBLIGATIONS TO THE STAFF AND SOCIAL SECURITY

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Staff recruited under a civil contract	13	5	8	160,00%
Staff hired under contract for management and control	170	136	34	25,00%
Staff recruited under a labor contract	912	924	(12)	-1,30%
Payables to insurance enterprises	262	369	(107)	-29,00%
Total	1 357	1 434	(77)	-5,37%

9.2.7. OTHER CURRENT LIABILITIES

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Other liabilities	1 047	2 735	(1 688)	-61,72%



9.2.8. CURRENT PROVISIONS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Accruals on unused leaves	568	602	(34)	-5,65%
Contributions for unused leaves	63	63	-	0,00%
Bonus provisions	34	49	(15)	-30,61%
Total	665	714	(49)	-6,86%

9.2.9. DEFERRED INCOME AND FINANCING

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Deferred income and financing	670	414	256	61,8%

10/ PROFIT / LOSS

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current financial result	2 764	1 739	1 025,00	58,94%
including profit non-controlling interest	1 478	1 555	(77,00)	-4,95%
including non-controlling interest loss	(70)	(36)	(34,00)	94,44%
including profit per equity holders of the parent company	1 356	220	1 136,00	516,36%

	30.6.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Basic earnings per share	0,0230	0,0037	0,0193	516,36%
Basic earnings per share, incl. other comprehensive income	0,0309	-0,0193	0,0502	-259,77%



11/ INDICATORS AND COEFFICIENTS

No	Indicators	30.6.2018 BGN '000	31.12.2017/ 30.6.2017 BGN '000	Change BGN '000	Change %
1	Revenue from operating activities	28 460	22 001	6459	29,36%
2	Cost of sales	(24 778)	(19 086)	-5692	29,82%
3	Gross profit / loss	3 682	2 915	767	26,31%
4	Other operating costs	(756)	(786)	30	-3,82%
5	Operating profit / loss	2 926	2 129	797	37,44%
6	Financial income	472	223	249	111,66%
7	Financial costs	(634)	(613)	-21	3,43%
8	Profit / loss before tax expense	2 764	1 739	1025	58,94%
9	Tax costs	-	-	0	n/a
10	Net profit / loss	2 764	1 189	1575	132,46%
11	Dividend	0	594	-594	-100,00%
12	Cash and cash equivalents	7 801	6 119	1682	27,49%
13	Inventories	4 495	2 576	1919	74,50%
14	Short-term assets	28 126	21 917	6209	28,33%
15	Total amount of assets	140 489	132 535	7954	6,00%
16	Average arithmetic total asset value for 5 quarters	131 229	124 097	7132	5,75%
17	Current liabilities	21 229	22 267	-1038	-4,66%
18	Debt	14 288	10 616	3672	34,59%
19	Liabilities (borrowed funds)	31 878	26 089	5789	22,19%
20	Equity	108 611	106 446	2165	2,03%
21	Equity averaged 5 quarters	106 053	104 168	1885	1,81%
22	Turnover capital	6 897	-350	7247	-2070,57%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	0	0,00%
24	Gain / loss minority interest	1408	1519	-111	-7,31%
25	Interest expenses	231	189	42	22,22%
26	Weighted average price of last trading session	0,922	1,07	-0,148	-13,83%
27	Last price per share of last trading session	0,91	1,097	-0,187	-17,05%



