



Sirma Group

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF SIRMA GROUP HOLDING JSC FOR THE PERIOD ENDED 31.12.2018



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1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

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

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

The object of the company is:

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

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

The capital of the Company is amended as follows:

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

The company's capital is paid 100%.

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules
Value: 61 555 838 BGN
2. 81 960 number of ordinary registered shares of "Sirma Group" JSC, the company registered in the Commercial Register to the Registry Agency with UIC 040529004.
Value: 11 734 980 BGN
3. Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul."Tsarigradsko Shosse " N 135 with an area 796, 50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.200. and 5 floor of an office building "IT - center office Express" in Sofia bul. " Tsarigradsko Shosse " N 135 with area 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004
Value: 3 911 660 BGN

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



1.1 Distribution of share capital

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

	31.12.2018 BGN '000	30.09.2018 BGN '000
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	1041	1046
Including legal entities	48	54
individuals	993	992
Number of shares held by legal entities	10 747 462	10 156 135
% Of participation of entities	18,11%	17,11%
Number of shares held by individuals	48 613 056	49 204 383
% Participation of individuals	81,89%	82,89%

As of 31.12.2018 Sirma Group Holding JSC posses repurchased 474 724 own shares with total amount of BGN 474 724.

As of 31.12.2018 Ontotext owns 550 shares of the parent company Sirma Group Holding JSC, with total amount of BGN 643,50.

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 31.12.2018	Number of shares at 30.09.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 877 374	1	2 887 524	4,86%	4,90%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	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	2 596 821	2 871 314	1	2 596 821	4,37%	4,41%
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%
Peter Nikolaev Konyarov	1 271 910	1 271 910	1	1 271 910	2,14%	2,16%
Emiliana Ilieva Ilieva	2 343 985	2 303 495	1	2 343 985	3,95%	3,98%
Elena Yordanova Kozuharova	948 250	1 963 950	1	948 250	1,60%	1,61%
Ivo Petrov Petrov	835 800	983 550	1	835 800	1,41%	1,42%
Stanislav Ivanov Dimitrov	649 868	649 868	1	649 868	1,09%	1,10%
Expat Bulgaria SOFIX UCITS ETF	977 907	977 907	1	977 907	1,65%	1,66%
Foundation for Educational Transformation	1 301 855	368 555	1	1 301 855	2,19%	2,21%
"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"	664 190	627 000	1	664 190	1,12%	1,13%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Other	10 882 998	10 466 185	1	10 882 998	18,33%	18,48%
Total	59 360 518	59 360 518		59 360 518	100%	100%



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

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

Shareholders	Number of shares at 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” JSC has a one-tier management system - Board of Directors.

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

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

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

Current term of the Board of Directors is until: 27.07.2019

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.

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

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

Audit Committee



**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 31.12.2018**

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

Shareholders	Number of shares at 31.12.2018	Number of shares at 30.09.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 877 374	1	2 887 524	4,86%	4,90%
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	17 787 344	17 777 194		17 787 344	29,96%	30,21%

During the period 30.09.2018 - 31.12.2018:

- the member of the Board of Directors Atanas Kostadinov Kiryakov acquired 10 150 shares of Sirma Group Holding JSC;

Investor's Relationship Director is Stanislav Borisov Tanushev.

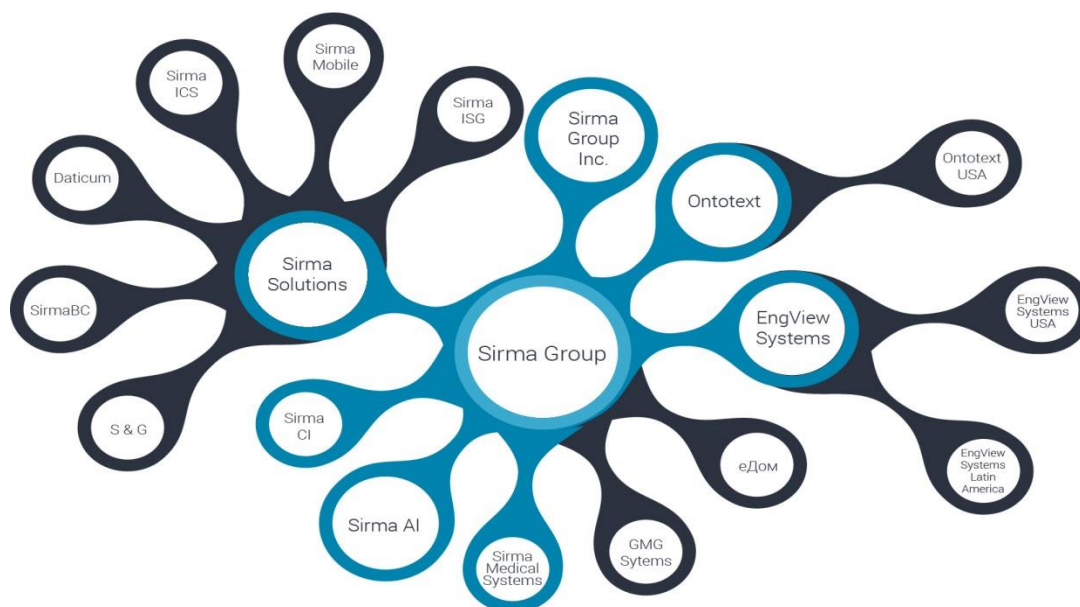
1.3 Structure of the Group and scope of activity

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

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

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

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



PORTFOLIO OF SIRMA GROUP HOLDING JSC

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Value of the investment at 30.09.2018 (in BGN'000)	Percentage of capital at 30.09.2018	Percentage of capital with adjusted repurchased own shares at 30.09.2018	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	36 260	75,61%	80,62%	3051
Sirma AI	7 035	100,00%	100,00%	6 895	88,71%	90,13%	140
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	76,16%	76,16%	3 471	76,16%	76,16%	0
Sirma CI	106	80,00%	80,00%	0	0	0,00%	106
Ontotext	17 865	87,65%	90,44%	9 650	58,51%	58,51%	8215
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	67 904			56 392			11512

Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 30.09.2018 BGN '000	Percentage of capital at 30.09.2018	Changes BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	0
Daticum	1 394	60,50%	1 394	60,50%	0
Sirma Software Inc.	0	0%	16 714	97,57%	(16 714)
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	0
Sirma ISG	0	71%	0	71%	0
Sirma ICS	270	90,00%	270	90,00%	0
Total	3 155		19 869		(16 714)

Subsidiaries of "Ontotext"

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 30.09.2018 BGN '000	Percentage of capital at 30.09.2018	Changes BGN '000
Ontotext USA	30	100,00%	30	100,00%	-

Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 30.09.2018 BGN '000	Percentage of capital at 30.09.2018	Changes BGN '000
EngView Systems Latin America	7	95%	7	95%	0
EngView USA	9	100%	9	100%	0
Total	16		16		0

Associated companies of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 30.09.2018 BGN '000	Percentage of capital at 30.09.2018	Changes BGN '000
GMG Systems (IN LIQUIDATION)	150	19,93%	214	19,93%	(64)
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	157		221		(64)



Associated companies of “Sirma Solutions”

Company	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	Value of the investment at 30.09.2018 BGN '000	Percentage of capital at 30.09.2018
SEP Bulgaria	0	6,50%	0	6,50%
EYE BILL INTERACTIVE	0	34%	0	34%
EXCELL MANAGEMENT	0	34%	0	34%
Flash Media	0	50%	0	50%
Sirma Group Inc.	916	23,71%	916	23,71%
Sirma Mobile	15	40%	15	40%
Total	931		931	

For more information about the Group companies - Appendix 1.

