

Notes

to the Individual Financial Statements
of "Sirma Group Holding" JSC
for the period 01.01.2018 – 30.09.2018

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1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

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

Seat and registered office:

BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784, Mladost area, bul. Tsarigradsko Shosse, No 135.

The object of the company is:

ACQUISITIONS, MANAGEMENT, EVALUATION AND SALE OF PARTICIPATION IN BULGARIAN AND FOREIGN COMPANIES, ACQUISITION, EVALUATION

AND SALE OF PATENTS, CESSION OF LICENSES TO USE PATENTS TO COMPANIES IN WHICH THE COMPANY HOLDS, FINANCE COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZE ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. COMPANY MAY PERFORM INDEPENDENT BUSINESS ACTIVITY THAT IS NOT PROHIBITED BY LAW.

The share capital of the company amounts to

BGN 59 360 518, divided into 59 360 518 dematerialized shares with nominal value of BGN1.

The capital of the Company is amended as follows:

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

The company's capital is paid 100%.

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules

Value: BGN 61 555 838

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

Value: BGN 11 734 980

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

Value: BGN 3 911 660

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



1.1 Distribution of share capital

As of 30.09.2018 the distribution of the share capital of Sirma Group Holding is as follows:

	30.09.2018 BGN '000	30.06.2018 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	1046	1022
Including legal entities	54	52
individuals	992	970
Number of shares held by legal entities	10 156 135	10 129 449
% Of participation of entities	17,11%	17,06%
Number of shares held by individuals	49 204 383	49 231 069
% Participation of individuals	82,89%	82,94%

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 30.09.2018	Number of shares at 30.06.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 877 374	2 877 374	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	4 865 753	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	5 269 748	1	5 269 748	8,88%	8,95%
Krasimir Nevelinov Bozhkov	2 871 314	2 914 542	1	2 871 314	4,84%	4,88%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	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	184 000	394 981	1	184 000	0,31%	0,31%
Peter Nikolaev Konyarov	1 271 910	1 271 910	1	1 271 910	2,14%	2,16%
Emiliana Ilieva Ilieva	2 303 495	2 303 185	1	2 303 495	3,88%	3,91%
Elena Yordanova Kozuharova	1 963 950	1 963 950	1	1 963 950	3,31%	3,34%
Ivo Petrov Petrov	983 550	893 350	1	983 550	1,66%	1,67%
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%
"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"	627 000	625 000	1	627 000	1,06%	1,06%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Other	10 650 740	10 489 041	1	10 650 740	17,94%	18,09%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 30.09.2018 "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 30.09.2018	% 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%



1.2 Management authorities

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

The Board of Directors as of 30.09.2018 includes the following members:

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

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

The mandate of the present Board of Directors is until 27.07.2019.

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.

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

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

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

Shareholders	Number of shares at 30.09.2018	Number of shares at 30.06.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 877 374	2 877 374	1	2 877 374	4,85%	4,89%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	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	17 777 194		17 777 194	29,95%	30,19%

Investor's Relationship Director is Stanislav Borisov Tanushev.



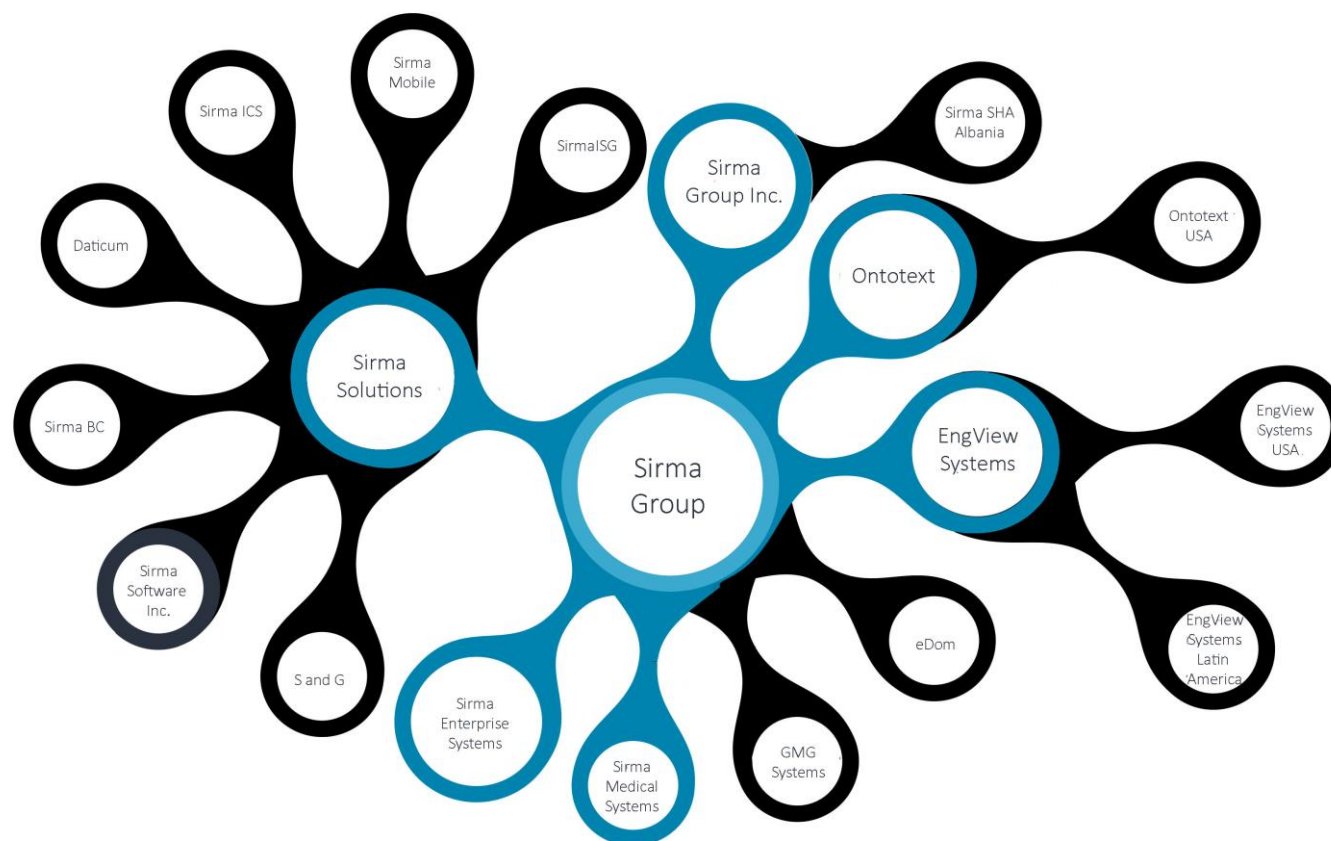
Pursuant to Article 25, paragraph 5 of the Articles of Association of the Company, each member of the Board of Directors has received a permanent bruto remuneration:

Name	Company	Period: 01.01.2018 - 30.06.2018 (BGN)
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	105 000
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING JSC	41 202
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING JSC	13 800
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	13 800
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	15 300
Sasha Konstantinova Bezuhanova	SIRMA GROUP HOLDING JSC	13 500
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING JSC	54 810
Petar Borisov Statev	SIRMA GROUP HOLDING JSC	13 800
Total		271 212



1.3 Structure of the group and scope of activity

The structure of the Group includes "Sirma Group Holding" JSC as a parent company and the following companies:



Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 30.09.2018 (in BGN'000)	Percentage of capital at 30.09.2018	Percentage of capital with adjusted repurchased own shares at 30.09.2018	Value of the investment at 30.06.2018 (in BGN'000)	Percentage of capital at 30.06.2018	Percentage of capital with adjusted repurchased own shares at 30.06.2018	Changes (in 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	76,29%	76,29%	3 471	76,29%	76,29%	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			978

Associated companies and joint ventures of "Sirma Group Holding" JSC

Company	Value of the investment at 30.09.2018 (BGN'000)	Percentage of capital at 30.09.2018	Value of the investment at 30.06.2018 (BGN'000)	Percentage of capital at 30.06.2018	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

1.4 Events and business news in Q3 2018

The following major events took place in Q3 2018:

18.09.2018

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

17.09.2018

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

10.09.2018

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

29.08.2018

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

30.07.2018

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

16.07.2018

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

29.06.2018

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

25.06.2018

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



25.06.2018

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

18.06.2018

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

13.06.2018

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

13.06.2018

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

12.06.2018

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

30.05.2018

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

18.05.2018

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

17.05.2018

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

17.05.2018

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

09.05.2018

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

05.05.2018

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

03.05.2018

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

03.05.2018

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

30.04.2018

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

27.04.2018

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

30.03.2018

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



29.03.2018

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

29.03.2018

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

22.03.2018

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

20.03.2018

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

14.03.2018

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

13.03.2018

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

19.03.2018

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

08.03.2018

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

01.03.2018

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

26.02.2018

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

05.02.2018

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

01.02.2018

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



30.01.2018

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

26.01.2018

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

26.01.2018

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

24.01.2018

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

13.01.2018

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

2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

The separate financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2018 and have been accepted by the Commission of the European Union

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2018, has not caused changes in the accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

For more information, please see – Appendix №2.



3/ REVENUES

The revenues of the Company are:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	3 880	2 289	1 591	69,51%
Interest income	203	193	10	5,18%
Revenue from participations	-	859	(859)	-100,00%
Income from financing	41	41	-	0,00%
Total	4 124	3 382	742	21,94%

In Q3 2018 the revenues of Sirma Group Holding increased by BGN 742 thousand or by 21,94% compared to Q3 2017. The main share in the increase of the revenues has the sales revenues, which increased by BGN 1 591 thousand or by 69,51% compared to Q3 2017.

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

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

Revenues by countries:

	30.9.2018 BGN '000	Relative share	30.9.2017 BGN '000	Relative share
USA	-	0,00%	129	5,64%
Bulgaria	3 880	100,00%	2 160	94,36%
Total	3 880		2 289	

Revenues generated by the biggest clients of the company:

	30.9.2018 BGN '000	Relative share	Relationship	30.9.2018 BGN '000	Relative share	Relationship
Client 1	3 174	81,80%	Related party	1 013	44,26%	Related party
Client 2	298	7,68%	Related party	637	27,83%	Related party
Client 3	127	3,27%	Related party	140	6,12%	Related party

Sales revenue includes:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	226	225	1	0,44%
Consulting services	-	129	(129)	-100,00%
Administrative service	665	610	55	9,02%
Sales of licenses	81	625	(544)	-87,04%
Cloud Services	2 782	637	2 145	336,73%
Others	126	63	63	100,00%
Total	3 880	2 289	1 591	69,51%



4/ EXPENSES

In Q3 2018 the expenses of "Sirma Group Holding" JSC increased by BGN 2 015 thousand or by 103,81% as compared to Q3 2017. The main share in the expenses is the expenses for external services, increased by BGN 2 343 thousand or by 217,75% compared to Q3 2017.

