APPENDIX № 5 – RISK FACTORS CONCERNING THE ACTIVITY OF THE SIRMA GROUP

15.1. Economic, political, social and regulatory risk

15.1.1. Uncertainty in the global economy, financial markets, or political conditions which may have a negative impact on our business, financial situation, profits and cash flows, as well as affect our operating profit

Our business is influenced by many risk factors that are difficult to predict and beyond our influence and control. These factors include global economic and business conditions and fluctuations in national currencies. Other examples are political events and general regulations as well as budget constraints or changes in national governments' spending priorities.

Macroeconomic trends, such as the global economic crisis, chronic fiscal imbalances, slowing economic progress in emerging markets, may reduce the ability of our clients to invest in our solutions. In addition, changes in euro exchange rates (BGN is connected to the euro) to certain currencies may have an adverse effect on business activities with local clients and partners. All of this could have an adverse effect on our business results, financial condition, profit or expected growth, therefore resulting in an effect on our value as a company. In addition, political instability in regions like the Middle East and Africa, as well as natural disasters contributing to economic and political uncertainty, can have an adverse effect on our business results, financial performance, profitability, and expected growth.

The mentioned above may impact negatively on the ability and the desire of our customers to invest in our products and services. These events may reduce the demand for the company's services and software and lead to:

Delays in purchases, decrease in the amount of the deal, or cancellation of proposed investments;

Higher credit barriers for customers, reducing the ability of customers to finance software purchases;

Increase in bankrupt clients, business partners, and key vendors;

Increased risk of default, which may lead to significant expense costs and loss of value in the future;

Market disruption of aggressively competitive behaviour, acquisitions or business practices;

Enhanced price competition and demand for cheaper products and services;

The above can have an adverse effect on our business, financial position, profits and cash flows.

Sirma Group has established measures and special working groups aimed at mitigating as far as possible the described risks and their side effects.

We assume the likelihood of this risk occurring. Therefore, we cannot completely exclude the possibility that this risk has a business-critical impact on our business, financial situation, profits and cash flows. This could exacerbate other risks that we describe in this report or cause a negative deviation from our earnings and planned operating profit. This risk is classified as a high.

15.1.2. Our international business activities expose us to numerous and sometimes contradictory regulatory requirements as well as risks that could harm our business, financial situation, profits and cash flows.

We are a global company and currently, the market for our products and services is in more than 40 countries and territories in Europe, etc. regions. Our business in these countries is subject to many risks inherent in international business operations. These risks include:

Conflicts and overlap between tax regimes;

Possible tax constraints hindering business operations in some countries;

Costs related to localization of our products and services, as well as compliance with local regulatory requirements;

Discriminatory or contradictory fiscal policies;

Operational difficulties in countries where the corruption index is higher;

Protectionist trade policies and import and export regulations;

Work councils, trade unions, and immigration laws in different countries;

Data and privacy protection with respect to access by government authorities to a client, partner, or employee;

Difficulties in the protection of intellectual property and contractual rights in certain jurisdictions;

Software Country Certification Requirements.

Since Sirma is constantly expanding in new countries and market shares, these risks may become stronger. One or more of these factors may have an adverse effect on our operations globally or in one or more countries or regions, resulting in an adverse effect on our business, financial position, profits and cash flows.

Sirma overcomes the risks using different precautions depending on the circumstances.

Although Sirma estimates that the occurrence is not likely to happen, we cannot completely exclude the possibility that this risk may have a major impact on our business, financial position, profits and cash flows, or lead to a negative deviation of our revenue and target operating profit. This risk is classified as medium.

15.1.3. Social and political instability caused by state-based conflicts, terrorist attacks, civil unrest, war or international warfare, as well as a pandemic of disease outbreaks or natural disasters may disrupt the operation of Sirma Group business operations.

Terrorist attacks, war or other acts of violence, civil and political unrest (such as in the Middle East and parts of Africa) or natural disasters (such as hurricanes, floods or other similar events) could have a significant adverse effect on the associated economies or beyond. Such an event can have a significant adverse effect on our partners as well as on our clients and their investment decisions and will have an adverse effect on our reputation, business, financial position, profits and cash flows

Our measures to mitigate these adverse effects are designed and implemented to minimize their consequences.

We believe that the probability of materializing this risk is small. However, we cannot exclude the possibility of such risk and business-critical impact on our reputation, business, financial position, profits and cash flows, or causing a negative deviation from our earnings and operating profit. This risk is classified as medium.

15.2. Market risks

15.2.1. Risks associated with intense competition

The Group's operations are under intense competition from both domestic players and international IT corporations. Global reach corporations are becoming increasingly strong as they have fast access to innovative technology solutions as well as cheaper sources of funding, which makes it possible to finance large contracts more efficiently. It is not certain whether the increase in competition will have a significant negative impact on the Group's operations, financial condition, results and future prospects for development.

15.2.2. Risk related to changes in technology and development of new products

The IT sector is characterized by the rapid development of new solutions and technologies that shorten the life cycle of products. Thus, the future success of Sirma Group will largely depend on our ability to incorporate the latest technology solutions into our products and services. In order to maintain a competitive advantage in the market, it is necessary to conduct research work investing in new products. Furthermore, it cannot be taken for granted that the new solutions that are or will be created or developed by the companies of the group will meet the technological requirements and will be positively accepted by the potential users. Such circumstances could have an adverse effect on Sirma Group's operations, financial condition and financial performance as well as its future development.

15.2.3. Risk related to the saturation of the market

Technological saturation begins to appear in banks and private businesses and can prompt them to focus their strategies on smaller or medium-sized IT projects that will meet their real needs. Such circumstances may have a negative impact on the company/group's business, financial condition and results, as well as future developments.

15.2.4. Risk connected to the consolidation of the banking sector

Consolidation processes may occur in the banking and financial sector. There is a risk that grouping this sector will force the financial institutions that have acquired to use the IT solutions of the acquiring organization, which may delay the process of concluding new contracts or even lead to the termination of already concluded contracts. Such circumstances may have a negative impact on the company/group's business, financial position and results, as well as on future developments.

15.2.5. Risk connected to conduction of public trading

Delays in finalizing bidding procedures for IT infrastructure delivery for public use and application may lead to fluctuations in revenue from this sector. If combined with poor absorption of EU funds provided to improve state-owned innovation, this can significantly reduce the local demand for IT services and thus negatively affect the activity and financial performance of the Group's activities, as well as of its future development.