1.4 Major events in Q4 2018

Information of major events and business news in Q4 2018 can be found in Appendix 3.

2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for the preparation of the consolidated financial statements

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

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

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



3/ CONSOLIDATED REVENUES

Consolidated revenues in Q4 2018 includes:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Operating revenues from the sale of materials	0	1	-1	-100,00%
Operating revenues from the sale of goods	21 466	11 390	10 076	88,46%
Operating revenues from sales of services	36 999	40 077	-3 078	-7,68%
Revenue from revaluation and sale of FA	20	0	20	n/a
Revenues from financing	290	179	111	62,01%
Operating revenue from others	2 325	389	1 936	497,69%
Total	61 100	52 036	9 064	17,42%

Consolidated revenues grow steadily at a high rate of 17,42% or BGN 9 064 thousand during the period considered, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

Revenues from sales of services by type:

Type of service	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Backup services	97	80	17	21,25%
MAN connectivity	32	26	6	23,08%
Subscriptions	3 606	3021	585	19,36%
Administrative, accounting services	19	21	(2)	-9,52%
Outsourcing services	78	36	42	116,67%
Installation fee	2	2	-	0,00%
Internet	111	108	3	2,78%
Co-location	88	86	2	2,33%
Consulting services	6 424	3 975	2 449	61,61%
Consumables	165	172	(7)	-4,07%
Rental of software license	226	170	56	32,94%
Rental of hardware and licenses	90	99	(9)	-9,09%
Cabinet rental	183	179	4	2,23%
Rents	2	2	-	0,00%
Cloud Services	2 902	2 226	676	30,37%
Training	41	70	(29)	-41,43%
License revenues	2 283	1 984	299	15,07%
Revenue from European Projects - IAS 20	639	669	(30)	-4,48%
System integration	3 639	9 402	(5 763)	-61,30%
Software services	16 041	17 518	(1 477)	-8,43%
Technical Support	136	149	(13)	-8,72%
Hosting	195	82	113	137,80%
Total	36 999	40 077	(3 078)	-7,68%



Other operating income and losses

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Operating revenues from the sale of goods	21 466	11 390	10 076	88,46%
Book value of sold goods	(19 453)	(10 170)	(9 283)	91,28%
Profit from sale of goods	2 013	1 220	793	65,00%
Revenue from revaluation and sale of FA	20	-	20	n/a
Carrying amount of tangible fixed assets sold	(11)	-	(11)	n/a
Profit on disposal of fixed assets	9	-	9	n/a
Total	2 022	1 220	802	65,74%

Consolidated revenues by region:

Region	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Australia	3	71	(68)	-95,77%
Asia	232	760	(528)	-69,47%
Africa	39	38	1	2,63%
Europe	40 558	32 825	7 733	23,56%
United Kingdom	8 701	8 157	544	6,67%
South America	12	33	(21)	-63,64%
North America	11 555	10 152	1 403	13,82%
Total	61 100	52 036	9 064	17,42%

"Sirma Group Holding" JSC and the companies from the Group realize their production and services without geographical restrictions. However, traditionally the highest sales Group generates in Europe and North America. These, together with United Kingdom revenues, occupy traditionally 99,53% of the total amount of consolidated revenue. Nevertheless, due to the exceptional diversification of its products and services, which are applied in many different sectors and customers, we can not talk about any dependence of the Group on individual clients or on particular services.

In Q4 2018 the Group sold products and services in 62 countries. The largest share of the consolidated revenues were from Bulgaria and amounted to BGN 30 639 thousand or 50,15% of total sales revenue, followed by USA with BGN 9 776 thousand or 16% and Great Britain by BGN 8 626 thousand or 14,12%.

4/ CONSOLIDATED EXPENSES

4.1/ CONSOLIDATED STAFF EXPENSES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Actuarial gains / losses for the reporting period	4	0	4	n/a
Unused leave	77	0	77	n/a
Sick Leave	64	45	19	42,22%
Bonuses	227	60	167	278,33%
Paid leave	1 100	1 177	(77)	-6,54%
Expenses for wages under civil contracts	106	214	(108)	-50,47%
Payroll costs for contracts for management and control	1 319	1 351	(32)	-2,37%
Expenditure on retirement benefits under IAS 19	17	(25)	42	n/a
Social securities costs for civil contract	3	11	(8)	-72,73%
Social securities costs for contracts for management and control	38	38	-	0,00%
Social securities costs for unused leave	18	(3)	21	-700,00%
Social securities costs for labour contracts	1 938	1 937	1	0,05%
Wage costs	15 622	15 955	(333)	-2,09%
Total	20 533	20 760	(227)	-1,09%

In Q4 2018 the staff on Labour Contracts in the Group decreased by 0,85% and the consolidated staff expenses decreased by 1,09%.



Count of staff in the Group:

31.12.2018

Company	LC	CMC	Total
SIRMA CI	5	3	8
SIRMA ICS	9	1	10
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	42	5	47
SIRMA AI	1	2	3
SIRMA BUSINESS CONSULTING	56	5	61
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	58	3	61
Total	349	48	397

31.12.2017

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	10	7	17
ENGVIEW SYSTEMS SOFIA	39	5	44
SIRMA AI	2	3	5
SIRMA BUSINESS CONSULTING	53	5	58
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	144	7	151
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	1	0	1
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	59	3	62
Total	352	47	399

4.2/ CONSOLIDATED OPERATING EXPENSES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Material expenses	(1 672)	(8 148)	6476
Change in %			-79,48%
Expenses for external services	(12 848)	(13 481)	633
Change in %			-4,70%
Depreciation and amortization expenses	(4 112)	(8 179)	4067
Change in %			-49,72%
Cost of goods sold and other current assets	(19 464)	(10 170)	-9294
Change in %			91,39%
Changes in stocks of finished products and incomplete production	962	745	217
Change in %			29,13%
Capitalized own expenses	8 534	17 330	-8796
Change in %			-50,76%
Other expenses	(2 453)	(1 579)	-874
Change in %			55,35%
Total expenses	(31 053)	(23 482)	-7571
Change in %			32,24%

In Q4 2018, consolidated operating expenses gradually increased in line with the Group's consolidated revenues. The highest share in consolidated operating expenses has consolidated external service expenses (41,37%), followed by depreciation and amortization (13,24%).



