



Interim Individual Report

of the activity of "Sirma Group Holding" JSC according to
Annex N10 of Ordinance 2 to Article 32, Paragraph 1, Item 2,
Article 35, Paragraph 1, Item 2, Article 41, Paragraph 1, Item 2
for the period 01.01.2018 – 30.06.2018

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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 30 June 2018 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the Law on the Public Offering of Securities (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Annex 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2.

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual financial statements as at 30 June 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 Risk Section of the report.

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

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

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

In our Individual Management Report, we analyze our business activities for the reporting financial period as well as the current situation of Sirma Group Holding. 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 30.06.2018. The report includes Sirma Group Holding JSC.



2/ ORGANIZATION AND WAY OF PRESENTATION

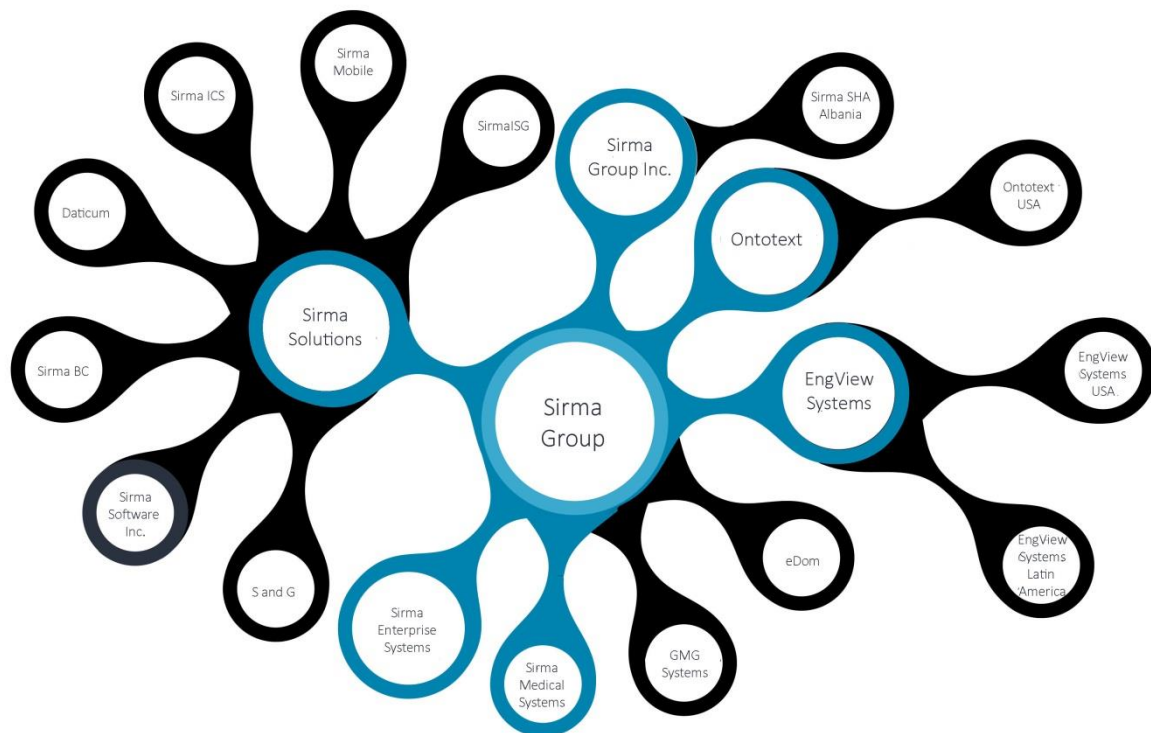
Sirma Group Holding JSC is a holding company which invests in technological businesses, manages them strategically and operationally, provides its subsidiaries with management, administrative, marketing and financial services.

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

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

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

2.1. Group structure



HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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

Changes in the subject of activity:

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

prohibited by law. On 04.07.2012 the subject of activity is changed to the current one.