15.2.6. Risk of participation in tenders for winning new government procurement contracts

Typical of IT business is that some of the contracts are won through bidding procedures. Therefore, it is not certain whether the group companies will be able to win such new contracts that would provide a sufficiently high and satisfactory income in the future. These factors may have a negative impact on the Group's operations and financial performance as well as on its future development.

15.2.7. The risk of becoming dependent on key customers

Execution of contracts with key clients will greatly influence the level of sales revenue generated by some of the companies in the group in the coming years. This risk cannot be excluded, the potential loss of any major client, the deterioration of the financial conditions for the provision of services or the potential compensatory claims would have an adverse effect on the operations, financial position and financial performance of the companies and the group, their future development.

15.2.8. Risk of increasing the labour cost

Wages are over 70% of project implementation costs. Given the large relative share of personnel costs in cost, wage increases may break the margins achieved by the projects and therefore may have an adverse impact on the Group's performance.

In order to manage the risk of rising labour costs, Sirma takes a number of measures that can help reduce the potential negative effects of rising wages. Among other things, the Group (I) tries to increase the use of labour markets in other geographic areas, (II) constantly monitors the wage level in the market so as not to be surprising, and (III) attempts to maintain an appropriate structure of employment within certain levels of competence.

15.3. Risk connected to the business strategy

15.3.1. The search for our new solutions may not happen as planned and our strategy for new business models and flexible consumption patterns may not be successful.

Our business consists of software services, software licenses and support updates, maintenance fees, cloud service delivery, hardware sales. Our customers who benefit from the technological advances of Sirma are uncompromising in their IT investments. That is why introducing new solutions, technologies and business models are subject to uncertainty as to whether customers will be able to realize the expected benefits. Uncertainty may come from the attitude of customers to wait for referrers, which may lead to delays in adopting our new solutions, technologies, business models and flexible patterns of consumption, or non-acceptance of some. This could have an adverse effect on our business, financial situation, profits and cash flows.

In order to overcome this risk, Sirma has balanced the distribution of its strategic investments by developing and protecting its core businesses while developing new solutions, technologies and business models and markets such as mobile, cloud, database technologies, and social media. In addition, we focus on designing and delivering attractive solutions for our customers as well as providing help to ensure customer excellence and satisfaction after implementing our solution. We expect that it is less likely that this risk occurs, however, we cannot completely exclude the possibility of happening and exerting a great impact on our business, financial situation, profits and cash flows or causing a negative deviation in our earnings and operating profit. This risk is classified as low.

15.3.2. The success of our cloud computing strategy depends on increasing market acceptance of cloud solutions and cloud service management. Insufficient acceptance of our solutions and services may lead to the loss of leading position of Sirma as a leading cloud technology company

The cloud computing market is growing and showing significant growth. In order to offer a wide range of cloud services and generate related business values for our customers, Sirma has a subsidiary called Datumum that owns Cloud Services Data Center.

The factors that could influence the adoption of cloud solutions in the market are:

Concerns about the third party entrusting or critical employee to store and manage confidential company data;

Customer concerns about security reliability capabilities;

Concerns about the ability to scale operations for large corporate clients

The level of configuration or adaptability of the software;

Missing scenarios for integration between customers' products and cloud solutions.

If organizations do not perceive the benefits of the cloud, the cloud service market cannot grow further, or it may grow slower than we expect, with each of the assumptions that may have a negative effect on our business, financial position, profit, reputation and cash flows.

Among the measures to prove the value and benefits of our cloud solutions on the market, we significantly invest in infrastructure and processes that provide secure operations to our cloud solutions, including compliance with all local legal provisions on data protection and the privacy of the personal life; as well as data security.

Although we estimate this risk as less likely to occur, we cannot completely exclude the probability of happening, which may have a business-critical impact on our reputation, business, financial position, profits and cash flows, or lead to a negative deviation from our earnings and operating profit. This risk only applies to Cloud Services and the Data Center and it is classified as medium.

15.3.3. If we are not able to scale and improve the efficiency of our partner ecosystem, the increase in earnings included in our forecasts may be endangered.

An open and dynamic partner ecosystem is the main pillar of our success and growth strategy. We conclude partnership agreements that expediently expand all of our ways to reach the market to optimize market coverage and provide high-quality services with capacity across all market segments. The partners play a key role in stimulating the market for the adoption of our entire portfolio of solutions.

If a successful partner ecosystem is not created, this might have a negative impact on the popularity of our products and services. As a result, Sirma cannot grow and develop its business to a state of successful competition with other software vendors, which may have an adverse effect on our reputation, business, financial position, profits and cash flows.

Sirma continues to invest in long-term, mutually beneficial relationships and agreements with partners.

Although we consider this risk as unlikely to happen, in view of our partner strategy, we cannot exclude the possibility that this risk will have a major impact on our reputation, business, financial position, profits and cash flows, or lead to a negative a deviation of our earnings and operating profit. This risk is classified as medium.

15.4. Risks related to Human Resources

15.4.1. If we do not manage our workforce effectively, we will not be able to conduct our business efficiently and successfully.

Our success depends on the appropriate alignment of our strategy for planning the workforce and its location in line with the overall strategy. Changes in staff numbers may lead to mismatching between our costs and earnings. Failure to manage our staff effectively can interfere with our ability to conduct our business efficiently and successfully and may have a negative effect on our business, financial position, profits and cash flows.

We focus on reducing this risk through a set of activities, including but not limited to: Workforce Planning (which aims to achieve diversity and the right combination of talents and reflect demographic changes); outsourcing; external short-term staff; employer brand; career management (by offering opportunities for short-term tasks and opportunities for improving skills, competencies and qualifications); and extended income programs - for example, a performance-based remuneration system as well as long-term incentive plans.

This risk is not likely to happen, however, we cannot exclude the possibility that this risk can have a major impact on our reputation, business, financial position, profits and cash flows, or lead to a negative a deviation of our earnings and operating profit. This risk is classified as low.

15.4.2. If we are unable to attract, develop and retain leaders and employees with specialized knowledge and technological skills, or are unable to achieve internal diversity and involve staff in the objectives of the structure, we may not be able to manage our operations effective and successful and develop successful new solutions and services.

