

# Interim Consolidated Report

for the Activity of Sirma Group Holding JSC for the period  
ending on 31.03.2019, in Accordance with Appendix 10 of  
Ordinance 2 of the FSC

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

The present interim consolidated report of the management of SIRMA GROUP HOLDING JSC covers the period, ending on 31 March 2019 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual financial statements as at 31 December 2018;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

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

This report includes IT industry statistics and global economic trends which come from information published

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

In our Interim Consolidated Management Report, we analyze our business activities for the reporting financial period as well as the current situation of Sirma Group Holding. Starting from a description of our business, economic environment and strategy, we present our financial system and explain in detail our results and operations as well as our financial position and net assets. We also report on the various aspects of financial sustainability of Sirma Group Holding and the expected development of possible risks.

The financial information presented in the Sirma Group Holding JSC report includes our separate financial statements, our report to the Board of Directors and some financial aspects derived from our management accountability. The non-financial data presented in the report includes aspects of intellectual, human and social rights and relationships derived from our materiality assessment.

Our annual consolidated financial statements have been prepared in accordance with IFRSs. Internal control over financial reporting ensures the reliability of the information presented in the separate financial statements. Our Board of Directors has confirmed the effectiveness of our internal financial reporting.

All financial and non-financial data and information for the reporting period is collected and / or reported by the responsible business units.

The reporting period is the financial period ending on 31.03.2019. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, Engview Systems Latin America, Eyeball Interactive, Excell Management, e-Dom and GMG Systems, which are excluded from consolidation due to lack of relevance.



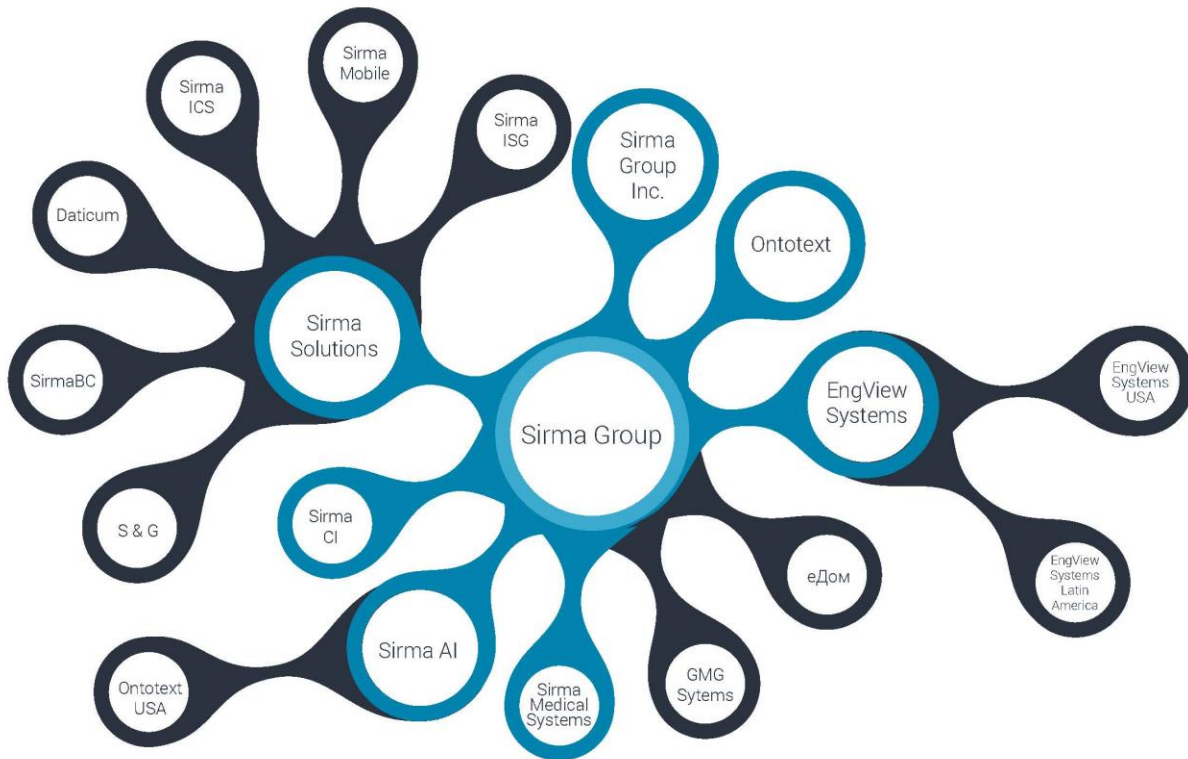
## 2 ORGANIZATION AND WAY OF PRESENTATION

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

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

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

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



## Branches of the company

“Sirma Group Holding” JSC has no registered branches.

## History and development of the company

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

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

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

## Changes in the statement of activity

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

On 23.03.2009 Sirma Group Holding changed its scope of activity as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, surrender of licenses for use of patents of companies in which the holding company participates, financing of the companies in which the holding company participates, organization of the

accounting and preparation of financial statements under the order of the Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law.

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

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

## CAPITAL

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

### History of Share Capital

History of changes in share capital

- The company was incorporated with BGN 50,000 of capital.

On 15.10.2008, after the adoption of three triple expert appraisals of experts, the share capital was increased from BGN 50,000 to BGN 77,252,478 through non-cash contributions and issuance of new 77,202,478 shares. Non-cash contributions are as follows:

- 1) 29 software modules worth 61,555,838 BGN;
- 2) Non-monetary contribution representing real estate amounting to 3 911 660 BGN:
  - Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose

Blvd., owned by “Sirma Group” AD, a company registered in the Commercial Register at the Registry Agency UIC 040529004, with headquarters and address of management in Sofia, Mladost district, 135 Tsarigradsko shose Blvd., accepted as shareholder in “SGH” AD by decision of the General Meeting of “SGH” JSC from 10.07.2008

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

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

On 22.10.2010. as a result of the decision of the regular annual general meeting of the Company’s shareholders, a reduction of the capital of Sirma Group Holding JSC from 77 252 478 BGN to 73 340 818 BGN was recorded through the cancellation of 3 911 660 shares with a par value of one



BGN each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n of the Bulgarian Commercial Law.

During the transformation, entered in the Commercial Register on 23.10.2014, the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares. This decrease is a result of the estimated fair value of the

shares of Sirma Group Holding JSC by three independent appraisers. The shareholder structure of the Company does not change as the shareholder structures of the transforming and that of the newly established companies are mirrored.

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

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

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

## 3 STRUCTURE OF SHARE CAPITAL AND MANAGEMENT BODIES

### 3.1. Capital structure

As of 31.03.2019 the distribution of the share capital of Sirma Group Holding is as follows:

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Share capital	59 361	59 361
Number of shares (par value of 1.00 BGN)	59 360 518	59 360 518
Total number of registered shareholders	1038	1041
Including legal entities	51	48
Including Individuals	987	993
Number of shares held by legal entities	11 912 471	10 747 462
% of capital of legal entities	20,07%	18,11%
Number of shares held by individuals	47 448 047	48 613 056
% of capital held by individuals	79,93%	81,89%

Shareholders	Number of shares at 31.03.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	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	1 749 161	2 596 821	1	1 749 161	2,95%	2,97%
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	2 268 790	2 343 985	1	2 268 790	3,82%	3,85%
Elena Yordanova Kozuharova	776 579	948 250	1	776 579	1,31%	1,32%
Ivo Petrov Petrov	886 300	835 800	1	886 300	1,49%	1,51%
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	1 227 961	1 301 855	1	1 227 961	2,07%	2,09%
"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"	715 810	664 190	1	715 810	1,21%	1,22%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Unicredit Bulbank Austria	813 659	296 649		813 659	1,37%	1,38%
Other	11 135 639	10 586 349	1	11 135 639	18,76%	18,91%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>		<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

As of 31.03.2019 "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 31.03.2019	% of capital	% of capital with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

Shareholders	Number of shares at 31.12.2018	% of capital	% of capital 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%

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

The Company is not aware to be directly or indirectly owned or controlled.

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

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

### 3.2 Management authorities

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

**The Board of Directors as of 31.03.2019 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 of their election.**

**Current term of the Board of Directors is until: 27.07.2019**

### The jurisdictions of the management

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

### Stock options of the company

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

### Rights of the members of the BD to acquire shares and bonds of the company

The rights of the members of the BD to acquire shares in the company are regulated in the legal framework. The company does not have a bond issue.



## Committees in The Company

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

1. **Investment and Risk Committee, composed of:**  
*Yordan Nedev – chairman*  
*Tsvetan Alexiev – member*  
*Radka Peneva – member*  
*Georgi Marinov – member*
2. **Remuneration Committee, composed of:**  
*Georgi Marinov – chairman*  
*Petar Statev – member*  
*Yordan Nedev – member*
3. **Information Disclosure Committee, composed of:**  
*Tsvetan Alexiev – chairman*  
*Radka Peneva – member*  
*Stanislav Tanushev – member*  
*Chavdar Dimitrov – member*  
*Atanas Kiryakov - member*
4. **Audit Committee, composed of:**  
*Angel Petrov Kraychev - chairman*  
*Alexander Todorov Kolev - member*  
*Emilian Ivanov Petrov – member*

## Accepted internal normative documents

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

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

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

<https://www.sirma.bg/investors/корпоративно-управление/корпоративни-документи/>

THE PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN THE CAPITAL OF THE COMPANY IS AS FOLLOWS:

Shareholders	Number of shares at 31.03.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	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%
<b>Total</b>	<b>17 787 344</b>	<b>17 787 344</b>		<b>17 787 344</b>	<b>29,96%</b>	<b>30,21%</b>

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.



## REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF SIRMA GROUP HOLDING JSC

Board Member	Company	Sums for the period 01.01.2019 -31.03.2019 (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	150
	Ontotext	5 673
	Sirma AI	65 757
	Sirma Group Holding	4 500
	Sirma Solutions	1 500
Georgi Parvanov Marinov	EngView Systems Sofia	25 722
	Sirma Business Consulting	1 500
	Sirma Group Holding	4 500
Yordan Stoyanov Nedev	Sirma Group Holding	17 670
	Sirma Medical Systems	300
Petar Borisov Statev	Sirma Group Holding	4 500
Sasha Konstantinova Bezuhanova	Sirma Group Holding	4 500
Tsvetan Borisov Alexiev	Daticum	60
	EngView Systems Sofia	150
	Ontotext	273
	Sirma AI	1 227
	Sirma Business Consulting	3 000
	Sirma Group Holding	34 500
	Sirma Solutions	31 368
Tsvetomir Angelov Doskov	Sirma Business Consulting	32 565
	Sirma Group Holding	4 500
Chavdar Velizarov Dimitrov	Daticum	60
	EngView Systems Sofia	17 280
	Sirma Group Holding	13 988
	Sirma Medical Systems	300
<b>Total</b>		<b>275 542</b>

### Information on the contracts of the members of the administrative, management or supervisory bodies with the company providing severance pay

In the contracts of the members of the board of directors, both with the Company itself and with subsidiaries of the Company, where such contracts are available to them, no benefits have been provided upon termination of their contracts.

### Information on the company's audit committee or remuneration committee, including the names of the members of the committee and a mandate summary by which the committee functions

At the General Meeting of the Shareholders of the Company held on 14.06.2016 an Audit Committee was appointed (according to the requirements of paragraph 1, item 11, letter "a" of the FIA) consisting of:

*Angel Petrov Kraychev - chairman*  
*Alexander Todorov Kolev - member*  
*Emilian Ivanov Petrov – member*

**The mandate of the Audit Committee is 3 (years).**



## Statement on whether the company complies or does not to the regime for corporate governance

In view of the fact that Sirma Group Holding JSC is entered in the Register under Art. 30, para. 1, item 3 of FSCA, kept by FSC, the Company has implemented a Program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA, the financial statements of Sirma Group Holding JSC comply with its Program for the application of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.

## 4 FUNCTIONING OF THE GROUP

The economic group of SIRMA GROUP HOLDING includes the parent company and its subsidiaries and associates - all of them operating in the IT sector. The Group functions as a typical holding structure with the organization, coordination and subordination of the companies characteristic of a similar structure.

Group companies have a common strategic framework, corporate values, financial and accounting policies, a vision of good corporate governance and staff policy.

## Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.03.2019 (in BGN'000)	Percentage of capital at 31.03.2019	Percentage of capital with adjusted repurchased own shares at 31.03.2019	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	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	0
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%	0
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	0
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	0
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
<b>Total</b>	<b>67 904</b>			<b>67 904</b>			<b>0</b>

## Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.03.2019 BGN '000	Percentage of capital at 31.03.2019	Value of the investment at 31.12.2018 BGN '000	Percentage of capital at 31.12.2018	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
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
<b>Total</b>	<b>3 155</b>		<b>3 155</b>		<b>0</b>



## Subsidiaries of "Sirma AI"

Company	Value of the investment at 31.03.2019	Percentage of capital at 31.03.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
Ontotext USA	30	100,00%	0	0%	30

## Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 31.03.2019	Percentage of capital at 31.03.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
EngView Systems Latin America	7	95%	7	95%	0
EngView USA	9	100%	9	100%	0
<b>Total</b>	<b>16</b>		<b>16</b>		<b>0</b>

## Associated companies of "Sirma Group Holding"

Company	Value of the investment at 31.03.2019	Percentage of capital at 31.03.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018	Changes
	BGN '000		BGN '000		BGN '000
GMG Systems (IN LIQUIDATION)	150	19,93%	150	19,93%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
<b>Total</b>	<b>157</b>		<b>157</b>		<b>0</b>

## Associated companies of "Sirma Solutions"

Company	Value of the investment at 31.03.2019	Percentage of capital at 31.03.2019	Value of the investment at 31.12.2018	Percentage of capital at 31.12.2018
	BGN '000		BGN '000	
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%
<b>Total</b>	<b>931</b>		<b>931</b>	

For more information about the companies within Sirma Group see Appendix 1.

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



## 5 SIRMA GROUP HOLDING IN Q1 2019

### 5.1 THE BUSINESS

Established in 1992, Sirma has become one of the largest IT companies in the region for 25 years, owning a range of proprietary, innovative technologies, a diverse product portfolio and growing market share in Europe and North America.

Sirma owns software solutions for a wide range of businesses with a focus on the development of cognitive technologies (AI). The Group has diversified market exposure exclusively to the private sector with a stable customer portfolio. Sirma's products are concentrated in the most promising and high-tech areas - financial technology, semantics, industrial software, IoT, computer vision, telemedicine. In 2017, as part of its renewed strategy, the group began a focused effort to build cross-selling capacity, updated its sales and marketing model in line with the global trends - Software as a Service model.

Sirma is a globally recognizable company in semantic technology and among the top 10 worldwide in the areas of Graph Databases (GpahDB), Text Analysis, Data Detection, and Federation (Bloor, 2016). One of Sirma's products - EngView Package Designer Suite CAD is part of the design and packaging solutions of world leaders in the printing industry. The Holding is one of the regional leaders of the IT market, with 60% of the operators in the financial sector being its clients. Sirma is a top class regional cloud service provider with Class 4 Data Center licensed to store data from the Bulgarian National Bank and other organizations requiring increased data security. Through one of its companies, the Holding is the leader in the SaaS delivery to insurance brokers. Sirma has a strong presence on the US market by running a huge number of IT consulting projects. The group has a broad partner and distribution ecosystem in over 50 countries around the world.

Some of Sirma's unique advantages are:

- The Best RDF Triplestore in the World;
- Top Text Analytics Engine for Business (used by BBC, AstraZeneca, Ministry of Defense, USA);
- Face recognition technology - among the top 10 worldwide;
- Extensive expertise in news and social media analysis;
- Extensive expertise in creating Chatbot and AI Assitant applications.

In 2017, the group developed its 5-year "Sirma 2022 Strategy". Sirma focuses on the process of transforming organizations into "intelligent organizations." We have technology and know-how for all stages of this transition - from data collection - internal, external, structured, unstructured, open, connected, "dark" etc., through the development of models and knowledge repositories, the development of analytical models and predictive models based on artificial intelligence, to the provision of "human" interfaces of the next generation.