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

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

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

CAPITAL

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

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

Non-monetary contributions - description:

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

Value: BGN 61 555 838

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

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

Total Value: BGN 77 202 478

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



HISTORY OF SHAREHOLDER CAPITAL

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

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

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

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

1) 29 software modules worth 61 555 838 BGN;

2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:

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

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

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

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

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

3/ PORTFOLIO OF SIRMA GROUP HOLDING JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 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

Associated companies and joint ventures 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



INFORMATION ON PARTICIPATION

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

4/ STRUCTURE OF SHAREHOLDERS CAPITAL AND MANAGEMENT AUTHORITIES

4.1. Distribution of share capital

As of 31.03.2018 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 BGN 1.00)	59 360 518	59 360 518
Total number of registered shareholders	1030	1030
Including legal entities	53	53
individuals	977	977
Number of shares held by legal entities	9 927 787	9 927 787
% Of participation of entities	16,72%	16,72%
Number of shares held by individuals	49 432 731	49 432 731
% Participation of individuals	83,28%	83,28%

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		625 000	1,05%	1,06%
"Mandjucov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Other	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%

As of 31.03.2018 "Sirma Group Holding" JSC posses repurchased 474 724 own shares.



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%

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

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

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

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

4.2. Management authorities

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

The Board of Directors as of 31.03.2018 includes the following members:

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

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

The current mandate of the Board of Directors: 27.07.2019

The competence of the management

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

Stock options of the company

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



Committees in The Company

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

1. Investment and Risk Committee, composed of:

*Yordan Nedev – chairman
Tsvetan Alexiev – member
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*

Adopted internal documents

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

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

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

<https://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 31.03.2018	Number of shares at 31.12.2017	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;

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 gross remuneration:

Name	Comapny	Period: 01.01.2018 - 30.06.2018 BGN
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	70 500
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING JSC	27 264
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING JSC	9 300
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	9 300
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	10 800
Sasha Konstantinova Bezuhanova	SIRMA GROUP HOLDING JSC	9 000
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING JSC	37 140
Petar Borisov Statev	SIRMA GROUP HOLDING JSC	9 300
Total		182 604

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

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

benefits have been provided upon termination of their contracts.

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

At the 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 internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA

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



5/ OUR BUSINESS MODEL

Sirma Group Holding

- is composed of quasi-independent legal entities
- owns directly or indirectly 50 to 100% of the capital of the group companies
- usually controls more than 50% of the members of the management bodies
- Controls the companies in the group and determines their development, investments, adopts their budgets, provides legal, financial and administrative services, coordinates the marketing and HR policy of the companies in the group.
- is the parent company in the group

Benefits of the model

- Vertical and regional expertise and experience;
- Customer knowledge, environment and specifics;
- Combination of technologies and products with possibilities for realization in different verticals;
- Local specialists speaking local language;
- Synergy between enterprises;
- Unified corporate culture and values;

6/ SIRMA GROUP HOLDING IN H1 2018

Economic Trends

Macro frame

According to data of the National Statistical Institute in June 2018, the total indicator of the business climate in Bulgaria decreased by 0.9 percentage points compared to the previous month as a result of the less favorable business climate in the construction and service sectors.

The composite indicator "business climate in industry" increased by 1.5 percentage points due to the optimistic estimates and expectations of industrial entrepreneurs for the business condition of enterprises. In their opinion, the current production activity is improving and their forecasts for the next three months remain favorable. The insecure economic environment and labor shortages remain the most serious business development problems identified by 36.8 and 32.5% of enterprises respectively. In terms of sales prices in industry, managers expect them to maintain their level over the next three months.

According to data of the National Statistical Institute in June, the composite indicator "business climate in construction" decreased by 3.4 percentage points as a result of the more reserved expectations of the developers for the business situation of the enterprises in the next six months. At the same time, their projections for construction activity over the next three months are less favorable. In the last month, the survey recorded an increase in the negative impact of the labor shortage factor, which shifts the difficulties related to the uncertain economic environment and competition in the industry to the second and third place. With regard to selling prices, managers do not expect any change over the next three months.

According to the data of the National Statistical Institute, the composite indicator "business climate in retail trade" increased by 0.8 percentage points due to the slightly improved retailers' assessments of the current business situation of the enterprises. The expectations for the volume of sales and orders to the suppliers over the next three months, however, are more reserved. The most serious problem hampering business activity remains competition in the industry, followed by insufficient demand and the uncertain economic environment. With regard to sales prices in the services sector, managers expect to maintain their level over the next three months.