Our highly qualified staff is at the core of our continuing success. Competition in our industry, for highly qualified and specialized professionals and leaders, both men and women, is intense. In some regions and specific technology solutions, we have set ambitious growth targets. If we are unable to identify, attract, develop, motivate, adequately compensate, and retain highly qualified staff, both men and women, or if existing highly qualified and specialized staff can leave Sirma Group. In this case, if suitable alternates are not available, we could be unable to manage our operations effectively, which could have an adverse effect on our reputation and our business, financial position, profits and cash flows. In addition, we will not be able to develop, sell or implement successful new solutions and services as planned.

Finally, hiring such staff can put us at risk of claims from other companies trying to prevent their employees from working for a competitor.

Nevertheless, we continue to believe that our leading position and employer brand on the market, as well as our expanded earnings programs, will allow us to hire the best talent with the potential to contribute to the growing business success of Sirma in the future.

We are dealing with the risk of not being able to select the employees we need to hire by striving to build highly competent and creatively oriented employees and strong leaders. This was done through a set of measures for purposeful professional development, mentoring and coaching programs, with a special focus on the accelerated development of high-potential employees, in order to help them develop their qualities and, in particular, their leadership qualities.

Although the risks associated with the inability to attract, develop and retain staff is not likely to happen, we believe this is unlikely and that the impact on our reputation, business, financial position, profits and cash flows and a potential negative deviation from our revenue and target operating profit will be moderate. This risk is classified as low.

15.5. Organizational risks and risks associated with risk management

15.5.1. The laws and regulations in Bulgaria, the United States, and elsewhere have become stricter.

Changes in laws and regulations and related interpretations, including changes in accounting standards and tax requirements, and enhancing law enforcement and sanctions can change the business environment in which we work. Regulatory requirements have been considerably tougher in recent years, as well as some laws, such as the anti-corruption legislation in a number of European countries, the US Corruption Practices Act, the UK Bribery Act, and other local laws prohibiting corrupt payments by of employees, suppliers, distributors, or agents are applied more rigorously

Failure to comply with applicable laws and regulations, or allegations of misconduct by us, whether reasonable or not, may have a negative impact on our business, financial condition, profits, cash flows and goodwill.

It is difficult to accurately assess potential risk as there is a wide variety of complex legal and regulatory requirements that apply, and therefore an equally wide variety of the existence of potential scenarios for non-compliance.

We are constantly monitoring new regulatory requirements, updates or new trends in law enforcement, and publicly available information. Although we appreciate the probability of this risk being considered as insignificant, it cannot be completely excluded that this risk may have a major impact on our reputation, business, financial position, profits and cash flows, or lead to a negative deviation from our earnings and planned operating profit. We classify this risk as a low risk.

15.5.2. Failure to comply with applicable privacy and privacy laws or failure to adequately meet the requirements of Sirma customers in relation to our products and services may result in civil liability and fines as well as loss of customers and damage to the reputation of Sirma.

As a global provider of software and services, Sirma is required to comply with the laws of the places where Sirma is doing business. Sirma and its subsidiaries face a wave of laws and regulations on data protection and privacy around the world, with anticipated future regulatory changes, for example through the European Data

Protection Regulation proposed by the European Commission. These laws and regulations amend and supplement the existing data processing requirements that SIRMA and its customers must meet and which we, therefore, need to address in the products and services offered. Failure to comply with applicable laws may lead to supervisory investigations, civil liability, fines, loss of customers, damage to our reputation, and to have an adverse effect on our business, financial situation, profits and cash flows.

To lower these risks, Sirma actively monitors changes to laws and regulations so that it can take appropriate measures and verify our existing standards and policies on an ongoing basis. We have implemented a wide range of data protection measures controlled by Sirma and our customers against unauthorized access and processing, as well as against accidental loss or destruction.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded that this risk may have a major impact on our reputation, business, financial position, profits and cash flows, or lead to a negative Deviation from our earnings and planned operating profit. We classify this risk as medium risk.

15.5.3. Unethical behaviour and failure to comply with our integrity standards due to deliberate and deceptive employee behaviour may harm our business, financial standing, profitability and reputation.

Sirma's leadership position is based on the long-term and sustainable trust of our partners around the world. Our legacy is corporate transparency, open communication, and adherence to recognized business ethics standards. The Sirma Code of Business Conduct expresses already existing guidelines and expectations for business conduct practised in SIRMA. However, we may encounter unethical behaviour and non-compliance with our overall standards as a result of the deliberate and deceptive behaviour of individual employees, possibly in collusion with external third parties. In addition to deliberate unethical behaviour, problems may arise from negligence in observance of rules and regulations. Unethical behaviour can not only lead to penalties for Sirma, fines and claims from injured parties, but also to financial loss and serious damage to reputation. This could have a negative impact on our business, financial situation, profits and cash flows

To prevent this, we have set up a complete compliance management system (CMS) based on three pillars - prevention, disclosure and response. Our CMS program includes several educational, control and investigative tools. The aim is to minimize the risk of unethical behaviour, whether intentionally or negligently. The Code of Business Conduct is mandatory for every employee. It ensures compliance with the legal guidelines on how to avoid unethical behaviour and how to solve problematic situations. Sirma implements various complementary compliance policies as well as measures to prevent the misuse of third-party payments for illegal purposes; providing travel, entertainment, gift, and cost policies; and commitment to business integrity by our partners and suppliers.

Although we estimate the probability of this risk being considered as insignificant, it cannot be excluded that there is a possibility that deliberation or negligent unethical behaviour can occur. In this case, it can have a major impact on our reputation, business, financial position, profits and cash flows and can lead to a negative deviation from our operating profit. We classify this risk as a low risk.

15.6. Communication and information risks

15.6.1. Risk of unauthorized disclosure of confidential information

Strictly confidential information that relates to topics such as our strategy, new technologies, mergers and acquisitions, unpublished financial results, or personal data may be prematurely or unintentionally disclosed.

This could have an adverse effect on our position on the market. In addition, this could have an adverse effect on our business, financial situation, profits and cash flows.

We take a wide range of actions to prevent unauthorized disclosure of classified confidential information, including procedural and organizational measures. These include mandatory security training for all employees, standards for safe internal and external communication, ensuring technical security in our IT hardware and communication channels, and mandatory encryption of personal data.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded that this risk may have a major impact on our reputation, business, financial position, profits and cash flows, or lead to a negative Deviation from our earnings and planned operating profit. We classify this risk as medium risk.

