

SIRMA GROUP HOLDING JSC

(incorporated as a Joint Stock Company under the laws of the Republic of Bulgaria, with principal office and address thereof at: 135 Tsarigradsko Shose Blvd., Sofia, entered into the trade register under UIC 200101236)

Public offering of 39,573,679 (thirty nine million five hundred and seventy three thousand six hundred and seventy nine) ordinary registered shares, with nominal value of BGN 1 and face value of BGN 1 per share

This document is a Prospectus for the public offering (the “**Offering**”) of the 39,573,679 new ordinary shares issued by Sirma Group Holding JSC (“**New Shares**” or “**Offered Shares**” respectively, “**Sirma Group Holding**”, “**The Company**” or “**Issuer**”), each with a nominal value of BGN 1 and a face value of BGN 1 (the “**Offering**”). The offer is made on the basis of a prospectus in the form of a single document, as referred to in Art.5, para 3 of Directive 2003/71 / EC of the European Parliament and of the Council (**Prospectus Directive**), which prospectus has been approved by the Financial Supervision Commission (**FSC**) pursuant to the Public Offering of Securities Act” (**POSA**). Immediately after the registration of the New Shares in the Commercial Register, the Central Depository AD and the FSC, an application for admission to trading of the New Shares shall be submitted to the BSE.

Investment in the securities presented in this Prospectus is related to the high risk inherent to all equity instruments, and to a risk related to the Company business. The risks which should be taken into account when deciding to invest in the Offered Shares are described in the “Risk Factors” section of this Prospectus.

The present Prospectus is not a proposal for subscription or call for offering subscription of the Offered Shares by persons in any jurisdiction where the placing of such an offer or an invitation to such persons would be unlawful. The public offering of the Offered Shares shall only take place on the territory of the Republic of Bulgaria.

The investors also acknowledge that: i) they shall not rely on First Financial Brokerage House EOOD (**FFBH**), or on any related persons, for the examination and analysis of the accuracy of any information contained in this Prospectus, nor for their investment decisions; ii) they shall rely solely on the information contained within the present document, and fully understand that no person has been authorized to present any information, or to make any declaration in relation to the Company or the Offered Shares (other than the ones contained in this Prospectus), and if any such have nevertheless been made, this different information or declarations shall not be considered approbated by the Company or by FFBH.

The date of this Prospectus is 29th May 2018

THE FINANCIAL SUPERVISION COMMISSION HAS APPROVED THIS PROSPECTUS BY DECISION NO. dated2018, WHICH FACT ALONE SHALL NOT BE CONSTRUED AS A RECOMMENDATION TO INVEST IN THE OFFERED SHARES. THE FINANCIAL SUPERVISION COMMISSION SHALL NOT BE HELD LIABLE FOR THE ACCURACY AND COMPREHENSIVENESS OF THE DATA CONTAINED IN THE PROSPECTUS.

LIABILITY FOR THE PROSPECTUS

“Sirma Group Holding”, in its capacity of an Issuer of the securities, and investment intermediary First Financial Brokerage House EOOD, in its capacity of Manager of the Offering (“**Manager**”), hereby assume liability for the completeness and accuracy of the information contained in the Prospectus. The Board of Directors of the company and the manager of FFBH hereby declare that, to the best of their knowledge, the present Prospectus contains all the information about the Company which is material in the context of the Offering and nothing that may reflect on its accuracy or completeness has been omitted. In addition, pursuant to Article 81, paragraph 2 of the Public Offering of Securities Act, the company’s representatives and First Financial Brokerage House EOOD hereby declare that the Prospectus is in compliance with all legal requirements. They trust the opinions, presumptions and intentions contained in the present Prospectus in relation to the Company, as these have been reached having taken into account all important circumstances on the basis of reasonable assumptions.

The members of the Board of Directors of the Company and FFBH, through their representatives, shall be jointly and severally liable for any and all damages that may have been caused by wrong, misleading or incomplete data included in this Prospectus. The persons responsible for the preparation of the Financial Statements (see “*Additional Information – Preparation of the Financial Statements*”) shall be liable, jointly and severally with the persons referred to in the preceding sentence, for any and all damages caused by wrong, misleading or incomplete data in the Company’s financial statements, and the Company’s auditors (see “*Additional Information – Independent Registered Auditors*”) shall bear liability for damages caused by the issued auditor’s reports on the Company’s financial statements audited by them. In view of the aforementioned, the above persons have declared in writing the relevant circumstances as per Article 81, Paragraph 5 of the Public Offering of Securities Act and have duly submitted these declarations to the Financial Supervision Commission. Data for the persons referred to in Article 81, Paragraph 5 of the Public Offering of Securities Act is set out in the end of the present document.

IMPORTANT INFORMATION

Capitalized terms used in the present Prospectus, which are not otherwise defined in the document, shall have the meaning attributed to them in “*Abbreviations and Definitions*”. “*Abbreviations and Definitions*” shall also contain an explanation of certain terms used in the Prospectus.

Unless otherwise stated or implied, in this Prospectus the terms “we”, “us”, “our” and the like will refer to “Sirma Group Holding” JSC.

Unless otherwise stated, any reference to statements concerning the expression of assurance, knowledge, expectations, forecasts and opinions of the Company or of the management shall refer to the Board of Directors.

Neither the Company, nor FFBH provide any warranty on the lawfulness of investment in the Offered Shares on the part of any investor.

The present Prospectus is intended to provide information to potential investors within the context - and for the sole purpose - of assessing a possible investment in the Offered Shares subject of this document. It contains selected and summarized information and does not express commitment or acknowledgment, or waiver of a right, nor does it attribute any rights, direct or indirect, to any person other than a potential investor in the context of the Offering. The Prospectus may not be used otherwise except in relation to the promotion of the Offering. The contents of the present Prospectus shall not be regarded as an interpretation of the Company’s obligations, of the market practice or of the contracts concluded by the Company.