4.1 Staff expenses

Staff expenses include:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Employment remuneration	899	1 028	(129)	-12,5%
Social security contributions	93	97	(4)	-4,12%
Total	992	1 125	(133)	-11,82%

4.2 Operating expenses

4.2.1 Material expenses

The material expenses includes:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Electricity	3	4	(1)	-25,00%
Heating	5	1	4	400,00%
Office supplies	3	3	-	0,00%
Materials for office repair and maintenance	12	1	11	1100,00%
Computer components	-	6	(6)	-100,00%
Inventory	15	3	12	400,00%
Advertising materials	-	4	(4)	-100,00%
Hygienic materials	6	6	-	0,00%
Others	21	12	9	75,00%
Total	65	40	25	62,50%



4.2.2 Expenses for external services

Expenses for external services includes:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Mobile phones	7	9	(2)	-22,22%
Fixed phones	-	1	(1)	-100,00%
Internet	12	14	(2)	-14,29%
Civil contracts	5	1	4	400,00%
Consulting services	241	182	59	32,42%
Audit	-	5	(5)	-100,00%
Security	8	7	1	14,29%
Cleaning	7	16	(9)	-56,25%
Maintenance and repair of automobiles	7	5	2	40,00%
Maintenance and repair of the office	29	3	26	866,67%
Parking	4	3	1	33,33%
Insurance	8	6	2	33,33%
Subscriptions	13	10	3	30,00%
Advertising	57	118	(61)	-51,69%
Seminars and training	10	5	5	100,00%
Software services	2 895	644	2 251	349,53%
Rental of software license	79	21	58	276,19%
Fees and commissions	29	25	4	16,00%
Others	8	1	7	700,00%
Total	3 419	1 076	2 343	217,75%

4.2.3 Depreciation and amortization expenses

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Depreciation and amortization	249	243	6	2,47%

4.2.4 Capitalized expenses

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Capitalized own expenses	1 064	765	299	39,08%

4.2.5 Interest expenses

Interest expenses on deposits of related companies include:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Interest expenses	152	71	81	-92,31%

4.2.6 Carrying amount of assets sold

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Carrying amount of assets sold	82	-	82	n/a



4.2.7 Other operating expenses

Other operating expenses include:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Entertainment expenses	8	5	3	60%
Social costs	10	10	-	0%
Local taxes and fees	37	115	(78)	-68%
Business trips	-	4	(4)	-100%
Donations	-	7	(7)	-100%
Others	6	10	(4)	-40%
Total	61	151	(90)	-59,60%

5/ FINANCIAL INCOME / COSTS (NET)

In Q3 2018, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 103 thousand to Q3 2017. The main share in the increase is the financial expenses, increased by BGN 77 thousand or 233,33% against the previous period.

5.1 Financial expenses

Financial expenses include:

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Expenses on foreign exchange operations	-	30	(30)	-100,00%
Other financial costs	23	15	8	53,33%
Total	23	45	(22)	-48,89%

5.2 Financial income

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Interest income from unrelated parties	11	-	11	n/a
Income from foreign exchange operations	70	-	70	n/a
Total	81	-	81	n/a



6/ PROPERTY, PLANT AND EQUIPMENT

30.9.2018	PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
Cost			
Cost at 1 st of January	855	24	879
Additions	100	22	122
Cost at 30 of September	955	46	1 001
Depreciation			
Depreciation at 1 st of January	449	3	452
Depreciation charge for the period	122	3	125
Depreciation at 30 of September	571	6	577
Net Book Value at 30 of September	384	40	424
Net Book Value at 1 st of January	406	21	427

31.12.2017	PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
Cost			
Cost at 1 st of January	828	9	837
Additions	27	15	42
Cost at 31 st of December	855	24	879
Depreciation			
Depreciation at 1 st of January	285	2	287
Depreciation charge for the year	164	1	165
Depreciation at 31 st of December	449	3	452
Net Book Value at 31 st of December	406	21	427
Net Book Value at 1 st of January	543	7	550

7/ INTANGIBLE ASSETS

30.9.2018	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1 st of January	-	57	4	5 103	5 164
Additions	-	-	-	1 063	1 063
Cost at 30 of September	-	57	4	6 166	6 227
Amortization					
Amortization at 1 st of January	-	27	1	-	28
Amortization charge for the period	-	8	-	-	8
Amortization at 30 of September	-	35	1	-	36
Net Book Value at 30 of September	-	22	3	6 166	6 191
Net Book Value at 1 st of January	-	30	3	5 103	5 136



31.12.2017	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1 st of January	1904	57	4		1965
Additions				5103	5103
Disposals	1904				1904
Cost at 31 st of December	-	57	4	5103	5164
Amortization					
Amortization at 1 st of January	163	14	1		178
Amortization charge for the year		12			12
Amortization on disposals	163				163
Amortization at 31 st of December	-	26	1	-	27
Net Book Value at 31 st of December	-	31	3	5103	5137
Net Book Value at 1 st of January	1741	43	3	-	1787