15.7. Financial risks

15.7.1. Risk of inaccurate sales forecasts

Our earnings and operating results may vary and change, sometimes significantly, from quarter to quarter. Our revenue in general, and in particular our software revenue, is difficult to predict for several reasons, including:

Relatively long selling cycles of our products and services;

Large size, complexity and duration of individual transactions;

Introducing new license fees and expanding new models for sale like, but not only subscription cloud service models;

Changes in customer budgets;

Reduced sales of software that may also have an adverse effect on revenue related to maintenance and services;

Time, size, and duration of customer project services;

Implement models that require revenue recognition over a prolonged period of time;

Seasonality of customer's technology purchases;

Other general economic, social, environmental, and market conditions, such as the global economic crisis and the current difficulties for countries with high debt.

Our dependence on large deals has declined in recent years with a tendency to increase the number of transactions combined with a reduction in the same amount. However, the loss or delay of one or several big deals that are still typical of some of the group's businesses could have an adverse effect on our business.

The credibility of our plans, budgets and forecasts can be compromised. Since our operating costs are based on the expected revenue levels and a large percentage of our costs are relatively short-term, any expected revenue gap or revenue recognition delay may lead to significant changes in our operating results for a quarter or year. The continuing deterioration in global economic conditions makes it increasingly difficult for us to predict the exact demand for our products and services and may result in operating results and cash flows not meeting our expectations of the forecasts. This could have an adverse effect on our price.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded the possibility that this risk may have a moderate impact on our business, financial situation, profits and cash flows or lead to a negative diversion of our earnings and target operating profit. We classify this risk as a low risk.

15.7.2. Risk of influencing external factors on Sirma's liquidity

Macroeconomic factors and the economic decline can have a negative effect on our liquidity. We have centralized financial management and control of financial risks such as liquidity, exchange rate, interest rate, counterparty, and equity cost risks. The primary objective is to maintain liquidity in the Group at a level that is sufficient to meet our obligations at all times. This position is supported by our strong operating cash flows and through credit lines that we can use when needed. However, unfavourable macroeconomic factors could increase the default risk associated with the overall liquidity of the group. This could have an impact on the assessment of our financial assets and have an adverse effect on our business, financial position, profits and cash flows.

The investment policy of Sirma in relation to maintaining the Group's overall liquidity is accompanied by a collection of uniform rules that apply to all companies in the group.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded the possibility that the measures taken will be successful or that uncertainty in global economic conditions will not have a business-critical impact on business, financial situation, profits and cash flows or lead to a negative diversion of our earnings and target operating profit. We classify this risk as a medium risk.

15.7.3. Risk of use of estimates by management

In order to comply with IFRS, management is required to make many estimates and assumptions that affect the reported financial parameters. The facts and circumstances, as well as the assumptions that the management base such assessments and judgments, as well as the judgment of management in relation to these facts and circumstances, may change from time to time, and this may lead to significant changes in assessments and decisions and hence in the reported financial parameters. Such changes may have an adverse effect on our business, financial condition, earnings and cash flows.

We have a number of on-site control procedures to make sure our assessments and judgments are appropriate.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded that this risk may have a major impact on our business, financial position, profits and cash flows, or a negative deviation from our earnings and operating profit. We classify this risk as medium risk.

15.7.4. Current and future accounting and other financial reporting standards, especially but not limited to revenue recognition, may have a negative impact on the financial results we present.

We regularly monitor compliance with applicable financial reporting standards and review new opinions and drafts for amendments.

As a result of the adoption of new standards, changes to existing standards, as well as changes in their interpretation, we may need to change our accounting policies, in particular with regard to revenue recognition, to reflect new or amended financial reporting standards, or recalculate our published financial statements. Such changes may have an adverse effect on our reputation, business, financial condition and profit, or cause a deviation from planned earnings and operating profit.

Although we estimate the probability of this risk being considered as insignificant, it cannot be completely excluded that this risk may have a major impact. We classify this risk as medium risk.

15.7.5. Risk of variation in exchange rates and interest rates

Our management accountability and our financial reporting are in BGN. However, a significant part of our business is conducted in currencies other than the Bulgarian leva. Approximately 35% of our 2014 earnings come from operations outside Bulgaria. Therefore, changes in the BGN exchange rate - another currency, can have a significant impact on our reported earnings and income.

Variable interest rate positions are also subject to changes in interest rates. Such changes may have an adverse effect on our business, financial position, profits and cash flows, or cause an unfavourable deviation from estimated earnings and operating profit.

For more information on our currency and interest rate risks, see the Notes to the Consolidated Financial Statements.

We continuously monitor currency exposures and adopt a unified group strategy for currency risk management using, for example, derivative financial instruments as appropriate. With respect to our financial debt, we have a very balanced profile and a mix of fixed and floating rate arrangements.

We estimate the probability of the risk of major fluctuations in currency and interest rates is insignificant, however, if occurred this risk may have a major impact on our business, financial position, profits and cash flows can be very causing negative deviation from our forecast revenue and operating profit. We classify this risk as a low risk.

For more information on the risks arising from financial instruments, including currency and interest rate risks, see the Notes to the Consolidated Financial Statements section.

15.8. Project risks

15.8.1. Software developed and/or deployed by Sirma often involves a significant commitment of resources from our customers and is subject to a number of significant risks that we often do not have control over.

A key element of our business is the successful integration of software solutions that enable our customers to do their business in the best possible way. The implementation of software services and solutions is sometimes together with partners, customers, or a combination of them. Depending on different factors, Sirma faces a number of different risks. For example, changes in functional requirements, schedule delays, or deviations from recommended best practices may occur during the project. These scenarios have a direct impact on the project model and its adequate resource supply with staff or consultants can be challenging in time.

As a result of these and other risks, Sirma and/or some of our customers have significant costs. The implementation of some of the projects may last longer than planned, and this could have an impact on our business, financial situation, profits and cash flows.

15.9. Technological and product risks

15.9.1. There is a risk of products and services undisrupted security breaks which can cause harm to Sirma and our customers

A system or systems run by SIRMA itself for providing customer service could be compromised by hacker breakthroughs. This could lead to theft, destruction or misuse of data, or entire systems may be declared unusable.

Sirma has introduced software security as a mandatory integral part of our development process. We systematically use methods to develop security software in all phases of development, starting at the beginning of the design phase. This includes industry best practices such as automated source code scanning, mandatory security training for all developers, testing and validation of our products and services prior to shipping.

We estimate the probability of the risk of causing damage from a security break to SIRMA and our customers of the software as unlikely. If such an event occurs, it can have a business-critical impact on our reputation, business, financial position, profits and cash flows, and to achieve the planned earnings and operating profit. We classify this risk as medium risk.