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 30.06.2018

Indicators	30.6.2018	31.12.2017/ 30.6.2017	Change %	Change
EBITDA	4 978	6 791	-1813	-26,70%
DEPRATIATION	(1 983)	(4 863)	2880	-59,22%
EBIT	2 764	1 739	1025	58,94%
FIN/INVEST NET	(162)	(390)	228	-58,46%
EBT	2 764	1 739	1025	58,94%
ROA	0,0097	-0,0025	0,0121	-487,64%
ROA(BSE)	0,0103	-0,0027	0,0130	-488,58%
Debt/EBITDA Ratio	2,8702	1,5632	1,3070	83,61%
Quick Ratio	1,1131	0,8686	0,2446	28,15%
ROE (BSE)	0,0165	-0,0042	0,0207	-494,70%
ROE	0,0261	0,0114	0,0146	128,33%
Debt/Equity Ratio (BSE)	0,2935	0,2451	0,0484	19,75%
Profitability ratios				
Gross profit margin	0,1294	0,1325	-0,0031	-2,35%
Operating profit margin	0,1028	0,0968	0,0060	6,24%
Net profit margin	0,0971	0,0540	0,0431	79,71%
Coefficients for assets and liquidity				
Assets turnover ratio	0,2205	0,1791	0,0414	23,11%
Assets turnover ratio (BSE)	0,2169	0,1773	0,0396	22,33%
Operating cycle	4,1264	-62,8600	66,9864	-106,56%
Current ratio	1,3249	0,9843	0,3406	34,60%
Quick ratio	1,1131	0,8686	0,2446	28,15%
Cash ratio	0,3675	0,2748	0,0927	33,72%
Odds per share				
P/S ratio	1,9231	2,8870	-0,9639	-33,39%
P/E ratio	19,8013	53,4199	-33,6186	-62,93%
P/B ratio	0,6634	0,7820	-0,1186	-15,16%
Revenue per share	0,4794	0,3706	0,1088	29,36%
Earnings per share	0,0466	0,0200	0,0265	132,46%
Book value of equity per share	1,7866	1,7548	0,0317	1,81%
Dividends ratio				
Divident payout ratio	0,0000	0,4996	-0,4996	-100,00%
Earnings retention ratio	1,0000	0,5004	0,4996	99,83%
Divident per share	0,0000	0,0100	-0,0100	-100,00%
Development Ratios				
Revenue growth	0,2936	0,3642	-0,0707	-19,40%
Gross profit growth	0,2631	2,1582	-1,8951	-87,81%
Assets growth	0,0600	0,1046	-0,0445	-42,60%
Leverage Ratios				
Debt/total assets	0,1089	0,0855	0,0233	27,27%
Debt/capital	0,1187	0,0925	0,0262	28,37%
Debt/equity	0,1347	0,1019	0,0328	32,20%
Total assets/equity	1,2374	1,1913	0,0461	3,87%
Market value of the company	54019	65119	-11100,51	-17,05%



12/ CASH FLOW

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

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change BGN '000	Change %
Operation activity				
Cash receipts from customers	29 120	25 322	3 798	15,00%
Payments to suppliers	(18 994)	(15 382)	(3 612)	23,48%
Payments to employees and social security institutions	(8 580)	(7 475)	(1 105)	14,78%
Cash flows related to interest, dividends and similar	(143)	(110)	(33)	30,00%
Paid and refunded income tax	(619)	(114)	(505)	442,98%
Positive / negative differences from foreign exchange operations	13	-	13	n/a
Other receipts / (payments), net	(394)	(548)	154	-28,10%
Net cash flow from operating activities	403	1 693	(1 290)	-76,20%
Investment activity				
Payments for acquisition of property, plant and equipment	(102)	(1 917)	1 815	-94,68%
Sale of subsidiaries	(45)	-	(45)	n/a
Acquisition / Sale of intangible assets	(1 638)	(2 279)	641	-28,13%
Payments on loans	-	(40)	40	-100,00%
Interest payments on loans	(8)	-	(8)	n/a
Others	-	(4)	4	-100,00%
Net cash flow from investing activities	(1 793)	(4 240)	2 447	-57,71%
Financing activity				
Received or provided loans	8 389	4 440	3 949	88,94%
Loans payables	(4 974)	(1 124)	(3 850)	342,53%
Proceeds from interest, dividends and similar	(1)	(7)	6	-85,71%
Payments under finance leases	(49)	(48)	(1)	2,08%
Cash flows from positive and negative foreign exchange differences	(19)	(6)	(13)	216,67%
Other	(274)	(123)	(151)	122,76%
Net cash flow from financing activities	3 072	3 132	(60)	-1,92%



13/ FINANCIAL RISK MANAGEMENT

13.1. Financial risk management

In the normal course of business the Group may be exposed to various financial risks, the most important of which are market risk (including currency risk, changes in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty of forecasting the financial markets and to achieve minimizing the potential negative effects that could affect the financial results and position of the Group. The financial risks are identified, measured and monitored through various control mechanisms in order to establish adequate prices for the products and services of the Group and attracted their loan capital, as well as to assess adequately the market circumstances of these investments and the forms for maintenance of free liquid funds through preventing undue concentration of a particular risk.