8/ INVESTMENT PROPERTY

	30.9.2018 BGN '000	31.12.2017 BGN '000
Cost at 1 st of January	7 750	6 222
Additions	-	1 528
Cost at 30 of September / 31 of December	7 750	7 750
Depreciation		
Depreciation at 1 st of January	1 068	921
Depreciation charge for the year	116	147
Difference due to roundings		
Depreciation at 30 of September / 31 of December	1 184	1 068
Net Book Value at 30 of September / 31 of December	6 566	6 682
Net Book Value at 1 st of January	6 682	5 301

Investment properties are specially distinct parts of self-contained buildings intended for long-term letting of subsidiaries and third parties.



9/ INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The carrying amount of investments in subsidiaries is as follows:

Company	Value of the investment at 30.9.2018 (BGN'000)	Value of the investment at 31.12.2017 (BGN'000)	Changes in BGN'000
Sirma Solutions	36 260	36 260	0
Sirma Enterprise Systems	6 895	6 895	0
Sirma Medical Systems	66	66	0
Sirma Group Inc.	3 471	3 471	0
Ontotext	9 650	9 650	0
Engview Systems	50	50	0
Total	56 392	56 392	

The carrying amount of investments in associates (associates and joint ventures) is as follows:

Company	Value of the investment at 30.9.2018 (BGN'000)	Value of the investment at 31.12.2017 (BGN'000)	Changes in BGN'000
GMG Systems (IN LIQUIDATION)	214	214	0
E-DOM MANAGEMENT	7	7	0
Total	221	221	0

"Sirma Group Holding" JSC has direct or indirect control over the aforementioned companies.

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

The parent company and the subsidiaries operate on the territory of Bulgaria and the United States.

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

Changes in the investment in subsidiaries are presented below:

	30.9.2018 BGN '000	31.12.2017 BGN '000
Cost of acquisition		
Cost at 1 st of January	56392	55414
Acquired through increase of the share capital	0	978
Cost at 30 of September / 31 of December	56392	56392
Net Book Value at 30 of September / 31 of December	56392	56392
Net Book Value at 1st of January	56392	55414

10/ INVESTMENTS AVAILABLE FOR SALE

No records in the registers for Q3 2018.

11/ OPERATING LEASE

The Company has provided for rent fixed assets to related parties with carrying amount as at 30.09.2018 amounting to BGN 5 140 thousand (31.12.2017 - BGN 5 234 thousand).



12/ FINANCE LEASE

As at 30.09.2018, assets with carrying amount of BGN 206 thousand were acquired under finance lease contracts (31.12.2017: BGN 214 thousand).

13/ INVENTORIES AND OTHER DATA

	31.3.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Materials	82	0	82	n/a
Other material assets	29	29	0	0,00%
Total	111	29	82	282,76%

As at 30 September 2018, there are established burdens on the tangible fixed assets of the company in relation to borrowings as follows:

- Mortgages - BGN 7664 thousand (31.12.2017: BGN 7664 thousand)

14/ RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Receivables from subsidiaries	6 140	7 111	(971)	-13,65%
Receivables from entities under indirect common control	3 480	1 364	2 116	155,13%
Total	9 620	8 475	1 145	13,51%

Trade receivables from related parties by types are as follow:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Receivables on sales of products, goods, materials and services	2 037	1 552	485	31,3%

Typically, the company negotiates with its subsidiaries a payment period for receivables from sales of services up to 180 days.

The Company has set a 360-day credit period for which it does not charge interest rates on the related parties. The delay after this period was accepted by the company as an indicator of impairment.

The management assesses on an individual basis the collection by analyzing the specific receivables and the circumstances of the delay for accruing impairment.



The ageing of trade receivables from related parties is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	370	439	(69)	-15,72%
from 31 to 90 days	12	159	(147)	-92,45%
from 91 to 180 days	37	273	(236)	-86,45%
from 181 to 240 days	-	1	(1)	-100,00%
Total	419	872	(453)	-51,95%

The ageing of past due unimpaired trade receivables from related parties is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
from 180 days to 365 days	636	439	197	44,87%
from 1 year to 2 years	778	223	555	248,88%
over 2 years	204	18	186	1033,33%
Total	1 618	680	938	137,94%

Outstanding overdue receivables are mainly from subsidiaries that are in the process of meeting the group's objectives of expanding its market share in the territory in which they operate.

Collection methods and schemes are currently under "company" and "group" level monitoring and are consistent with the Group's market objectives.