4.2.1/ CONSOLIDATED MATERIAL EXPENSES

Consolidated costs for materials include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Water	3	4	(1)	-25,00%
Fuel for cars	50	52	(2)	-3,85%
Others	13	24	(11)	-45,83%
Electricity	217	201	16	7,96%
Inventory	102	48	54	112,50%
Software protection	26	24	2	8,33%
Computer Components	20	42	(22)	-52,38%
Consumables for cars	4	2	2	100,00%
Consumables for computers	-	1	(1)	-100,00%
Office maintenance and repair materials	27	6	21	350,00%
Heating	17	13	4	30,77%
Office supplies	20	24	(4)	-16,67%
Promotional materials	26	29	(3)	-10,34%
System integration	1 113	7 636	(6 523)	-85,42%
Toner	2	4	(2)	-50,00%
Hygienic materials	18	15	3	20,00%
Vehicle repair parts	14	23	(9)	-39,13%
Total	1 672	8 148	(6 476)	-79,48%

During the period under review, consolidated material expenses decreased by BGN 6 476 thousand or by 79,48%. The decrease is mainly attributable to the decrease in material expenses for system integration, which decreased by BGN 6 523 thousand or by 85,42%.

4.2.2/ CONSOLIDATED EXPENSES FOR EXTERNAL SERVICES

Consolidated expenses for external services include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Subscriptions	537	408	129	31,62%
Civil contracts	5	-	5	n/a
Administrative service	12	89	(77)	-86,52%
Others	55	372	(317)	-85,22%
Insurance	76	45	31	68,89%
Internet	80	90	(10)	-11,11%
Fees and commissions	112	150	(38)	-25,33%
Consulting services	1 012	1 565	(553)	-35,34%
Courier, transport	51	44	7	15,91%
Mobile phones	72	105	(33)	-31,43%
Staff recruitment	19	22	(3)	-13,64%
Rental software license	244	198	46	23,23%
Rentals	701	841	(140)	-16,65%
Audit	47	56	(9)	-16,07%
Security	55	58	(3)	-5,17%
Parking	9	18	(9)	-50,00%
Maintenance and repair of vehicles	24	30	(6)	-20,00%
Maintenance and repair of the office	57	30	27	90,00%
Cleaning	21	31	(10)	-32,26%
Translation services	3	2	1	50,00%
Marketing and Advertising	545	471	74	15,71%
Repair of Comp. and office equipment	5	7	(2)	-28,57%
Connectivity	38	31	7	22,58%
Seminars and training	140	212	(72)	-33,96%
Software services	8 513	8 314	199	2,39%
Project subcontracting services	156	67	89	132,84%
Hosting	256	207	49	23,67%
Fixed phones	3	18	(15)	-83,33%
Total	12 848	13 481	(633)	-4,70%

In Q4 2018 consolidated expenses for external services decreased by BGN 633 thousand or by 4,70%. Decrease was due mostly to the change in software service expenses, which decreased by BGN 533 thousand or by 35,34%.



4.2.3/ CONSOLIDATED OTHER EXPENSES

Consolidated other expenses include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Local taxes and fees	115	138	(23)	-16,67%
Impairment of receivables	266	21	245	1166,67%
Tax social expenses	9	17	(8)	-47,06%
Tax representative expenses	12	12	-	0,00%
Donations	332	17	315	1852,94%
Others	371	203	168	82,76%
Business trips in the country	83	155	(72)	-46,45%
Business trips abroad	691	542	149	27,49%
Negotiations on commercial contracts	1	2	(1)	-50,00%
Entertainment expenses	86	83	3	3,61%
Differences in partial tax credit	3	4	(1)	-25,00%
Expenses without documents	84	51	33	64,71%
Social expenses	400	334	66	19,76%
Total	2 453	1 579	874	55,35%

In Q4 2018, consolidated other expenses increased by BGN 874 thousand or by 55,35%.

4.2.4/ CONSOLIDATED EXPENSES FOR DEPRECIATION AND AMORTIZATION

Consolidated depreciation and amortization expenses include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Tangible assets	752	874	(122)	-13,96%
Intangible assets	3 360	7 305	(3 945)	-54,00%
Total	4 112	8 179	(4 067)	-49,72%

Amortization and depreciation expenses during the period decreased by 58,76% or by BGN 4 221 thousand.

Depreciation and amortization expenses	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Other intangible long term assets	133	132	1	0,76%
Other tangible long term assets	11	6	5	83,33%
Intellectual Property Rights and Software Modules	765	1 143	(378)	-33,07%
Software Software Products - Acquired	77	99	(22)	-22,22%
Development products	1 814	5 314	(3 500)	-65,86%
Products for commercial applications	571	616	(45)	-7,31%
Depreciation expenses of own buildings	24	96	(72)	-75,00%
Expenses for depreciation of computer equipment	509	550	(41)	-7,45%
Depreciation expenses of machinery and equipment	100	97	3	3,09%
Expenses of depreciation on mobile phones	9	10	(1)	-10,00%
Expenses for amortization of repairs of leased assets	14	14	-	0,00%
Fixtures and fittings	34	28	6	21,43%
Vehicles	51	74	(23)	-31,08%
Total	4 112	8 179	(4 067)	-49,72%



4.2.5/ CONSOLIDATED CAPITALIZED OWN EXPENSES

Capitalized own expenses	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
ONTOTEXT	935	2 064	(1 129)	-54,70%
SIRMA ICS	14	593	(579)	-97,64%
SIRMA SOLUTIONS	2 309	6 214	(3 905)	-62,84%
SIRMA AI	-	3 499	(3 499)	-100,00%
DATICUM	144	-	144	n/a
ENGVIEW SYSTEMS SOFIA	1 245	946	299	31,61%
SIRMA GROUP HOLDING	3 761	3 361	400	11,90%
SIRMA MEDICAL SYSTEMS	126	339	(213)	-62,83%
SIRMA GROUP INC,	-	314	(314)	-100,00%
Total	8 534	17 330	(8 796)	-50,76%

Capitalized expenses during the period decreased by 60% or BGN 6 334 thousand.

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

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Changes in inventories of finished goods and work in progress	962	745	217	29,13%

4.2.7/ COST OF GOODS SOLD AND OTHER CURRENT ASSETS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Cost of goods sold and other current assets	19 464	10 170	9 294	91,39%