Potential investors are expressly informed that investment in the Offered Shares entails financial risk; hence, they should read the present Prospectus in its entirety and pay heed to the “Risk

Factors” section, when considering an investment in the Offered Shares. When making an investment decision, potential investors must rely on their own survey and the information contained in the Prospectus, including the benefits and risks related to investment in the Offered Shares.

Any decision for investments in the Offered Shares should only be based on the present Prospectus (and any appendices to it), bearing in mind that any summary or description contained in the present Prospectus, or legal provisions, accounting principles or comparison of such principles, and details pertaining to the corporate structure are meant for informative purposes only and should not be regarded as legal, accounting or tax consultation for the interpretation or application of such provisions, information or relations.

With the exception of the cases provided for in imperative legal provisions, no person is authorized to submit information or make representations in relation to the Offering, other than the ones contained in this Prospectus and if any such are submitted, the said information or representation shall not be deemed provided with the authorization of the Company or FFBH.

The Company has filed for approval the Prospectus to the Financial Supervision Commission. The Prospectus has been drafted in compliance with the Public Offering of Securities Act, Regulation No 809/2004 and other applicable legal acts which regulate the public offering of securities in Bulgaria.

The contents of the present Prospectus shall not be regarded as a legal, financial or tax consultation. The investors are recommended to consult their own legal consultant, independent financial consultant or tax consultant on legal, financial or tax issues.

Neither the submission of the present Prospectus, nor any offering, sale or transfer made on the basis hereof after the present date, shall under any circumstance bring about the presumption that changes have not taken place in the condition of the company after the present date, or that the information presented in this Prospectus is in its entirety up-to-date towards any date after the Prospectus date.

In relation to the Offering, the Manager, acting as an investor on his own account, may acquire Shares and may, in this capacity, retain, purchase, sell, offer for sale or otherwise dispose on his own account of these securities, other securities of the company or other related investments in relation to the Offering or otherwise. The Manager does not intend to reveal the amount of such investments or transactions otherwise, except in compliance with legal obligations to do so.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise set out, the financial information in this document is drawn up in compliance with the International Financial Reporting Standards (“IFRS”).

Anyone considering the acquisition of Shares shall rely on their own survey of the Issuer, the conditions of the Offering and on the financial information in this document.

Certain data contained in this document, including financial information, has been subject to rounding and approximation. In this respect, in certain isolated cases, the amount of the numbers in a column or line in tables, or percentage calculations contained in this document, may fail to accurately match the total figure written in the respective column or line.

PRESENTATION OF MARKET AND ECONOMIC INFORMATION

The market, economic and industrial information used in this document has been derived from different professional and other independent sources. The accuracy and completeness of such information are not guaranteed.

The information contained in this document, which relates to the industry, in which the company and its competitors operate (which may include evaluations and approximations), has been derived from

publicly accessible information, including publications and announced information in accordance with the requirements of the effective securities legislation and other legal instruments. The Company hereby acknowledges that such information is correctly reproduced from its sources and, to the best of its knowledge and as far as it is able to establish, no facts are omitted which could present the reproduced information in an inaccurate or misleading way. Nevertheless, the Company has relied on the accuracy of this information, without conducting an independent investigation. Certain information in this document regarding Bulgaria, is derived from documents and other official, public and private sources, including such from players on the capital markets and in the financial sector in Bulgaria. One should not consider that there is complete unanimity in the presented information across these sources. In relation to this, the Company shall only assume liability for the correct reproduction of extracts from the respective sources of information. The Company shall not assume additional or any other liability with respect to the reproduced information.

INFORMATION FROM THE WEB PAGE OF THE COMPANY

Except for the documents, which the prospectus refers to, the contents of the company's webpage do not constitute a part of this Prospectus.

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SUMMARY

Section A – Introduction and Warnings. Disclaimers.															
A.1.	The present summary shall be considered as an introduction to this Prospectus. It contains information which may also be found in other sections of the Prospectus. It should be emphasized that this summary is not exhaustive and does not present all the information which is material for the potential investors in order to decide whether or not to invest in the Offered Shares. Before making an investment decision, the potential investors must carefully read through the entire Prospectus. In case that an investor brings a claim with respect to information contained in the present Prospectus, the investor-plaintiff may have to assume the costs for the translation of the Prospectus before the commencement of the judicial proceedings. The persons who have drawn up the Summary bear civil-law liability in case that it is misleading, inaccurate, incongruent with the remaining parts of the Prospectus or, when read together with the other parts of the Prospectus, not providing the key information which would help investors to decide whether to invest in the securities.														
A.2.	<p>Consent - on the part of the issuer or of the person responsible for the drawing-up of the prospectus - to the use of this Prospectus upon a subsequent resale or final placement of securities carried out by financial intermediaries.</p> <p>It is not applicable to the present issue and therefore there is no consent granted on the part of the issuer or of the person responsible for the drawing-up of the prospectus, to the use of the prospectus by third parties in relation to a subsequent resale or final placement of securities by investment intermediaries.</p>														
Section B – Issuer															
B.1. B.2.	<p>Firm and registered name, seat and legal form of the Issuer. Governing legislation and country of registration.</p> <table> <tr> <td>Name and legal form:</td><td>„Sirma Group Holding” JSC</td></tr> <tr> <td>Principal office and address thereof:</td><td>Sofia, 135 “Tsarigradsko Shosse” Blvd.</td></tr> <tr> <td>Telephone:</td><td>+359-2-976-8310;</td></tr> <tr> <td>Fax:</td><td>+359-2-974-3988;</td></tr> <tr> <td>Website:</td><td>http://www.sirma.bg</td></tr> <tr> <td>Email:</td><td>office@sirma.bg</td></tr> <tr> <td>Unified Identification Code:</td><td>200101236</td></tr> </table> <p>The Company is registered as a joint stock company in the Commercial Register at the Registry Agency on 25.04.2008. The existence of the Company is not limited in time pursuant to the provisions of the Articles of Association.</p> <p>The Company is public and functions under the Bulgarian legislation, in accordance with the Public Offering of Securities Act, the Commercial Act, the respective statutory instruments, and as per the provisions of the Articles of Association and other internal acts, as well as in compliance with the applicable European legislation.</p>	Name and legal form:	„Sirma Group Holding” JSC	Principal office and address thereof:	Sofia, 135 “Tsarigradsko Shosse” Blvd.	Telephone:	+359-2-976-8310;	Fax:	+359-2-974-3988;	Website:	http://www.sirma.bg	Email:	office@sirma.bg	Unified Identification Code:	200101236
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Website:	http://www.sirma.bg														
Email:	office@sirma.bg														
Unified Identification Code:	200101236														
B. 3.	<p>Description of the nature of the main activity and current operations of Issuer and the related key factors, which outlines the main categories of sold products and/or services and the key markets, on which the Issuer competes</p> <p>The companies belonging to the „Sirma Group Holding“ JSC economic group form the largest ICT company in Bulgaria, with over 25 years of history. A regional leader in the field of information technologies, the company boasts a large number of own, innovative technologies, a diversified product portfolio and a growing market share in Europe and North America. „Sirma Group Holding“ JSC is a holding company and as such, its main activity is related to the strategic and operational management of investments in companies, which develop information technologies and to which it renders management, administrative, legal,</p>														