Granted loans to related companies by type of ownership:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Receivables from entities under indirect common control	1 112	1 108	4	0,36%
Subsidiaries	4 868	4 386	424	10,99%
Total	5 980	5 494	428	8,85%

Dividends receivables from related companies by type of ownership:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Subsidiaries	1402	1402	0	0%

The conditions under which loans to related parties are granted are as follows:

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	30.9.2018 BGN '000	31.12.2017 BGN '000
Receivables from entities under indirect common control					
Sirma ISG	254	31.12.2018	5,00%	254	250
Sirma Media	18	31.12.2018	6,50%	18	18
Pirina Technologies	590	31.12.2018	6,50%	590	591
Flash Media	250	31.12.2018	3,00%	250	250
Subsidiaries					
Sirma ICS	801	31.12.2018	3,75%	801	800
Sirma Solutions	3 566	31.12.2018	5%, 5.5%	3 568	3 164
Sirma Enterprise Systems	499	31.12.2018	5,00%	499	421
Sirma Medical Systems	254	31.12.2018	5,00%	254	250

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



15/ TRADE RECEIVABLE

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Receivables from customers	378	1 512	(1 134)	-75,00%
Advances provided	11	3	8	266,67%
Total	389	1 515	(1 126)	-74,32%

The age structure of non-performing (regular) trade receivables is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Up to 30 days	345	1 490	(1 145)	-76,85%
From 31 to 90 days	2	1	1	100,00%
Total	347	1 491	(1 144)	-76,73%

The age structure of past due unrecognized trade receivables is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
from 181 days to 365 days	5	1	4	400,00%
over 1 year	44	23	21	91,30%
Total	49	24	25	104,17%

16/ TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Tax receivables includes:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
VAT	7	0	7	n/a

Other receivables and prepaid expenses includes:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Prepaid expenses	27	7	20	285,71%
Other receivables	73	336	(263)	-78,27%
Total	100	343	(243)	-70,85%

Prepaid expenses includes:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Insurance	4	1	3	300%
Subscriptions	3	6	(3)	-50%
Others	20	-	20	n/a
Total	27	7	20	286%



17/ CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Cash at bank	1 944	587	1 357	231,18%
Cash in case	52	17	35	205,88%
Total	1 996	604	1 392	230,46%

Cash in case is in BGN.

18/ EQUITY

In Q3 2018, Equity increased by BGN 226 thousand compared to the previous reporting period.

MAIN SHARE CAPITAL

As of 30.09.2018, the share capital of "Sirma Group Holding" JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with nominal value of BGN 1

Shares are ordinary, dematerialized, with the right to receive dividends and liquidation share.

Issued and fully paid ordinary at	Number of shares	Share capital, net of treasury shares BGN '000
Balance at January 1, 2017	59 360 518	59099
Balance at December 31, 2017	59 360 518	58886
Balance at January 1, 2018	59 360 518	58886
Balance at September 30, 2018	59 360 518	58886

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.

The company's reserves are summarized in the table below:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Statutory reserves	592	311	281	90,35%
Revaluation reserve of property, plant and equipment	5 462	5 462	-	0,00%
Total	6 054	5 773	281	4,87%



The movement of statutory reserves is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	311	147	164	112%
Profit distribution	281	164	117	71%
Balance on 30 September 31 December	592	311	281	90%

The movement of the revaluation reserve from property, plant and equipment is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	5462	5483	-21	-0,38%
Reserves from issue of shares	0	-21	21	-100,00%
Balance on 30 September 31 December	5462	5462	0	0,00%

The movement of retained earnings is as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	4 847	2 796	2 051	73,35%
Balance on 30 September / 31 December	4 566	2 038	2 528	124,04%
Distribution of profit for reserves	(281)	(164)	(117)	71,34%
Dividends	-	(594)	594	-100,00%
Current result for the period	226	2 809	(2 583)	-91,95%
Balance on 30 September / 31 December	4 792	4 847	(55)	-1,13%

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Weighted average number of shares	58 886	59 062	(176)	-0,30%
Net profit for the period (BGN '000)	226	2 809	(2 583)	-91,95%
Basic earnings per share (BGN)	0,0038	0,0476	-0,04	-91,94%



19/ LONG-TERM AND SHORT-TERM BANK LOANS

Long-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	208	293	(85)	-29%
Unicredit Bulbank AD (BGN)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	1 357	1 638	(281)	-17%
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	24	144	(120)	-83%
Unicredit Bulbank AD (BGN)	9780	26.7.2022	3M SOFIBOR; premium 1.35%	6 600	-	6 600	n/a

Short-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Eurobank Bulgaria AD – overdraft (BGN)	2200	31.7.2018	2,50%	1 498	2 194	(696)	-32%
Societe Generale Exppressbank - overdraft (BGN)	2000	31.8.2018	1 m. SOFIBOR +1,8%	-	1 994	(1 994)	-100%
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	49	49	-	0%
Unicredit Bulbank AD (BGN)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	198	-	198	n/a
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	102	132	(30)	-23%
Unicredit Bulbank AD (BGN)	9780	26.7.2018	3M SOFIBOR; premium 1.35%	1 224	24	1 200	5000%

28/ DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes as at 30 September relate to the following items in the statement of financial position:

	Temporary difference as at 30.9.2018 (BGN '000)	Tax temporary difference as at 30.9.2018	Temporary difference as at 31.12.2017 (BGN '000)	Tax temporary difference as at 31.12.2017
Property, plant and equipment, incl. Revaluation reserve	403	40	403	40
Unpaid amounts to individuals	197	20	197	20
Total deferred tax liabilities	600	60	600	60
Payables to staff	39	4	39	4
Loss	53	5	53	5
Impaired receivables	21	2	21	2
Estimated costs	6	1	6	1
Total deferred tax assets	119	12	119	12
Net deferred income tax liabilities	481	48	481	48



21/ FINANCIAL LEASING

Finance lease liabilities

The finance lease liabilities included in the statement of financial position as at 30 September are under contracts for the acquisition of fixed assets. They are presented net of interest due in the future and are as follows:

		30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Up to one year		46	42	4	9,52%
Over a year		77	114	(37)	-32,46%

Company	Creditor	Currency	Credit amount in currency	Type	Value at 30.9.2018 (BGN)	Interest rate	Contract end date
Sirma Group Holding JSC	Leasing Finance	Euro	154 081,76	Leasing	62 930	3M Euribor + 4,75%	30.4.2021

22/ LONG-TERM LIABILITIES TO RELATED PARTIES

Long-term liabilities to related parties include:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	0	141	-141	-100%

Long-term liabilities to related parties are not secured and are provided under market conditions.