According to data of the National Statistical Institute in June, the composite indicator "business climate in the services sector" dropped by 4.5 percentage points, mainly due to the more unfavorable managers' assessments of the current business situation of the enterprises. For the demand for services the current trend is estimated to be slightly reduced, while expectations for the next three months are improving, competition in the industry and the uncertain economic environment continue to be the factors most likely to hamper business. Manager's prevailing expectations of sales prices in the sector are that they remain unchanged over the next three months.

The economic assessment of the Governing Council of the European Central Bank as at 14 June 2018 recognizes that the economic upturn in the Euro Area continues to be robust and broad across countries and sectors, despite recent data and indicators that are lower than expected. Real GDP growth on a quarterly basis decelerated to 0.4% in the first quarter of 2018 r. after an increase of 0.7% in the previous quarters. This slowdown reflects some retreat from the very



high levels of growth in 2017, accompanied by increased uncertainty and some temporary factors linked to domestic and global supply as well as the weaker impetus from foreign trade. Recent data on economic performance and survey results are weaker, but are consistent with ongoing robust and robust economic growth. The ECB's monetary policy measures, which have facilitated the process of reducing obstruction, continue to support domestic demand. Private consumption is supported by rising employment and rising household welfare. Business investment is boosted by favorable financing conditions, rising business profits and stable demand. In addition, it is expected that the global recovery in demand will continue and thus boost the euro area exports. The risks to growth prospects in the Euro Area remain broadly balanced. More and more pronounced is the uncertainty associated with global factors, incl. the threat of enhancing protectionism. Moreover, the risk of constant fluctuations in the financial markets requires monitoring. According to the macroeconomic projections for the eurozone of June 2018 of Eurosystem staffers projected GDP in real terms to grow annually by 2.1% in 2018, by 1.9% in 2019 and by 1.7% in 2020. Compared with the ECB's macroeconomic projections of March 2018 r. the forecast for real GDP growth is revised downwards to 2018 and remains unchanged for 2019 and 2020.

THE NEW STRATEGY OF SIRMA GROUP HOLDING JSC

Since 1.07.2017 Sirma Group Holding has started to implement its updated strategy, including:

WHAT - Strengthening the core and optimizing processes related to investment management in development, concentration of intellectual property

HOW - Migration to the SaaS Model of Sales and Integration of Cognitive Technology in the Portfolio

WHERE - Strengthening presence and sales on existing markets, expanding into new regions.

Execution

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.

MANNER OF FUNCTIONING OF SIRMA

- IN SHORT-TERM PLAN, we want to "manage the implementation." To achieve this goal, we will detail our structures and responsibilities. We will focus on business excellence. In addition, we want to be able to get back on track those businesses that have not reached their full potential and make them extremely competitive.
- "Strengthening the core" is our goal IN MEDIUM-TERM PLAN. We intend to strengthen our successful businesses financially to expand them into strategic areas and provide them with rapid growth.
- IN LONG-TERM PLAN, we want to "scale." We will accelerate our efforts to take advantage of further growth opportunities and the opening of new territories.

Success is related to the achievement of **SEVEN OBJECTIVES**:

- Apply rigorous corporate governance rules: We want simplification and acceleration of corporate governance processes.

- Creating sustainable values: We are in the process of attractive growth in areas and businesses that have not yet reached their full potential.

- Strict implementation of target funding.

- Expansion of global governance: For the future, we want more than 30% of managers to be based outside of Bulgaria in view of the adequacy of the global expansion orientation of the company

- To become a partner in our clients' decisions: We want to be a partner in customer choices.

- Being a preferred employer: Highly committed and satisfied employees are at the heart of our success. We are - and we want to stay - an attractive employer.

- Development of property culture: In the future, our employees will have an even greater share in the success of the group companies. We will increase the current number of shareholders-employees with different programs.

PARTICIPATION IN MANAGEMENT AND IMPLEMENTATION OF CONTROL ON THE SUBSIDIAR COMPANIES

In 2017, as in previous periods, Sirma Group Holding's senior management was actively involved in the management of its subsidiaries. The high expertise and accumulated experience of Sirma Group Holding's managers helped companies to formulate their development goals and strategies as well as their business and financial plans. As a

result, the company achieved outstanding successes over the past 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 JSC 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 H1 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. During the period 9 tax inspections were carried out. 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.