marketing and financial services. The responsibilities of the holding company may be summed up along the following main axes: strategic management; financial management, legal and administrative services; the general management of operations, including management of intellectual property, human resources, marketing and brand management. The Sirma Group encompasses more than 20 companies in this country and abroad, which operate along 7 business verticals: Core technologies (which form the basis for the remaining solutions of the group); Cross-Industry solutions; Finance; Market information, Publishers and Cultural Heritage; Industrial Software; Healthcare and Life sciences, and Retail.

Core technologies / SENPAI: Unifies the main semantic and AI technologies of the Group. The technologies, which form this segment are – GraphDB, Text and Data Management, Sirma Enterprise Interactive Platform, Computer Vision and Knowledge and Marketing Cloud Services.

Cross-industry solutions: System integration; Full range of solutions for the outsourcing of IT of organizations; Provider of cloud services and infrastructure with a certified datacenter; cyber-security solutions; Sirma Enterprise Platform (SEP) – an open code platform for intelligent management of organisations and documents with LOW CODE for personalization.

Financial segment: Services for the financial sector, with teams and expertise for the provision of solutions from leading software and consultancy companies, as well as implementation of globally popular systems, such as “FlexCube” by Oracle Corporation and “T24 Core Banking” by Temenos. Within the Group, numerous own solutions based on leading software technologies, as well as a system for their integration, are being developed; Provider of a cloud-based platform for insurance brokers and software services and solutions for insurance companies.

Market information, publishers and cultural heritage: Semantic software solutions for the management of data and analysis of information for media, newspapers, academic publishers and business and investment information agencies.

Industrial software: Provider of CAD/CAM solutions for the packaging industry; Provider of products and solutions for the measurement industry; OEM partner (industrial machine software) for the provision of machines for the measurement industry.

Healthcare and life sciences: Software applications for the management and control of chronic disease; Product for chronic disease monitoring (diabetes -Diabetes M); Analysis of clinical research reports and data integration for medical and pharmaceutical companies and health insurers.

Retail: Among the leading face recognition solutions; Solutions and services based on machine learning algorithms; Program-management platform for loyal clients.

Key ratios of “Sirma Group Holding” JSC (2015 – 2017)

Indicator	2017	2016	2015
Revenues (BGN'000)	52 036	41 583	33 977
Profit from operating activities (BGN'000)	7 794	4 331	2 848
Profit before taxes (BGN'000)	7 184	4 193	2 574
Net profit (BGN'000)	6 190	3 669	2 215
Profit per equity holders of the parent company (BGN'000)	4 300	2 370	1 626
Assets (BGN'000)	132 535	119 989	112 268
Investment costs (BGN'000)	23 488	39 632	19 592
Number of employees on LC (average)	354	340	319

Source: Audited consolidated annual financial statement for 2017; Reclassified consolidated annual financial statements for 2016 and 2015; information from the Company

The Group achieves a considerable portion of its sales on foreign markets. During 2017, almost half (49%) of the consolidated revenue of Sirma Group Holding was generated from export. The main areas where Sirma Group realizes foreign sales are North America, UK and Europe. According to the Strategy for Development of the Group, the share of revenue from exports is to grow.

B. 4a

Current trends affecting the Issuer and its scope of activity.