Risk management is carried out by the management of the Group under policies adopted by the Board of Directors of the Group. The Board of Directors has approved the basic principles of general financial risk management, based on which have developed specific procedures for the management of individual specific risks such as currency, interest rate, credit and liquidity risk and the use of non-derivative instruments.

13.2. Foreign exchange rate risk

The companies of the Group carry out their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

A significant amount of the Group's revenue is generated by exports of services contracted for payment in US dollars. The currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies.

Companies abroad sell their services and products mainly on local markets.

To control currency risk, there is a system in place throughout the Group for import supply planning, sales in foreign currency Sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and control of forthcoming payments.

Borrowings, when denominated in foreign currency, are mainly denominated in euro.

13.3. Price risk

The companies of the Group are exposed to price risk by two main factors:

- (a) increasing competition from countries such as India and China with significantly lower labor costs;
- (b) increasing competition on the Bulgarian market for attracting skilled labor and rising labor costs;

To minimize this impact, the Group's management applies a company strategy to optimize costs.

Pricing policy is a function of three main factors - cost structure, competitor prices and consumer purchasing power.



13.4. Credit risk

Credit is the risk that the clients of the Group will not be able to repay fully and within the usual time limits the amounts due from them under the trade receivables. The latter are presented in the consolidated statement of financial position in net amount after deduction of accrued impairment on doubtful and bad debts.

Such impairments are made where and when there are events identifying loss of uncollectability under previous experience.

The Group works with contractors with a history of relationships in its core markets, partnering with a large number of Bulgarian and foreign companies and institutions.

Credit risk is minimized through established selection procedures and ongoing monitoring of liquidity and financial stability of trading partners. If the receivables of these counterparties are overdue, the Group has set a 30-day period after which the collection of receivables starts.

Deferred payments (sales on credit) to counterparties are only available to customers who have a long history and commercial cooperation with the Group, good financial standing and no breaches of compliance with the agreed credit terms.

The Group's credit policy provides for each new client to be considered for creditworthiness before offering standard delivery and payment terms. The analysis performed by the Group includes, but is not limited to, customer visits, collection of monthly turnover data.

The collection of receivables is controlled directly by the executive director of the parent company and respectively the subsidiaries' management. It is their responsibility to control and regulate receivables in accordance with the objective market circumstances and needs of the Group.

The Group has developed policies and procedures for assessing the creditworthiness of its counterparties and setting credit rating and credit limits by group of clients.

The management of the Group is currently monitoring and regulating the resulting concentration of receivables by customers and counterparties.

13.5. Liquidity risk

The liquidity risk is expressed in the negative situation that the Group will not be able to meet unconditionally all its obligations according to their maturity.

The Group generates and maintains a significant volume of liquidity. An internal source of liquidity for the Group is the main business of its companies generating sufficient operating flows. External sources of funding are banks and other permanent partners. Substantial effect on the Group's liquidity may be the change in the USD exchange rate in relation to dollar positions.

13.6. Risk of interest-bearing cash flows

In the structure of the Group's assets, interest-bearing assets are represented by cash, bank deposits and loans granted at a fixed interest rate. On the other hand, the borrowed funds of the Group in the form of long-term and short-term loans are usually with variable interest rates. This circumstance partially puts the cash flows of the Group in line with interest rate risk. The coverage of this risk is achieved in two ways:



- (a) optimizing sources and the structure of credit resources to achieve a relatively lower cost of borrowed funds; and
- (b) a combined structure of interest rates on loans, which contains two components - constant and variable, the ratio between which and their absolute value can be achieved and maintained at a favorable rate for the companies of the Group. The permanent component has a relatively low absolute value and a large enough relative share in the total interest rate. This circumstance eliminates the likelihood of a significant change in interest rates with a possible update of the variable component. This also minimizes the likelihood of a change in the unfavorable direction of cash flows.