EVENTS AND BUSINESS NEWS IN H1 2018

The following events and business news took place in H1 2018:

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.

MAIN LEGAL INFORMATION IN H1 2018

Transactions with shares for the period 01.01.2018 - 30.06.2018:

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.

Litigation for the period 01.01.2018 - 30.06.2018:

"Sirma ISG" OOD against Insurances "Software Retail" EOOD

Claims amount: 158 283 BGN, of which:

- 100 000 BGN - filed as a partial claim for compensation for damages from the total amount due, amounting to 538 971.27 BGN representing damages for non-performance of contractual obligations
- 58 283 BGN. - price of settling claim for establishing the existence of a legal relationship under a license agreement from 01.06.2011 - Reason for the objectively connected claims: Art. 79 of the LOC, Art. 82 LOC

"Sirma ISG" OOD against Tianko Sashkov Latev

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

- 50 000 BGN - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 BGN
- 11 162,19 BGN - representing indemnity for damages, expressed as unaccountable material means
- 8 000 BGN - 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.



7/ INDIVIDUAL FINANCIAL RESULTS

7.1. REVENUES

The company's revenues includes:

	31.3.2018 BGN '000	31.3.2017 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	1579	347	1232	355,04%
Interest income	65	63	2	3,17%
Revenue from participations	0	902	-902	-100,00%
Income from financing	14	14	0	0,00%
Total	1658	1326	332	25,04%

In H1 2018 the revenues of Sirma Group Holding increased by BGN 1 106 thousand or by 47,59% compared to H1 2017. The main share in the increase of the revenues has the sales revenues, which increased by BGN 1 954 thousand or by 148,90% compared to H1 2017.

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.

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.

Sales revenue includes:

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	158	146	12	8,22%
Consulting services	-	88	(88)	-100,00%
Administrative service	412	407	5	1,23%
Sales of licenses	81	625	(544)	-87,04%
Cloud Services	2 532	-	2 532	n/a
Others	85	47	38	80,85%
Total	3 268	1 313	1 955	148,90%



7.2. EXPENSES

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change
Material expenses	(41)	(26)	(15)
Change in %			57,69%
Expenses for external services	(2 965)	(938)	(2 027)
Change in %			216,10%
Staff expenses	(669)	(727)	58
Change in %			-7,98%
Depreciation and amortization of non-financial assets	(163)	(161)	(2)
Change in %			1,24%
Capitalized own expenses	770	716	54
Change in %			7,54%
Carrying amount of assets sold (excluding production)	81	-	81
Change in %			n/a
Interest expenses	(3)	(39)	36
Change in %			-92,31%
Other expenses	(57)	(109)	52
Change in %			-47,71%
Total expenditure	(3 207)	(1 284)	(1 923)
Change in %			149,77%

In H1 2018 the expenses of "Sirma Group Holding" JSC increased by BGN 1 923 thousand or by 149,77% as compared to H1 2017. The main share in the expenses is the expenses for external services, increased by BGN 2 027 thousand or by 216,10% compared to H1 2017.

7.3. FINANCIAL INCOME / COSTS (NET)

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change (BGN '000)	Change (%)
Financial costs	(110)	(33)	(77)	233,33%
Financial income	76	-	76	n/a
Financial income / costs (net)	(34)	(33)	(1)	3,03%

In H1 2018, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 1 thousand or by 3,03% compared to H1 2017. The main share in the increase is the financial expenses, increased by BGN 77 thousand or 233,33% against the previous period.

7.4. ASSETS

The total assets of Sirma Group Holding JSC at the end of the H1 of 2018 are with BGN 3 679 thousand (4,61%) higher than their value at the end of 2017.