	<p>The Issuer is not engaged in any production activity. The trends, which have influenced the Group's activity during the last fiscal year, are also trends which may be observed throughout the sector on the domestic and international level, as described in the "OVERVIEW OF THE INDUSTRY" section. There are no other significant trends, which the Issuer considers as impactful on his activity following the end of the last financial period up to the date of the present document.</p>
B. 4b.	<p>Description of all known trends affecting the Issuer and the industries, in which the Company is active.</p> <p>Not applicable.</p>
B. 5.	<p>Business structure of the Group</p> <p>The Group consists of quasi-independent companies, in which "Sirma Group Holding" JSC owns the controlling share of capital. The holding is the main company in the group and also the mother-company. As a rule, it controls with more than 50% of the members of management bodies of all companies belonging to the group and determines their development and investments, approves their budget and renders legal, financial and administrative services and controls the marketing and HR policies.</p> <p><u>Organigram of the Group's business structure</u></p> <div><p>Organization chart</p><div><p>Expertise</p><p>AI, cyber-security, Big Data, Text analysis and Semantic technologies, Industrial automation, Internet of things, Cloud solutions, Consulting services, Mobile technologies</p></div><div><p>Holding Functions</p><ul style="list-style-type: none">• Strategic and business planning;• Financial management and accounting;• HR;• M&A and restructuring;• Legal services;• Group and subsidiary-company management;• Strategic development;• Business incubator;• Marketing;• Auditing and security;• Corporate communication;• Investor relations;• Administrative and technical services.</div><div><p>Geographic Regions</p><ul style="list-style-type: none">• Bulgaria,• USA,• EU,• UK,• Canada,• Brazil,• Albania,• Near East.</div><div><p>Sirma Group Holding</p><p>Board of Directors</p><p>Executive Director</p><div><div><p>Sirma Solutions</p><p>Sirma BC</p><p>Daticum</p><p>Sirma ICS</p><p>Sirma Software Inc.</p><p>S&G Technology</p></div><div><p>Ontotext</p><p>Ontotext USA</p><p>USA</p></div><div><p>EngView Systems</p><p>EngView USA</p><p>EngView Brazil</p></div><div><p>Sirma Enterprise Systems</p></div><div><p>Sirma Medical Systems</p></div><div><p>Sirma Group Inc. aka Sirma USA</p><p>Sirma Sha</p></div></div></div><p>Sales and Markets</p><div><p>Core /SENPAI</p><p>Finance</p><p>Cross Industry</p><p>Market Intelligence and Publishing</p><p>Industrial Solutions</p><p>Healthcare & Life Sciences</p><p>Retail & Utility</p></div></div>
B. 6.	<p>Persons having a direct or indirect interest in the issuer’s capital or voting rights, whose communication is required by the issuer’s national law, as well as the extent of such parties’ interest. Voting right of the main shareholders. Direct and indirect control.</p> <p>Major shareholders, i.e. persons, who directly own more than 5% of the total number of General Assembly votes are: Ognjan Plamenov Chernokozev, with business address: Sofia, “Tsarigradsko Shosse” Blvd. № 135, directly holding 3 731 620 shares with nominal value of BGN 1 each, amounting to BGN 3 731 620, which represents 6.29% of the total equity capital of the Issuer; and Veselin Anchev Kirov, with business address: Sofia, “Tsarigradsko Shosse” Blvd. № 135, directly holding 4 700 786 shares with nominal value BGN 1 each, amounting to BGN 4 700 786, which represents 7.92% of the total equity capital of the Issuer.</p> <p>At the date of this Prospectus, the members of the Board of Directors, who own directly at least 5% of the shares of the Company are as follows:</p> <p>Shareholders</p>

		Number of shares at 31.12.2017	Number of shares at 31.12.2016	Number of shares at 31.12.2015	Nominal (BGN)	Value (BGN)	Percentage of capital toward 31.12.2017	Percentage of capital rights toward 31.12.2017*
Georgi Marinov	Parvanov	5 257 402	5 257 402	5 250 686	BGN 1	5 257 402 .	8.86%	8.93%
Tsvetan Alexiev	Borisov	4 851 376	5 252 376	5 250 686	BGN 1	4 851 376	8.17%	8.24%
Chav dar Dimitrov	Velizarov	4 750 786	5 250 786	5 250 686	BGN 1	4 750 786	8.00%	8.07%
<i>**“Percent of equity capital“ is the percentage ratio between the owned number of shares of the capital and the total number of shares of the company capital, where own shares eventually held by the company are excluded from the account. The term „percent of equity rights“ denotes the net participation from bought-back own shares and is the percentage of all rights, which the share provides: the right to participation in the profit (right to dividend), the right to preferential acquisition of new shares upon capital increase of the company, the right to a liquidation share of the assets upon liquidation of the company – in the instance of liquidation of the company, the assets which remain upon satisfaction or securitization of receivables of the company creditors , are disbursed among the shareholders proportionately to their share of the equity capital.</i>								
There is no other person holding directly or indirectly 5 or more than 5 per cent of the total number of votes at the General Assembly.								
None of the above-listed shareholders has different/special voting rights in the General Assembly of the Issuer.								
The Issuer is not owned/controlled directly or indirectly.								

B. 7.	Selected key financial information re the Issuer for past periods		
The tables below present selected financial data as at 31 December 2017, 2016 and 2015, derived from the audited annual financial statements for 2017, 2016 and 2015.			
Statement for the profit or loss and other comprehensive income			
BGN'000	2017	2016	2015
		Reclassified	Reclassified
Total revenues	52 036	41 583	33 977
Staff expenses	-20 760	-19 101	-16 369
Operational expenses	-23 482	-18 151	-14760
Total expenses	-44 242	-37 252	-31 129
Operating profit / loss	7 794	4 331	2 848
Financial income / costs net	-610	-138	-274
Profit / (Loss) before taxes	7 184	4 193	2 574
Income tax expense / Revenue from income taxes	-994	-524	-359
Profit / (Loss) for the year from continuing operations	6 190	3 669	2 215
including profit of non-controlling interest	2 036	1 352	786
including loss of non-controlling interest	-146	-53	-197
including profit per equity holders of the parent company	4 300	2 370	1 626
Basic earnings per share (BGN)	0.0730	0.0401	0.0274
Other comprehensive income	-2 634	925	3 786
including other comprehensive income of the non-controlling interest	-510	176	810
including other comprehensive income of equity holders of the parent company	-2 124	749	3 517
Total comprehensive income	3 556	4 594	6 542

including total comprehensive income of the non-controlling interest	1 380	1 475	1 399
including total comprehensive income of equity holders of the parent company	2 176	3 119	5 143
Basic earnings per share, incl. other comprehensive income (BGN)	0.0367	0.0525	0.0866

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

Statement of financial position

BGN'000	31.12.2017	31.12.2016 Reclassified	31.12.2015 Reclassified
Assets			
Non-current assets			
Intangible assets	48 471	47 571	36 800
Goodwill	19 540	19 540	19 540
Property, plant and equipment	5 214	3 473	3 594
Investments in subsidiaries	222	7	40
Investments in associates	236	242	276
Deferred tax assets	198	201	200
Expenditure on acquisition of fixed assets	36 737	18 429	14 988
Non-current assets	110 618	89 463	75 438
Current assets			
Inventories	2 576	766	892
Trade receivables	9 098	8 601	7 144
Receivables from related parties	2 460	2 270	1 633
Tax receivables	386	311	128
Other receivables	1 114	526	565
Prepaid expenses	164	134	104
Cash and cash equivalents	6 119	6 075	11 176
Current assets	21 917	18 683	21 642
Assets and disposal groups classified as held for sale	0	11 843	15 188
Total assets	132 535	119 989	112 268
BGN'000	31.12.2017	31.12.2016 Reclassified	31.12.2015 Reclassified
Equity			
Main / Share Capital	59 361	59 361	59 361
Changes resulting from purchased own shares	-475	-262	0
Reserves	6 826	8 279	7 083
Retained earnings / (Accumulated loss) from previous years	15 513	9 862	7 990
Total capital attributable to the owners of the capital of the parent company	81 225	77 240	74 434
Non-controlling interest	25 221	24 961	23 669
Total equity	106 446	102 201	98 103