4.2.8/ CONSOLIDATED RESULTS BY SEGMENTS

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

31.12.2018 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Market Intelligence, Publishing and Cultural Heritage	Retail	G&A for all sectors	Total
Revenues from sales of services	5 606	17 449	7 573	383	2 919	2 911	158		36 999
Revenues from sales of goods		21 376			90				21 466
Revenue from revaluation and sale of FA		2	18						20
Revenues from financing	119	171							290
Other operating revenues		2 239	46	12	19	9			2 325
Total Revenues	5 725	41 236	7 637	395	3 028	2 920	158		61 100
Expenses without depreciation									
Wage expenses (wages)	(1 565)	(8 248)	(3 700)	(394)	(1 830)	(962)	(44)	(1 792)	(18 536)
Social Security expenses	(176)	(883)	(431)	(33)	(209)	(90)	(6)	(170)	(1 997)
Expenses for external services	(1 378)	(3 786)	(1 452)	(13)	(985)	(942)	(1)	(4 291)	(12 848)
Material expenses	(9)	(1 225)	(260)	(2)	(49)	(34)	-	(93)	(1 672)
Book value of sold goods / production and assets		(19 399)	(11)		(54)				(19 464)
Other expenses	(272)	(1 503)	(220)	(19)	(127)	(87)		(225)	(2 453)
Expenses without depreciation Total	(3 399)	(35 044)	(6 074)	(461)	(3 256)	(2 115)	(50)	(6 571)	(56 970)
Capitalization 613	933	2 524	15	126	1 175			3 761	8 534
Unfinished production 611	274	688							962
EBITDA	3 533	9 404	1 578	59	948	806	107	(2 809)	13 626
Depreciation and amortization	(1 779)	(1 663)	(311)	(12)	(161)	(13)		(173)	(4 112)
EBIT	1 754	7 741	1 267	48	787	792	107	(2 983)	9 514



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 31.12.2018

31.12.2017 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Market Intelligence, Publishing and Cultural Heritage	Retail	G&A for all sectors	Total
Revenues from sales of services	5 257	22 060	6 220	252	2 850	2 116	1 321		40 077
Revenues from sales of goods		11 361			29				11 390
Revenue from revaluation and sale of FA		1							1
Revenues from financing		179							179
Other operating revenues		322	41		18	9			390
Total Revenues	5 257	33 923	6 261	252	2 897	2 125	1 321		52 036
Expenses without depreciation									
Wage expenses (wages)	(3 215)	(7 158)	(3 213)	(347)	(1 991)	(807)	(749)	(1 230)	(18 710)
Social Security expenses	(339)	(719)	(406)	(32)	(214)	(75)	(88)	(177)	(2 050)
Expenses for external services	(4 527)	(4 974)	(1 474)	(186)	(811)	(612)	(250)	(648)	(13 481)
Material expenses	(36)	(7 885)	(72)		(66)	(8)	(7)	(73)	(8 148)
Book value of sold goods / production and assets		(10 141)			(29)				(10 170)
Other expenses	(40)	(614)	(269)	(3)	(119)	(33)	(20)	(481)	(1 579)
Expenses without depreciation Total	(8 157)	(31 492)	(5 434)	(568)	(3 230)	(1 535)	(1 113)	(2 609)	(54 139)
Capitalization 613	5 243	5 401	681	339	946	-	4 536	184	17 330
Unfinished production 611	471	274							745
EBITDA	2 813	8 106	1 508	23	613	590	4 744	(2 425)	15 973
Depreciation and amortization	(1 465)	(1 687)	(543)	(21)	(162)	(65)	(4 036)	(200)	(8 179)
EBIT	1 349	6 420	965	2	451	524	708	(2 625)	7 794

5/ CONSOLIDATED FINANCIAL INCOME / COSTS NET

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Financial expenses	(1 313)	(1 049)	(264)	25,17%
Financial income	825	439	386	87,93%
Financial income / expenses net	(488)	(610)	122	-20,00%

Consolidated financial expenses increased by BGN 264 thousand or by 25,17 % in Q4 2018, mainly due to the exchange rate differences on currency transactions. Financial income increased by BGN 386 thousand or by 87,93%, mainly due to the increase in revenues from currency operations.

5.1/ CONSOLIDATED FINANCIAL INCOME

Consolidated financial income includes:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Interest income on deposits	4	-	4	n/a
Interest income on loans	81	103	-22	-21,36%
Revenues from currency operations	740	336	404	120,24%
Total	825	439	386	87,93%

5.2/ CONSOLIDATED FINANCIAL COSTS

Consolidated financial costs include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Interest costs NRA	31	43	(12)	-27,91%
Interest costs	8	4	4	100,00%
Interest costs on loans	270	203	67	33,00%
Interest costs on lease contracts	9	13	(4)	-30,77%
Costs on currency operations	775	665	110	16,54%
Other financial costs	220	121	99	81,82%
Total	1 313	1 049	264	25,17%

6/ CONSOLIDATED OTHER COMPREHENSIVE INCOME

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Other comprehensive income	(2 176)	(2 634)	458	-17,39%
including other comprehensive income of non-controlling interest	(707)	(510)	(197)	38,53%
including other comprehensive income of equity holders of the parent company	(1 469)	(2 124)	655	-30,82%
Total comprehensive income	6 175	3 556	2 619	73,65%
including total comprehensive income of the non-controlling interest	714	1 380	(666)	-48,23%
including total comprehensive income of equity holders of the parent company	5 461	2 176	3 285	150,94%



7/ CONSOLIDATED ASSETS

Like the revenues, assets posted an increase of BGN 13 755 thousand or 10,38% over 2017. Traditionally, most of them, or 33,44%, occupy intangible assets, incl. Goodwill (15,18%), which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

7.1. NON-CURRENT ASSETS

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Non-current assets				
Intangible assets	48 917	48 471	446	0,92%
Property, plant and equipment	5 055	5 214	(159)	-3,05%
Investments in subsidiaries	197	222	(25)	-11,26%
Investments in Associates	157	236	(79)	-33,47%
Deferred tax assets	316	198	118	59,60%
Expenses for acquisition of fixed assets	40 909	36 737	4 172	11,36%
Goodwill	22 212	19 540	2 672	13,67%
Total	117 763	110 618	7 145	6,46%

Non-current assets increased by BGN 7 145 thousand or by 6,46% during Q4 2018.

7.1.1. PROPERTY, PLANT AND EQUIPMENT

Name of group of tangible assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Buildings and constructions	3 843	3 951	(108)	-2,73%
Machinery and equipment	61	128	(67)	-52,34%
Vehicles	82	95	(13)	-13,68%
Office furniture	171	100	71	71,00%
Computer equipment and mobile phones	802	856	(54)	-6,31%
Renovations of rented premises	96	84	12	14,29%
Total	5 055	5 214	(159)	-3,05%

Pledge on fixed assets and other assets

As of December 31, 2018 there are established pledge on fixed tangible assets of the Group in relation to borrowings as follows:

- OFFICE № 8 / eight /, located in Sofia, Sofia District Mladost, on the 3rd (third) floor - II (second) office floor, in the building of "Tsarigradsko shose - 7 km" Blvd. (one hundred and thirty-five), elevation +7.45 (plus seven forty-five hundredths) meters, with a built-up area of 176.74 (one hundred and seventy-six whole and seventy four hundredths) sq.m, consisting of OFFICE ROOM, : northeast - office №7 (seven), southeast - corridor and staircase, southwest - yard, northwest - street, along with 4.631% (four hundred and sixty thirty one thousandth per hundred) IDEAL PARTS of the common parts of the building, which, according to a copy of a cadastral map with data from CRNI, is a building with identifier 68134.4081.392.1 / sixty-eight thousand one hundred and thirty-four point, four thousand eighty-one point, three hundred and ninety two, one, one, along the cadastral map and the cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the building - Sofia, st. 1000, 13 Tsarigradsko shosse Blvd., with an area of Sketch 999.00 sq.m. / ninety ninety-nine square meters /, with number of floors: 5, with purpose: Administrative, business building, with previous plan number: none, old identifier: none, which building is located in a land plot with identifier № 68134.4081.392, and so ideal shares of the right to build on the yard in which the building was built, the whole of



which has an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a Regulated Land II-392 (second assigned for a plot of land number ninety-two) in the 11th (eleven) on the plan of the city of Sofia, (the first, assigned for a property number three hundred and ninety-two), street and UPI III-392 (third, assigned for property number three hundred and ninety-two), which, according to a copy of a cadastral map with data from CRNI, represents a land property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four point four thousand eight hundred and eighty one point three hundred ninety-two /, on the cadastral map and cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the property - Sofia, Mladost district, 135 Tsarigradsko shose Blvd. sketch 3161.00 sq.m. / three thousand one hundred and sixty one square meters /, with a permanent purpose on the territory: Urbanized, with a permanent use: for another type of development, with a number according to the previous plan: 392, district: 11, plot: II, neighbors on the land property on sketch: property with identifier № 68134.4081.10, property with identifier № 68134.4081.48, property with identifier № 68134.4081.55.

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

Contractual mortgage of 20.12.2013, Notary Deed 119, Volume X, Reg. No 26272, Case 1690 of 2013 for provision of credit from Allianz Bank Bulgaria AD at the amount of 123 000 Euro.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



- OFFICE № 1 / one /, with identifier 68134.4081.392.1.1 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. one / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 152.48 / one hundred and fifty-two forty and forty eight hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №2, street, yard and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.2, under the facility: 68134.4081.392.1.50, above the site: 68134.4081.392.1.7 , together with 3.996% / three nine hundred and ninety-six thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE 2 (two), with identifier 68134.4081.392.1.2 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. two / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 176.56 / one hundred and seventy-six fifty-six hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №1, street, Reg. III-392 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.1, under the object: 68134.4081.392.1.50, above the site: 68134.4081. 392.1.8, together with 4.627% / four six hundred twenty seven thousand per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 3 / three /, with identifier 68134.4081.392.1.3 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. three / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 95.50 / ninety five fifty five hundredths / sqm, consisting of: one office space, with neighbors, for property: UPI III-392, yard with low body, office №4 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, under the project: 68134.4081.392.1.50, above the building: 68134.4081 .392.1.9, together with 2.502% / two whole five hundred and two thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 4 / four /, with identifier 68134.4081.392.1.4 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. four / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.30 / seventy-nine thirty and thirty cent / sq.m, consisting of: one office space, for property: office №3, yard built with low body, office №5 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.3, 68134.4081.392.1.5, under the project: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.078% / two hundred and seventy-eight thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 5 / five /, with identifier 68134.4081.392.1.5 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. five / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.40 / seventy-nine whole and forty hundredths / sq.m, consisting of: one office space, for property: office №4, yard built with low body, office №6 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, 68134.4081.392.1.6, under the facility: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.081% / two hundred and eighty one thousand per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 6 / six /, with identifier 68134.4081.392.1.6 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. six / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 81.30 / eighty one and thirty hundredths / sq.m, consisting of: one office space, with neighbors, according to document for property: office №5, yard built with low body, sanitary premises and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.5, under the project: 68134.4081.392.1.50, above the building: 68134.4081.392.1.10,68134.4081.392.1.11, together with 2.130% / two hundred and thirty thousand per cent / ideal parts of the common parts of the building and the right to build on the site described above;
- OFFICE № 7 (seven), with identifier 68134.4081.392.1.7 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. seven / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, built-up area 153.04 / one hundred and fifty three and four hundredths / sq.m, consisting of: one office space, ownership document: street, office number 8, corridor, sanitary premises and yard, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.8, under the facility: 68134.4081.392.1.1, over the site: 68134.4081.392.1. 12, together with 4.010% / four ten thousandths per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 9 (nine), with identifier 68134.4081.392.1.9 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nine / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, with built-up area 99.15 / ninety nine and fifteen hundredths / sq.m, consisting of: one office space, with neighbors, for property: UPI III-392, yard built with low body, office №10 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the project: 68134.4081.392.1.3, above the site: 68134.4081 .392.1.12, together with 2.598% / two five hundred



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

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

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

7.1.2. INTANGIBLE ASSETS

Name of the group of intangible assets and goodwill	31.12.2018	31.12.2017	Change	Change
	BGN '000	BGN '000	BGN '000	%
Goodwill	22 212	19 540	2 672	13,67%
Development products	4 806	6 423	(1 617)	-25,18%
Software products	38	114	(76)	-66,67%
Rights on Software Modules and Industrial Property	22 743	27 395	(4 652)	-16,98%
Reclassified from held for sale to SENPAI embedded assets	20 428	13 511	6 917	51,20%
Other intangible fixed assets	902	1 028	(126)	-12,26%
Total	71 129	68 011	3 118	4,58%

7.1.2.1. GOODWILL

The management of the Group has made the necessary procedures to perform the statutory impairment test for goodwill recognized in the consolidated financial statements for the acquisition of subsidiaries. For this purpose, it is accepted that each individual company appears as a "cash-generating unit". The calculations were made by the management taking into account the estimates of independent licensed valuers as of December 31, 2015 and a detailed review was made as to whether events and facts appeared to indicate changes in the assumptions and judgments made by the end of 2015 at 31.12.2018. As a basis for cash flow projections (before tax), the financial budgets developed by the management of the respective companies and the Group as a whole, covering a three to five year period, as well as other medium- and long-term plans intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions used to calculate the recoverable value of each object are in the following ranges:

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

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



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

	31.12.2018 BGN '000
Acquired company	
Sirma Solutions	11 754
EngView Systems Latin America	14
Panaton Soft. Ink. USA	1 863
Sirma AI	5 722
Ontotext	2 691
S&G Technology Services Ltd.	164
Sirma Business Consulting	4
Total Goodwill	22 212

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

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Expenditure on acquisition fixed assets	40 909	36 737	4 172	11,36%

7.1.4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

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

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

7.1.5. DEFERRED TAX ASSETS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Deferred tax assets				
Unused leave	71	71	-	0,00%
Depreciation	18	3	15	500,00%
Loss	33	16	17	106,25%
Impaired receivables	73	10	63	630,00%
Impairment of inventories	5	5	-	0,00%
Impairment of investments	59	65	(6)	-9,23%
Unpaid amounts to individuals	36	23	13	56,52%
Taxed temporary difference - others	6	-	6	0,00%
Taxed temporary difference on expense	15	5	10	200,00%
Total	316	198	118	59,60%



7.2. CURRENT ASSETS

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current assets				
Inventories	3 612	2 576	1 036	40,22%
Trade receivables	11 216	9 098	2 118	23,28%
Receivables from related parties	588	2 460	(1 872)	-76,10%
Tax receivables	455	386	69	17,88%
Other receivables	1 020	1 114	(94)	-8,44%
Prepaid expenses	460	164	296	180,49%
Money and cash equivalents	11 176	6 119	5 057	82,64%
Total	28 527	21 917	6 610	30,16%

Current assets increased by BGN 6 610 thousand or by 30,16% in Q4 2018.