23/ LONG-TERM PROVISIONS

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Accrued retirement benefits Under IAS 19	10	10	0	0%

24/ CURRENT TRADE AND OTHER PAYABLES

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Obligations to suppliers	32	41	(9)	-21,95%

The usual average credit period for which interest on commercial debts is not charged is 180 days. The Company has no arrears of trade payables.



25/ CURRENT LIABILITIES TO RELATED PARTIES

Current liabilities to related parties include:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	460	2 753	(2 293)	-83,29%
Liabilities to companies under common control through key management personnel	51	415	(364)	-87,71%
Total	511	3 168	(2 657)	-83,87%

Current liabilities to related entities by type are as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Service delivery	297	1 476	-1179	-79,88%
Interest payable on deposits	4	-	4	n/a
Deposits payable	207	279	-72	-25,81%
Capital liabilities	-	1 410	-1410	-100,00%
Dividend obligations	3	3	-	0,00%
Total	511	3 168	(2 657)	-83,87%

26/ TAX OBLIGATIONS

Tax liabilities include:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Taxes on Income of Individuals	18	28	(10)	-35,71%
VAT	-	3	(3)	-100,00%
Taxes under CITA	-	220	(43)	-100,00%
Total	18	251	(233)	-92,83%

27/ PENSION OBLIGATIONS TO THE STAFF

Payables to staff and social security are as follows:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Payables to personnel, including:	98	36	62	172%
Remuneration obligations	80	2	78	3900%
Social security obligations	18	34	(16)	-47%
Provisions for unused compensated leave, including:	56	56	-	0%
Accruals for unused compensated leave	50	50	-	0%
Contributions for unused compensated leave	6	6	-	0%



28/ OTHER CURRENT LIABILITIES

Other current liabilities include:

	30.9.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Other liabilities	12	12	0	0

29/ CONDITIONAL OBLIGATIONS AND COMMITMENTS, FINANCING

There are no legal proceedings against the company.

Guarantees provided

The Company is a co-borrower of bank loans and leases and a guarantor of banks of the following companies:

	Maturity	Type of currency	Amount	Debt status
Sirma ISG – overdraft Unicredit Bulbank	31.10.2018	BGN	120000	regular
Sirma Enterprise Systems - overdraft Unicredit Bulbank	31.10.2018	BGN	250000	regular
Sirma Solutions - overdraft Unicredit Bulbank	31.10.2018	EUR	810000	regular
Sirma Solutions - overdraft Unicredit Bulbank	31.10.2018	EUR	700000	regular
Ontotext	31.10.2018	EUR	460000	regular

Financing

As of 30.09.2018 the long-term financing of Sirma Group Holding JSC amounted to BGN 41 thousand (31.12.2017 : BGN 81 thousand) and the short-term loans amounted to BGN 54 thousand (31.12.2017 : BGN 55 thousand).



30/ CASH FLOWS

Money and cash equivalents at the end of Q3 2018 increased by BGN 1 112 thousand or by 125,79% compared to the end of Q3 2017.

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Operation activity				
Cash receipts from customers	5 249	3 573	1 676	46,91%
Payments to suppliers	(5 028)	(3 516)	(1 512)	43,00%
Payments to employees and social security institutions	(897)	(1 061)	164	-15,46%
Cash flows from positive and negative exchange rate differences	-	(4)	4	-100,00%
Payments for income tax	(218)	(34)	(184)	541,18%
Other receipts / (payments), net	196	(175)	371	-212,00%
Net cash flow from operating activities	(698)	(1 217)	519	-42,65%

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Investment activity				
Payments for acquisition of property, plant and equipment	(31)	(1 550)	1 519	-98,00%
Payments for acquisition of subsidiaries	(726)	(47)	(679)	1444,68%
Purchase of intangible assets	(1 350)	(1 417)	67	-4,73%
Loans, deposits	(485)	(2 316)	1 831	-79,06%
Payments on loans	-	1 607	(1 607)	-100,00%
Net cash flow from investing activities	(2 592)	(3 723)	1 131	-30,38%

	30.9.2018 BGN '000	30.9.2017 BGN '000	Change (BGN '000)	Change (%)
Financial activity				
Received loans	9 341	5 096	4 245	83,30%
Loans payables	(4 485)	(143)	(4 342)	3036,36%
Payments under finance leases	-	(476)	476	-100,00%
Proceeds from interest, commissions, dividends and similar	(38)	(39)	1	-2,56%
Interest payments	(136)	(53)	(83)	156,60%
Net cash flow from financing activities	4 682	4 385	297	6,77%



31/ FINANCIAL RISK MANAGEMENT

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

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

Currency risk

Currency risk is linked to adverse movements in the exchange rate of the foreign currency against the Bulgarian lev in future business operations, recognized foreign currency assets and liabilities and the net investments in foreign companies.