Liabilities

Non-current liabilities

Provisions	177	196	151
Long-term loans	1 924	437	510
Finance leasing	199	240	278
Obligations to suppliers	28	35	8
Financing	159	159	89
Deferred tax liabilities	1 335	1 124	1 131

Non-current liabilities	3 822	2 191	2 167
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Current liabilities

Provisions	714	711	698
Pension and other obligations to the staff	1 434	1 731	1 043
Short-term loans	8 452	2 966	1 588
Finance leasing	41	42	66
Trade and other payables	4 815	6 792	5 247
Short-term payables to related parties	1	1	16
Tax obligations	1 078	730	538
Duties on advances	2 583	1 676	1 892
Deferred income and financing	414	452	635
Obligations participations	2 735	496	275

Current liabilities	22 267	15 597	11 998
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Total liabilities	26 089	17 788	14 165
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Total equity and liabilities	132 535	119 989	112 268
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Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

Cash Flow Statement

BGN'000	2017	2016	2015
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Operation activity

Cash receipts from customers	59 754	43 674	34 369
Payments to suppliers	-32 371	-23 532	-13 748
Payments to employees and social security institutions	-15 905	-14 029	-11 994
Cash flows related to interest, dividends and similar	-193	-40	0
Income tax payments	0	0	-15
Paid and refunded income tax	-249	-475	-284
Positive / negative differences from foreign exchange operations	-100	0	0
Other receipts / (payments), net	-2 320	-1 272	-1 134

Net cash flow from operating activities	8 616	4 326	7 194
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Investment activity

Payments for acquisition of property, plant and equipment	-2 483	-889	-2 018
Proceeds from the sale of property, plant and equipment	0	3	621
Sale of subsidiaries	0	15	0
Acquisition of subsidiaries	-181	0	0
Acquisition / Sale of intangible assets	-1 542	-9 392	-6 251
Loans, deposits	387	55	2
Payments on loans	-401	-151	-120

	Cash flows associated with investment deposits	0	-5	
	Interest payments on loans	-4	-25	-16
	Other	-33	-158	-109
	Net cash flow from investing activities	-14 257	-10 547	-7 891
	Financing activity			
	Received or provided loans	-892	1 667	528
	Loans payables	7 603	-369	-2 892
	Cash flows from issuance and reacquisition of securities	5	129	11 424
	Proceeds from interest, dividends and similar	-885	-84	-125
	Payments under finance leases	-99	-105	-64
	Cash flows from positive and negative foreign exchange differences	-5	-91	7
	Other	-42	-27	-8
	Net cash flow from financing activities	5 685	1 120	8 870
	Net change in cash and cash equivalents	44	-5 101	8 173
	Cash and cash equivalents at beginning of year	6 075	11 176	3 003
	Cash and cash equivalents at end of year	6 119	6 075	11 176
	<i>Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015</i>			
	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)			
	The table below presents the information about the Earnings Before Interest, Taxes, Depreciation and Amortization of the Company for the periods indicated.			
	BGN'000	2017	2016	2015
	EBITDA	15 363	12 424	9 664
	<i>Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015</i>			
B.8.	Selected key pro-forma financial information specified as such The current Prospectus does not include pro-forma financial information.			
B.9.	Profit forecasts The present prospectus does not include profit forecasts and evaluations.			
B.10.	Description of the nature of all qualifications in the auditor's report on the financial information for past periods. The audit reports do not contain qualifications.			
B.11.	In the event that the Issuer's working capital is not sufficient to satisfy the current requirements, an explanation for this shall be attached thereto. Sirma Group Holding JSC has good short and medium term visibility regarding its revenue and respective need for working capital capital. Furthermore, historically, the levels of working capital are relatively low. The Group traditionally uses internal resources to fund its activity, and may use debt financing for its investment program, when necessary. The Issuer maintains low levels of interest bearing and non-interest bearing liabilities. The Board of Directors declares that, to the best of their knowledge, "Sirma Group Holding" JSC has sufficient means in the form of cash and short-term financing to cover of the current needs of the Company.			
B.12 – B.50.	Not applicable.			