Assets	30.6.2018 BGN '000	30.6.2017 BGN '000	Change (BGN '000)	Change (%)
Non-current assets				
Intangible assets	28	33	(5)	-15,15%
Property, plant and equipment	452	427	25	5,85%
Expenses for acquisition of fixed assets	5 873	5 103	770	15,09%
Investments in subsidiaries	56 392	56 392	-	0,00%
Investments in associates	214	214	-	0,00%
Investment property	6 604	6 682	(78)	-1,17%
Investments in joint ventures	7	7	-	0,00%
Deferred tax assets	12	12	-	0,00%
Non-current assets	69 582	68 870	712	1,03%



Assets	30.6.2018	31.3.2017	Change	Change
Current assets	BGN '000	BGN '000	(BGN '000)	(%)
Inventories	81	29	52	179,31%
Trade receivables	398	1 515	(1 117)	-73,73%
Receivables from related parties	10 933	8 475	2 458	29,00%
Tax receivables	12	0	12	n/a
Other receivables	60	336	(276)	-82,14%
Prepaid expenses	58	7	51	728,57%
Cash and cash equivalents	2 391	604	1 787	295,86%
Current assets	13 933	10 966	2 967	27,06%

7.5. EQUITY

Equity and liabilities	31.3.2018	31.3.2017	Change	Change
	BGN '000	BGN '000	(BGN '000)	(%)
Equity				
Main / Share Capital	59 361	59 361	-	0,00%
Purchased own shares	-475	-475	-	0,00%
Share premium	5 773	5 773	-	0,00%
Retained earnings / (Accumulated loss) from previous years	4 592	4 847	(255)	-5,26%
Total equity	69 251	69 506	(255)	-0,37%

In H1 2018, Equity increased by BGN 189 thousand compared to the previous reporting period.

For the reporting period share capital remained unchanged from the previous period. In execution of the decisions of the regular General Meeting of Shareholders in 2017 Sirma Group Holding JSC purchased 474 724 own shares. The board of directors believes in the development of the Sirma Group Holding JSC and the increase of the market value of the shares in the future and therefore decided to purchase these shares at a relatively low price.

7.6. LIABILITIES

The amount of the liabilities of Sirma Group Holding JSC at the end of H1 2018 is BGN 3 490 thousand (33,79%) higher than their value at the end of 2017.

Non-current liabilities	30.6.2018	31.12.2017	Change	Change
	BGN '000	BGN '000	(BGN '000)	(%)
Provisions	10	10	-	0,00%
Long-term loans	8 958	1 870	7 088	379,04%
Finance lease liabilities	89	114	(25)	-21,93%
Long-term payables to related parties	-	141	(141)	-100,00%
Deferred income and financing	55	81	(26)	-32,10%
Deferred tax liabilities	60	60	-	0,00%
Non-current liabilities	9 172	2 276	6 896	302,99%

Current liabilities	30.6.2018	31.12.2017	Change	Change
	BGN '000	BGN '000	(BGN '000)	(%)
Provisions	56	56	-	0,00%
Pension obligations to the staff	101	36	65	180,56%
Short-term loans	2 366	4 393	(2 027)	-46,14%
Finance lease liabilities	45	42	3	7,14%
Trade and other payables	1 696	41	1 655	4036,59%
Short-term payables to related parties	300	3 168	(2 868)	-90,53%
Tax obligations	18	251	(233)	-92,83%
Deferred income and financing	54	55	(1)	-1,82%
Other liabilities	12	12	-	0,00%
Current liabilities	4 648	8 054	(3 406)	-42,29%



7.7. CASH FLOW

	30.6.2018 BGN '000	30.6.2017 BGN '000	Change (BGN '000)	Change (%)
Net cash flow from operating activities	(1 128)	(465)	(663)	142,58%
Net cash flow from investing activities	(1 894)	(2 610)	716	-27,43%
Net cash flow from financing activities	4 809	2 739	2 070	75,58%
Net change in cash and cash equivalents	1 787	(336)	2 123	-631,85%
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	2 391	1 103	1 288	116,77%