The main elements of the Strategy are:

- Technological transformation through concentration of R&D and core cognitive technology in the SENPAI (Sirma ENterprise Platform with AI) - a cloud based platform with a new level of artificial intelligence (cognitive computing), allowing the intelligent evolution of organizations in everything;
- Increasing the commercialization of technologies;
- Expansion and technological leap in Sirma's product portfolio through:
  - o Cloud base;
  - o Development of new products with a cognitive element;
  - o Integration of the existing portfolio with the SENPAI cognitive platform.
- Complementing the sales model - from predominantly on premise to SaaS sales;
- Significant expansion of the distribution network and partner ecosystem to improve the sales model - in addition to direct sales and sales through a major affiliate distribution network, including increasing OEM partnerships;
- Organizational restructuring to implement the strategy.

The transition to the SaaS sales model, the increase of cognitive sales, combined with planned marketing and sales investments will ensure a smooth and steady growth of Sirma to a global level and an increase in the value of the Group.

Our philosophy about our strategic technologies and products is that we embody the sense of human thought - perception, interpretation, forecasting and decision making.

By adopting the 2018-2022 Strategy, we began preparing for its implementation. We provided debt finance to eliminate minority holdings in Ontotext - a key company for the Strategy implementation. We have developed detailed development plans for both the cognitive core (SENPAI) and the strategic verticals of the group. We have begun a process of organizational and technological restructuring.



## 5.2 Economic Trends

### Economic Trends in Bulgaria

The main indicators of the economic environment that affect the Company's activity for the period 2016 - 2018 are presented in the table below:

Indicator	2016	2017	2018
GDP in million BGN	92,196	98,631	107,925
Real GDP growth	3.6%	3.6%	3.10%
Inflation at the end of the year	0.1%	2.8%	2.70%
Average US dollar exchange rate for the year	1.768	1.74	1.66
Exchange rate of the US dollar at the end of the year	1.855	1.63	1.70
Average Macedonian Denar Exchange Rate for the Year	0.03	0.03	0.03
Macedonian denar exchange rate at the end of the year	0.03	0.03	0.03
Base interest rate at the end of the year	0.02	0	0
Unemployment (end of year)	8%	7.1%	6.1%

### Development of the global economy and forecast for 2019

The global economic growth is weakening and is expected to be 3.7% in 2018, according to an analysis of the IMF [/IMF WEO, January 2019/](#). Growth will continue to slow down in the coming years and is anticipated to be 3.5% in 2019 and 3.6% in 2020. In the same time the growth is not evenly distributed around the Globe and hence the risks in perspective are also growing.

Global growth expectations were decreased in 2018 following the negative impact of the new trade tariffs adopted by USA and China. Global GDP is expected to slow its growth to 3,5% in 2019 following the relatively weak data for industrial production in the second half of 2018, which is anticipated to continue in the upcoming quarters. The growth in the developed economies is expected to be 2,3% in 2018 and to slow down to 2,0% in 2019 and 1,7% in 2020. The decline in growth is due to anticipated decrease in the growth in the Euro-area. The expectation for slower growth are also valid for USA, where a growth of 2,5% is expected in 2019 and 1,8% in 2020. The GDP of Japan is expected to grow by 1,1% in 2019 and to slow to a 0,5% growth in 2020. The developing markets are also expected to slow their growth - 4,6% in 2018 and 4,5% in 2019 and subsequent recovery to 4,9% growth in 2020.

The main risks to the global economy are the trade tensions, the slow-down of the economy in Europe and the uncertainty around Brexit.

Despite the slow-down, the growth of the global economy in the coming years will be beneficial to the expectations for development of the ICT industry, which is one of the key factors for the global growth.

### The Industry of Sirma

The companies of Sirma Group Holding are specialized in the information technology (IT) industry. Industry data is typically combined with data for the "communications segment" as this segment is entirely IT-dependent. The industry, respectively, acquires the name "Information and Communication Technology" or abbreviated ICT. From the wide variety of ICT segments, the Sirma group of companies work mainly in the IT services (system integration segment, infrastructure as a service, software as a service, software maintenance, consulting) and business software (various software products targeted at different business verticals and custom software development). It is these segments, according to a [Gartner January 2019 study](#), which are expected to be the leading segments of growth in the IT industry over the next five years.

### Forecast for the Global ICT Market in 2019 and until 2022

Gartner's expectations for the development of the ICT market in 2019 remain optimistic. 2019 continues the trend which started in 2017 of a boom in ICT spending in all segments, leading to a 3.2% growth in 2019 on y/y basis, reaching the record for the past ten years USD 3.8 trillion.

In the coming years, there is no major change in the expenses for "**Communication Services**" and these will remain at levels of about \$ 1.4 trillion per year with a relatively low annual growth rate of CAGR of 1.30% in 2019. At the same time, they remain the largest single segment in ICT spending for some years to come.

The most dynamically growing segments remain "**Enterprise Software**" with an anticipated annual growth in 2019 of 8.50% and "**IT Services**" with anticipated annual growth in 2019 of 4.70%. In the following years both segments preserve their leading (though more moderate) growth among all other segments in the ICT sector. The total volume of spending for the two segments is anticipated to exceed



that of the leader of the ICT sector – “Communication services” in 2019, when spending of the two segments will reach USD 1.461 billion, while spending for “Communication services” is expected to be about USD 1.417 billion in 2019.

The two segments are not only the most dynamic in their growth, but also demonstrate the most sustainable growth over the period until 2022. CAGR for the period 2017 – 2022 is anticipated to be 8.25% for the segment „Enterprise software“ and 4.97% for the segment „IT services“, with the average CAGR for the ICT sector being 3.28% and 4.25% for the IT sector respectively.

#### Reasons for the Market Growth During in 2019

In their analysis ([December 2018](#)) Gartner illustrate the main drivers of growth in 2019 by breaking down the traditional five segments into about 20 sub-segments. The anticipated growth of global ICT spending for 2019 is 3.2% comprises of a diverse mix of components, all having various growth expectations. Some of the sub-segments are expected to grow at triple the rate of the global average. Such is the sub-segment of „Enterprise Application Software“, which is expected to grow by 10.3%. The sub-segment “Consulting” is expected to grow by some 8.3%, and „Infrastructure Software“ will grow by 6.8%. „Cloud Infrastructure and Services“ supply a considerable portion of ICT spending and in 2019 are expected to grow by 4%. This is a component of the segment „IT Services“. At the other end of the spectrum are the “Communication Services” and various sub-segments of „Devices“ – „PC and Tablets“ with a growth of only 0.5%,

„Printers“ with a decrease of 0.7% and „External Storage“ with a decrease of 0.9%.

#### Geographic Distribution of the IT Spending and Regional Growth in 2019

ICT spending and its anticipated growth in 2019 remain very diverse in the various geographic regions. Gartner ([webinar, December 2018](#)) describes the inputs of various countries to the anticipated growth of the ICT sector of 3.2% in 2019. Strong growth, which is sometimes double that of the global average, is anticipated in South-east Asia. The market in India is leading with anticipated growth of 7% in 2019, however it has a relatively modest volume. The growth of ICT spending in 2019 in China is expected to be 5.5%, and although the volume of the market is smaller than that of USA, the total input of China to global spending is the second highest in the world, for an individual country. USA is the undisputed leader in ICT spending, contributing about 40% of the global market, where we can expect an annual growth in 2019 of 3.8% (above the global average). Europe is the second largest regional ICT market in the world, tagging behind North America. ICT spending in the various European countries also marks growth, however it is considerably lower than the global average in the sector: Germany 2.4%, UK 1.9%, Italy 1.6%, France 1.3% and Russia 1%. The study suggests that ICT spending in the remaining East European countries will even decrease in 2019. As the main reason behind the poor performance of Europe, Gartner points again to the uncertainty surrounding BREXIT and the subsequent restraint in spending and

### 5.3. Information in Q1 2019

#### IMPACT OF EXCLUSIVE FACTORS

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

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

Sirma Group Holding is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as new production processes.

For all employees of the Company, it has the appropriate licenses for operating systems and application software for PCs and servers required for the normal workflow.

#### INFORMATION, CONCERNING SIGNIFICANT FACTORS, INCLUDING NON-ORDINARY OR RARE EVENTS OR NEW DEVELOPMENTS, THAT EXPRESSLY RENDER THE INCOME OF THE COMPANY'S ACTIVITY

There are no significant factors, including unusual or rare events or new developments that materially affect the Company's revenue and future investments.



## SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings reported in the Company's accounts detailed in Section 7.1 of this Report are observed during the period considered.

## INFORMATION ON GOVERNANCE, ECONOMIC, FISCAL, MONETARY POLICY OR POLITICAL COURSE OR FACTORS THAT SIGNIFICANTLY HAVE BEEN CONCERNED OR MAY CONTRIBUTE TO SIGNIFICANT, DIRECT, OR CONSEQUENTIAL ACTIVITY OF THE COMPANY

During the period under review, there were no factors of government, economic, fiscal, monetary or political factors that had a significant impact on the company's operations.

The main factors that may affect the Company's operations and how it manages the risk are described in the Risk Factors of this document.

### 5.4. Major news in Q1 2019

Information on key events and business news in Q1 2019 can be found in Appendix 3.

### 5.5. Key legal information in Q1 2019

#### Transactions with shares for the period 01.01.2018 - 31.12.2018:

- **A Purchase of "Ontotext" from "Sirma AI"**

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

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

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

- **Sale of a separate part of „Daticum“ to „Sirma AI“**

On 7 March 2019, a contract was signed under which the subsidiary "Daticum" transferred the ownership right to a separate part of its trading company "Daticum", UIC 200558943, as a separate set of rights, obligations and factual relations, created in the course of his previous commercial activity of "Sirma AI", for a price of BGN 1 241 786.93 (one million two hundred and forty thousand and one thousand seven hundred and eighty-six leva and 93 st.). In the separate part of the enterprise are included assets - cloud platform and employee liability.





## Litigation for the period 01.01.2018 - 31.12.2018:

### “Sirma ISG” OOD against Tiansko Sashkov Latev

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

- 50 000 levs - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 levs
- 11 162,19 levs - representing indemnity for damages, expressed as unaccountable material means
- 8 000 levs - representing damages in the form of the lost benefit

Grounds for claims: Art. 45 of the LOC in relation to Art. 145 TL, Art. 36 LPC and Art. 142 TL

**There are no lawsuits filed against the company for the period.**

## 5.6 Information for contracted large transactions in Q1 2019

In Q1 2019, the company made several large contracts with customer and subcontracts, in connection with the new strategy of the Group:

Purchases:

- Deal 1 for BGN 2 077 thousand
- Deal 2 for BGN 1 195 thousand
- Deal 3 for BGN 899 thousand

Sales:

- Deal 1 for BGN 2 145 thousand
- Deal 2 for BGN 1 769 thousand
- Deal 3 for BGN 1 330 thousand

## 5.7 Information of the used financial instruments Q1 2019

In Q1 2019 the company has not used any financial instruments.

## 5.8 R&D activity of the company in Q1 2019

The strategy for growth and development of Sirma Group Holding JSC foresees the concentration of the intellectual property of the Group in the Holding company. This concentration also implies the concentration of the Group's research and development activities at Sirma Group Holding JSC. Implementation of this process started in 2018. Head of research and development of Sirma Group Holding JSC is the member of the Board of Directors Mr. Atanas Kiryakov.

The total value of the investments made in research and development in Q1 2019 amounts to BGN 697 thousand.

## 5.9 Possible future development of the company

In 2019, Sirma Group Holding will update "Growth and Development Strategy", which covers the future development of the company by 2022.

## 5.10 Contracts under Art.240b of the Commercial Code in 2018

During Q1 2019 the company has not been notified for contracted transactions with the members of the Board of Directors or parties related to them, which fall outside the line of activity of the company or the terms of which differ substantially from the current market



## 6 RESULTS BY COMPANY

### 6.1 DATICUM

- <https://www.daticum.com/>
- **Datium JSC is a subsidiary of Sirma Solutions AD**
- **Capital:** BGN 2 302 049 divided into 2 302 049 registered materialized shares with a nominal value of BGN 1 with the right to vote, the right to dividend and a liquidation share according to the participation in the capital. Sirma Solutions JSC holds 1 392 740 shares or 60.5% of the capital.

In the beginning of 2009, Daticum was transformed from a business unit of Sirma Solutions AD into an independent company, attracting financing from Asarel Medet AD.

The company operates as a center for reliable data storage from the highest possible generation. The main services it provides are cloud services, including public and private, colocation, hosting, virtualization, hardware rental, communications and network services, the construction and operation of backup data centers, archiving and storage of information, provision of services for building and maintenance of hardware and software systems, building of data centers, system integration, building of test environments, etc.

The robust expertise in the field of building and providing public and private cloud computing platforms has contributed to the growth of the company's business and has a positive impact on both revenue and profits. In 2018, Datium designed and successfully migrated computational activities from conventional architecture to cloud platforms for multiple customers, as well as customers who have decided to purchase the necessary computing equipment independently.

Daticum is certified by Microsoft and has the right for Bulgaria to provide the full range of Microsoft products, paid on a monthly basis according to the customer's requirement (Certified Microsoft SPLA Provider). All customers can rent any Microsoft product from Daccum for as long as they need this product and use storage volume and computational resources which they actually consume. This partnership opens the possibility for all developers and system integrators who operate on the territory of Bulgaria and use Microsoft products in their solutions to be able to provide these solutions to their clients as a service in the only legal way possible, namely through a Microsoft SPLA partner on monthly basis, without having to invest in tangible fixed assets for computational resources or purchase of licenses.

Daticum is certified as VMWare Service Provider, which also provides it with the only legal opportunity to provide public cloud services as well as private cloud rental solutions using the latest VMWare technology.

Daticum is increasingly reoriented from a company providing basic colocation services to client equipment, to a company providing services on a monthly basis with high added value.

#### MAIN MARKETS:

Bulgaria, North and South America, Europe

#### MAIN CLIENTS:

The main clients of the company are the following industries - insurance, ICT, utilities, media and information services, industrial production, wholesale and retail, transport and courier services.

#### MAIN COMPETITORS:

Neterra OOD, Evolink AD, Teleponet OOD, 3D EAD and international companies providing cloud services such as Amazon, Rhapsy, Microsoft, IBM and others.

#### BUSINESS MODEL OF THE COMPANY.

The Company's core business model is to build infrastructure to provide computing resources for data processing and storage and to provide these resources for a fee to a wide range of customers who prefer not to maintain such infrastructure or have a temporary need for these resources.

#### RESOURCES OF THE COMPANY

The company has the necessary resources and is able to invest in the development of its business without using debt capital.

#### NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD.

The company focused on consolidating its market positions and expanding its IaaS and PaaS cloud services. Thanks to our partners, we can now offer a new Remote Backup as a Service, through which we can back up our data center data from client servers and end user devices regardless of their geographic location. In the next reporting period, we will develop and offer a Key Management Software as a Service in relation to meeting GDPR requirements. Along with the increasing tendency of customers to use leased computing resources on a monthly use basis, there is a similar tendency on the part of the company's suppliers to switch to business models for the provision of licenses and services based on monthly consumption.

#### HR POLICY.

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. We perform a selective increase in staff, following requirements arising from the increase in the



volume of activity. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

- Launch of the new Daticum service – Daticum C2, which provides a client console for the administration and management of cloud resources.

#### DATICUM IN Q1 2019

##### BUSINESS DEVELOPMENT IN Q1 2019 AND REALIZATION OF THE INVESTMENT PLAN

- Closed partnership contracts with two IT new entrant companies for the Bulgarian market, which provide services to large Bulgarian and international companies, for the use of the resources of Daticum in the solutions provided by them.
- Expanded and upgraded the back-up storage capacity of Daticum, aiming at the improvement of the back-up service for our clients.

#### NEWS

- The migration process from the system of one of our partners to the cloud platform of Daticum, for our new clients continued;

#### IMPORTANT EVENTS

- Certification under ISO/IEC 9001:2015;
- Certification under ISO/IEC 27001:2013;
- Certification under the additional standard ISO/IEC 27018:2014 for the implementation of the common measures for control and personal data protection regulations.