Section C – Securities	
C. 1.	<p>Description of the offered securities by type and class</p> <p>The subject of initial public offering are 39 573 679 ordinary, registered, immaterial shares of the capital of the Company. The shares of this issue are of the same class as the Company shares already issued and bestow equal rights on their holders. The shares from the present issue, as well as the shares already issued by the Company, will bear the ISIN code BG1100032140.</p>
C. 2.	<p>Currency of the issue of securities.</p> <p>The price of the securities is denominated in Bulgarian Leva (BGN). The nominal and emission value of the Offered Shares is 1 (one) BGN.</p>
C. 3.	<p>Number of the shares issued and fully paid and issued but not fully paid. Par value of a share.</p> <p>The share capital of “Sirma Group Holding” JSC, according to the last audited Annual Report amounts to BGN 59 360 518. The capital is distributed into as many ordinary, registered immaterial shares, each having a par value of BGN 1. All shares are paid in full in cash and contribution in-kind of assets.</p>
C. 4.	<p>Description of the rights arising from the holding of the securities.</p> <p>Pursuant to the Public Offering of Securities Act and the Company’s Articles of Association, the property and non-property rights of the holders of Shares include in particular:</p> <ul style="list-style-type: none"> ▪ <u>Right of disposal of shares</u> – free disposal upon observance of the procedure legally determined for this purpose. Restrictions on the transfer, as stipulated for physical securities in the Commercial Act, shall not apply to their disposal, and the validity of their transfer shall depend on its registration with the depository institution; ▪ <u>Right of participation in the General Assembly and exercising of the right to vote</u> – such right is vested in any person registered as a shareholder in the registers at the Central Depository 14 days prior to the date of the General Assembly; ▪ <u>Right of pre-emptive (preferred) acquisition of new shares upon an increase of the Company capital</u> – every shareholder shall be entitled to acquire new shares, <i>pro rata</i> to the quantity of shares held by him immediately prior to the increase; ▪ <u>Right to require information about the Company at the General Assembly</u> – answers shall be provided to all questions put forth by shareholders at the General Assembly regarding the economic and financial condition and the commercial activity of the Company, except those related to any circumstances representing insider information; ▪ <u>Right of defence against decisions of the company and defence of the shareholders’ rights</u> – in compliance with the Commercial Act; ▪ <u>Right of participation in the profit (right to dividend)</u> – the right to receive dividends is vested in the persons, registered in the registers of the Central Depository as shareholders of the Company on the 14th day after the date of the General Assembly, on which the annual accounting statement has been approved and a decision for profit distribution has been duly taken; ▪ <u>Right to liquidation quota from the assets upon liquidation of the Company</u> – in case of liquidation of the Company the assets, remaining after the satisfaction or securitization of the receivables of the Company’s creditors, are distributed among the shareholders proportionately to their share in the equity capital; ▪ <u>Right to an invitation and materials related to the agenda of the convened General Assembly provided in advance</u> – the Company is obliged to announce the invitation in the Commercial Register and to announce it to the public in the appropriate manner at least 30 days prior to the date of the General Assembly. The invitation and

	<p>the materials pertaining to the General Assembly shall stay published on the Company for the entire period from date of announcement at the Commercial Register until the end of the meeting;</p> <ul style="list-style-type: none"> ▪ Buy-back and converting –during any calendar year, the public Company may acquire more than 3 percent of its own voting shares in the instance of capital decrease through cancellation of shares and buy-back only under the terms and procedure of a tender offer as per Art. 149b of POSA. The Company may issue bonds which may be converted into shares / convertible bonds / in full adherence to the shareholder priority rules. ▪ <u>Rights of the minority shareholders</u> – the shareholders holding jointly or severally at least 5% of the shares have: <ul style="list-style-type: none"> ○ The right to bring the Company’s claims against third parties in case of failure of its bodies to act and right to bring claims against its bodies for damages caused to the Company; ○ Right to request convening of the General Assembly and inclusion of issues or draft-resolutions on issues already included in the agenda; ○ Right to demand the appointment of controllers of the Company who will check its entire financial documentation and prepare a report on their findings.
C. 5.	<p>Description of possible restrictions of the free transferability of the securities.</p> <p>All shares of the Company belong to a single class – ordinary, immaterial and freely transferrable shares, each entitling to one vote. Pursuant to the relevant effective legislation, the Offered Shares can be freely transferred. Pursuant to Article 3 of the Public Offering of Securities Act, the shares of the public company are immaterial and the restrictions for transfer, provided in the Commercial Act for physical shares, do not apply to their transferability. Their transfer is effective from the moment of their registration with the Central Depository AD.</p> <p>The Bulgarian legislation provides for restrictions on the transfer of shares blocked in the depository institution, as well as of such, over which a pledge has been established or a distraint has been imposed.</p>
C. 6.	<p>Information whether the securities being offered are - or will be - subject to an application for admission for trading on a regulated market, as well as all regulated markets, on which the securities are - or will be - traded.</p> <p>The regulated market, on which an issue of shares of the same class as the Offered Shares of the increase of the capital of the Company is admitted, is the Bulgarian Stock Exchange-Sofia AD, Share segment “Premium”. 59 360 518 shares of the same class are admitted to trading on this market, which represent the Issuer’s equity capital as registered in the Commercial Register.</p> <p>The Offered Securities will be offered for admission to a regulated market only on the territory of the Republic of Bulgaria after the approval of the present Prospectus by the Financial Supervision Commission and the respective resolution of the management body of Bulgarian Stock Exchange-Sofia AD.</p>
C. 7.	<p>The Company dividend policy</p> <p>The dividend policy of “Sirma Group Holding” JSC depends on the suggestions of the Board of Directors in respect to the distribution of dividends. They may be influenced by the following factors: the volume of net profit according to the financial statements of the Issuer; the current expenses and the existence of debt financing; the requirements for capital expenditures requirements of the Issuer; planned acquisitions and the relevant legislation. The suggestion of the Board of Directors shall also depend on the share of external financing and the equity capital of the Issuer.</p>
C. 8. – C. 22.	Not applicable.

Segment D – Risks

D. 1.

Key risks, specific for and inherent to the Issuer or his industry.

Investment in the New Shares is exposed to a number of risks, which may negatively affect the business, the financial condition, the fruits of activities, or the growth prospects of the Issuer and may impact negatively the value of his shares. We present the risks, which the Company considers material in the context of the current circumstances:

Risk related to intense competition: The operations of Sirma Group Holding are under pressure of intense competition from local players, as well as from international IT companies. Global-reach corporations are continuously gaining momentum, as they enjoy quick access to innovative technology solutions and cheaper resources, which fact allows their more efficient funding of large-scale contracts.

Risk related to technological changes and new product development: The IT sector is characterized by swift development of new solutions and technologies, which shorten the products' life cycle. Therefore, the future success of Sirma Group depends to a large extent on its ability to incorporate the latest technological solutions in the products and services which it provides.

Risks before the business strategy: The market launch of new solutions may not go as planned and the strategy of the Company for new business models and flexible consumer models may not be successful, due to client decision to wait for references, which may lead to slower acceptance of new and innovative solutions, technologies, business models and flexible consumer models, or non-acceptance of certain such.

Technology saturation risk: Technological saturation already emerges in banks and private enterprises and may prompt them to focus their strategies on smaller or medium-sized IT projects that will meet their actual needs.