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

7.8. INDICATORS AND COEFFICIENTS

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

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

No	Indicators	30.6.2018 BGN '000	30.6.2017/31.12.2017 BGN '000	(Abs.)	Delta (%)
1	Revenue from operating activities	3 430	2 324	1106,00	47,59%
2	Cost of sales	(3 150)	(1 175)	-1975,00	168,09%
3	Gross profit / loss	280	1 149	-869,00	-75,63%
4	Other operating costs	(57)	(109)	52,00	-47,71%
5	Operating profit / loss	223	1 040	-817,00	-78,56%
6	Financial income	76	0	76,00	n/a
7	Financial costs	(110)	(33)	-77,00	233,33%
8	Profit / loss before tax expense	189	1 007	-818,00	-81,23%
9	Tax costs	-	-	0,00	n/a
10	Net profit / loss	189	1 007	-818,00	-81,23%
11	Dividend	0	594	-594,00	n/a
12	Cash and cash equivalents	2 391	604	1787,00	295,86%
13	Inventories	81	29	52,00	179,31%
14	Short-term assets	13 933	10 966	2967,00	27,06%
15	Total amount of assets	83 515	79 836	3679,00	4,61%
16	Average arithmetic total asset value for 5 quarters	79 561	75 099	4462,00	5,94%
17	Current liabilities	4 648	8 054	-3406,00	-42,29%
18	Debt	11 458	6 419	5039,00	78,50%
19	Liabilities (borrowed funds)	13 820	10 330	3490,00	33,79%
20	Equity	69 695	69 506	189,00	0,27%
21	Equity averaged 5 quarters	68 935	68 184	750,60	1,10%
22	Turnover capital	9 285	2 912	6373,00	218,85%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	0,00	0,00%
24	Gain / loss minority interest	0	0	0,00	n/a
25	Interest expenses	95	0	95	n/a
26	Weighted average share price of last trading session	0,922	1,07	-0,148	-13,83%
27	Last share price of last trading session	0,91	1,097	-0,187	-17,05%



Indicators	30.6.2018	30.6.2017/31.12.2017	Delta	
			(Abs.)	(%)
EBITDA	545	1 201	-656	-54,62%
DEPRECIATION	(322)	(161)	-161	100,00%
EBIT	318	1 040	-722	-69,42%
FIN/INVEST NET	(34)	(33)	-1	3,03%
EBT	189	1 007	-818	-81,23%
ROA	0,0023	0,0126	-0,0104	-82,06%
ROA(BSE)	0,0024	0,0134	-0,0110	-82,28%
Debt/EBITDA Ratio	21,0239	5,3447	15,6791	293,36%
Quick Ratio	2,9802	1,3580	1,6222	119,46%
ROE (BSE)	0,0027	0,0148	-0,0120	-81,44%
ROE	0,0027	0,0148	-0,0120	-81,44%
EBITDA	0,1983	0,1486	0,0497	33,42%
Profitability ratios				
Gross profit margin	0,0816	0,4944	-0,4128	-83,49%
Operating profit margin	0,0650	0,4475	-0,3825	-85,47%
Net profit margin	0,0551	0,4333	-0,3782	-87,28%
Coefficients for assets and liquidity				
Assets turnover ratio	0,0441	0,0309	0,0131	42,40%
Assets turnover ratio (BSE)	0,0431	0,0309	0,0122	39,31%
Operating cycle	0,3694	0,7981	-0,4287	-53,71%
Current ratio	2,9976	1,3616	1,6361	120,16%
Quick ratio	2,9802	1,3580	1,6222	119,46%
Cash ratio	0,5144	0,0750	0,4394	585,94%
Odds per share				
P/S ratio	15,9565	27,3306	-11,3741	-41,62%
P/E ratio	289,5812	63,0747	226,5064	359,11%
P/B ratio	0,7853	0,9138	-0,1285	-14,07%
Revenue per share	0,0578	0,0392	0,0186	47,59%
Earnings per share	0,0032	0,0170	-0,0138	-81,23%
Book value of equity per share	1,1613	1,1486	0,0126	1,10%
Dividends ratio				
Divident payout ratio	0,0000	0,5899	-0,5899	n/a
Earnings retention ratio	1,0000	0,4101	0,5899	143,83%
Divident per share	0,0000	0,0100	-0,0100	n/a
Development Ratios				
Revenue growth	0,4759	0,4994	-0,0235	-4,70%
Gross profit growth	-0,7563	-11,8396	11,0833	-93,61%
Assets growth	0,0461	0,1022	-0,0561	-54,91%
Leverage Ratios				
Debt/taotal assets	0,1440	0,0855	0,0585	68,49%
Debt/capital	0,1425	0,0860	0,0565	65,65%
Debt/equity	0,1662	0,0941	0,0721	76,56%
Total assets/equity	1,1541	1,1014	0,0527	4,79%
Market value of the company	54 019	65 119	-11 100,51	-17,05%