#### FORECAST FOR 2019

- We anticipate the continuation of our long term growth of revenue in the range of 15-20% compared with 2018.
- Cloud services will continue to mark a two digit growth
- The internet services are expected to mark a 30% growth for 2019 compared with 2018.
- The Colocation services of Daticum are also expected to grow in 2019, although at a slower pace than the cloud and internet services.

#### FINANCIAL RESULTS

<b>BGN '000</b>	<b>31.3.2019</b>	<b>31.3.2018/ 31.12.2018</b>	<b>Change BGN '000</b>	<b>Change %</b>
Revenues	1 727	501	1 226	244,71%
EBITDA	296	228	68	29,82%
Depreciation	(66)	(62)	(4)	6,45%
Net Result	228	164	64	39,02%
EBITDA margin	17,14%	45,51%	-28,37%	-62,34%
Net Profit margin	13,20%	32,73%	-19,53%	-59,67%
Sales per share	0,7502	0,2176	0,53	244,71%
EPS	0,0990	0,0712	0,03	39,02%
ROE	0,0719	0,0558	0,02	29,02%
Total Assets	3 769	4 624	(855)	-18,49%
Intangibles	-	1 242	(1 242)	-100,00%
Book value	3 169	1 699	1 470	86,52%
Equity	3 169	2 941	228	7,75%
Total Liabilities	600	1 683	(1 083)	-64,35%
Interest bearing	-	-	-	n/a
D/E	0,1893	0,5723	-0,38	-66,91%
ROA	0,0605	0,0355	0,03	70,56%



## 6.2 SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
  - **Sirma Solutions is a subsidiary of Sirma Group Holding JSC**
  - **Capital: BGN 35 370 800**
  - Shares:
    - Ordinary, Number: 3 444 366, Nominal: BGN 10 Rights: Every ordinary share entitles one vote to the general meeting of shareholders as well as a right to dividend and a liquidation quota proportional to the nominal value of the share.
    - Class A, Number: 15 000, Nominal: BGN 10 Rights: Class A shares are preferred non-voting shares with a guaranteed dividend amounting to 12% of the nominal value.
    - Class B, Issue: 77 714, Nominal: BGN 10 Rights: Class B shares are right and have a voting right and a liquidation quota in proportion to the nominal value of the share.
- The company owns 193 667 units. own shares with nominal value of each share BGN 10

### SIRMA SOLUTIONS IN Q1 2019:

#### General information

Sirma Solutions JSC is a global provider of complex software systems, IT consulting and system integration, in various industrial verticals. Founded in 1992, the company is the largest in Sirma Group Holding JSC. Since its inception, Sirma Solutions has developed organically, thanks to the unique combination of innovative spirit, solid technology expertise and business flair.

The company specializes in the creation of corporate software systems and solutions, system integration and IT consulting for both specific industries and multi-industrial solutions. Sirma Solutions JSC is among the leading Bulgarian software developers, thanks to its excellent reputation, proven expertise and comprehensive know-how used in software product development and the successful implementation of numerous complex projects for clients on a regional and global scale.

Sirma Solutions also specializes in hardware delivery, infrastructure development, cloud services and virtualization.

The company maintains excellent relationships with leading software and technology vendors for the fastest growing industries, as well as independent software companies. Also, there are excellent interactions with the other holding company, which ensures the successful realization of projects, regardless of the degree of complexity. Depending on the size and complexity of a project, the company has access to an expanded range of resources from over 500 people.

Sirma Solutions is Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner, and so on. The company is certified to ISO 9001: 2015 and ISO 27001: 2005 to meet the regulatory and contractual requirements in terms of security and data integrity and IT management.

### Business activity of Sirma Solutions in Q1 2019

During Q1 2019 4 major divisions were active in the company:

- System Integration
- US Software Consulting
- European Projects
- Government Sector

#### SYSTEM INTEGRATION

in the past quarter, the division has achieved its revenue goals, and has revealed several interesting opportunities on which we work hard to win new contracts.

in the first quarter, several interesting projects happened, marking only some of them with a volume of more than 1 million bgn:

- we have concluded a new 3-year data center customer support contract in the uk.
- we have delivered a heterogeneous server farm in germany as our client.
- we have built and delivered a test and simulation center for intelligent city management for our client in bulgaria.
- we supplied system software for a database and applications of a bulgarian state organization.



## US SOFTWARE CONSULTING

In the first quarter of 2019 we have four new contracts - with uBeam, Oasis. AutoSoft, which are new clients and Mascoma Bank, which is expanding our existing business relationship.

We believe that our existing contracts have a low to medium risk of continuity, or in other words, we do not expect existing customers to change our services with other competing companies, so we think the risk of losing existing projects is up to 20%. It is important to note that our business is mostly small to medium and start-up companies, which are themselves risky.

## EUROPEAN PROJECTS

In the first quarter, the division managed to successfully complete a Metro project, where it delivered a workable loyalty system solution that was realized through acioic. The unit continued to work on a project with Raiffeisen Bank, developing an integration application for the systems in the bank. Parallel to this, work on UK projects continued: consultancy services in the world of insurance at KBC Ireland, implementation of IRIS in the Bank of Ireland, and work on the integration of CIBank and UBB.

## GOVERNMENT SECTOR

The most serious challenge for the division in the first quarter of 2019 continued to be the work on the huge multi-year project with the EEA and Norway Grants Financial Mechanism Office as well as the other projects won in 2017/2018 as the 3 year renewal project The rating system of the higher education institutions of the Ministry of Education and Science and the preparation of annual ratings of the professional fields in the HEI in the Republic of Bulgaria, the project for the upgrade of the overall information system and electronic services of the NCSR, With the service business and financial processes of the Musikutor and others.

During the period, the project for upgrading the project management system of OSI-Sofia was successfully completed.

Also in parallel with the above activities, the efforts continued to find new projects, with tenders and project proposals being submitted under several procedures.

## FINANCIAL RESULTS

	31.3.2019	31.3.2018/ 31.12.2018	Change BGN '000	Change %
<b>BGN '000</b>				
Revenues	10 825	7 656	3 169	41,39%
EBITDA	233	623	(390)	-62,60%
Depreciation	(207)	(299)	92	-30,77%
Net Result	60	621	(561)	-90,34%
EBITDA margin	2,15%	8,14%	-5,98%	-73,55%
Net Profit margin	0,55%	8,11%	-7,56%	-93,17%
Sales per share	0,3349	0,2369	0,10	41,39%
EPS	0,0019	0,0192	-0,02	-90,34%
ROE	0,0012	0,0128	-0,01	-90,35%
Total Assets	58 376	59 096	(720)	-1,22%
Intangibles	6 714	21 326	(14 612)	-68,52%
Book value	41 791	27 119	14 672	54,10%
Equity	48 505	48 445	60	0,12%
Total Liabilities	9 871	10 651	(780)	-7,32%
Interest bearing	1 916	1 962	(46)	-2,34%
D/E	0,0395	0,0405	-0,001	-2,47%
ROA	0,0010	0,0105	-0,01	-90,22%



## 6.3 SIRMA AI AND ONTOTEXT USA

- **Sirma AI is a Daughter company of Sirma Group Holding JSC**
- **Share Capital: BGN 1 410 460.**
- Shares:
  - **Ordinary Shares**, Number: 127 144, Nominal: BGN 10, available, with voting rights, dividend and liquidation share.

- **Class A**, Number: 13 902, Nominal: BGN 10

Sirma Group Holding owns 100% of the capital of the company.

### Conditions for the business development in 2019

In the first quarter of 2019 there were no major changes in the industries where the company operates.

On the basis of ongoing projects, deals and active trading opportunities, the most interest is shown by the following industries: financial services, machine building (aviation and automotive) and automation, business information publishers, pharmaceuticals and the public sector.

The leading product of Ontotext GraphDB retains and further develops its position as one of the global leaders on the graph database market.

In February, the "Graph Database Market Update 2019" was published by analysis company Bloor - one of the most profound analysis of graph databases which compares their capabilities using multiple criteria. Among 9 other competitors, Ontotext GraphDB is ranked 2nd in terms of supported languages and standards, and third in terms of analytical capabilities.

### Regional and international factors, reflected on the business of the company

Sirma AI's main markets are the United States and the UK. Over 90% of the company's revenue comes from large multinational companies that are poorly influenced by regional factors. No shocks related to Brexit are expected.

### Business development in 2019 and realization of the investment plan

During the first quarter of 2019, Sirma AI developed according to its business plan. Revenues, after consolidation of Ontotext USA, amounted to 22% of the target for the year - a result within expectations, given the seasonality of the business. Over 40% of the target earnings for the year have been realized.

At the same time, new orders in the first quarter reached BGN 3.7 million (34% of the annual target), which provides good prerequisites for stable revenue growth within the year.

### New clients, projects, products and services in Q1 2019

New:

- *Clients*: During the first quarter of 2019 the substantial new contracts closed, are with old clients.

- *Products*: Sirma AI launched a new version of GraphDB (8.8). The most important new feature is the enrichment of the capabilities for finding a semantic relation.

- *Services*: No new services were launched in this quarter.

### Important events in Q1 2019

- The most important events have been stated above as new clients, products and services.
- Representatives of the company participated in the W3C Workshop on Web Standardization for Graph Data on the 4<sup>th</sup> of March in Berlin. Sirma AI was also a sponsor of the event;

### New contracts in Q1 2019

A new contract for analysis of text information for the oil and gas market with a leading rating agency was closed.

### Forecast for 2019

Main financial goals:

- Revenue above BGN 10 million;
- EBITDA above 20%;
- Investments in product development BGN 1.2 million;



## FINANCIAL RESULTS

## SIRMA AI

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	Change
			BGN '000	%
Revenues	1 822	20	1 802	9010,00%
EBITDA	812	(11)	823	n/a
Depreciation	(192)	(564)	372	-65,96%
Net Result	616	(191)	807	n/a
EBITDA margin	44,57%	-55,00%	99,57%	n/a
Net Profit margin	33,81%	-955,00%	988,81%	n/a
Sales per share	13	0	12,78	9010,00%
EPS	4,3688	-1,3546	5,72	n/a
ROE	0,1606	-0,0500	0,21	n/a
Total Assets	76 012	25 855	50 157	193,99%
Intangibles	67 461	25 412	42 049	165,47%
Book value	(63 626)	(21 591)	(42 035)	194,69%
Equity	3 835	3 821	14	0,37%
Total Liabilities	72 177	22 034	50 143	227,57%
Interest bearing	850	542	308	56,83%
D/E	18,8206	5,7666	13,05	226,38%
ROA	0,0081	-0,0074	0,02	n/a

## ONTOTEXT USA

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	Change
			BGN '000	%
Revenues	301	232	69	29,74%
EBITDA	(18)	(19)	1	-5,26%
Depreciation	-	-	-	n/a
Net Result	(18)	(20)	2	-10,00%
EBITDA margin	-5,98%	-8,19%	2,21%	-26,98%
Net Profit margin	-5,98%	-8,62%	2,64%	-30,63%
Sales per share	10	8	2,30	29,74%
EPS	-0,6000	-0,6667	0,07	-10,00%
ROE	0,1333	0,1709	-0,04	-22,00%
Total Assets	370	377	(7)	-1,86%
Intangibles	(136)	(117)	(19)	16,24%
Book value	(135)	(117)	(18)	15,38%
Equity	506	494	12	2,43%
Total Liabilities	-	-	-	n/a
Interest bearing	-3,7481	-4,2222	0,47	-11,23%
D/E	-0,0486	-0,0531	0,004	-8,30%



ROA	301	232	69	29,74%
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## 6.4 ONTOTEXT

- <http://www.ontotext.com>
- Ontotext is a subsidiary of Sirma Group Holding JSC
- Share Capital: BGN 16 068 801

Shares: 16 068 801

Classes of shares:

CLASS A 1, Number: 4 187 087, Nominal value: BGN 1 - materialized with right to vote, dividend, different economic rights incl. the right to a different liquidation share upon

termination of the company depending on its market capitalization and different share of the income from the sale of shares, etc. economic rights..

ORDINARY, Number: 11 038 684, Nominal: BGN 1 - materialized, with voting rights, dividend, liquidation quota, right of first refusal, right of access

### FINANCIAL RESULTS

#### ONTOTEXT

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	Change
			BGN '000	%
Revenues	199	1 859	(1 660)	-89,30%
EBITDA	26	1 073	(1 047)	-97,58%
Depreciation	(58)	(323)	265	-82,04%
Net Result	(32)	737	(769)	n/a
EBITDA margin	13,07%	57,72%	-44,65%	-77,36%
Net Profit margin	-16,08%	39,64%	-55,73%	-140,56%
Sales per share	0,0124	0,1157	-0,10	-89,30%
EPS	-0,0020	0,0459	-0,05	n/a
ROE	-0,0015	0,0345	-0,04	n/a
Total Assets	21 344	27 772	(6 428)	-23,15%
Intangibles	-	13 949	(13 949)	-100,00%
Book value	21 337	7 420	13 917	187,56%
Equity	21 337	21 369	(32)	-0,15%
Total Liabilities	7	6 403	(6 396)	-99,89%
Interest bearing	-	179	(179)	-100,00%
D/E	0,0003	0,2996	-0,30	-99,89%
ROA	-0,0015	0,0265	-0,03	n/a





## 6.5 ENGVIEW SYSTEMS SOFIA

- **EngView Systems Sofia JSC is a daughter company of Sirma Group Holding JSC**
- **Capital : BGN 68 587.**

Shares: **68 587 ordinary named voting shares, with right to dividend and liquidation share, proportional to the participation in the capital.**

Sirma Group Holding owns 50 000 shares or 72,9 % of the company capital.

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group Holding JSC, with main activity - development of software products and services in the field of two main vertical markets:

- **Packaging industry.** The products developed by the company are based on proprietary innovative technology for variation and parametric CAD / CAM and are designed for automation and optimization of the production processes, mainly connected with packages and displays of different sheet materials.

- **Quality control of serial production in various industries,** mainly related to machine building, mechanics, aluminum and plastic parts, etc. In this field, the company develops entirely proprietary market solutions as well as technological solutions designed for specific measurement machines for the main strategic partner - QVI.

### ENGVIEW SYSTEMS IN Q1 2019

#### CONDITIONS FOR BUSINESS DEVELOPMENT IN Q1 2019

In the packaging industry, in recent years, there has been a trend towards an ever wider penetration of digital technologies for the production and optimization of business processes. The beginning of 2019 does not differ in this respect. Although a large share of packaging production remains in established offset printing, the spread of digital technology is growing at an increasing pace, and more and more companies are investing in digital printing and manufacturing machines. There are also new niche markets related to personalization, small drawings of cardboard and corrugated packaging, advertising products and better visualization of selected brands (racks) or whole structures, stands for exhibitions, shows, printed and cut from thick materials (Rigid Board). In Europe and the United States, there is a tendency for the input and production of materials and products that are directly related to nature conservation and are environmentally friendly, easy to recycle and process.

This also determines the prevailing investments in the packaging industry - alongside those in machines, companies in different niches also look for solutions to save time and resources, modernize their production to improve their

competitiveness, and follow the modern technologies which allow the seamless improvement of customer relationships and

optimization of the order channels. Such solutions are the Internet and cloud-based solutions for customer communications and shortening of the web-to-pack cycle, which is made possible in combination with the new digital technologies.

On the market for technology for serial quality tracking, technological dynamics are smaller, but there may also be trends towards ever more intensive integration between classic measurement technologies and communication, mobile, information, internet / cloud-based technologies which allow the speeding up of the transfer, storage and processing of information received by the measuring machines and as a result - increasing the efficiency and reliability of the quality tracking systems.

EngView Systems successfully develops its products in its two major strands for the packaging and the video measurement industries. In recent years, the company has invested in the development of new products, based on its already realized products and the accumulated knowledge and expertise in the serviced niches. They meet the latest trends, as well as customer requirements for high quality software, capable of accelerating production rates, increasing sales through optimizations and supporting additional processes. The main products of the company which we are working on in recent months are the Packaging Suite, ScanFit & Measure, m-caliper and packGATE.