7.2.1. INVENTORIES

Inventories are:

Assets	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Materials	68	86	(18)	-20,93%
Goods	531	891	(360)	-40,40%
Other tangible assets	470	57	413	724,56%
Work in progress- projects	2 543	1 542	1 001	64,92%
Total	3 612	2 576	1 036	40,22%

7.2.2. RECEIVABLES FROM RELATED PARTIES

Consolidated receivables from related parties:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables on sale of goods and services	51	814	(763)	-93,73%
Commercial loans	537	1 645	(1 108)	-67,36%
Deposits provided	-	1	(1)	-100,00%
Total	588	2 460	(1 872)	-76,10%

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

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

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

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

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

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



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

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables from entities under indirect common control							
Sirma ISG	257	31.12.2018	5,00%	257	250	7	2,80%
Sirma Media	18	31.12.2019	6,50%	18	18	-	0,00%
Pirina Technologies	766	31.12.2019	6,50%	767	591	176	29,78%
Sirma ICS	250	31.12.2019	3,00%	250	250	-	0,00%
Subsidiaries							
Sirma Solutions	801	31.12.2019	3,75%	-	800	(800)	100,00%
Sirma AI	3 583	31.12.2019	5%, 5.5%	3 583	3 164	419	13,24%
Sirma Medical Systems	516	31.12.2019	5,00%	516	343	173	50,44%
EngView Systems Sofia	60	31.12.2019	2,50%	60	0	60	n/a

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

7.2.3. TRADE RECEIVABLES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Receivables from customers	10 310	9 142	1 168	12,78%
Impairment of uncollectible receivables	(278)	(256)	(22)	8,59%
Provider advances made	878	212	666	314,15%
Total	10 910	9 098	1 812	19,92%

Maturity analysis of trade receivables

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
up to 90 days	7 677	6 685	992	14,84%
from 91 to 180 days	495	1 096	(601)	-54,84%
from 180 to 360 days	868	203	665	327,59%
Regular receivables up to 1 year	9 040	7 984	1 056	13,23%
from 1 to 2 years	544	283	261	92,23%
over 2 years	1 326	831	495	59,57%
Regular receivables over 1 year	1 870	1 114	756	67,86%
Total	10 910	9 098	1 812	19,92%



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

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

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

7.2.4. TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Prepaid expenses	460	164	296	180,49%
Other receivables	1 020	1 114	(94)	-8,44%
Total	1 480	1 278	202	15,81%

Tax receivables include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Profit tax receivables	74	9	65	722,22%
VAT receivables	381	377	4	1,06%
Total	455	386	69	17,88%

7.2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current accounts	7 038	6 062	976	16,10%
Cash in hand	79	55	24	43,64%
Blocked cash	4 059	2	4 057	202850,00%
Total	11 176	6 119	5 057	82,64%



8/ EQUITY

Equity during the period decreased by BGN 1 065 thousand or by 1%.

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Main / Share Capital	59 361	59 361	0
<i>Change</i>			0,00%
Reserves	3 800	6 826	-3026
<i>Change</i>			-44,33%
Retained earnings / (Accumulated loss) from previous years	26 927	15 513	11414
<i>Change</i>			73,58%
Non-controlling interest	15 768	25 221	-9453
<i>Change</i>			-37,48%
Changes resulting from purchased own shares	(475)	(475)	0
<i>Change</i>			0,00%
Total	105 381	106 446	-1065
<i>Change</i>			-1%

8.1 MAIN SHARE CAPITAL

As at 31.12.2018 the registered share capital of SIRMA GROUP HOLDING JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with a nominal value of BGN 1.

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

8.2 RESERVES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Emissions premiums	1 830	1 634	196	12,00%
Reserves	4 074	3 036	1 038	34,19%
Reserves from restated reports	(2 104)	2 156	(4 260)	-197,59%
Total	3 800	6 826	(3 026)	-44,33%

8.3 RETAINED EARNINGS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000
Retained earnings / (Accumulated loss) from previous years	19 997	11 213	8784
<i>Change</i>			78,34%
Current financial result	8 351	6 190	2161
<i>Change</i>			34,91%
including profit from non-controlling interest	1 440	2 036	-596
<i>Change</i>			-29,27%
including profit per equity holders of the parent company	6 930	4 300	2630
<i>Change</i>			61,16%
including loss from non-controlling interest	(19)	(146)	127
<i>Change</i>			-86,99%
Total	28 348	17 403	10945
<i>Change</i>			62,89%



8.4 NON-CONTROLLING INTEREST

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Non-controlling interest	15 768	25 221	(9 453)	-37,48%

9/ CONSOLIDATED LIABILITIES

Like the consolidated assets, the consolidated liabilities increased by BGN 14 820 thousand or 56,81% in Q4 2018, which can be traced back to the following tables.

9.1. NON-CURRENT LIABILITIES

Non-current liabilities	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Provisions	204	177	27	15,25%
Long-term loans	9 359	1 924	7 435	386,43%
Finance lease liabilities	127	199	(72)	-36,18%
Financing (Grants)	-	159	(159)	-100,00%
Liabilities to suppliers	58	28	30	107,14%
Deferred tax liabilities	454	1 335	(881)	-65,99%
Total	10 210	3 822	6 388	167,14%

Non-current liabilities increased by BGN 6 388 thousand or by 167,14% in Q4 2017.

9.1.1. LONG-TERM LOANS AND FINANCIAL LEASING

Long-term finance lease liabilities

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Finance lease liabilities	127	199	(72)	-36,18%



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

Company	Creditor	Currency	Credit amount in currency	Type	Value at 31.12.2018	Interest rate	Contract end date
Sirma Group Holding	Pireos Leasing	Euro	154 081	Leasing	57172	3M Euribor + 4,75%	30.4.2021

Long-term loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.12.2018 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	196	244	(48)	-20%
Unicredit Bulbank AD (BGN)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	1 308	1 506	(198)	-13%
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	95	120	(25)	-21%
Unicredit Bulbank AD (BGN)	9 780	26.7.2022	3M SOFIBOR premium 1.35%	7 800	9 780	(1 980)	-20%



9.1.2. DEFERRED TAX LIABILITIES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Depreciation	-	35	(35)	-100,00%
Unpaid amounts to individuals	-	20	(20)	-100,00%
Taxable temporary differences due - from Tax balance and Acc.balance value	454	1 280	(826)	-64,53%
Total	454	1 335	(881)	-65,99%

9.1.3. LONG-TERM LIABILITIES TO SUPPLIERS

There are no entries in the registers during the period.