7.9 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	30.6.2018 BGN '000	30.6.2017 BGN '000
Materials	2	Others	-	(0)
Materials	1	Inventory	(1)	-
Materials	1	Computer Components	-	(1)
Materials	1	Office supplies	(1)	(1)
External services	2	Internet	(7)	(9)
External services	2	Fees and commissions	-	(0)
External services	2	Consulting services	(4)	-
External services	1	Software services	(50)	(626)
External services	2	Software services	(25)	-
Interest on deposits	2	Interest expense on deposits	(0)	(0)
Interest on deposits	1	Interest expense on deposits	(1)	(1)
Interest on deposits	1	Interest expense on deposits	(0)	(0)
Interest on deposits	1	Interest expense on deposits	(2)	(2)
Interest on loans	1	Interest expense on loans	(0)	(8)

Sales

Type	Type of Connectivity	Description	30.6.2018 BGN '000	30.6.2017 BGN '000
Services	1	Subscriptions	50	-
Services	2	Administrative, accounting services	26	26
Services	1	Administrative, accounting services	30	30
Services	1	Administrative, accounting services	89	87
Services	2	Administrative, accounting services	4	4
Services	2	Administrative, accounting services	37	36
Services	1	Administrative, accounting services	38	38
Services	1	Administrative, accounting services	4	4
Services	1	Administrative, accounting services	174	173
Services	1	Consulting services	-	88
Services	1	Consumables	3	3
Services	1	Consumables	8	8
Services	2	Cabinet rental	-	13
Services	2	Rentals	5	5
Services	1	Rentals	48	36
Services	1	Rentals	2	2
Services	2	Rentals	19	19
Services	2	Rentals	1	1
Services	1	Rentals	4	4
Services	1	Rentals	76	73
Services	1	Cloud services	2 532	-
Services	1	Revenue from the sale of licenses	81	625
Services	2	Technical Support	4	4
Services	1	Technical Support	4	4
Services	1	Technical Support	4	4
Services	2	Technical Support	4	4
Services	1	Technical Support	4	4
Services	1	Technical Support	4	4
Interest on loans	1	Interest income on loans	12	9
Interest on loans	2	Interest income on loans	4	3
Interest on loans	2	Interest income on loans	6	2
Interest on loans	1	Interest income on loans	82	80
Interest on loans	1	Interest income on loans	16	5
Interest on loans	3	Interest income on loans	1	3
Interest on loans	3	Interest income on loans	15	14
Dividends	1	Dividend income	-	63
Dividends	1	Dividend income	-	49
Dividends	1	Dividend income	-	747



8/ PERSONNEL AND ECOLOGY

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

The Company believes that its employees play a key role in the development of its business and the overall

corporate goals and therefore pays special attention to the development of a common human resources management

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

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

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

Sirma Group Holding JSC	30.6.2018 Number of employees	31.12.2017 Number of employees
Employment contract	24	22
Contract for management and control	8	8
Total	32	30

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.

9/ RISK FACTORS

9.1 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.

9.1.1. 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.



9.1.2. 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.

9.1.3. 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.

9.1.4. 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 $\pm 15\%$ 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 BNB preliminary data of 28.06.2018 gross external debt at the end of April 2018 r. was EUR 32 876.9 million (61.3% of GDP), down by EUR 431.9 million (1.3%) compared to the end of 2017 (EUR 33 308.8 million, 66.1% of GDP). Debt decreased by EUR 1460.6 million (4.3%) compared to April 2017 (EUR 34 337.5 million, 68.1% of GDP). At the end of April 2018 long-term deposits amounted to EUR 25 043.8 million (76.2% of gross debt, 46.7% of GDP), down by EUR 496.6 million (1.9%) compared to the end of 2017 (25 540.4 million euro, 76.7% of the debt, 50.6% of GDP). Long-term debt decreased by EUR 1349.3 million (5.1%) compared to April 2017 (26 393 million euro, 52.3% of GDP). Short-term liabilities amounted to EUR 7 833.2 million (23.8% of gross debt, 14.6% of GDP) and increased by EUR 64.8 million (0.8%) compared to the end of 2017 (7 768.4 million euro, 23.3% of the debt, 15.4% of GDP). Short-term external debt decreased by EUR 111.3 million (1.4%) compared to April 2017 (EUR 7 944.5 million, 15.8% of GDP).