Most of the company's operations are usually denominated in Bulgarian levs and / or in euro.

In order to control the foreign currency risk in the company, a system of planning of import deliveries, for foreign currency sales as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments is introduced.

Price risk

The Company is exposed to price risk on three main factors:

- A) rising labor costs;
- B) competition from smaller companies - collectives;
- C) competition from the Asian segment;

To minimize this impact, the company applies a company strategy to optimize costs, validate alternative suppliers and subcontractors. Price policy is a function of three main factors - cost structure, competitor prices and purchasing power to customers.

Credit risk

Credit risk is the risk that the customers of The Company will not be able to pay in full and in time with the amounts due under trade receivables. The latter are presented in the consolidated statement of financial position at net value after deducting the impairment allowance for doubtful and bad debts.

Such impairment is made where and when events have existed identifying losses from uncollectible according to previous experience. Company deals with counterparties with a history of relationships of its main markets by partnering with a number of Bulgarian and foreign companies and institutions.

Credit risk is minimized by procedures in the selection and ongoing monitoring of liquidity and financial stability of trading partners. In default of receivables from these counterparties Company has set a deadline of 30 days after starting up collection of receivables. Deferred payments (credit sales) for contractors are available only to customers who have a long history and trade cooperation with The Company's sound financial position and lack of violations in compliance with the agreed credit terms.

The credit policy of The Company provides that each new customer is analyzed for creditworthiness before offering standard terms of delivery and payment. Analysis, performing by The Company includes but is not limited to visiting customers, gathering information on



monthly turnovers.

Collection of receivables is controlled directly by the Executive Director of company and respectively by the management of the subsidiaries. Their responsibility is operative to control and regulate receivables in conformity with the market and the needs of The Company.

The Company has developed policies and procedures to assess the creditworthiness of their counterparties and credit rating and credit limits by customer group.

The Company's management currently monitors and adjusts the forming concentration of receivables from customers and counterparties.

Cash in The Company and settlement operations are concentrated in different first-class banks. In the distribution of cash the management take into consideration a number of factors, including the size of the capital, security, liquidity, credit potential and rating of the bank and others.

Liquidity risk

Liquidity risk is the adverse situation, that the Company will not be able to meet unconditionally all its obligations within their maturity.

The Company generated and maintained a significant amount of cash. Internal source of liquidity is the Company's main business, generating sufficient operational flows. . External sources of funding are banks and other permanent partners. A significant impact on the company's liquidity may be the change in the dollar's exchange rate in relation to US dollar positions and the market dynamics if it deviates from projected expectations. In order to isolate potential liquidity risk, the company operates a system of alternative mechanisms of action and forecasts, the ultimate effect of which is the maintenance of good liquidity, respectively the ability to finance its business activity. This is complemented by ongoing monitoring of the maturity of assets and liabilities and control of outgoing cash.

Risk of interest-bearing cash flows

In the structure of the Company's assets, earning assets are represented by cash, bank deposits and loans that have a fixed interest rate. On the other hand, the Company's borrowings in the form of long-term and short-term loans are usually with variable rate. This fact partly puts cash flows of the Company depending on the interest rate risk. Covering this risk is achieved in two ways:

- a) optimize the sources and structure of credit resources for achieving relatively lower cost of borrowings; and
- b) combined structure of interest rates on loans comprising two components - a fixed and a variable ratio between them, as well as their absolute value can be achieved and maintained in a favorable rate for the Company. The fixed component is relatively low absolute value and a large enough share of the total rate. This fact eliminates the possibility of a significant change in interest rates at a possible update of the variable component. This minimizes the likelihood of an unfavorable change in cash flows.

The management of the company is currently monitoring and analyzing its exposure to changes in interest rates. Different scenarios of refinancing, renewal of existing positions and alternative financing are simulated. Based on these scenarios, the effect on financial result and equity is measured when changing with certain points or percentages. For each simulation, the same assumption of interest rate change applies to all major currencies. Calculations are made for significant interest-bearing items.

Capital risk management

With the management of the capital, the company aims to create and maintain opportunities to continue to operate as a going concern and to ensure the appropriate return of the invested funds to shareholders, the economic benefits of other stakeholders and participants in its business, and to maintain an optimal capital structure, to reduce the cost of capital.

The Company is currently monitoring the capital adequacy and structure on the basis of the debt ratio. This ratio is calculated between the net debt capital and the total amount of the committed capital. Net debt capital is defined as the difference between all borrowed funds as stated in the statement of financial position and cash and cash equivalents. The total amount of committed capital is equal to equity and net debt capital.



Fair Values

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

The fair value of financial instruments that are not traded on active markets is determined using valuation techniques based on different valuation techniques and management assumptions made on the basis of market conditions at the date of the statement of financial position.

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

Also, the bulk of financial assets and liabilities are either short-term in nature (trade receivables and payables, short-term loans) or are reflected in the statement of financial position at market value (bank deposits, securities investments) fair value is approximately equal to their carrying amount.

Investments in subsidiaries and, exceptionally, part of investments in other minority interests, which are stated at cost (cost).

As long as there is still insufficient market experience, stability and liquidity for purchases and sales of certain financial assets and liabilities, there is no sufficient and reliable quote at market prices, which is further complicated at the current stage of the ongoing financial crisis in the country.