### REGIONAL AND INTERNATIONAL FACTORS INFLUENCING THE BUSINESS OF THE COMPANY

The company develops all of its products in Bulgaria but has a network of distributors worldwide, as well as its own offices in the US and Brazil. The factors influencing the business are mainly related to the market saturation of competing products or the degree of development of the given market. Still a major share of packaging software sales are generated in Europe, with the first 3 months of 2019 showing growth from the 2018 levels. The same is relevant for sales of licenses in both the US and Brazil. EngView, as one of the leading names in the packaging industry, has been working with strategic partners in Germany – Heidelberg, to develop new versions of their



printing industry products each year and the US - QVI for their video measuring machines. With both of these companies, EngView has been working for years, strengthening its position by providing high quality modern software for their customers.

#### BUSINESS DEVELOPMENT IN Q1 2019 AND INVESTMENTS

During the first quarter of 2019 the preparation of the release of a new, basic version of the CAD / CAM product Packaging Suite is on the way. With this update the customers around the world will be able to upgrade their systems in the coming months of the year. The preparations included a certification workshop at the end of February, attended by distributors, representatives from over 40 companies from Mexico, Japan, China, Philippines, Korea, India, Israel, Jordan, Egypt, Dubai, Germany, Italy, England, Czech Republic, Croatia, etc.

The preparation of the distribution of m-caliper is also under way, by looking for new partnerships, pilot clients, and participation in various exhibitions.

#### MAIN EVENTS IN Q1 2019

- certification seminar
- participation in exhibitions and support of the distribution network

#### OBJECTIVES AND FORECAST FOR 2019

The growth of the revenue for 2019 is expected to be between 15-20% compared with 2018.

The first sales of the new products are expected to happen in 2019.

#### FINANCIAL RESULTS

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	Change
			BGN '000	%
Revenues	739	541	198	36,60%
EBITDA	302	(29)	331	n/a
Depreciation	(116)	(37)	(79)	213,51%
Net Result	181	(12)	193	n/a
EBITDA margin	40,87%	-5,36%	46,23%	n/a
Net Profit margin	24,49%	-2,22%	26,71%	n/a
Sales per share	10,7101	7,8406	2,87	36,60%
EPS	2,6232	-0,1739	2,80	n/a
ROE	0,0557	-0,0039	0,06	n/a
Total Assets	3 807	3 652	155	4,24%
Intangibles	2 632	2 441	191	7,82%
Book value	615	625	(10)	-1,60%
Equity	3 248	3 066	182	5,94%
Total Liabilities	560	586	(26)	-4,44%
Interest bearing	3	2	1	50,00%
D/E	0,0009	0,0007	0,00	41,59%
ROA	0,0475	-0,0033	0,05	-1546,92%



## 6.6 SIRMA BUSINESS CONSULTING JSC

- <https://sirmabc.com/>
- **Sirma Business Consulting JSC is a subsidiary of Sirma Solutions**
- **Capital: BGN 2 539 768**

Shares: Special conditions for transfer: the shares are vinculated and non-transferable for a period of three years from the incorporation of the company.

Classes of shares:

CLASS A: Number: 1 958 268, Nominal: BGN 1 Rights: regular, voting, right to dividend and liquidation share

CLASS B: Number: 581 500, Nominal: BGN 1 - Privileged, Non-voting, Entitled to Guaranteed Dividend

Sirma Solutions JSC holds 1 077 048 pcs. Class A shares and 296 500 Class B shares or 54.08% of the company's capital and 55% of the voting shares.

Sirma Business Consulting JSC (SirmaBC) is a subsidiary of Sirma Solutions JSC, which is highly specialized in the provision of software products and services in the financial sector. The SirmaBC implements Universal Banking Solutions (UBS) individually or based on the FlexCube (Oracle platform). This is a complete banking solution which has received worldwide recognition as one of the most preferred systems in the banking and financial industries.

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of implementation and advisory services. SirmaBC is the third largest holding company and accounts for about 20% of revenue.

SirmaBC was established as a separate unit in 2007 and has since become one of the leading technology players in the financial sector. The company has been established not only in the local market, but has continued to seek to increase its presence on international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to respond to growing demand and evolving industry trends tailored to the

banking and financial industry specification both locally and globally.

The company is practically free of debt, and presents itself solidly, with strong financial results.

### MAIN TRENDS IN THE WORLD AND REGIONAL MARKETS IN Q1 2019

The global and Bulgarian financial-services market is strongly influenced by various regulations and the drive for digitization. Restrictions from America and Europe on customer intelligence, the fight against the gray economy, and the personal data protection measures are the primary motivators of the financial sector to achieve compliance and legitimacy. The financial sector anticipates substantial investments in IT. These, however, are occurring slower than expected. The main changes are related to the introduction of "new" payment channels (PSD2), as well as customer acquisition tools. It is increasingly spoken about "tocanization" and the provision of services that can be trusted by the clients of the financial players. The widespread use of hybrid services, as well as customers' expectations for free availability of easy-to-use products and forms of payment, continue to drive the technological solutions. In addition, a new generation of rationalization and optimization in the sector is on its way which will be based on robots,



machine training, large data analysis, and business process automation.

SirmaBC continues to provide its own services and products which are focused solely on the financial sector. In 2019, the company "retired", part of the products that have not developed significantly for the past 3-4 years, and focuses on refurbishing and upgrading products that can be offered not only on the local market.

The company's own-recognizable products continue to be "RepXpress" and "ceGate".

#### REGIONAL AND INTERNATIONAL FACTORS, INFLUENCING THE BUSINESS OF THE COMPANY

There are no exclusive regional (Balkan) factors which can be distinguished or totally individual from what is happening in Europe. In particular everything in Bulgaria is influenced by economic trends in Europe and the whole policy of regulating the financial sector and other sectors of the economy.

#### BUSINESS DEVELOPMENT IN Q1 2019 AND REALIZATION OF THE INVESTMENT PLAN

Business development is mainly influenced by the 2018 contracts, which are currently in the implementation and delivery phase, as well as the willingness of existing customers to intervene in the PSD2 market for products and services.

#### MAIN EVENTS IN Q1 2019

- Participation in key financial events for the 1st quarter as well as development of demo / test applications for PSD2, KYC, and customer information collection;
- Launch of a new functionality of the "Payment portal" product for work with PSD2 and the respective implementation services, as well as realization of the BISTRA standards.

Renewed certificates for:

- Certificate under ISO/IEC 9001:2015;
- Certificate under ISO/IEC 27001:2013;
- Certificate under additional standard ISO/IEC 27018:2014 for the implementation of the common measures for control and personal data protection regulations.

#### ISSUES AND SOLUTIONS IN THE BUSINESS PLAN IMPLEMENTATION FOR Q1 2019

The main challenge for companies operating and assisting financial players in implementing their digital programs is and will remain in 2019 the attraction and the retention of qualified cadres. For a consecutive year, the IT sector in Bulgaria is making steady progress, and the country is working on more and more diverse IT projects. According to statistics, this is also the fastest growing sector of the Bulgarian economy. The work of a highly qualified IT specialist generates between 25-30 thousand Euro per year, which is between two and three times the average labour productivity in the country.

This trend will continue after 2019, which means that companies in the sector will continue to need trained staff who will still be scarce in the sector. The biggest challenge for us remains the attraction and retention of qualified specialists, while the high remuneration of their labour is no longer a crucial factor. In summary, the major issues and challenges for the company's budget will be in the remuneration funding.

#### FORECAST FOR 2019

The SirmaBC continues to comply with the long-term strategy for the development of its activities entirely with its own funds. In addition, the company has taken some steps to provide a better staff base and a better regional presence of the company, acquiring its own office in Plovdiv. The plan for investments in own products for 2019 have been increased by 25% to the amount of BGN 400 thousand. As in 2018, in 2019, Sirma BC does not expect the need to attract additional funding from banks or financial investors. In addition, SirmaBC forecast for 2019:

- Increase revenue by 20%;
- Increase in profit by 10%;
- Increasing the investment in own products and services by 20%;
- Increase of the cost of courses and seminars for employees 10%;
- Increase of the number of staff and increase of the average salary in the company by 8-10%;
- Reinforcing strategic partnerships with global leaders in the financial and IT sector.



## FINANCIAL RESULTS

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	
			BGN '000	%
Revenues	1 062	1 559	(497)	-31,88%
EBITDA	95	372	(277)	-74,46%
Depreciation	(56)	(437)	381	-87,19%
Net Result	55	284	(229)	-80,63%
EBITDA margin	8,95%	23,86%	-14,92%	-62,51%
Net Profit margin	5,18%	18,22%	-13,04%	-71,57%
Sales per share	0,4181	0,6138	-0,20	-31,88%
EPS	0,0217	0,1118	-0,09	-80,63%
ROE	0,0166	0,0873	-0,07	-80,96%
Total Assets	5 342	4 763	579	12,16%
Intangibles	442	449	(7)	-1,56%
Book value	2 866	2 803	63	2,25%
Equity	3 307	3 252	55	1,69%
Total Liabilities	2 034	1 511	523	34,61%
Interest bearing	-	-	-	n/a
D/E	0,0000	0,0000	0,00	n/a
ROA	0,0103	0,0596	-0,05	-82,73%

## 6.7 SIRMA GROUP INC./DBA PANATON

- <http://panatonsoftware.com/>
- Sirma USA is a subsidiary of Sirma Solutions

## General Business Conditions for Q1 2019

We operate exclusively in North America and our business follows closely the general economic trends of the American technology market. In 2018 the technology sector was strong with substantial growth and our results reflected these trends.

Our leading clients are in the Cyber Security, Insurance, Financial Services, Non-Profit and Semiconductor sectors.

We offer highly customized, complex software solutions and custom systems development and are primarily focused on small to medium enterprises and startups.

The market demand for highly competent software developers that can deliver turn-key, custom solutions continues to be strong. The very rapid pace of technology

innovation that is characteristic for the US and particularly for Silicon Valley continuously generates new startups and new product ideas from existing clients, which is a good fit to the type of work we are best at.

Our US business is mostly driven by referral and we do not invest in generic digital marketing, advertising or trade-show appearances. We have excellent reputation and a depth of present and former clients that allows us to generate the



majority of new professional services business by referral and word of mouth.

An exception to this pattern has been our Non-profit business, focused on our Conservation Space Museum product. In this area we invested in a broader marketing effort, including trade-show appearances. Still, all of our clients have been through referrals from our existing primary contract with the National Gallery of Art in Washington DC.

#### Our Clients

##### Non-Profit / Museum Business:

Yale University Library and Museum  
Denver Art Museum  
Arizona State University

##### Financial Services:

TimeSuite  
Mascoma Bank

##### Semiconductors:

Resonant

##### Mobile Apps:

Jungo Sports

##### Insurance (AI/Machine Learning):

Pets Best

#### New Contracts

For 2019 we have two new contracts – with uBeam, who are a new client and with Mascoma Bank, which is an expansion of the existing relationship.

We believe that our existing contracts are at a low to medium continuity risk – in other words we expect to not have more than 20% churn of projects in 2019. It is important to note that our business is primarily with small to medium and startup companies, which are inherently riskier themselves.

#### Forecast for 2019

We believe that we will be able to bring in 2 to 3 new major accounts and grow the year to year services Revenues in North America by more than 15%. It is important to note that with our services based business, our revenue and profitability is directly related to the number of billable staff and billable hours per year.

This forecast could be easily exceeded if our Kanin.io and related add-ons is well received and we can begin extracting product revenues from it.

Overall for 2019 the outlook remains healthy based on key economic indicators. Once we are completed with the Mascoma Project, we'll be able to get references for additional work in Regional Banks and Credit Unions. We also see signs that Kanin IO will be an integral part of the offering for Banks for Fraud Detection / Prevention.

#### FINANCIAL RESULTS

	31.3.2019	31.3.2018/ 31.12.2018	Change BGN '000	Change %
<b>BGN '000</b>				
Revenues	1 622	1 678	(56)	-3,34%
EBITDA	210	746	(536)	-71,85%
Depreciation	(5)	(4)	(1)	25,00%
Net Result	179	698	(519)	-74,36%
EBITDA margin	12,95%	44,46%	-31,51%	-70,88%
Net Profit margin	11,04%	41,60%	-30,56%	-73,47%
Sales per share	0,0752	0,0778	0,00	-3,34%
EPS	0,0083	0,0323	-0,02	-74,36%
ROE	0,1769	0,8813	-0,70	-79,93%
Total Assets	4 273	4 108	165	4,02%
Intangibles	1 290	1 266	24	1,90%
Book value	(277)	(474)	197	-41,56%
Equity	1 012	792	220	27,78%
Total Liabilities	3 260	3 316	(56)	-1,69%



Interest bearing	21	21	-	0,00%
D/E	0,0208	0,0265	-0,01	-21,74%
ROA	0,0419	0,1699	-0,128	-75,35%

## 6.8 SIRMA ICS

- <http://sirmaics.com/>
- **Sirma ICS is a subsidiary of Sirma Solutions**
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 270,000 number of shares or 90% of the capital.

### Sirma ICS in Q1 2019

Sirma ICS is part of Sirma Group Holding, with the main goal to concentrate the technological and business knowledge of Sirma Group's in the insurance sphere.

#### Conditions for Business Development in Q1 2019

The Company operates in the insurance sector with target clients insurance brokers and insurance companies. Both segments show revenue growth and, therefore, digital demand is on the increase. At the same time, both segments reduce the number of market participants, a trend particularly evident in the segment of insurance brokers. The reason for this is the growing regulatory and financial requirements for insurance brokers, leading to a reduction in their number.

The company offers Sirma Insurance Enterprise Platform and Sirma Insurance Enterprise MTPL API, as well as customized solutions such as websites, end-to-end web portals and administrative portals, mobile applications, software for process and document management, and others. Due to regulatory changes and changes in the workflow of the web services of the insurance companies, the full upgrade of the Sirma Insurance Enterprise Web Calculator was done. This will continue until the middle of 2019. The company's products are the most recognizable on the market. All components of the Sirma Insurance Enterprise have been separated into individual products and are available as standalone SaaS solutions.

#### Regional and global factors influencing the business of the company

The company has business only in Bulgaria at the moment, but by working with our international clients in 2019 a plan and assessment will be prepared for the necessary resources for expansion in other markets. Potential first international markets are Romania, Serbia, Macedonia and Albania.

#### Business Development in Q1 2019 and Investment plan

In Q1 2019 Sirma ICS continued with the execution of its strategic objectives:

- Increase of the product range in insurance broker software and product optimization and its functionality
- Creation of a positive reputation of the company by the companies in the insurance sector in Bulgaria.
- We continued the development of e-insurance in the "ICS WEB PLATFORM" module.
- Building new portals and mobile applications, including client portfolios of insurance companies and insurance brokers.

We were successful in attracting a few new insurance broker clients, while introducing the new price policy of the company.

In Q1 2019, the company continues to rely on a stable and sustainable model of product sales with a monthly license fee instead of relying on large single-sale deals which are more difficult to predict.

#### New:

- customers

The Company entered into 4 new contracts with insurance brokers and 1 with insurance company.

- projects

- Individualization of the Sirma Insurance Enterprise Platform for bank brokers,
- API for Third Party Liability Insurance for the Telecommunications Sector,
- API for Leasing Companies,



- products

2 new mobile apps

- services

consulting services to end customers

#### Important events for Sirma ICS in Q1 2019

Guarantee Fund change, regarding the contribution of insurers offering in the Republic of Bulgaria the obligatory Third Party Liability Insurance to the Uninsured Vehicles Fund in the Guarantee Fund.

#### New Contracts

Customization of the Sirma Insurance Enterprise Platform for bank brokers, API for the TPL insurance for the telco sector, API for leasing companies, new features in two mobile applications, consultancy services for end clients.

#### Information on Client Retention

The clients are serviced professionally and the product, which they receive, is undergoing constant update, the clients receiving new features and at the same time all regulatory requirements are being implemented. There are no lost customers.