9.1.5. 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 14 June 2018, the Governing Council of the ECB came to the conclusion that significant progress has been made so far towards a sustainable inflation adjustment. Already since the beginning of its asset purchase program (APR) in January 2015, The Governing Council has set its net asset purchases according to the extent of progress in sustaining the inflation rate to below but close to 2% in the medium term. On June 14, 2018, The Governing Council made a thorough review of the progress achieved, taking into account the latest Eurosystem staff macroeconomic projections, price and wage pressures and uncertainty about inflation prospects. As a result of the assessment, the Governing Council has concluded that significant



progress has been made so far towards a sustainable inflation adjustment. With stable expectations of long-term inflation, the strengthening of the euro area economy and the continued substantial monetary stimulus create confidence that a sustained convergence of inflation to the target level set by the Governing Council will continue in the future and will be sustained even after the phasing out of net purchases of assets. According to the monetary policy decisions of 14 June 2018 r. the current high degree of monetary stimulus will be maintained, thus ensuring further sustainable convergence to below but close to 2% over the medium term. 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. Such support will continue to be the net purchases of assets by the end of the year, the significant volume of assets acquired and the related reinvestment, and the ECB's improved benchmark for key ECB interest rates. In any event, the Governing Council is prepared to adjust all its instruments according to circumstances to ensure that inflation continues to steadily approach the target level set by the Governing Council.

The key interest rates set by the BNB for the period 01.01.2018 - 30.06.2018 is 0.00%

9.1.6. Inflation Risk

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 data, Inflation from the beginning of the year (June 2018 versus December 2017) was 1.1% and annual inflation for June 2018 against June 2017 is 3.2%. Average annual inflation for the period July 2017 - June 2018 compared to the period July 2016 - June 2017 is 2.2%.

The Harmonized Index of Consumer Prices for June 2018 against May 2018 r. is 100.5%, i. monthly inflation is 0.5%. Inflation from the beginning of the year (June 2018 versus December 2017) was 1.4% and annual inflation for June 2018 against June 2017 is 3.0%. Average annual inflation for the period July 2017 - June 2018 compared to the period July 2016 - June 2017 is 1.6%

Inflation for the period 01.01.2018 - 30.06.2018 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%

9.1.7. 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.

9.1.8. 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.

9.2. 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.

9.2.1. 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.

9.2.2. 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, i.e. the risk for the investors, respectively the creditors, will be higher.

9.2.3. 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.

9.2.4. 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.

9.2.5. 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.

9.2.6. 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

9.3. 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.

9.3.1. 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.



9.3.2. 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.

9.3.3. 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.

9.3.4. 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.

9.3.5. 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.

9.3.6. 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.

9.3.7. 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.

9.3.8. 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".

10/ 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.



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

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

12/ 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.

13/ 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.



14/ 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.

15/ 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

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

No changes during the period considered.



17/ 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 company has not published projections of its financial performance for 2017.

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

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

Market capitalization – BGN 54 018 071

Price of shares:

Historical Data and Financial Ratios

1 month	3 months	6 months	1 year	Select Period
Start Price -	1.088 BGN			2017.12.29
Last Price -	0.910 BGN			2018.06.29
MAX Price -	1.095 BGN			2018.01.05
MIN Price -	0.900 BGN			2018.05.31
Percent Change	-16.36%			
Value Change	-0.178			
Market Capitalisation -	54 018 071 BGN			2018.06.29

ROA	0.02
ROE	0.03
ROA/EBIT	0.03
ROE/EBIT	0.04
Asset turnover	0.08
Current ratio	3.35
D/E	0.14

ROA cons	0.04
ROE cons	0.06
ROA/EBIT cons	0.12
ROE/EBIT cons	0.18
Asset turnover cons	0.42
Current ratio cons	1.38
D/E cons	0.17

Financial ratios provided by 



20/ EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Sofia
30.04.2018

CEO:



Tsvetan Alexiev