15.9.2. Risk of undetected defects in introducing new products and product updates

To achieve market acceptance and high customer satisfaction, our new products and product enhancements often require long development and testing periods. The development and market introduction activities are risky. Therefore, entering the market, entering new markets or introducing innovations may either slow down or fail.

Moreover, new products may contain undetected defects, or they may not be mature enough from the point of view of business-critical customer decisions. Finding and removing all defects after delivery can be costly and time-consuming and we may not be able to respond to customer expectations regarding time and quality in the process of the defect and bug fixes. In some circumstances, we may not be able to resolve defects and meet customer expectations. As a result, we may face client requests for monetary damages, software replacement, or other rebates. Significant undetected defects or delays in the introduction of new products or product improvements could affect the market and could have an adverse effect on our reputation, business, financial position, profits and cash flows.

We approach these risks with a wide range of techniques, including but not limited to project management, project monitoring, permanent quality assurance (we are ISO 9001: 2008 certified), and we assess the risk of time of project development. Supplying high-quality software and products is a priority part of our core business.

We estimate that the probability of the risk is insignificant, however, if occurred this risk may have a business-critical impact on our reputation, business, financial position, profits and cash flows or to cause a negative deviation from estimated earnings and operating profit. This risk is classified as medium.

15.9.3. Changes in our rights to use the software and technologies we have licensed from third parties, it can slow down sales and affect our pricing and therefore reduce our competitiveness compared to other software vendors. In addition, they may reduce the functional capabilities of our products and services and could, therefore, endanger the stability of our portfolio of solutions.

We are licensed to use many technologies and use some open-source software components that have become the basis of our market portfolio. We depend on these technologies for the functionality of our software or cloud services. Changes or loss of licenses as well as open source licenses could significantly increase the cost of products and services and significantly reduce the functionality and/or usability of Sirma software solutions. As a result, additional development costs or purchase of licenses may be needed, which could have an effect on our business, financial situation, profits and cash flows. This risk increases with any acquisition of a company or intellectual property assets of a company that are related to licensed technologies and products.

We estimate that the probability of the risk is potential and we cannot exclude the possibility of a major impact on our business, financial position, profits and cash flows, as well as on planned earnings and operating profit. We classify this risk as medium risk.

15.9.4. If we are unable to cope with rapid technological innovation, new business models and changing market expectations, we may not be able to compete effectively.

The future of our success depends on our ability to keep pace with innovation processes and new business models, and our ability to develop new products and services to improve and expand existing products and services and our portfolio as well as to integrate the products and the services we receive through acquisitions. In order to be successful, we are bound to move towards a cloud-based delivery model for our products and services to meet changing customer demand.

We may also face rising competition from open source software initiatives where competitors can provide software and intellectual property under unfavourable conditions to Sirma. In addition, we may not be able to generate enough revenue to offset the significant costs of research and development to deliver technological innovation.

Additionally, we may not expect to develop technological improvements to the changing requirements of our customers and partners. Finally, we may not succeed in producing high-quality services and products in a timely and cost-effective way to compete with solutions and other technologies offered by our competitors that could have an adverse effect on our reputation, business, financial position, profits and cash flows.

We will continue to align our processes, services, products, delivery models to the changing markets and customer requirements and requirements of our partners. We will develop new technologies or implement them if there is a clear opportunity for the SIRMA business and if they provide value to our customers. To ensure that we remain competitive in the future, we are continually conducting extensive market analyzes of technology and research projects, often in close cooperation with our clients and partners. We strive for strategic acquisitions with the potential to boost innovation and contribute to our growth goal.

We estimate that the probability of the risk is insignificant, however, we cannot exclude the business's critical impact of this risk, which may have a negative impact on our reputation, business, financial position, profits and cash flows or a potential negative deviation of planned earnings and operating profit. We classify this risk as medium risk.

15.9.5. The risk of our technology and/or product strategy being unsuccessful or our customers and partners not accepting our technological innovations.

We offer our customers a wide range of products, solutions and services.

We believe that we will be able to deliver extra value to businesses with minimal inconvenience to our customers if we can successfully integrate and converge our technological proposals.

We estimate that the probability of the risk is insignificant, however, if this risk occurs it can have an impact on our reputation, business, financial condition, profits, cash flows, as well as estimated earnings and operating profit, will be critically difficult for business. We classify this risk as medium risk.

15.9.6. Our cloud services could be subject to a hacker attack that would make them inaccessible or unable to work properly.

The software used in our cloud portfolio is inherently complex and any defects in functionality, system stability, or Data Center operation may result in the following:

Lost or delayed market acceptance and sales

Warranty or contract violation or any claim of default

Recover deposits to our customers

Loss of customers and/or partners

Data protection and privacy violation of laws and regulations

Forming customer preference for cloud services provided by competitors

Costs of removing any defects or errors can be significant and could have an effect on our reputation, business, financial position, profits and cash flows. Because of the large amount of data we collect and manage, there are possible hardware failures, defects in our software, or errors in our systems that may lead to data loss or damage to the information we collect, resulting in incompleteness or inaccuracies, considered to be significant by our customers

In addition, our insurance coverage may not cover claims against us for loss or violation of data security or other indirect or consequential damages. Moreover, legal protection is expensive and time-consuming.

We take measures in order to avoid such situations.

We continuously invest in protecting the integrity and security of our products, services and data center. We consolidate and update data protection measures to move in a homogeneous system to create an infrastructure that delivers the required service quality to cloud solutions.

Although we estimate that the probability of the risk is insignificant, we cannot exclude the possibility of violation of our cloud operations lead to critical business impacts on our reputation, business, financial condition, earnings, cash flow, and projected revenues and operating profit target. We classify this risk as medium risk. This risk factor applies only to our cloud applications and Daticum Data Center.

15.10. Operational risks

15.10.1. Risks of third-party claims for violation of their intellectual property rights that could lead to awarded damages against us and limiting our ability to use certain technologies in the future

We believe that the risk of receiving claims for intellectual property violations can increase, as the number of technologies and products in our segment is growing.

Any claims, justified or not, as well as negotiations and disputes relating, could be excluded from using certain technologies in our products and services. Moreover, such claims can be time-consuming, they can lead to costly litigation and claims against us to pay compensation harm to third parties, stop sales and lead to a refund of our clients' investment costs. This would have a negative effect on our business and financial profile, our projected earnings, cash flows and reputation

The software industry is increasingly using open source software in its quest to develop solutions. We are also integrating with some open source software components. Third party claims may require giving free access to services and components built on open source software.