#### Challenges and unsolved issues in Q1 2019

An unresolved issue is the Sirma Insurance Enterprise Web Calculator for which changes have occurred as a result of regulatory changes. Launch of the product is scheduled in Q2 2019.

#### Perspectives for 2019

We are anticipating growth of the Sirma Insurance Enterprise Platform, attracting customers for Sirma Insurance Enterprise Web Calculator, initiating SIE Platform individualization work for bank brokers and leasing companies. Work on 2 mobile applications, create at least 2 new mobile applications, create websites and web portals for clients.

We anticipate the closing of new contracts for an amount of over BGN 200,000 for the year.

#### Extraordinary Information

Increasing regulatory requirements. Aggravation of the requirements to the main clients of the company - insurance brokers and insurance companies, leading to mergers and acquisitions and respectively, a smaller market.

#### FINANCIAL RESULTS

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change BGN '000	Change %
Revenues	207	139	68	48,92%
EBITDA	131	43	88	204,65%
Depreciation	(13)	(4)	(9)	225,00%
Net Result	117	36	81	225,00%
EBITDA margin	63,29%	30,94%	32,35%	104,57%
Net Profit margin	56,52%	25,90%	30,62%	118,24%
Sales per share	0,6900	0,4633	0,23	48,92%
EPS	0,3900	0,1200	0,27	225,00%
ROE	0,1413	0,0506	0,09	179,08%
Total Assets	1 187	1 119	68	6,08%
Intangibles	1 117	1 041	76	7,30%
Book value	(289)	(330)	41	-12,42%
Equity	828	711	117	16,46%
Total Liabilities	359	408	(49)	-12,01%





Interest bearing	27	27	-	0,00%
D/E	0,0326	0,0380	-0,01	-14,13%
ROA	0,0986	0,0322	0,07	206,38%

## 6.9 S&G TECHNOLOGY SERVICES

- <http://www.sngservices.co.uk/>
- **S & G Technology Services operates in the Financial Segment**

S & G Technology Services is a joint venture of Sirma Solutions, which operates in the United Kingdom. The company provides technology services in the areas of software integration, data integration and mobile technologies for the financial service sector.

S & G Technology Services has accumulated tremendous expertise on the banking industry and the development of technology solutions for some of the world's largest banks. This enables the company to better understand the challenges faced by customers, identify the areas in which it can provide innovative solutions and integrate seamlessly into its specific solutions within a broader delivery program. S & G Technology Services specializes in providing IT consulting services, software products and services to the software ecosystem of one of the most popular banking systems - the Temenos T24.

In 2018, the company successfully completed projects in major international banks in Ireland, Kenya, Luxembourg and the UK.

## 6.10 SIRMA CI

- **Sirma CI** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 133 000. **Sirma Group Holding** owns 80% of the capital.

### New products

#### Conditions for Business Development in Q1 2019

The company operates in the "retail" industry, with its main objective being the digitalization of the processes and management of the business of large retailers.

During the first quarter of 2019 the biggest interest was shown for the products "eCommerce", "Loyalty Program Solution", "Virtual Assistant" (Chatbot) и "Retail Kiosk and Digital Signage".

#### Regional and global factors influencing the business of the company

In 2019, the retail sector will be heavily influenced by increased regulatory requirements by the NRA in Bulgaria on tax control over e-commerce. This development could bring additional sales revenue to the company, from retailers seeking regulation compliance.

#### Business Development in Q1 2019 and Investment plan

During the quarter, the company fulfilled all its tasks according to its business plan: defining the basic products and services which we offer and signing several important and strategic contracts.

#### New:

- We launched the new product "Sirma Card-Smart White-Label Card" – a bank card and loyalty

program for large retailers who manage a multitude of clients.

- "Kiosk" – a solution queue management and marketing campaigns

### New clients

- Contract with a large outsourcing company for the development and licence of a "Virtual Assistant" (Chatbot);
- Contract with a large retail chain for the product "Retail Kiosk & Digital Signage";
- Contract for the development and maintenance of an online store for luxury goods;

### New partners



- A distribution contract for the “Loyalty Program Solutions” in the Caribbean

### Challenges and unsolved issues in Q1 2019

Anticipation of the launch of the website of the company for marketing its products and services – the project is waiting for the redesign of the central website of Sirma. Anticipated launch of the site – third quarter of 2019.

### FINANCIAL RESULTS

BGN '000	31.3.2019
Revenues	171
EBITDA	(37)
Depreciation	-
Net Result	(37)
EBITDA margin	-21,64%
Net Profit margin	-21,64%
Sales per share	0,5700
EPS	-0,1233
ROE	-0,9487
Total Assets	90
Intangibles	-
Book value	39
Equity	39
Total Liabilities	51
Interest bearing	-
D/E	0,0000
ROA	-0,4111

### Perspectives for 2019

The anticipated new contracts in 2019 amount to BGN 250 000, with 50% of this revenue coming from long-term partnerships with large retail organisations.

## 6.11 SIRMA MEDICAL SYSTEMS

- **Sirma Medical Systems** is a subsidiary of Sirma Group Holding
- **Capital:** BGN 100 000. **Sirma Group Holding** owns 66% of the capital.

### Product development in Q1 2019:

#### Diabetes:M

During the first quarter of 2019, Sirma Medical Systems successfully completed the implementation of the changes in Diabetes: M under the Nipro contract. Nipro began by presenting an integrated product (4SURE glyukometers + Diabetes: M) in various hospitals and clinics in the UK, Ireland and Germany. The feedback is very good.

Sirma Medical Systems participates with Sirma Solutions in an Innovation Norway project.

A contract with TCL for pre-load of Diabetes: M on one million of their devices on the Asian market was signed, against sharing part of the revenue from the users of their devices.

Interest was expressed for similar integration and closer cooperation with the company Innovation ZED, which is



owned by SHL, who will presented Sirma Medical Systems in May in Japan.

Glucorx has also expressed interest in collaborating with Sirma Medical Systems, and talks on the subject are forthcoming.

#### MPI-2

There is no substantial development here. However, we started the development of an Android version, which should facilitate the attraction of new clients of the system.

#### FINANCIAL RESULTS

<b>BGN '000</b>	<b>31.3.2019</b>	<b>31.3.2018/ 31.12.2018</b>	<b>Change BGN '000</b>	<b>Change %</b>
Revenues	136	58	78	134,48%
EBITDA	57	1	56	5600,00%
Depreciation	-	(5)	5	-100,00%
Net Result	50	(4)	54	n/a
EBITDA margin	41,91%	1,72%	40,19%	2330,88%
Net Profit margin	36,76%	-6,90%	43,66%	n/a
Sales per share	0,4533	0,1933	0,26	134,48%
EPS	0,1667	-0,0133	0,18	n/a
ROE	0,3125	-0,0364	0,35	n/a
Total Assets	789	724	65	8,98%
Intangibles	668	650	18	2,77%
Book value	(508)	(540)	32	-5,93%
Equity	160	110	50	45,45%
Total Liabilities	629	614	15	2,44%
Interest bearing	-	-	-	n/a
D/E	0,0000	0,0000	0,00	n/a
ROA	0,0634	-0,0055	0,07	-1247,02%



## 6.12 SIRMA GROUP HOLDING – INDIVIDUAL FINANCIAL RESULTS

BGN '000	31.3.2019	31.3.2018/ 31.12.2018	Change	Change
			BGN '000	%
Revenues*	461	1 658	(1 197)	-72,20%
EBITDA	62	(78)	140	n/a
Depreciation	(114)	(82)	(32)	39,02%
Net Result	(201)	(255)	54	-21,18%
EBITDA margin	13,45%	-4,70%	18,15%	n/a
Net Profit margin	-43,60%	-15,38%	-28,22%	183,49%
Sales per share	0,0078	0,0279	-0,02	-72,20%
EPS	-0,0034	-0,0043	0,00	-21,18%
ROE	-0,0028	-0,0035	0,00	-20,96%
Total Assets	93 719	93 551	168	0,18%
Intangibles	9 843	9 394	449	4,78%
Book value	62 036	62 686	(650)	-1,04%
Equity	71 879	72 080	(201)	-0,28%
Total Liabilities	21 840	21 471	369	1,72%
Interest bearing	15 201	16 866	(1 665)	-9,87%
D/E	0,2115	0,2340	-0,02	-9,62%
ROA	-0,0021	-0,0027	0,00	-21,32%

\* according to the FSC's instructions, the dividend income is included in the income from the main activity of "Sirma Group Holding" JSC



## 7 SEGMENTS

THE GROUP DEFINED OPERATION IN SEVERAL SEGMENTS:

### Segment KNOWLEDGE TECHNOLOGIES

Companies of Sirma Group operating in the segment are: EngView Systems, Sirma AI.

#### WHAT WE DID IN Q1 2019?

In the field of product development and development Sirma AI has released a new version of the product of "GraphDB - 8.8. It offers support for conceptual matching in Knowledge Graph, integration with MongoDB to manage metadata on a large scale, new semantic search for similarity based on embedded graphs, and faster and more flexible fulltext search (FTS) connectors. A new contract for analyzing textual information on the oil and gas market with a leading rating agency has been concluded. Engwe Systems has begun preparation for the launch of a new basic version of the CAD / CAM product Packaging Suite.

#### FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.3.2019	31.3.2018
			BGN '000	BGN '000
knowledge technologies	Revenues	Revenues from sales of services	2 719	2 439
		Revenues from sales of goods	26	8
		Revenue from financing	230	19
		Other revenues	10	11
		<b>Revenues Total</b>		<b>2 985</b>
	Expenses without depreciation	Material expenses	(31)	(18)
		Expenses for external services	(587)	(569)
		Wage expenses	(1 373)	(1 783)
		Social Security expenses	(171)	(138)
		Book Value of Goods Sold	(6)	(6)
		Other expenses	(78)	(107)
		<b>Expenses without depreciation Total</b>		<b>(2 246)</b>
	Capitalization 613	Expenses for external services	64	118
		Wage expenses (wages)	429	319
		Social Security expenses	55	34
		Other expenses	2	-
	<b>Capitalization 613 Total</b>		<b>550</b>	<b>471</b>
	Unfinished production 611	Depreciation and amortization expenses	(1 779)	7
		Expenses for external services	-	5
		Wage expenses	220	651
		Other expenses	4	-
		Social Security expenses	23	8
	<b>Unfinished production 611 Total</b>		<b>255</b>	<b>671</b>
Depreciation and amortization	Depreciation and amortization expenses	(1 779)	(494)	
	<b>Depreciation and amortization Total</b>		<b>(366)</b>	<b>(494)</b>
<b>Result</b>		<b>1 178</b>	<b>504</b>	

In Q1 2019 the revenues of the segment grew by 20,51%, and the result increased by 133,73% or 674 thousand BGN compared to Q1 2018.



## Segment FINANCIAL &amp; BUSINESS IT SERVICES

Companies of Sirma Group operating in the segment are: Sirma Solutions JSC, Datium JSC, Sirma Business Consulting JSC, Sirma ICS JSC, Sirma CI JSC, Sirma Medical Systems JSC, S&G Technologies Inc., and Sirma Group Inc..

## WHAT WE DID IN Q1 2019?

Sirma Solutions continued its work on the company's long-term projects earned in 2017/2018, such as the EEA and Norwegian Grants (EEA) Financial Mechanism Office, the 3-year renewal project for the Rating System of the Higher Education Institutions of the Ministry of Education and the science and preparation of annual ratings of the professional fields in the HEI in the Republic of Bulgaria, the project for the upgrade of the overall information system and electronic services of the NCSRP, the project for IS services for business and financial processes of Musikut . In the first quarter, a Metro project was successfully completed, where it delivered a workable loyalty system solution, which was realized through acoustics. The project for upgrading the OSI project management system has been successfully completed. The unit continued to work on a project with Raiffeisen Bank, developing an integration application for the systems in the bank. At the same time, work on UK projects continued: consultancy services in the world of insurance at KBC Ireland, implementation of IRIS in the Bank of Ireland, and work on the integration of CIBank and UBB in Bulgaria.

Sirma Business Consulting has launched a new functionality of PSD2's "Payment portal" product for PSD2 implementation and implementation of BISTRA standards.

Datacum launched a new Datium Service - Daticum C2, which provides a client console for administrative cloud resource management. Key partnerships have been concluded with two newly established IT companies in the Bulgarian market, which provide services to large Bulgarian and international companies, to use Datium's resources in the solutions they provide.

Sirma Medical Systems began developing the Android version of its software product, helping people suffering from stuttering developed by MPI2. A TCL contract for pre-load of Diabetes: M was signed at about 1 million of their devices on the Asian market against sharing part of the revenue from the users of their devices.

## FINANCIAL RESULTS OF THE SEGMENT

			31.3.2019	31.3.2018	
Segment	Indicator	Detailed indicator	BGN '000	BGN '000	
Financial & business IT services	Revenues	Other revenues	100	17	
		Revenues from sales of goods	392	360	
			Revenues from sales of services	4 664	4 141
			Revenue from financing	13	26
		<b>Revenues Total</b>		<b>5 169</b>	<b>4 544</b>
	Expenses without depreciation		Other expenses	(251)	(259)
			Book Value of Goods Sold	(338)	(318)
			Expenses for external services	(720)	(1 610)
			Wage expenses (wages)	(2 696)	(2 971)
			Material expenses	(74)	(92)
			Social Security expenses	(329)	(310)
		<b>Expenses without depreciation Total</b>		<b>(4 408)</b>	<b>(5 560)</b>
	Capitalization 613		Depreciation and amortization expenses	-	183
			Expenses for external services	-	7
			Wage expenses (wages)	120	393
			Social Security expenses	4	45
		<b>Capitalization 613 Total</b>		<b>124</b>	<b>628</b>
	Unfinished production 611		Expenses for external services	-	787
			Wage expenses (wages)	(182)	294
			Social Security expenses	-	20
		<b>Unfinished production 611 Total</b>		<b>(182)</b>	<b>1 101</b>
		Depreciation and amortization expenses	(347)	(444)	
		<b>Depreciation and amortization Total</b>		<b>(347)</b>	<b>(444)</b>
<b>Result</b>			<b>356</b>	<b>269</b>	

In Q1 2019 the revenues of the segment grew by 13,75%, and the result increased by 32,34% or 87 thousand BGN compared to Q1 2018.



## Segment SYSTEM INTEGRATION

## WHAT WE DID IN Q1 2019?

In the past quarter, the segment has achieved its revenue goals, and has revealed several interesting opportunities that we work hard to win new contracts.

In the first quarter, several interesting projects happened, marking only some with a volume of more than BGN 1 million:

- We have concluded a new 3-year data center customer support agreement in the UK.
- We delivered a heterogeneous server farm to Germany for our client.
- We have built and delivered a test and simulation center for intelligent city management for our client in Bulgaria.
- We supplied system software for a database and applications of a Bulgarian state organization

## FINANCIAL RESULTS OF THE SEGMENT

			31.3.2019	31.3.2018	
Segment	Indicator	Detailed indicator	BGN '000	BGN '000	
System Integration	Revenues	Revenues from sales of goods	6 245	3 982	
		Revenues from sales of services	2 079	1 444	
		Other revenues	23	113	
		<b>Revenues Total</b>		<b>8 347</b>	<b>5 539</b>
	Expenses without depreciation		Material expenses	(747)	(243)
			Expenses for external services	(460)	(7)
			Wage expenses (wages)	(169)	(128)
			Social Security expenses	(10)	(8)
			Other expenses	(2)	-
			Book Value of FA Sold	(5 686)	(3 727)
		<b>Expenses without depreciation Total</b>		<b>(7 074)</b>	<b>(4 113)</b>
		<b>Depreciation and amortization</b>	<b>Depreciation and amortization expenses</b>	-	(2)
		<b>Depreciation and amortization Total</b>		-	<b>(2)</b>
<b>Result</b>			<b>1 273</b>	<b>1 424</b>	

In Q1 2019 the revenues of the segment grew by 50,70%, but the result decreased by 10,60% or 151 thousand BGN compared to Q1 2018.