9.1.4. LONG-TERM FINANCING

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Financing	58	159	(101)	-63,5%

9.1.5. LONG-TERM PROVISIONS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Long-term provisions	204	177	27	15,25%

9.1.6. OTHER LONG-TERM LIABILITIES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Other liabilities	8	0	-8	n/a

9.2. CURRENT LIABILITIES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current liabilities				
Provisions	801	714	87	12,18%
Pension obligations to the staff	1 499	1 434	65	4,53%
Short-term loans	9 044	8 452	592	7,00%
Finance lease liabilities	42	41	1	2,44%
Trade and other payables	8 898	4 815	4 083	84,80%
Short-term obligations affiliates	64	1	63	6300,00%
Tax obligations	1 304	1 078	226	20,96%
Advances received	7 895	2 583	5 312	205,65%
Deferred income and financing	230	414	(184)	-44,44%
Other liabilities	922	2 735	(1 813)	-66,29%
Total Current liabilities	30 699	22 267	8 345	37,87%

Current liabilities increased by 37,87% in Q4 2018.



9.2.1. SHORT-TERM LOANS AND FINANCIAL LEASING

Short-term loans

Company	Bank	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
EngView Systems Sofia	Bulbank	2	2	-	0,00%
Ontotext	EUR/ Bulbank	179	474	(295)	-62,24%
Sirma AI	Bulbank	541	549	(8)	-1,46%
Sirma Group Holding	Societe Generale Expressbank	1 994	1 994	-	0,00%
Sirma Group Holding	Eurobank	2 110	2 194	(84)	-3,83%
Sirma Group Holding	Allianz Bank Bulgaria	120	24	96	400,00%
Sirma Group Holding	Bulbank	2 164	49	2 115	4316,33%
Sirma USA	Bank	-	16	(16)	-100,00%
Sirma Solutions	EUR/Bulbank	934	1 546	(612)	-39,59%
Sirma Solutions	Bulbank	-	1 188	(1 188)	-100,00%
Sirma Solutions	EUR/Bulbank	1 000	416	584	140,38%
Total		9 044	8 452	592	7,00%

Short-term finance lease liabilities

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Short-term finance lease liabilities	42	41	1	2,44%

9.2.2. TRADE AND OTHER PAYABLES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Obligations to suppliers	8 448	4 112	4 336	105,45%
Other estimates with suppliers	450	703	(253)	-35,99%
Total	8 898	4 815	4 083	84,80%

9.2.3. DUTIES ON ADVANCES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Clients on advances in BGN	2 858	929	1 929	207,64%
Clients on advances in foreign currency	5 037	1 654	3 383	204,53%
Total	7 895	2 583	5 312	205,65%



9.2.4. SHORT-TERM PAYABLES TO RELATED PARTIES

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

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Delivery of services	64	-	64	n/a
Liabilities on borrowings received	1	1	-	0,00%
Total	65	1	64	6400,00%

9.2.5. TAX OBLIGATIONS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
VAT receipts	44	32	12	37,50%
Profit tax receipts	714	651	63	9,68%
Other budget receipts	162	20	142	710,00%
TTA receipts	384	375	9	2,40%
Total	1 304	1 078	226	20,96%

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

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Staff recruited under a civil contract	2	5	(3)	-60,00%
Staff hired under contract for management and control	140	136	4	2,94%
Staff recruited under a labor contract	967	924	43	4,65%
Payables to insurance enterprises	376	369	7	1,90%
Staff recruited under a labor contract abroad	14	-	14	n/a
Total	1 499	1 434	65	4,53%

9.2.7. OTHER CURRENT LIABILITIES

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Other liabilities	922	2 735	(1 813)	-66,29%



9.2.8. CURRENT PROVISIONS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Accruals on unused leaves	646	602	44	7,31%
Contributions for unused leaves	81	63	18	28,57%
Bonus provisions	74	49	25	51,02%
Total	801	714	87	12,18%

9.2.9. DEFERRED INCOME AND FINANCING

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Deferred income and financing	230	414	(184)	-44,4%

10/ PROFIT / LOSS

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Current financial result	8 351	6 190	2 161,00	34,91%
including profit non-controlling interest	1 440	2 036	(596,00)	-29,27%
including non-controlling interest loss	(19)	(146)	127,00	-86,99%
including profit per equity holders of the parent company	6 930	4 300	2 630,00	61,16%

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Basic earnings per share	0,1177	0,0730	0,0271	95,23%
Basic earnings per share, incl. other comprehensive income	0,0920	0,0367	0,0288	70,36%



11/ INDICATORS AND COEFFICIENTS

№	Indicators	31.12.2018	31.12.2017	Change	Change
		BGN '000	BGN '000	BGN '000	%
1	Revenue from operating activities	61 100	52 036	9064	17,42%
2	Cost of sales	(49 133)	(42 663)	-6470	15,17%
3	Gross profit / loss	11 967	9 373	2594	27,68%
4	Other operating costs	(2 453)	(1 579)	-874	55,35%
5	Operating profit / loss	9 514	7 794	1720	22,07%
6	Financial income	825	439	386	87,93%
7	Financial costs	(1 313)	(1 049)	-264	25,17%
8	Profit / loss before tax expense	9 026	7 184	1842	25,64%
9	Tax costs	(675)	(994)	319	-32,09%
10	Net profit / loss	8 351	6 190	2161	34,91%
11	Dividend	0	594	-594	-100,00%
12	Cash and cash equivalents	11 176	6 119	5057	82,64%
13	Inventories	3 612	2 576	1036	40,22%
14	Short-term assets	28 527	21 917	6610	30,16%
15	Total amount of assets	146 290	132 535	13755	10,38%
16	Average arithmetic total asset value for 5 quarters	139 534	123 799	15735	12,71%
17	Current liabilities	30 699	22 267	8432	37,87%
18	Debt	18 572	10 616	7956	74,94%
19	Liabilities (borrowed funds)	40 909	26 089	14820	56,81%
20	Equity	105 381	106 446	-1065	-1,00%
21	Equity averaged 5 quarters	108 149	104 445	3703	3,55%
22	Turnover capital	-2 172	-350	-1822	520,57%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	0	0,00%
24	Gain / loss minority interest	1421	1890	-469	-24,81%
25	Interest expenses	318	263	55	20,91%
26	Weighted average price of last trading session	0,898	1,085	-0,187	-17,24%
27	Last price per share of last trading session	0,91	1,088	-0,178	-16,36%