Risk related to public sector procurement: A feature of the IT business is that some of the government procurement contracts are won through tender procedures. Therefore, it is uncertain whether the companies of the Group will be able to win such new contracts, which would provide sufficiently high and satisfactory revenues in the future.

Risk of reliance on key clients: Execution of contracts with key clients will greatly influence sales revenue generated by some of the Group's companies in the coming years.

Human Resources Risks: The Issuer is heavily dependent on the ability to attract, retain and motivate employees. An uncertainty exists in the possibility of employing staff with the necessary training at an acceptable cost.

Financial risks: Sirma's revenues and operating results may vary and change, sometimes significantly, from quarter to quarter, making them difficult to predict.

Project Risks: The Group's services and solutions are sometimes implemented jointly with partners or clients, or a combination of both. As a result, changes in functional requirements, schedule delays, or deviations from recommended best practices may occur in the course of a project.

Risk of product and service security breaches: A system or systems run by Sirma itself to provide 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.

Risk of changes to Sirma's rights to use software and technology licensed by third parties: Sirma is licensed to use many technologies and uses some open-source software components which have become the basis of the market portfolio. The company depends on these technologies for the functionality of their own software or cloud services.

Risk of intellectual property rights claims and / or open-source utilization claims for the Group's components, which are based on open code: Sirma believes that there is a growing risk of claims for intellectual property offenses, as the number of technologies and products in the segment in which the group operates is growing. Claims, whether reasonable or unjustified, as well as negotiations and disputes relating to such claims, could exclude the use of certain technologies from the services and products which the Group offers.

Sirma may not be able to obtain protection for its own intellectual property: The protection and safeguarding of the intellectual property is important for the Group. Sirma identifies and controls potential risks and protects its intellectual property, including through patent applications, trademarks, and other brands and copyrights.

Risk of impairment of the Group's assets: The risk of impairment of assets is reflected in the possibility of reducing the book value of the Group's assets, which could lead to the realization of a current negative financial result.

Risk of inaccurate valuation of the Group's assets: The Group's major assets are intangible due to the nature of the segment. Their book value reflects the costs incurred for their acquisition, incl. development, as well as the issuer's judgment on the development potential (the expected economic benefits) which they bear. In the information technology sector with its rapid development, the successful realization of a given product (intangible asset) is uncertain.

Sirma could realize losses associated with venture capital investments: Sirma plans to continue investing in new and promising technology projects and companies. Equity investments run the risk of generating losses and require additional funding.

Risk of impossibility to provide funds for the implementation of the planned projects: It is possible that the Group could face financial difficulties in the future and the impossibility of ensuring an adequate level of attracted resources, which would impose restrictions on capital investment, investments in research and development and / or limit the ability to finance its working capital. Currently, the Group enjoys favorable borrowing conditions and has no difficulty in managing its cash flows. The Company maintains a low level Debt / Equity ratio and takes the necessary measures to minimize credit risk.

Risk of related-party transactions, the conditions of which differ materially from the market ones: Despite the special authorization regime for insider transactions imposed by the POSA, it is possible for the Group to conclude transactions with related parties, whose terms and conditions may differ materially from the market ones. This may have a tangible adverse effect on the Issuer's operations, operating results and financial condition.

Risk of unsuccessful completion of the public offering: There is a risk that the increase of Sirma Group Holding JSC's capital could be unsuccessful. In this case, realization of the planned investments may be realized at a slower pace with own and / or borrowed funds. In case of a failure of the public offering, the investors will not be able to receive the shares subscribed by them during the period of the public offering, in which event all payments made during the offering will be reimbursed according to the procedures of the Central Depository.

The Issuer is also exposed to the intrinsic sectoral and business risks for each of its subsidiaries: Sirma Group Holding JSC carries out the activities of a holding company and operates in different segments of the information technology sector, bearing also the sectoral and business risk for each of its subsidiaries. The Issuer is a holding company and is therefore financially dependent on the receipt of dividends distributed by its subsidiaries.

Systemic risks also affect the Company's activities, including:

- political risk

	<ul style="list-style-type: none"> • macroeconomic risks, • Inflation / deflation risk, • currency risk, • interest rate risk, • risk of tax change and unfavorable interpretation of tax laws, • risk of change in the credit rating of Bulgaria, • risks related to the Bulgarian legal system, • unemployment, • risk of catastrophic events and climate change.
D. 2.	Not applicable.
D. 3.	<p>Key information on the securities-specific main risks</p> <ul style="list-style-type: none"> ▪ Risks, related to the Bulgarian securities market. It is possible that the investors have less information on the Bulgarian securities market than available for companies on other securities markets. ▪ The Bulgarian Stock Exchange is considerably smaller and less liquid compared to the securities markets in some other countries. There is no guarantee that the Shares will be traded actively and if this does not happen, the price volatility may increase. ▪ The Bulgarian legislative framework provides for cases, in which trading in the Company Shares on the Bulgarian Stock Exchange will be or may be suspended. Any temporary suspension of trading in the Shares on the Bulgarian Stock Exchange would have an adverse effect on the liquidity and price of the Shares. ▪ The Company cannot guarantee that the volumes of trade in the Shares will be permanent or will improve. It is possible that, in certain periods, the sale of Shares may be impeded or impossible due to lack of investor interest. The market price of the Shares may fluctuate widely depending on multiple factors beyond the control of Company. The market price of the Shares may also fluctuate as a result from the subsequent issue of new shares by the Company, buy-back of Shares by the Company, sale of Shares on the part of the Company's main shareholders, dynamics of the liquidity of trading in the Shares, and also as a result from the investors' perceptions. In view of these and other factors, the Company cannot guarantee that the market price of the Shares will not fluctuate or fall under the Issue value. ▪ Additional financing through shares, including through convertible or replaceable bonds, or other similar instruments may have a "Diluting Effect" for the Company shareholders. ▪ Sales of considerable amounts of Shares, or the expectation that such sales could take place, may impact negatively the market price of the Shares. Such sales may also make it difficult for the Company to issue new shares in the future whenever and at whatever price the Company may deem fit. ▪ The Company's ability to pay dividends depends on a number of factors and there is no guarantee whatsoever that in a certain year it will be able to pay dividends in accordance with its dividend policy, or that it will be able to pay any dividends at all. ▪ As at the date of preparation of the present Prospectus, the capital profits gained from the sale of securities of public companies in Bulgaria are not subject to taxation. There is risk that this tax regime of non-taxation of the incomes from operations involving securities may be changed in the future, which would cause an increase in the tax burden for shareholders and decrease of their profits from the trade in the company's shares. ▪ The currency risk involved in the company's shares comes from the fact that they are denominated in the Bulgarian Lev (BGN). Any change of the exchange rate of BGN against another currency would change the profitability that the investors expect to receive compared to the profitability they would have received from an investment denominated in the other currency. ▪ The inflation/deflation risk in relation to the investment in securities. The inflation risk is linked to the possibility that the inflation could influence the real return on investments in securities. Currently, the risk of inflation in Bulgaria is low. The risk of