## 8 INVESTMENTS BY COMPANIES

For information on company investments, please see Appendix 4.

## 9 MAIN MARKETS

Consolidated earnings of Sirma Group Holding for the historical period under review are of different nature and geographic origin. Traditionally, revenues from services and goods have the highest share. At the same time, Europe, North America and the United Kingdom are at the forefront of geographic distribution of earnings. Revenues by region and countries are presented in the following table.

REVENUE BY REGIONS AND COUNTRIES:

Region	31.3.2019	31.3.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Australia	5	3	2	66,67%
Asia	44	34	10	29,41%
Africa	5	24	(19)	-79,17%
Europe	9 586	7 651	1 935	25,29%
United Kingdom	4 051	2 721	1 330	48,88%
South America	20	27	(7)	-25,93%
North America	2 790	2 100	690	32,86%
<b>Total</b>	<b>16 501</b>	<b>12 560</b>	<b>3 941</b>	<b>31,38%</b>

"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 99,55 % 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 service

In Q1 2019 the Group sold products and services in 44 countries. The largest share of the consolidated revenues were from Bulgaria and amounted to BGN 6 642 thousand or 40,25% of total sales revenue, followed by UK with BGN 4 051 thousand or 24,55% and USA with BGN 2 371 thousand or 14,37%.





## 10 CONSOLIDATED FINANCIAL RESULTS

### 10.1 CONSOLIDATED REVENUES

Consolidated revenues in Q1 2019 includes:

	31.3.2019	31.3.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Operating revenues from the sale of goods	6 663	4 350	2 313	53,17%
Operating revenues from sales of services	9 462	8 024	1 438	17,92%
Revenues from financing	243	45	198	440,00%
Operating revenue from others	133	141	(8)	-5,67%
<b>Total</b>	<b>16 501</b>	<b>12 560</b>	<b>3 941</b>	<b>31,38%</b>

Consolidated revenues grow steadily at a high rate of 31,38 % or BGN 3 941 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	31.3.2019	31.3.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Backup services	28	23	5	21,74%
MAN connectivity	10	7	3	42,86%
Subscriptions	780	964	(184)	-19,09%
Administrative, accounting services	11	5	6	120,00%
Outsourcing services	9	6	3	50,00%
Internet	34	26	8	30,77%
Co-location	22	21	1	4,76%
Consulting services	1 731	1 335	396	29,66%
Consumables	32	34	(2)	-5,88%
Rental of software license	68	55	13	23,64%
Rental of hardware and licenses	27	21	6	28,57%
Cabinet rental	44	44	-	0,00%
Cloud Services	243	198	45	22,73%
Training	30	13	17	130,77%
License revenues	386	189	197	104,23%
Revenue from European Projects - IAS 20	34	104	(70)	-67,31%
System integration	1 538	1 444	94	6,51%
Software services	4 294	3 492	802	22,97%
Technical Support	52	32	20	62,50%
Hosting	89	11	78	709,09%
<b>Total</b>	<b>9 462</b>	<b>8 024</b>	<b>1 438</b>	<b>17,92%</b>



## 10.2 CONSOLIDATED STAFF EXPENSES

Consolidated staff costs include:

	31.3.2019	31.3.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Sick Leave	22	22	-	0,00%
Bonuses	-	580	(580)	-100,00%
Paid leave	218	159	59	37,11%
Expenses for wages under civil contracts	22	17	5	29,41%
Payroll costs for contracts for management and control	298	384	(86)	-22,40%
Social securities costs for civil contract	1	1	-	0,00%
Social securities costs for contracts for management and control	12	9	3	33,33%
Social securities costs for labour contracts	530	477	53	11,11%
Wage costs	3 956	4 033	(77)	-1,91%
<b>Total</b>	<b>5 059</b>	<b>5 682</b>	<b>(623)</b>	<b>-10,96%</b>

In Q1 2019 the staff on Labour Contracts in the Group increased by 2,84 % and the consolidated staff expenses decreased by 10,96%.

Count of staff in the Group:

**31.03.2019**

Company	LC	CMC	Total
SIRMA CI	5	1	6
SIRMA ICS	10	1	11
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	39	4	43
SIRMA AI	69	2	71
SIRMA BUSINESS CONSULTING	57	5	62
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	133	7	140
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	5	1	6
S&G UK	0	1	1
SIRMA SHA	7	3	10
ONTOTEXT	1	3	4
<b>Total</b>	<b>362</b>	<b>45</b>	<b>407</b>



31.03.2018

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	40	5	45
SIRMA AI	2	3	5
SIRMA BUSINESS CONSULTING	54	5	59
SIRMA GROUP HOLDING	24	8	32
SIRMA SOLUTIONS	148	7	155
SIRMA MEDICAL SYSTEMS	3	3	6
SIRMA GROUP INC.	1	0	1
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	53	3	56
<b>Total</b>	<b>352</b>	<b>46</b>	<b>398</b>

### 10.3 CONSOLIDATED OPERATING EXPENSES

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change BGN '000
Material expenses	(862)	(372)	(490)
<i>Change in %</i>			131,72%
Expenses for external services	(1 920)	(2 406)	486
<i>Change in %</i>			-20,20%
Depreciation and amortization expenses	(827)	(994)	167
<i>Change in %</i>			-16,80%
Cost of goods sold	(6 030)	(4 051)	(1 979)
<i>Change in %</i>			48,85%
Changes in stocks of finished products and incomplete production	73	1 772	(1699)
<i>Change in %</i>			-95,88%
Capitalized own expenses	697	1 144	(447)
<i>Change in %</i>			-39,07%
Other expenses	(341)	(377)	36
<i>Change in %</i>			-9,55%
<b>Total expenses</b>	<b>(9 210)</b>	<b>(5 284)</b>	<b>(3 926)</b>
<i>Change in %</i>			74,30%

During the period under review, consolidated material expenses increased by BGN 490 thousand or by 131,72 %. The increase is mainly attributable to the increase in material expenses for system integration, which increased by BGN 501 thousand or by 205,33%.



## 10.4 CONSOLIDATED FINANCIAL INCOME / COSTS NET

	31.3.2019	31.3.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Financial costs	(160)	(306)	146	-47,71%
Financial income	64	134	(70)	-52,24%
<b>Financial income / expenses net</b>	<b>(96)</b>	<b>(172)</b>	<b>76</b>	<b>-44,19%</b>

Consolidated financial expenses decreased by BGN 146 thousand or by 47,71 % in Q1 2019, mainly due to the exchange rate differences on currency transactions. Financial income decreased by BGN 70 thousand or by 52,24 %, mainly due to the increase in revenues from currency operations.

## 10.5 CONSOLIDATED ASSETS

Consolidated assets posted an increase of BGN 709 thousand or 0,49% in Q1 2019. Traditionally, most of them are occupied by intangible assets, which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

### NON-CURRENT ASSETS

	31.3.2019	31.3.2018	Change	Change
Assets	BGN '000	BGN '000	BGN '000	%
<b>Non-current assets</b>				
Intangible assets	11 025	49 968	(38 943)	-77,94%
Property, plant and equipment	4 930	5 041	(111)	-2,20%
Investments in subsidiaries	7	7	-	0,00%
Investments in Associates	157	157	-	0,00%
Deferred tax assets	307	307	-	0,00%
Expenses for acquisition of fixed assets	78 686	40 020	38 666	96,62%
Goodwill	22 482	22 482	-	0,00%
<b>Total</b>	<b>117 594</b>	<b>117 982</b>	<b>(388)</b>	<b>-0,33%</b>

Non-current assets decreased by BGN 388 thousand or by 0,33% during Q1 2019.

### CURRENT ASSETS

	31.3.2019	31.12.2018	Change	Change
Assets	BGN '000	BGN '000	BGN '000	%
<b>Current assets</b>				
Inventories	3 865	3 151	714	22,66%
Trade receivables	9 403	10 232	(829)	-8,10%
Receivables from related parties	1 458	1 387	71	5,12%
Tax receivables	235	392	(157)	-40,05%
Other receivables	1 202	1 055	147	13,93%
Prepaid expenses	323	460	(137)	-29,78%
Money and cash equivalents	12 356	11 068	1 288	11,64%
<b>Total</b>	<b>28 842</b>	<b>27 745</b>	<b>1 097</b>	<b>3,95%</b>

Current assets increased by BGN 1 097 thousand or by 3,95% in Q1 2019.



## 10.6 EQUITY

	<b>31.3.2019</b>	<b>31.12.2018</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
Main / Share Capital	59 361	59 361	0
<i>Change</i>			<i>0,00%</i>
Reserves	5 538	5 622	(84)
<i>Change</i>			<i>-1,49%</i>
Retained earnings / (Accumulated loss) from previous years	24 840	23 792	1048
<i>Change</i>			<i>4,40%</i>
Non-controlling interest	16 038	15 747	291
<i>Change</i>			<i>1,85%</i>
Changes resulting from purchased own shares	(475)	(475)	0
<i>Change</i>			<i>0,00%</i>
<b>Total</b>	<b>105 302</b>	<b>104 047</b>	<b>1 255</b>
<b><i>Change</i></b>			<b><i>-1,21%</i></b>

Equity during the period increased by BGN 1 255 thousand or by 1,21 %.

## 10.7 CONSOLIDATED LIABILITIES

Consolidated liabilities decreased by BGN 546 thousand or 1,31 % in Q1 2019, which can be traced back to the following tables.

### NON-CURRENT LIABILITIES

	<b>31.3.2019</b>	<b>31.12.2018</b>	<b>Change</b>	<b>Change</b>
<b>Non-current liabilities</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Provisions	203	203	-	0,00%
Long-term loans	8 542	9 359	(817)	-8,73%
Finance lease liabilities	114	127	(13)	-10,24%
Financing (Grants)	-	8	(8)	100,00%
Liabilities to suppliers	58	58	-	0,00%
Deferred tax liabilities	1 084	1 084	-	0,00%
<b>Total</b>	<b>10 001</b>	<b>10 839</b>	<b>(838)</b>	<b>-7,73%</b>

Non-current liabilities decreased by BGN 838 thousand or by 7,73% in Q1 2019.



## LONG-TERM AND SHORT-TERM BANK LOANS

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.03.2019	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	2 200 000	2 114 841	21.7.2016	2,50%			31.7.2019	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting AD, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building (EUR 2 282 021)
Sirma Group Holding JSC	Societe Generale Expressbank	overdraft	BGN	2 000 000	1 644 211	8.8.2017	1 m. SOFIBOR +1,8%			31.8.2019	Pledge of 1 392 740 registered shares of the capital of Datium AD, owned by Sirma Solutions AD
Sirma Group Holding JSC	Unicredit Bulbank	investment	BGN	1 781 507	1 456 193	7.4.2017	ADI + 2.332% (no less than 2.5%)	97	16 495	7.4.2027	Office №1, 2, 3, 4, 5, 6, 7, 9, 11
Sirma Group Holding JSC	Allianz Bank Bulgaria	investment	EUR	123 000	58 110	18.12.2013	6m. LIBOR EUR + 4.75%, but not less than 4.75%	56	1 030	25.11.2023	Office №8 , 3th floor+ pledge of receivables totaling EUR 123,000



Interim Consolidated Management Report of Sirma Group Holding for Q1 2019

Sirma Group Holding JSC	Unicredit Bulbank	investment	EUR	300 000	51 344	8.10.2013	3 m. EURIBOR + 4.45%	57	2 083	8.12.2023	Office №19; Office №20; Office №21 + pledge of receivables
											Pledge under the terms of LPO of the commercial enterprise Sirma Solutions JSC, Pledge of 2 443 682 (BGN 10) ordinary shares of Sirma Solutions' equity and 3,550 shares (BGN 1) from Sirma ISG Ltd. Pledge on all future receivables and current receivables available and future on the accounts of the account holder and third party debtors. Pledge of 270000 shares of the capital of SirmaCS JSC, 25000 shares of the capital of Flash Media JSC, 20000 shares of the capital of Sirma Mobile JSC
Sirma Group Holding JSC	Unicredit Bulbank	investment	BGN	9 780 000	9 540 000	26.1.2018	ADI + 1.182% (no less than 1.35%)	40	120000/ 252000/ 240000	26.7.2022	
<b>Loans for which the Issuer is a guarantor</b>											
Sirma Solutions		overdraft	BGN	420 000	419 827	30.5.2015	ADI + 1.8% (no less than 1.8%)			31.10.2018	Office №19; Office №20; Office №21 + pledge of receivables
Sirma AI		overdraft	EUR	460 000	156 296	30.5.2016	1 m. EURIBOR (but not less than 3.5%) in euro or 1 m. SOFIBOR (but not less than 2,9%) in BGN			31.10.2018	Ontotext - Contracts for 391 041 GBP + 848 316 GBP;
	Unicredit Bulbank										
Sirma AI		overdraft	BGN	550 000	544 835	8.10.2013	1 m. SOFIBOR + 2,9%, but not less than 2,9%			31.10.2018	Office №19; Office №20; Office №21 + pledge on receivables + contract EUR 400 000.



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Sirma Solutions	overdraft	EUR	810 000,00	744 081	30.5.2015	1 m. EURIBOR+3 .5% (but no less than 3.5%) in EUR or ADI+1.8% (but no less than 1.8%) in lv.	31.10.2018	3th Floor, 135 Tsarigradsko shose office building Sofia + pledge on receivables \$ 700,000 / annually by Sirma USA and all other receivables
Sirma Solutions	overdraft	EUR	700 000,00	613 405	30.5.2015	1 m. EURIBOR + 2,9%	31.10.2018	Another mortgage 3th floor, office building Tsarigradsko shose 135; Next mortgage Office №19; office №20; office №21 floor 4; Pledge under the terms of the Contract on receivables under Contracts concluded between Sirma Solutions AD and its clients in the total amount of BGN 9 210 022





## CURRENT LIABILITIES

	31.3.2019	31.12.2018	Change	Change
Current liabilities	BGN '000	BGN '000	BGN '000	%
Provisions	794	794	-	0,00%
Pension obligations to the staff	1 505	1 539	(34)	-2,21%
Short-term loans	9 338	9 065	273	3,01%
Finance lease liabilities	42	42	-	0,00%
Trade and other payables	9 501	8 781	720	8,20%
Short-term obligations affiliates	73	292	(219)	-75,00%
Tax obligations	916	1 272	(356)	-27,99%
Advances received	6 931	8 054	(1 123)	-13,94%
Deferred income and financing	354	71	283	398,59%
Other liabilities	1 679	931	748	80,34%
<b>Total Current liabilities</b>	<b>31 133</b>	<b>30 841</b>	<b>292</b>	<b>0,95%</b>

Current liabilities increased by 0,95% in Q1 2019.

## 10.8 CASH FLOWS

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.