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 31.12.2018

Indicators	31.12.2018	31.12.2017	Change	Change %
EBITDA	13 944	16 236	-2292	-14,12%
DEPRITIATION	(4 112)	(8 179)	4067	-49,72%
EBIT	9 832	8 057	1775	22,03%
FIN/INVEST NET	(488)	(610)	122	-20,00%
EBT	9 026	7 184	1842	25,64%
ROA	0,0474	0,0324	0,0149	46,01%
ROA(BSE)	0,0497	0,0347	0,0149	42,99%
Debt/EBITDA Ratio	1,3319	0,6539	0,6780	103,70%
Quick Ratio	0,8116	0,8686	-0,0570	-6,56%
ROE (BSE)	0,0822	0,0543	0,0279	51,48%
ROE	0,0772	0,0593	0,0180	30,29%
Debt/Equity Ratio (BSE)	0,3882	0,2451	0,1431	58,39%
Profitability ratios				
Gross profit margin	0,1959	0,1801	0,0157	8,74%
Operating profit margin	0,1557	0,1498	0,0059	3,96%
Net profit margin	0,1367	0,1190	0,0177	14,90%
Coefficients for assets and liquidity				
Assets turnover ratio	0,4438	0,4239	0,0199	4,70%
Assets turnover ratio (BSE)	0,4379	0,4203	0,0176	4,18%
Operating cycle	-28,1308	-148,6743	120,5435	-81,08%
Current ratio	0,9292	0,9843	-0,0550	-5,59%
Quick ratio	0,8116	0,8686	-0,0570	-6,56%
Cash ratio	0,3641	0,2748	0,0892	32,48%
Odds per share				
P/S ratio	0,8724	1,2377	-0,3653	-29,51%
P/E ratio	6,3832	10,4050	-4,0217	-38,65%
P/B ratio	0,6725	0,7751	-0,1027	-13,24%
Revenue per share	1,0293	0,8766	0,1527	17,42%
Earnings per share	0,1407	0,1043	0,0364	34,91%
Book value of equity per share	1,8219	1,7595	0,0624	3,55%
Dividends ratio				
Divident payout ratio	0,0000	0,0960	-0,0960	-100,00%
Earnings retention ratio	1,0000	0,9040	0,0960	10,61%
Divident per share	0,0000	0,0100	-0,0100	-100,00%
Development Ratios				
Revenue growth	0,1742	2,2266	-2,0525	-92,18%
Gross profit growth	0,2768	9,1549	-8,8782	-96,98%
Assets growth	0,1038	0,1046	-0,0008	-0,74%
Leverage Ratios				
Debt/taotal assets	0,1331	0,0858	0,0473	55,22%
Debt/capital	0,1466	0,0923	0,0543	58,85%
Debt/equity	0,1717	0,1016	0,0701	68,95%
Total assets/equity	1,2902	1,1853	0,1049	8,85%
Market value of the company	54019	64585	-10566	-16,36%



12/ CASH FLOW

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

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change BGN '000	Change %
Operation activity				
Cash receipts from customers	69 447	59 754	9 693	16,22%
Payments to suppliers	(41 658)	(32 371)	(9 287)	28,69%
Payments to employees and social security institutions	(16 939)	(15 905)	(1 034)	6,50%
Cash flows related to interest, dividends and similar	(195)	(193)	(2)	1,04%
Paid and refunded income tax	(651)	(249)	(402)	161,45%
Positive / negative differences from foreign exchange operations	(2)	(100)	98	-98,00%
Other receipts / (payments), net	(1 161)	(2 320)	1 159	-49,96%
Net cash flow from operating activities	8 841	8 616	225	2,61%
Investment activity				
Payments for acquisition of property, plant and equipment	(505)	(2 483)	1 978	-79,66%
Acquisition of subsidiaries	(3 960)	(181)	(3 779)	2087,85%
Acquisition / Sale of intangible assets	(6 426)	(11 542)	5 116	-44,33%
Loans, deposits	391	387	4	1,03%
Payments on loans	(134)	(401)	267	-66,58%
Interest payments on loans	-	(4)	4	-100,00%
Interests, commissions, dividends ect.	(11)	-	(11)	n/a
Others	-	(33)	(3 879)	-100,00%
Net cash flow from investing activities	(10 645)	(14 257)	3 612	-25,33%
Financing activity				
Received or provided loans	9 780	7 603	2 177	28,63%
Loans payables	(1 998)	(892)	(1 106)	123,99%
Cash flows from issuance and reacquisition of securities	(772)	5	(777)	n/a
Proceeds from interest, dividends and similar	(1)	(885)	884	-99,89%
Payments under finance leases	(92)	(99)	7	-7,07%
Cash flows from positive and negative foreign exchange differences	(16)	(5)	(11)	220,00%
Other	(40)	(42)	2	-4,76%
Net cash flow from financing activities	6 861	5 685	1 176	20,69%



13/ FINANCIAL RISK MANAGEMENT

13.1. Financial risk management

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

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

13.2. Foreign exchange rate risk

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

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

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

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

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

13.3. Price risk

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

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

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

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



13.4. Credit risk

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

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

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

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

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

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

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

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

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

13.5. Liquidity risk

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

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

13.6. Risk of interest-bearing cash flows

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



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

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

13.7. Capital management risk

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

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

13.8. Fair Values

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

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

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

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



14/ RELATED PARTIES TRANSACTIONS

Purchases:

Company	Type	Type of Connectivity	31.12.2018 (BGN '000)
EngView Systems Sofia	Service expenses	Other related parties	-3
Sirma Business Consulting	Other expenses	Other related parties	-58
Sirma Group Holding	Other expenses	Other related parties	-6
Sirma AI	Other expenses	Other related parties	-33
Sirma Solutions	Service expenses	Companies under common indirect control	-830
Sirma Solutions	Other expenses	Companies under common indirect control	-131
Total			-1 061

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

Sales:

Company	Type	Type of Connectivity	31.12.2018 (BGN '000)
EngView Systems Sofia	Sale of service	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	11
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Solutions	Sale of service	Other related parties	11
Sirma Solutions	Interest income	Companies under common indirect control	9
Total			42

Company	Type	Type of Connectivity	31.12.2018 (BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	13
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Group Holding	Other sales	Companies under common indirect control	4
Sirma Solutions	Other sales	Companies under common indirect control	2
Total			30

Loans (balances):

31.12.2018

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

31.12.2017

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



15/ REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Board Member	Company	Sums for the period 01.01.2018 - 31.12.2018 (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	600
	Ontotext	149 660
	Sirma AI	100
	Sirma Group Holding	18 300
	Sirma Solutions	6 000
Georgi Parvanov Marinov	EngView Systems Sofia	102 888
	Sirma Business Consulting	10 500
	Sirma Group Holding	19 800
Yordan Stoyanov Nedev	Sirma Group Holding	72 480
	Sirma Medical Systems	1 200
Petar Borisov Statev	Sirma Group Holding	18 300
Sasha Konstantinova Bezuhanova	Sirma Group Holding	18 000
Tsvetan Borisov Alexiev	Daticum	240
	EngView Systems Sofia	600
	Ontotext	6 000
	Sirma AI	100
	Sirma Business Consulting	21 000
	Sirma Group Holding	139 500
	Sirma Solutions	126 027
	Sirma Business Consulting	166 258
Tsvetomir Angelov Doskov	Sirma Group Holding	18 300
	Daticum	238
Chavdar Velizarov Dimitrov	EngView Systems Sofia	68 182
	Sirma Group Holding	55 689
	Sirma Medical Systems	1 187
Total		1 021 149



16/ EVENTS AFTER THE END OF THE REPORTING PERIOD

Purchase of "Ontotext" from "Sirma AI"

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

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

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

Sofia

CEO: 
Tsvetan Alexiev