We believe that this risk is likely to occur, and that any claims relating to third party intellectual property rights or to open source software could have a critical impact on our business, financial condition, profits, cash flows and reputation, as well as to achieve our revenue and operating profit, and may also exacerbate other risks that we describe in this report. We classify this risk as a high risk.

15.10.2. Claims and lawsuits against Sirma may have an adverse effect on our business, financial condition, profit, cash flow, and reputation.

There is a risk of claims and court cases against us, including claims and court cases related to the business we have acquired. The unfavourable results of some or all of the claims and pending proceedings may result in significant damages or foreclosure which may interfere with our ability to perform our business and may have adverse effects on our reputation, business, financial standing, results and cash flows.

15.10.3. Inability to protect intellectual property.

Guarding against harm our intellectual property is crucial to our success. We use a variety of tools to identify and control potential risks and protect our intellectual property. These include applying for patents, trademarks, and other trademarks and copyrights to prevent copyright and trademark infringement. Despite our efforts, we may not be able to prevent third parties from using or selling without permission what we consider to be our own technology. All these measures provide only limited protection and our rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third parties can develop independent technologies that are essentially equivalent to or better than our technologies. The third party can reconstruct or obtain and use technology and information that we consider to be our own. Accordingly, we cannot protect our proprietary rights against unauthorized copying or third party use, which may have a negative impact 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 an effective protection of our intellectual property rights. This could have an adverse effect on our reputation, business, financial position, profits and cash flows.

We rely on the combination of protection provided by applicable laws and common rights, including the right of trade secret, copyrights, patents and trademarks, licensing agreements and non-disclosure, as well as technical measures for the creation and protection of our rights of property.

We may depend on a license of third-party technology that is part of our products and services. We are licensed for many third-party software products that are included in and/or distributed with our services and products. We strive to protect ourselves in the relevant agreements by obtaining rights in the event that such agreements are terminated.

This risk may occur, which may have a critical business impact on our reputation, business, financial condition, profit, cash flows, and planned earnings and operating profit. We classify this risk as a high risk.

15.10.4. Sirma's business strategy focuses on certain business models that are highly dependent on cyberspace. The crack of cyber security can have an adverse effect on our clients, our reputation, and our business.

The main cyber-security risks currently affecting Sirma include economic espionage and criminal activities, including, but not limited to, cyber-attacks against our servers and datacenter. A failure of our cybersecurity measures may expose our business operations and the provision of services at risk - for example, virtual attack, interruption, malfunction and/or unauthorized access. In addition, we may be subject to significant contractual and legal claims by customers, partners, authorities and third party service providers for damages, such claims could have an effect on our reputation, business, financial position, profits and cash streams.

To respond to growing threats to cybersecurity, Sirma is constantly adapting and changing its security procedures. We have many security measures, such as technical measures for IT security, identity and access management, as well as mandatory security and compliance training. In addition, our security management model clearly defines the security management responsibilities for all security areas in terms of product security and corporate security, enabling us to respond quickly to the identified cyber-security risks.

Although we still consider this risk as not probable, we cannot completely exclude the possibility that this risk has a business-critical impact on our business, financial condition, profit, cash flow, and reputation. We classify this risk as a medium.

15.10.5. We could encounter losses related to venture capital investments

We plan to continue investing in new and promising technology companies. Many such investments generate net losses and require additional costs from their investors. Changes in planned business operations in the past may in the future affect the performance of companies in which Sirma owns investments and which could have an unfavourable effect on the value of our investments and hence have an unfavourable effect on our business, profits and cash flows.

To address this risk, Sirma diversifies its portfolio and manages its investments actively. In addition, our venture capital activities have a limited scope.

We estimate that the probability of the risk is insignificant, however, if this risk occurs it can have an impact on our business, financial condition, profits, cash flows, as well as estimated earnings and operating profit, will be critically difficult for business. We classify this risk as low.

15.11. Risks related to Bulgaria

The group is located in Bulgaria and a significant part of the net income comes from Bulgaria. There are specific risks associated with investing in Bulgaria.

15.11.1. Emerging markets such as Bulgaria are subject to greater risks from more developed markets, and the economic crisis may have some significant effects on companies operating in emerging markets like Bulgaria, including the SGH.

Potential investors should pay particular attention while estimating the risks involved and must decide for themselves whether to consider these risks in order to consider the investments as appropriate. Generally speaking, investing in emerging markets is only appropriate for experienced investors who fully appreciate the significance of these risks.

Investors in emerging markets such as Bulgaria should be aware that these markets are at greater risk than those in more developed markets, including in some cases significant legal, economic and political risks. Investors should also keep in mind that emerging market conditions are changing rapidly and therefore the information contained in this document may become outdated relatively quickly. Moreover, the economic and particularly the financial crisis in any developing country may adversely affect the prices of securities, such as to cause the investors to shift money to more stable and developed markets. Also, even if the Bulgarian economy remains relatively stable, any financial problems in other developing countries could have an adverse effect on the Bulgarian economy.

As a result of the recent global financial and economic crisis that started in 2007, any financial problems or expectations of increased risks associated with investing in developing economies as a whole may affect foreign investment in Bulgaria and have an unfavourable effect on the Bulgarian economy. Moreover, possible financial crises can lead to a drastic contraction in the liquidity of companies operating in emerging markets due to the withdrawal of foreign financing or the reluctance of foreign investors to lend to borrowers in such emerging markets. Accordingly, investors should pay particular attention by assessing the risk of investing in the shares and must decide for themselves considering the risk whether their investments are appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks and are familiar with such investments, investors are also highly suggested to consult their legal and financial advisors before making investments in shares.

15.11.2. Bulgaria's economy remains vulnerable to external influence, including the recent global financial and economic crisis and those that may be caused by significant economic difficulties of its major trading partners or the more general "contagion" effects that could have a significant unfavourable effect on the economic growth of Bulgaria

As a small accessible economy, Bulgaria faces the risk of external shocks, as in the recent global economic crisis. A decline in the economic growth of Bulgaria's major export partners (such as Germany, Romania, Turkey, Italy and Greece) could have a significant negative impact on Bulgaria's export in the future and thus affect the economic growth of the country. Rising fuel prices reduced the competitiveness of the Bulgarian economy and its dependence on fuel imports increased the currency risk associated with fluctuations in the US dollar. Bulgaria relies mainly on the import of foreign capital to maintain its economic growth. Yet, despite the corporate tax rate of 10%, in the last few years after the global financial and economic crisis began, the reduction of foreign investment was significant. See also "Lower revenues from European funds can significantly reduce revenues, thus limit public finances in Bulgaria".