## SUMMARY OF CASH FLOW

	31.3.2019	31.03.2018	Change	Change
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	1 842	418	1 424	340,67%
Net cash flow from investing activities	82	(990)	1 072	n/a
Net cash flow from financing activities	(636)	3 042	(3 678)	n/a
Net change in cash and cash equivalents	1 288	2 470	(1 182)	-47,85%
Cash and cash equivalents at the beginning of the year	11 068	6 075	4993	82,19%
Cash and cash equivalents at the end of the year	12 356	8 545	3811	44,60%



## 10.9 INDICATORS AND RATIOS

№	Indicators	31.3.2019	31.3.2019/ 31.12.2019	Change	Change
		BGN '000	BGN '000	BGN '000	%
1	Revenue from operating activities	16 501	12 560	3941	31,38%
2	Cost of sales	(13 928)	(10 589)	(3 339)	31,53%
3	Gross profit / loss	2 573	1 971	602	30,54%
4	Other operating costs	( 341)	( 377)	36	-9,55%
5	Operating profit / loss	2 232	1 594	638	40,03%
6	Financial income	64	134	-70	-52,24%
7	Financial costs	( 160)	( 306)	146	-47,71%
8	Profit / loss before tax expense	2 136	1 422	714	50,21%
9	Tax costs	-	-	0	n/a
10	Net profit / loss	2 136	1 422	714	50,21%
11	Dividend	0	0	0	n/a
12	Cash and cash equivalents	12 356	11 068	1288	11,64%
13	Inventories	3 865	3 151	714	22,66%
14	Short-term assets	28 842	27 745	1097	3,95%
15	Total amount of assets	146 436	145 727	709	0,49%
16	Average arithmetic total asset value for 5 quarters	142 201	139 421	2780	1,99%
17	Current liabilities	31 133	30 841	292	0,95%
18	Debt	18 036	18 593	( 557)	-3,00%
19	Liabilities (borrowed funds)	41 134	41 680	-546	-1,31%
20	Equity	105 381	104 047	1334	1,28%
21	Equity averaged 5 quarters	107 669	107 882	( 213)	-0,20%
22	Turnover capital	(2 291)	(3 096)	805	-26,00%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	0	0,00%
24	Gain / loss minority interest	291	840	( 549)	-65,36%
25	Interest expenses	( 85)	( 77)	( 8)	10,39%
26	Weighted average price of last trading session	0,80	1,01	-0,208	-20,59%
27	Last price per share of last trading session	0,80	1,01	-0,208	-20,59%



Indicators	31.3.2019	31.3.2018/31.12.2018	Change %	Change
EBITDA	3 144	2 665	479	17,97%
DEPRTIATION	( 827)	( 994)	167	-16,80%
EBIT	2 317	1 671	646	38,66%
FIN/INVEST NET	( 96)	( 172)	76	-44,19%
EBT	2 136	1 422	714	50,21%
ROA	0,0126	0,0040	0,0086	215,48%
ROA(BSE)	0,0130	0,0042	0,0088	210,81%
Debt/EBITDA Ratio	5,7366	6,9767	-1,2401	-17,77%
Quick Ratio	0,8023	0,7974	0,0048	0,60%
ROE (BSE)	0,0220	0,0070	0,0150	212,68%
ROE	0,0198	0,0132	0,0067	50,51%
Debt/Equity Ratio (BSE)	0,3903	0,4006	-0,0103	-2,56%
<b>Profitability ratios</b>				
Gross profit margin	0,1559	0,1569	-0,0010	-0,64%
Operating profit margin	0,1353	0,1269	0,0084	6,58%
Net profit margin	0,1294	0,1132	0,0162	14,34%
<b>Coefficients for assets and liquidity</b>				
Assets turnover ratio	0,1165	0,0910	0,0254	27,94%
Assets turnover ratio (BSE)	0,1160	0,0901	0,0260	28,81%
Operating cycle	-7,2025	-4,0568	-3,1457	77,54%
Current ratio	0,9264	0,8996	0,0268	2,98%
Quick ratio	0,8023	0,7974	0,0048	0,60%
Cash ratio	0,3969	0,3589	0,0380	10,59%
<b>Odds per share</b>				
P/S ratio	2,8851	4,7735	-1,8883	-39,56%
P/E ratio	22,2882	42,1622	-19,8740	-47,14%
P/B ratio	0,6006	0,7430	-0,1424	-19,17%
Revenue per share	0,2780	0,2116	0,0664	31,38%
Earnings per share	0,0360	0,0240	0,0120	50,21%
Book value of equity per share	1,8138	1,8174	-0,0036	-0,20%
<b>Dividends ratio</b>				
Divident payout ratio	0,0000	0,0000	0,0000	n/a
Earnings retention ratio	1,0000	1,0000	0,0000	0,00%
Divident per share	0,0000	0,0000	0,0000	n/a
<b>Development Ratios</b>				
Revenue growth	0,3138	-0,2212	0,5350	n/a
Gross profit growth	0,3054	1,1354	-0,8300	-73,10%
Assets growth	0,0049	0,2145	-0,2096	-97,73%
<b>Leverage Ratios</b>				
Debt/taotal assets	0,1268	0,1334	-0,0065	-4,89%
Debt/capital	0,1435	0,1470	-0,0035	-2,40%
Debt/equity	0,1675	0,1723	-0,0048	-2,80%
Total assets/equity	1,3207	1,2924	0,0284	2,20%
Market value of the company	47 608	59 955	-12 347	-20,59%



## 10.10 RELATED COMPANIES TRANSACTIONS

## Purchases:

Company	Type	Type of Connectivity	31.03.2019 (BGN '000)
EngView Systems Sofia	Service expenses	Other related parties	-3
<b>Total</b>			<b>-3</b>

## Sales:

Company	Type	Type of Connectivity	31.03.2019 (BGN '000)
EngView Systems Sofia	Sale of service	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	2
Sirma Group Holding	Interest income	Other related parties	9
Sirma Business Consulting	Interest income	Other related parties	1
<b>Total</b>			<b>13</b>

Company	Type	Type of Connectivity	31.03.2018 (BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	1
Sirma Group Holding	Sale of service	Other related parties	3
Sirma Group Holding	Sale of service	Companies under common indirect control	2
<b>Total</b>			<b>6</b>

## Loans (balances):

31.03.2019

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

31.12.2018

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



## 11 PERSONNEL AND ECOLOGY

Sirma Group Holding maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures for separate collection of waste, minimization, recovery and recycling of municipal waste. In 2018, the use of plastic cups stopped, and they were replaced with porcelain and glass.

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

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

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

## 12 RISK FACTORS

THE WORDS USED IN THE REPORT AS "EXPECTS", "BELIEVES", "INTENDS" OR THE LIKE INSTRUCTIONS FOR STATEMENTS THAT ARE FORWARD-LOOKING IN NATURE AND / OR REFER TO FUTURE UNCERTAIN EVENTS AND CONDITIONS WHICH MAY INFLUENCE FUTURE BUSINESS AND FINANCIAL PLANS OF THE COMPANY, THE RESULTS OF ITS ACTIVITY AND THE FINANCIAL POSITION. WE WARN THE INVESTORS THAT THE ABOVE STATEMENTS ARE NOT A GUARANTEE FOR THE FUTURE RESULTS OF THE COMPANY'S ACTIVITY AND ARE THEMSELVES SUBJECT TO RISKS AND UNCERTAINTY. ACTUAL FUTURE RESULTS FROM THE COMPANY'S ACTIVITY MAY DIFFER SUBSTANTIALLY FROM THE FORECAST RESULTS AND EXPECTATIONS AS A RESULT OF MULTIPLE FACTORS INCLUDING THE RISK FACTORS LISTED BELOW. (THE SEQUENCE IN THE PRESENTATION OF THE RISK FACTORS INDICATES THE VIEW OF THE BOARD OF DIRECTORS REGARDING THEIR PARTICULAR SIGNIFICANCE FOR THE ACTIVITY OF THE COMPANY AT THE PRESENT TIME).

RISKS, TO WHICH INVESTORS IN SECURITIES MAY BE EXPOSED CAN BE BROKEN DOWN BY DIFFERENT CRITERIA DEPENDING ON THEIR NATURE, MANIFESTATION, FEATURES OF THE COMPANY, CHANGES IN EQUITY OF THE COMPANY AND THE POSSIBILITY OF RISK MITIGATION OR NOT. THESE MAY BE DIVIDED INTO TWO GROUPS: SYSTEMIC AND NON-SYSTEMATIC RISKS.

### RISK MANAGEMENT

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

Risk management is, inherently, the ability to anticipate threats to the company's activities, individual projects and minimize their adverse effects. The process is iterative. It

starts with identifying the possible risks, goes through risk analysis and planning their management, then begins a process of monitoring and regular return to the analysis process.

A sophisticated risk management system has been set up in Sirma Group Holding.

### RISK MANAGEMENT IN SIRMA GROUP HOLDING INCLUDES:

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

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios which are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed. The risk table is reviewed and reassessed on a regular basis, as there is a possibility that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

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

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

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

- Risk monitoring and control - This is the last activity in risk management process. This process has several main tasks:



- confirm the occurrence of a risk
- Ensure that activities to prevent or deal with risks are implemented
- Identify what risk has caused the relevant problems

- document information to be used in a subsequent risk analysis

## 12.1 SYSTEM RISKS

The general risks stem from possible changes in the overall economic system and, in particular, a change in the conditions of the financial markets. They can not be diversified, as all economic entities in the country are exposed to them.

Twenty-five years after the end of the planned economy in Bulgaria, a policy of economic reforms and stabilization aimed at the imposition and functioning of the principles of a free market economy is being pursued. As a result, business entities in Bulgaria have a limited history of activity in free market conditions. In this regard, Bulgarian companies, compared to Western companies, are characterized by a lack of experience in the market economy and limited capital resources, with which to develop their business. Bulgaria also has limited infrastructure to maintain the market system.

In Bulgaria, as in most transition countries, there is a trade deficit and a current account deficit. Our country is an importer of crude oil and energy resources. In this regard, increases in oil prices and energy resources reduce the competitiveness of the Bulgarian economy and, in addition, its dependence on oil and energy imports further exposes the economy to currency risks from unfavorable changes in the USD exchange rate against the Bulgarian Lev. The capital gains from privatization are expected to gradually decrease as the privatization program is completed.

### Economic Growth

The interaction between economic growth and external indebtedness of the country has a direct impact on the formation and change of market conditions and the investment climate. Official statistics show real GDP and GDP growth per capita in recent years, which are in line with the government's development agenda.

According to published information from NSI, after the introduction of the currency board system in 1997, Bulgaria achieved macroeconomic stability and good indicators for economic development.

Delayed economic growth, not only in Bulgaria but also in other countries where the Company realizes its output, means reduced activity on the part of economic operators, where there is also a reduced level of investment in general and in particular in software solutions. In this respect, lower economic growth adversely affects the Company's activity and would prevent the future plans from being realized according to predefined parameters.

Company's activity and would prevent the future plans from being realized according to predefined parameters.

### Political Risk

The political risk is the likelihood of a change in government, or a sudden change in its policy, the emergence of internal political turmoil and unfavorable changes in European and / or national legislation, resulting in a negative change in the environment in which local businesses operate, and investors to suffer losses.

The political risks for Bulgaria at international level are related to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increasing the social stability of the inefficient spending on the one hand, as well as the severe destabilization of the countries The Middle East, the increasing threats of terrorist attacks in Europe, refugee waves, and the volatility of key countries in the immediate vicinity of Bulgaria.

Bulgaria, as well as the other EU member states in the region, continues to be seriously affected by the common European problem of the intensive Middle East refugee flow.

Other factors that also affect this risk are possible legislative changes, particularly those that concern the economic and investment climate in the country.

### Credit Risk

The credit risk of the country is related to the ability of the state to repay its obligations regularly. In this respect, Bulgaria is constantly improving its position on the international debt markets, which facilitates the access of state and economic agents to external financing. The most important effect of the credit rating improvement is the lowering of loan risk premiums, which leads to more favorable interest rates (on equal terms). For this reason, the potential increase in the country's credit rating would have a beneficial impact on the Company's activity and more precisely on its financing. On the other hand, lowering the credit rating of Bulgaria would have a negative impact on the cost of financing the Company unless its loan agreements are fixed-rate. The determination and measurement of this risk is carried out by specialized international credit agencies.

At the date of this document, the credit rating of the Republic of Bulgaria is as follows:

- Standard & Poors - Long-term BB +, short-term C, stable outlook both in foreign and local currencies;
- Moody's - Long-term Baa2 with a stable outlook for foreign and local currencies;
- Fitch Ratings - foreign currency long-term BBB- with stable outlook, short-term F3 with stable outlook and local currency long-term BBB with stable outlook.

Bulgaria continues to fund its needs under relatively good credit conditions, given the reduced long-term ratings. The quantitative easing policy of the European Central Bank implies the maintenance of historically low interest rates in Europe, from which it would stimulate the attraction of credit resources from all economic subjects, including the Company.

### Currency Risk

Exposure to the currency risk is the dependence and effects of exchange rate fluctuations. The systemic currency risk is the probability of a possible change in the currency regime of the country (The Currency Board), which would either lead to a depreciation of the Lev or a



rise in the Lev against foreign currencies. The currency risk will have an impact on companies with considerable market share, whose payments are made in a currency other than the Lev and the Euro. Since the Bulgarian Lev is fixed to the Euro in EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian Levs in circulation equal to the foreign currency reserves of the bank, the risk of depreciation of the Lev against the European currency is minimal and consists in the eventual early elimination of the Currency Board in the country. This seems unlikely at this stage as the expectations are that the Currency Board will be abolished when the Euro is adopted in Bulgaria as an official legal tender. Theoretically, the currency risk could rise when Bulgaria joins the second stage of the European Monetary Mechanism (ERM II). This is a regime in which the country has to maintain the exchange rate against the Euro within +/- 15% against the central parity. In practice, all countries currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are experiencing fluctuations that are substantially lower than the  $\pm 15\%$  allowed. The fixed exchange rate of the Lev to the Euro does not eliminate the risk of unfavorable movements of the Euro against other major currencies (US Dollar, British Pound, Swiss Franc) on the international financial markets, but at present the company does not consider that such a risk would have a significant impact on its activities. The Company may be affected by the currency risk depending on the type of currency of its revenue and the type of currency of potential borrowings of the company.

### Interest Rate Risk

The interest rate risk is related to possible negative changes in the interest rates established by the financial institutions in the Republic of Bulgaria.

At its meeting on monetary policy on 13 December 2018, the Governing Council decided to suspend net asset purchases in December 2018, keeping the ECB's key interest rates unchanged and further developing its asset reinvestment guidance. Although incoming data are weaker than expected, reflecting lower external demand, and due to country and sector-specific factors, strong domestic demand continues to support the eurozone's economic upturn and the steadily rising inflationary pressures. This reinforces the Board of Trustees' belief that a sustained convergence of inflation to its target level will continue and will persist even after the net asset purchase cease. At the same time, there remains considerable uncertainty about geopolitical factors, the threat of protectionism, vulnerabilities in emerging countries and the fluctuations in financial markets. Therefore, a policy of significant monetary stimulus is still needed to support the further strengthening of domestic price pressures and overall inflation dynamics in the medium term. The Governing Council's benchmark on key ECB interest rates, backed by the reinvestment of a significant volume of assets, continues to provide the necessary money supply for the sustainable convergence of inflation to its target level. In any event, the Governing Council is prepared to adjust all its instruments according to circumstances to ensure that inflation continues steadily closer to its target level.

### Inflation Risk

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

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

### Risk from unfavorable changes in tax and other legislation

The taxes paid by Bulgarian merchants include taxes at source, local taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. The tax system in Bulgaria is still developing. This may result in contradictory tax practices, both at state and local level.

Investors should also take into account that the value of the investment in shares may be adversely affected by changes in the current tax legislation, including its interpretation and application. In addition, tax legislation is not the only one that can undergo changes, and these changes adversely affect the Company's business. Although the bulk of Bulgarian legislation is already harmonized with EU law, the application of the law is subject to criticism by the European partners in Bulgaria. Judicial and administrative practice remains problematic: the Bulgarian courts are not able to effectively resolve disputes over property rights, breaches of legal and contractual obligations, etc., resulting in a systemic regulatory risk being relatively high.

Unfavorable changes to tax and other laws would lead to a worsening of the general conditions in which the Company operates, from wherever its future results may deteriorate. In particular, the increase in the corporate income tax and other taxes would reduce the ultimate disposable profit for new investments and / or the distribution of dividends to its shareholders.

### Force Majeure Risks

Force majeure events such as natural disasters, sabotage, war and terrorist acts, and others may lead to unpredictable changes in investor and interest in the market for all shares, as well as, in particular, the shares of Sirma Group Holding. Some force majeure events do not provide for the possibility of insurance.

Force majeure events could seriously affect the Company's performance by reducing its ability to conduct normal business activities and cause an increase in some cost items.



## 12.2 NON-SYSTEM RISKS

Non-system risks are associated with the overall investment risk specific to the firm and the industry itself. Non-system risks can be divided into two types: sectoral risk related to the uncertainty in the development of the sector as a whole and general business risk - arising from the specifics of the particular company.