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

32/ RELATED COMPANIES TRANSACTIONS

Affiliates	Type of connectivity	Connectivity period
Sirma Solutions	subsidiary	25.4.2008 until now
Ontotext	subsidiary	31.3.2014 until now
Ontotext USA	entity under indirect common control	31.3.2014 until now
EnfView Systems Sofia	subsidiary	4.11.2009 until now
Sirma Enterprise Systems	subsidiary	25.4.2008 until now
Daticum	entity under indirect common control	19.1.2009 until now
Sirma Business Consulting	entity under indirect common control	25.4.2008 until now
Sirma ISG	entity under indirect common control	30.5.2011 until now
Sirma USA	entity under indirect common control	25.11.2009 until 04.05.2018
Panaton Soft Inc.	entity under indirect common control	1.1.2013 untill 15.01.2015
Sirma ICS	entity under indirect common control	24.02.2016 until now
Sirma Medical Systems	subsidiary	28.04.2016 until now
Sirma Group Inc.	subsidiary	15.03.2016 until now
Pirina Technologies	subsidiary	01.09.2008 untill 31.07.2014
Pirina Technologies	other related parties	31.07.2014 until now
Sirma Media	subsidiary	01.01.2009 untill 31.07.2014
Sirma Media	other related parties	31.07.2014 until now
Sirma Sha	entity under indirect common control	17.02.2017 until now
Sirma Software	entity under indirect common control	13.03.2017 until now



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	30.9.2018 BGN '000	30.9.2017 BGN '000
Materials	1	Inventory	(1)	-
Materials	1	Computer Components	-	(1)
Materials	1	Office supplies	(2)	(2)
External services	2	Internet	(12)	(13)
External services	2	Fees and commissions	-	(0)
External services	2	Consulting services	(4)	-
External services	1	Software services	(407)	(626)
External services	2	Software services	(38)	-
Interest on deposits	2	Rental software license	(79)	-
Interest on loans	1	Interest expense on deposits	(5)	(5)

Sales

Type	Type of Connectivity	Description	30.9.2018 BGN '000	30.9.2017 BGN '000
Services	1	Subscriptions	74	-
Services	1	Administrative, accounting services	500	497
Services	2	Administrative, accounting services	154	99
Services	1	Consulting services	-	129
Services	1	Consumables	17	17
Services	2	Cabinet rental	-	13
Services	1	Rentals	197	187
Services	2	Rentals	28	37
Services	1	Cloud services	2 782	-
Services	1	Revenue from the sale of licenses	81	625
Services	1	Technical Support	22	22
Services	2	Technical Support	11	11
Interest on loans	1	Interest income on loans	167	148
Interest on loans	2	Interest income on loans	13	8
Dividends	1	Dividend income	-	859

The conditions under which the transactions are executed do not deviate from the market for such transactions.



33/ EVENTS AFTER THE END OF THE REPORTING PERIOD

Purchase of a minority stake in Ontotext AD

On October 4, 2018, „Sirma Group Holding“ JSC concluded with „New Europe Venture Equity“ LP Purchase and Sale Agreement with which the Company acquires 4 187 087 Class A1 shares from the capital of Ontotext AD, UIC 200356710, owned by the seller „New Europe Venture Equity“ LP, under the following conditions:

The Purchase Price of the Shares amounts to EUR 4,200,000 (four million two hundred thousand) euros, which the Buyer undertakes to pay to the Seller as follows:

- 2.1. EUR 1,000,000 (one million) euro should be paid by the Buyer for the end of the Shares as agreed in this Agreement;
- 2.2. EUR 1,000,000 (one million) euro should be paid by the Buyer by 30.06.2018;
- 2.3. EUR 2,200,000 (two million two hundred thousand) euros should be paid within three days after entering the buyer's capital increase in the Commercial Register but not later than 15.03.2019.

The Seller has transferred through the endorsement of the Interim Certificate 057 / 18.01.2017 to the Buyer, the rights 4187087 Class A1 available registered shares of the capital of Ontotext AD, UIC 200356710.

The Buyer has established, through the giro for pledge of Provisional Certificate 059 / 03.10.2018, an unconditional and irrevocable pledge in favor of the Seller on 8 195 089 ordinary registered shares in the capital of Ontotext AD, owned by the Buyer, each of which have a nominal value of BGN 1 (one lev), reflected in the Company's Shares.

Establishment of a new subsidiary of Sirma Group Holding JSC

On October 26, 2018, a joint-stock company with the name "SIRMA SI" AD, Sofia, with headquarters in Sofia, district "Mladost" and registered office in Sofia, "Mladost" district, "Tsarigradsko shose" № 135, with a capital of 133 000 / one hundred and thirty three thousand / BGN, which is formed by cash contributions. The Company's share capital is divided into 133 000 ordinary shares, all of them with a nominal value of BGN 1 each and an issue value equal to the nominal value. The subject of activity of Sirma SI is: Design, development, sales, deployment and information technology maintenance, systems and software products, consulting services in the field of information technologies and systems, as well as any other activity not prohibited by law in the event that one of the activities requires permission or license upon receipt of the same.

The shareholders are "Sirma Group Holding" JSC, which owns 80% of the company's capital and two individuals.

Sofia

29.10.2018

CEO:

Tsvetan Alexiev