The response of international investors to events happening within a particular market may trigger a "contamination" effect in which a whole region or class of investment loses attractiveness to international investors. Thus, Bulgaria could be adversely affected by negative economic or financial developments in the other EU Member States (such as Greece, Italy, Portugal and Spain) or countries with credit ratings similar to those of Bulgaria. Following the recent global economic crisis what can be affected Bulgaria's economy, including gross domestic product (GDP), growth and employment levels, as well as the future state of the Bulgarian economy.

15.11.3. Lower income from European funds can significantly reduce revenues and hence restrict public finances in Bulgaria

To stimulate investment activity in the country, the Government of Bulgaria („the Government") relies on European funding from the Structural and Cohesion Funds. After the sharp decline in foreign direct investment (FDI), the onset of the global financial and economic crisis European funds have become the main source of FDI for the Bulgarian economy. Lower-than-expected transfers in the medium term can significantly reduce

Government revenues and hence reduce public finances, which may have an adverse effect on the Bulgarian economy.

Unfavourable macroeconomic conditions in Bulgaria, including rising unemployment and inflation, as well as fiscal instability, may have a material effect on the Group's business, its financial condition and/or the results of its operations.

15.11.4. The Group's activities depend on the macroeconomic environment in Bulgaria and they are partly influenced by FDI in the country and changes in inflation, exchange rates, unemployment rates, average wages and expected changes, as well as national fiscal and monetary policies.

Until 1989 the Bulgarian economy was administered by central authorities. After the end of the Communist regime in 1989, the subsequent governments pursued policies of economic reform and stabilization. These policies include price liberalization, reducing defence spending and government subsidies, privatization of state institutions, tax reform and the trade insolvency regime, currency stabilization and the use of measures to stimulate foreign investment. However, more than 20 years later, business in Bulgaria still has a limited history under free market conditions. Consequently, when compared to a business in countries with a developed market economy, Bulgarian business is characterized by a relative lack of management experience in market conditions, limited capital resources and low working efficiency.

The global financial and economic crisis has had an adverse effect on the economic environment in Bulgaria, mainly because of the decline in exports and the decline in the flow of foreign capital, slower investment activity, unemployment rates and external consumption.

15.11.5. The combination of the rise of inflation with high unemployment can threaten the growth of the Bulgarian economy and cause social and political shocks.

A major challenge for the Bulgarian economy is to ensure the fiscal stability of state's social security and the health system by measures aimed at reducing pressure on expenditures and increasing revenues in the medium and long-term. In the long run, the demographic structure in Bulgaria is expected to have a significant increase in the share of older people, which is a serious risk to fiscal sustainability and putting pressure on public pensions and healthcare costs. This process poses a challenge to the sustainability of public finances and requires adherence to a conservative fiscal policy in terms of budget balance, pension reforms and improving the quality of public spending on health care. In the event that the government cannot successfully implement such policies, this may have an unfavourable effect on the fiscal stability of public social security and health systems, the sustainability of public finances in Bulgaria and the overall economic activity.

Although the Bulgarian economy is better off than some of the more developed economies with positive GDP growth, low government debt: 16.3% of GDP in 2011 (Source: BNB), the government should further strengthen fiscal buffers in order to slower the deteriorating economic conditions and accelerate structural reforms in order to achieve a significant and sustainable recovery of growth, job creation and income. Failure to implement these policies may negatively affect the business environment in which the Group operates. The unfavourable macroeconomic conditions in Bulgaria may have a significant adverse effect on the Group's operations, financial condition and/or the results of its operations.

15.11.6. The political and social environment in Bulgaria can create more difficult business conditions for the Group

Since 1989, Bulgaria maintained a program of political and economic structural reform designed to create a free market economy through the privatization of state-owned enterprises and the deregulation of the economy. Bulgaria entered the North Atlantic Treaty Organization (NATO) on 29 March 2004 and then, on January 1, 2007, joined the European Union. Nowadays, Bulgaria has a functioning parliamentary democracy with government policy consistently focused on economic and political reforms in line with European practices.

The reform process remains slower than expected, and the EU keeps Bulgaria under close watch, constantly demanding reforms in the judiciary and more visible results from efforts to combat corruption and organized crime.

Currently, Bulgaria is the poorest country in the EU with a GDP per capita less than half its average for the EU-27 (Source: Eurostat). The worsening of economic conditions, in particular as a result of the global economic crisis, along with crime, periodically lead to street demonstrations and strike action. Any political instability in Bulgaria or increasing social dissatisfaction may exacerbate difficulties or aggravate business and the financial situation, which in turn may have a significant adverse effect on the Group's business and operations.

15.11.7. Legal risks may have a significant effect on the Group's business.

Bulgaria continues its efforts to adjust the legislative framework with EU law and practices, although progress is slower than desired, check item 15.10.9. "Changes in Bulgaria's relations with Western governments and institutions may have a negative impact on the economy and business of the Group". The practice of the judiciary and administration remains problematic, and those who rely on the Bulgarian courts to effectively resolve disputes over law and contract violations or property disputes often remain disappointed. Most of the Bulgarian legislation is aligned with EU but nevertheless, the Bulgarian legal system continues to develop, sometimes in directions that do not overlap with the development and implementation of legislation in the older EU Member States or with the needs of the market economy.

As widely discussed in the media and in various forums, the risks to the Bulgarian legal system are: the discussed lack of independence of the judiciary from political, social and commercial factors and corruption within the judiciary and state bodies; problematic and delayed execution of court orders and international arbitration decisions; inconsistencies between laws and regulations, the relative inexperience of judges and courts in the interpretation of new principles of law, in particular in relation to financial and commercial law; some weaknesses in insolvency proceedings.

As a result, the Bulgarian courts are not as effective in enforcing court decisions and settling disputes regarding statutory and contractual obligations, such as the courts in Western Europe.

Some or all of the above weaknesses may affect the ability of the Group to impose its legitimate rights or defend itself against claims from others. In addition, legal actions and prosecution are sometimes influenced by or used to support private interests. The Group may be a subject to such claims and may not be able to get a fair lawsuit. These risks may affect the Group's ability to establish its rights or to seek or obtain an effective remedy in the court, which may have a material adverse effect on the Group's operations, results and financial condition.