### Industry Risks

The activity of the Company and of the companies within Sirma Group are exposed to various risks, including: 1) risks typical of the Information and Communication Technology (ICT) industry and 2) risks specific to the Company itself. Revenue and profit of the Company may be adversely affected by a number of factors: the financial market situation and the information and communication technology market; the ability of the Company to ensure effective management, assessment of the different risks and economic feasibility of individual transactions, the economic climate in the country and others

### Specific Company Risk

The company risk is related to the nature of the Company's business, as for every firm it is important that the return on the invested funds and resources is consistent with the risk associated with the investment.

The main company risk for Sirma Group Holding JSC is related to the possibility of reduction of the solvent demand for the products and services offered by the Group, as well as changes in the terms of sale of those products and services. The company risk may have an impact on the growth of service and software solutions development contracts. Uncertainty can be measured by the variability of revenue earned over time. This means that the more volatile the revenues of a company, the greater the uncertainty of the company to realize a positive financial result, ie. the risk for the investors, respectively the creditors, will be higher.

### Operation Risk

Operational risks are related to the management of the company and can be expressed in the following:

- Making erroneous decisions for the ongoing management of the investment and liquidity of the company by the management staff;
- the inability of the management team to start the implementation of planned projects or lack of suitable personnel for this;
- key employees leaving and impossibility to recruit new ones;
- the risk of excessive spending on management and administration, leading to a reduction in the overall profitability of the company.

Various mechanisms will be used to optimize and manage this risk, including the following:

- sound investment policy;

- optimizing the structure, quality and return on assets of the Company;
- protection against unfavorable and undesirable external factors and attacks, etc.

### Intellectual Property Protection

The protection of the intellectual property of the Group is crucial to its success. It uses a variety of tools to identify and control potential risks and to protect its intellectual property. These measures include application for patents, trademarks, and other brands and copyrights to prevent infringement of copyright and trademarks. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its own technology. All these measures provide only limited protection and its rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third countries can independently develop technologies that are substantially equivalent to or better than the technology of the Company. In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers to be its own. In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or third party use, which could have an adverse effect on the competitive and financial situation and lead to a decline in sales. In addition, the laws and courts of some countries may not offer effective protection of intellectual property rights.

### Risk of concluding insider deals at prices differing from the market ones

The company is part of an economic group. The risk of engaging in transactions with Group entities, whose conditions differ from market at the date of the transaction is eliminated to the extent that the Company seeks to maintain a transparent policy regarding its relations and the treatment of related companies. As far as there are transactions in the economic group, they are concluded under standard market conditions at the moment of transaction and do not favor any of the parties.

### Risk of asset depreciation

The impairment risk of assets is related to the possibility of reducing the carrying amount of the Company's assets. Possible impairment of tangible and / or intangible fixed assets would result in the need to account for an impairment loss. This, in turn, may worsen the Company's future financial performance as well as lead to a final negative financial result for an annual period. This in turn leads to the risk of not being able to distribute dividends to existing shareholders at this future moment, as well as a possible decrease in the market price of a shares of the Company due to the deteriorated financial indicators





## 12.3 RISK FACTORS, CHARACTERISTIC OF SHARE TRADED ON THE STOCK EXCHANGE

The risk of investing in securities is linked to the uncertainty and the inability to accurately predict future effects and the impact on the expected return on the investment made.

The main risk and uncertainty for the shareholders of Sirma Group Holding JSC is the probability that the investments in the company's shares will not retain its value, nor generate the expected return on them, due to a decrease in the price of the shares or a lack of other income (dividends) from them.

Sirma Group Holding JSC informs potential investors that investing in shares is associated with certain risks. Investors should carefully read and understand the risks associated with investing in shares of the current issue before making an investment decision.

Sirma Group Holding JSC seeks to maintain a low risk profile by maintaining low levels of financial and operational leverage, a high level of operational efficiency, the introduction of strict rules and procedures in the management of the activity and strict control over their compliance, diversification of the client base and suppliers.

The above makes the company resistant to external negative shocks, but nevertheless has significant risks for its business that could negatively affect the company's results.

### Price Risk

The changes in the price of the shares of Sirma Group Holding JSC can be created both from the fundamental state of the Company - current and expected results from the activity and financial results as well as from the economic and market conditions in Bulgaria and from the market and economic conditions in the world economy.

Shareholders should keep in mind that events that may cause sudden fluctuations in market prices of shares that have previously occurred on the Bulgarian capital market and in international financial markets may occur and that such fluctuations are likely to affect unfavorable price movements of the shares of Sirma Group Holding JSC.

The market value of the shares will be determined on the basis of supply and demand, and the share price may increase or decrease. These "price fluctuations" can cause a security to cost at a certain point much less than the value at which it is purchased. This price dynamic is particularly typical for the ordinary stock market, whose stock prices may be subject to sharp fluctuations as a result of publicly disclosed information about the Company's financial performance, changes in legislation and other material events.

A significant number of sales of the shares of Sirma Group Holding JSC for a certain period of time may have an adverse effect on the maintenance of their achieved price level. Such an event would result from a significant excess of the sellers of those shares over buyers in that period. At this point in time, the Issuer or a third party does not commit to maintaining a particular price level and a significant number of sales may lead to a decrease in that level.

The Company does not guarantee to investors that the price of its shares will remain stable and / or increase its value in the future. At the moment of preparation of this document, Sirma Group Holding JSC or, to the best of its knowledge, other persons, do not intend to purchase shares of the Company in order to preserve and / or increase the market price of the Company's shares after the increase of capital.

### Liquidity Risk

Liquidity risk is directly related to the liquidity of the securities market itself and expresses the potential for short-term purchase or sale of the securities on the secondary market. The liquidity of the issue depends on the number of investors who will be interested in investing in the issue. The liquidity risk of the shares will also depend on the development of the equity market in terms of the volume and variety of instruments offered, the issuer's financial position, the ability of the local capital market to attract new investors,

Investors should keep in mind that the BSE is significantly smaller and less liquid than the securities markets in most developed market economies. Thus, for the shareholders of Sirma Group Holding JSC there is no guarantee that the listing of the shares of the Company on the BSE will guarantee their active trading and sufficient liquidity.

### Inflation Risk

The manifestation of the inflationary risk for the shareholders of Sirma Group Holding JSC would arise in cases when the income from the shares (increase in the price and / or received dividends) were lower than the inflation for the investment period. The inflation processes leads to a decrease in the real yield that investors receive.

Although in the long run equity yields usually outweigh the inflationary processes in Bulgaria and other countries with a developed market economy, there is no guarantee for the investors in the shares of Sirma Group Holding JSC that their investment in shares of the Company will represent a real protection against inflation.

### Dilution Risk

Pursuant to the Articles of Association of the Company no limitations on the maximum amount of future issues of shares are envisaged. For this reason, shareholder participation may be reduced as a result of a public offering if they do not exercise their rights and do not subscribe a proportionate share of the new shares. In the event that, as a result of a future public offering, the number of issued shares of the Company increases at a faster rate than the amount of the assets of the Company, it is possible to decrease the value of the assets per share of the Company.

### Currency Risk

This current issue is denominated in BGN. Currency risk of the investment exists for investors whose funds are denominated in US dollars or currencies other than Lev and Euro, due to the constant exchange rate movements. Investors who take a currency risk in the purchase of the



current issue would increase or reduce the effective return on their investment as a consequence of strengthening or weakening the BGN and EUR exchange rate against the currency in which the investor's funds are denominated.

Stability and high confidence in the credibility of the Currency Board in the country, as well as the relatively stable positions of the euro on international currency markets, reduce the existence of the currency risk to minimum levels.

#### Lack of an annual dividend payment guaranty

The financial results of the company depend on many factors, including the skills and professionalism of the management team, the development of the market in which the company operates, the economic development of the country and the region, etc. There is a risk for investors due to the lack of a guarantee for annual dividends payment.

#### Risk of change in the tax treatment of investments in shares

The risk of changing in the taxation of investments in securities is linked to the change in the current taxation regime for such instruments. The latter may be considered favorable, as capital gains are tax-exempt. Changes in capital gains tax, as well as other potential changes in the taxation of securities' investments, may have a negative impact on the final realized net result by an investor.

**For additional information on the risk factors affecting the Group's activity, see Appendix 5.**

## 13 OTHER INFORMATION AS PER APPENDIX 11 OF ORDINANCE 2 OF THE FSC

### 13.1 INFORMATION ABOUT EVENTS AND INDICATORS WITH INCREASED NATURE OF THE COMPANY, HAVING A SIGNIFICANT EFFECT ON THEIR ACTIVITY AND THEIR INCOME AND EXPENDITURE; EVALUATION OF THEIR IMPACT ON RESULTS IN THE CURRENT PERIOD

There are no events and indicators with an unusual nature for the company that have a significant impact on its operations and its realized revenues and expenses; assessing their impact on results during the current period.

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

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

### 13.3 INFORMATION ABOUT THE USE OF FUNDS FROM THE NEW ISSUE OF SECURITIES, CARRIED OUT DURING THE REPORTING PERIOD.

The company did not use funds from a new issue of securities in the reporting period.



#### 13.4. ANALYSIS OF THE RELATIONSHIP BETWEEN THE FINANCIAL RESULTS ACHIEVED, REPORTED IN THE FINANCIAL STATEMENT FOR THE FINANCIAL YEAR AND EARLIER PUBLISHED PROJECTIONS FOR THESE RESULTS.

The financial results of the company correspond to the forecasts made in the Development Strategy of Sirma Group Holding, which is published on the company's website.

#### 13.5 ANALYSIS AND FINANCIAL EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT POLICY WITH THE POSITION OF OPPORTUNITIES FOR THE SERVICE OF THE OBLIGATIONS, THE EVENTUAL THREATS AND MEASURES WHICH THE COMPANY WAS PREVENTED OR PROVIDED TO TAKE FOR THE PURPOSE OF REMOVING THEM.

The management of financial resources is subject to the requirement of maximizing efficiency while respecting payment deadlines agreed with both suppliers and customers. This means a predominant use of own funds, resulting in lower financial costs and interest costs. On the other hand, there is a significant reserve of undrawn loans that can serve both current and investment costs, which maintain high liquidity of payments.

The entity's ability to service obligations is expressed in terms of liquidity ratios in the description of the liquidity risk in this report. As evidenced by the values of the liquidity indicators, Sirma Group Holding JSC has no problems in meeting its obligations, both in the medium and long term. The company has regular proceeds from sale, while also using bank overdrafts, which allows it to service its obligations by successfully managing its financial resources and to properly and timely service its obligations.

#### 13.6 ASSESSMENT OF THE POSSIBILITIES FOR THE IMPLEMENTATION OF INVESTMENT INTENTIONS WITH THE SIGNIFICANCE OF THE AMOUNT OF EXPENDITURE AND THE EFFECTIVENESS OF THE POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING THAT ACTIVITY.

The management estimates that it is possible to realize the investment intentions declared with the prospectus for initial public offering.

#### 13.7 INFORMATION ABOUT OCCURRING CHANGES IN THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE COMPANY AND ITS ECONOMIC GROUP.

There were no changes during the reporting period in the company's main management principles and its economic group.

#### 13.8 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

Under Bulgarian law, the management should prepare an interim report on the operations and a financial statement for each quarter to give a true and fair view of the Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's

responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:



- adherence to a particular management and accounting policy disclosed in the financial statements;

- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.

- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;

- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

- adherence to international financial reporting standards and adherence to the going concern principle.

**During the reporting period, there have been no changes in the basic principles of management of SIRMA GROUP HOLDING**

### 13.9 INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR.

During the period considered, after the decision of the General Meeting of Shareholders of Sirma Group Holding, held on 15.06.2017, based on article 20 from Regulation № 48/ 20.03.2013 regarding the remuneration requirements of FSC, members of the Remuneration committee were appointed:

Georgi Parvanov Marinov – chairman

Yordan Stoyanov Nedev - member

Petar Borisov Statev- member

### 13.10 INFORMATION ABOUT THE KNOWN TO THE COMPANY AGREEMENTS (INCLUDING ALSO AFTER THE CLOSING OF THE FISCAL YEAR) AS A RESULT OF WHICH CHANGES MAY OCCUR AT A FUTURE TIME IN THE OWNED PERCENT OF SHARES OR BONDS BY CURRENT SHAREHOLDERS OR BONDHOLDERS.

The company has no information of agreements which may alter the owned percent of shares by current shareholders. The company has not issued bonds.

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

Stanislav Tanushev

Bul. 135 Tsarigradsko shose, fl. 3

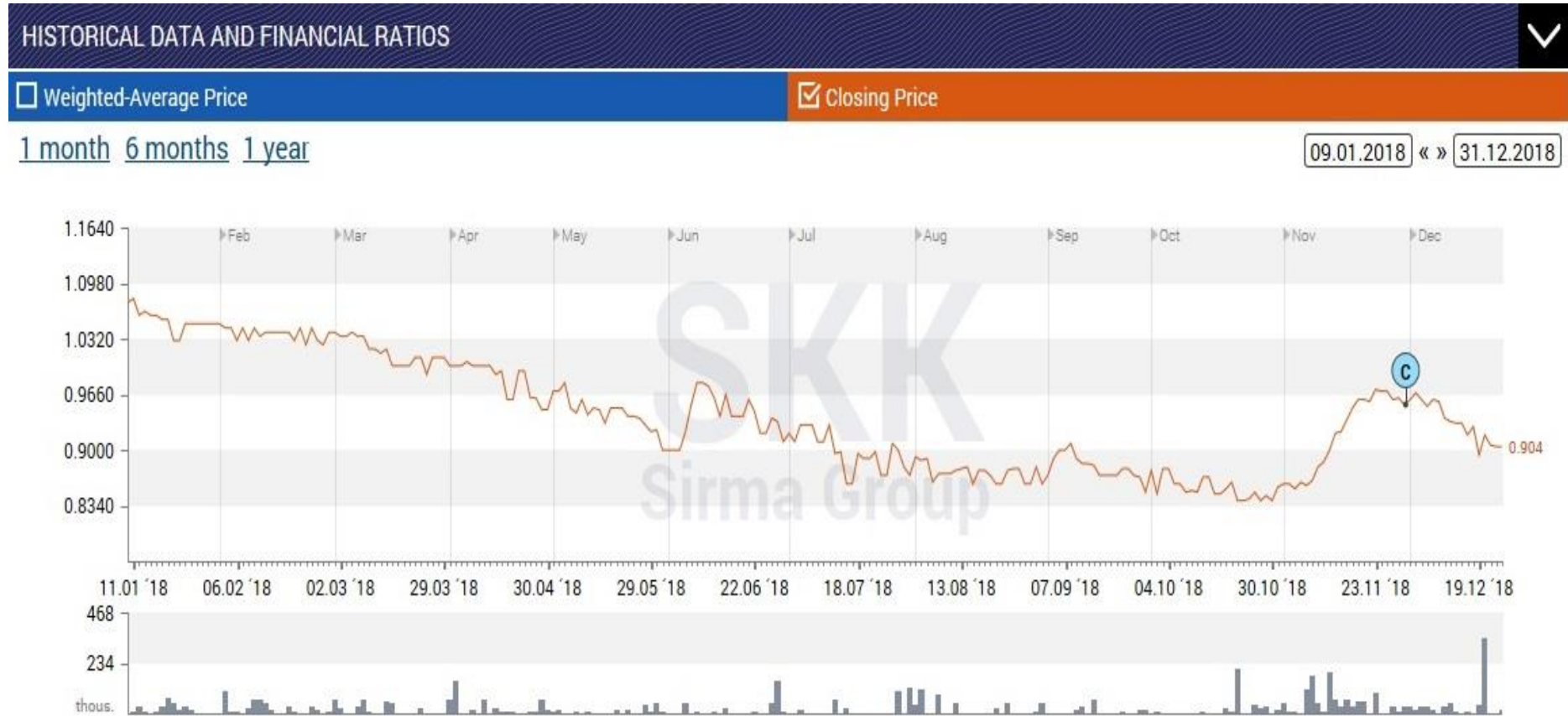
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## 14 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY



## 15 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the balance sheet date that require disclosure in these consolidated financial statements.

**Sofia**  
**30.05.2019**

**CEO:**   
**Tsvetan Alexiev**