The management of the Group's companies, together with that of the parent, are currently monitoring and analyzing the exposure of the respective company to changes in interest rates.

13.7. Capital management risk

With the management of the capital, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return of the invested funds to the shareholders, the economic benefits of other stakeholders and participants in its business as well as to maintain an optimal capital structure, to reduce the cost of capital. An analogous approach is also applied at the individual company level of the Group in terms of its capital structure and financing.

The Group is currently monitoring the capital adequacy and structure on the basis of the debt ratio. This ratio is calculated between the net debt capital and the total amount of the committed capital. Net debt capital is defined as the difference between all borrowed funds (short and long term) as stated in the balance sheet and cash and cash equivalents.

13.8. Fair Values

Fair value is generally the amount for which an asset may be exchanged or an obligation to be paid under normal terms of trade between independent, willing and informed counterparties. The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities.

The concept of fair value implies the realization of financial instruments through sale. In most cases, however, especially with respect to trade receivables and payables, loans and bank deposits, the Group expects to realize these financial assets through their full repayment or repayment over time. Therefore, they are presented at amortized cost.

Also, the bulk of the financial assets and liabilities are either short-term in nature (trade receivables and payables, short-term loans) or are reflected in the statement of financial position at market value (bank deposits, investments in securities) fair value is approximately equal to their carrying amount. An exception to this rule is part of the investments in other companies as a non-controlling interest, for which there is no market and objective conditions for the estimation of their fair value in an honest manner, which is why they are presented at cost. As long as there is not yet a sufficiently developed market, with stability and liquidity for purchases and sales of some financial assets and liabilities, there are not enough and reliable quotes available at market prices.

The management of the parent company considers that, under the circumstances, the estimates of financial assets and liabilities presented in the statement of financial position are as reliable, adequate and reliable as possible for the purposes of financial reporting.



14/ RELATED PARTIES TRANSACTIONS

Sales:

30.06.2018

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Sale of service	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	5
Sirma Group Holding	Sale of service	Companies under common indirect control	5
Sirma Enterprise Systems	Sale of service	Companies under common indirect control	1
Total			12

30.06.2017

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	Sale of goods	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	5
Sirma Group Holding	Sale of service	Companies under common indirect control	5
Total			11

Loans (balances):

30.06.2018

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	608
Sirma Enterprise Systems	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Companies under common indirect control	384
Sirma Solutions	loan	Other related parties	331

31.12.2017

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



15/ REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Board Member	Company	Sums for the period 01.01.2018 - 30.06.2018 (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	300,00
	Ontotext	88 721,05
	Sirma Enterprise Systems	49,98
	Sirma Group Holding	9 300,00
	Sirma Solutions	3 000,00
Georgi Parvanov Marinov	EngView Systems Sofia	51 444,00
	Sirma Business Consulting	7 500,00
	Sirma Group Holding	10 800,00
Yordan Stoyanov Nedev	Sirma Group Holding	37 140,00
	Sirma Medical Systems	600,00
Petar Borisov Statev	Sirma Group Holding	9 300,00
Sasha Konstantinova Bezuhanova	Sirma Group Holding	9 000,00
Tsvetan Borisov Alexiev	Daticum	120,00
	EngView Systems Sofia	300,00
	Ontotext	3 000,00
	Sirma Enterprise Systems	49,98
	Sirma Business Consulting	15 000,00
Tsvetomir Angelov Doskov	Sirma Group Holding	70 500,00
	Sirma Solutions	62 736,00
	Sirma Business Consulting	101 129,16
Chavdar Velizarov Dimitrov	Sirma Group Holding	9 300,00
	Daticum	117,36
	EngView Systems Sofia	33 372,27
	Sirma Group Holding	27 263,57
Total	Sirma Medical Systems	586,82
		550 630,19



16/ EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

Sofia

CEO: 
Tsvetan Alexiev