15.11.8. Taxation

Taxes paid by Bulgarian companies include withholding taxes, local (municipal) taxes, corporate profit tax, value added tax, excise duties, import and export duties and property taxes. The tax system in Bulgaria is still developing, resulting in contradictory tax practice, both at state and local level.

Some provisions of tax laws are vague, often lacking a unanimous or uniform interpretation of the law or a unified practice of tax authorities. Due to different interpretations of tax laws, the risk associated with Bulgarian tax laws may be greater than in other tax jurisdictions in developed countries. SGH cannot guarantee that the Bulgarian tax authorities or other competent tax authorities will not give a different, unfavourable interpretation of the tax provisions applied by the SGH and this may have an adverse effect on its business, financial condition and/or the results of its activities.

Investors should also take into account that the value of an investment in the Shares may be affected by changes in current tax legislation.

15.11.9. Changes in Bulgaria's relations with Western governments and institutions may have a negative effect on the Group's economy and business

The relations Bulgaria maintains with Western governments and institutions vary, and any change in these relations may have a negative effect on the Bulgarian economy. When Bulgaria's accession to the EU in 2007, it was agreed that further work is needed in key areas to overcome the shortcomings in judicial reform, the fight against corruption and the fight against organized crime.

The EU continued to be concerned about these issues, as well as specific breaches of obligations (for example, in relation to waste management, etc.). In addition, Bulgaria has problems with the acquired EU funds in the past, which has led to the loss of some tranches in the first years after accession.

According to the latest European Commission report, Bulgaria does not have independent institutions in the fight against corruption in government. The European Commission's assessment is that the challenge for Bulgaria is now to fill some key strategic flaws and ensure more consistent and effective implementation of the reforms.

According to the European Commission's report, the efforts to pursue a more sustainable and irreversible reform should be continued until there is process strong enough that external action by the European Commission is no longer needed.

Any deterioration in Bulgaria's relations with the EU, which in turn could limit the volume of EU funds transferred to Bulgaria, could have an adverse effect on the Bulgarian economy.

15.12. Risks relating to the shares

15.12.1. The market price of shares may be highly variable

The stock price of the new shares, as well as current shares, may be highly variable as a result of numerous factors, including changes in investors' forecasts and expectations regarding the financial and economic situation of the SGH and the results of its operations. Usually, the market value of the shares as a financial instrument is determined on the basis of supply and demand and their price may increase or decrease. Fluctuations (volatility) in the price of securities can result in a security cost being much less than in previous times. These price dynamics is particularly typical of the ordinary stock market whose stock prices may be subject to sharp fluctuations in response to publicly disclosed information about the issuer's financial performance, changes in legislation, expectations of an economic crisis, and decisions by the supervisor or other important events

15.13. Risks related to the Bulgarian securities market

15.13.1. Investors may have less information on the Bulgarian securities market that is available to companies in other securities markets.

There is still some difference in the regulation and supervision of the Bulgarian securities market (despite the implementation of EU directives in this area) and in the actions of investors, brokers and other market participants, compared to the markets in Western Europe and the United States. The Financial Supervision Commission monitors the disclosure of information and compliance with other regulatory standards on the Bulgarian securities market, compliance with the laws, and issues regulations and guidelines on disclosure obligations, securities trading in the presence of inside information and other matters. However, there may be less publicly available information on Bulgarian companies than is usually available to investors from public companies on other securities markets, which may affect the price of the shares.

15.13.2. The BSE is significantly smaller and less liquidity than the securities markets in some other countries.

The Bulgarian Stock Exchange is significantly smaller and has less liquidity than securities markets in some other countries, such as the US and Western Europe. This poses a risk, which is the potential for an investor to buy or sell in the short term the securities he wants on the secondary market. The sources of this type of risk may be different (very high market value of the shares, a small amount of so-called "free float" shares, lack of investor interest in the country and/or the particular company in particular, etc.)

At the same time, a very small number of companies represent a large part of the market capitalization and a significant part of the traded volumes on the BSE. Low liquidity also leads to other difficulties, such as excessive volatility, in a market that is also vulnerable to speculative activity, as liquidity is usually so low that prices can be manipulated by relatively small deals. Therefore, there is no guarantee that the shares will be traded actively, and if this does not happen, the volatility of their price may increase.

15.13.3. Additional funding through Shares, including through convertible or exchangeable bonds and other similar instruments, may have a "dilutive effect" for the shareholders of the SGH

The percentage share in the equity capital of the Shareholders' Equity Fund may be "diluted" also in case of future increases in the capital of SGH if the shareholders do not subscribe proportionally to their share of the new shares or are not part of shareholders group which have a primary subscription advantage. According to the Bulgarian legislation and the rules of the Bulgarian Stock Exchange, the Holding is obliged to offer the new shares of the current shareholders in accordance with their right to acquire a part of the new shares corresponding to their share in the capital before the increase.

Nonetheless, current shareholders may choose not to participate in a future issue of ordinary shares, which will lead to a "dilution" of their current participation in the SGH. See also on the dilutive effect of the Capital Offer "Offering – The Offering - Dilution".

"Dilution" of shareholders' participation in SGH can happen in cases where they, for some reason, have not exercised their right to subscribe proportionally convertible bonds, warrants and similar instruments that can be converted (exchanged for) shares of SGH and other holders of these instruments exercise their conversion (exchange) and acquire new shares of SGH.

15.13.4. Significant future sales of shares may affect their market price

If a significant amount of shares are offered for sale, the stock price of the shares may decrease. Sales of additional shares on the stock market after the offering may adversely affect the market price of the shares.

Sales of significant amounts of shares, or the expectation that such sales may occur, may affect the market price of the shares. Such sales may also cause the SGH to face difficulties in issuing new shares in the future when and at what price the holding considers appropriate.

15.13.5. There is no guarantee that cash dividends will be distributed to the shareholders

The profit distribution happens once from the profit of the holding are taken the taxes due and the deduction of the required statutory reserves. However, there is no guarantee that the SGH will distribute cash dividends to the shareholders (see Dividend Policy). The profit distribution decision is taken by the General Meeting of Shareholders of the Holding. It is possible that the Holding will not make a profit in any given year, and even if there is one, the General Meeting of Shareholders may not accept a decision to distribute it in the form of a dividend.

Any future dividend payments will depend on the profits and cash flow of the SGH, its dividend policy, its costs, and its investment plans.