	<p>deflation, on the other side, is linked to the lower revenue and profits and growth of the debt burden for the companies.</p> <ul style="list-style-type: none">▪ The main risk with respect to the minority shareholders – the main risk in respect to minority shareholders is expressed in the fact that their ability to participate in the taking of management decisions and to exert control over the Company are limited.																						
D. 4. – D. 6.	Not applicable.																						
Section E – Offering																							
E. 1.	<p>Total net receipts, and a forecast concerning the total offering costs, including the expected costs accrued to the investor by the Issuer or the person offering the securities. The expected net receipts from the public offering shall amount to BGN 38 732 038 after organizational cost deduction and provided that the entire amount of the offered issue of shares is subscribed. In case that the minimum number of shares is subscribed – 19 786 840, the amount of the net receipts will stand at BGN 19 538 804.</p> <p>All the expenses listed below shall be borne by the Company. Expenses, which are expected to arise due to the increase of capital are shown:</p> <table><tr><td colspan="2">BGN</td></tr><tr><td>Confirmation of a prospectus under Art. 82a POSA of the FSC</td><td>5 000</td></tr><tr><td>Fee for registration of the emission rights in "Central Depository" AD</td><td>2 030</td></tr><tr><td>Fee for assigning the ISIN code to the emission rights</td><td>72</td></tr><tr><td>Fee for registration of the emission shares in "Central Depository" AD</td><td>2 030</td></tr><tr><td>Publishing a notification for Public Offering (Estimated Value)</td><td>400</td></tr><tr><td>Remuneration of the Manager*</td><td>831 474</td></tr><tr><td>Entry of the capital increase in the Commercial Register</td><td>15</td></tr><tr><td>Registration of a new Statute in the Commercial Register</td><td>20</td></tr><tr><td>Admission to trading on BSE-Sofia</td><td>600</td></tr><tr><td>Total costs</td><td>841 641</td></tr></table> <p><i>* At the maximum subscription amount of the New Shares and equal share of attracted capital from the Manager and the Issuer</i></p> <p>Expenses will arise for investors who are shareholders upon the subscription of shares and as per the concluded contract with an investment intermediary, bank transfer fees upon payment, respectively.</p> <p>Expenses for investors who are not shareholders will arise upon the purchase of rights, subscription of shares and under contracts concluded with investment intermediaries, bank transfer fees upon payment, respectively.</p>	BGN		Confirmation of a prospectus under Art. 82a POSA of the FSC	5 000	Fee for registration of the emission rights in "Central Depository" AD	2 030	Fee for assigning the ISIN code to the emission rights	72	Fee for registration of the emission shares in "Central Depository" AD	2 030	Publishing a notification for Public Offering (Estimated Value)	400	Remuneration of the Manager*	831 474	Entry of the capital increase in the Commercial Register	15	Registration of a new Statute in the Commercial Register	20	Admission to trading on BSE-Sofia	600	Total costs	841 641
BGN																							
Confirmation of a prospectus under Art. 82a POSA of the FSC	5 000																						
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Registration of a new Statute in the Commercial Register	20																						
Admission to trading on BSE-Sofia	600																						
Total costs	841 641																						
E. 2a.	<p>Grounds for the offering, intended use of the receipts, and their expected net amount.</p> <p>The Issuer effects the raise of capital with the intention to raise funds for additional support of:</p> <ul style="list-style-type: none">- Implementation of the strategy for development of the product portfolio of the Group;- Decrease of the non-controlling participation;- Market expansion. <p>Detailed use of funds from the issue in the hypotheses of maximum and minimum subscription are shown in the table below.</p> <table><tr><td><i>In BGN</i></td><td>Scenario 1: Minimum subscription</td><td>Scenario 2: Maximum subscription</td></tr></table>	<i>In BGN</i>	Scenario 1: Minimum subscription	Scenario 2: Maximum subscription																			
<i>In BGN</i>	Scenario 1: Minimum subscription	Scenario 2: Maximum subscription																					

	1 Implement the strategy for developing the Group's product portfolio	9 300 000	20 500 000
	Developing of SENPAI (Sirma Enterprise Platform with Artificial Intelligence) by integrating key leading technologies and developments into a single product	4 000 000	10 000 000
	a) Expanding the functionality of products in Industrial Segment	1 500 000	1 500 000
	b) Add Connectivity (IoT Elements) and Expand Functionality of Products in I Health and Life Sciences Segment	600 000	1 000 000
	c) Expand Product Portfolio in Financial Segment	700 000	700 000
	d) Purchase or licensing of complementary SENPAI technologies	2 500 000	7 300 000
	e)		
	2 Implementation of the strategy for the reorganization of the corporate structure of the Group	4 000 000	4 000 000
	Reducing the non-controlling interest in the subsidiaries of the Holding	4 000 000	4 000 000
	a)		
	3 Marketing and sales of the Group's product portfolio, including commercialization of newly developed products	6 238 804*	14 232 038*
	Increase the team of sales representatives and sellers		
	b) Outsourcing services of marketing and sales		
	Acquisition of commercial companies to expand customer access to international markets, Germany and the United States in particular		
* The budget of this item is not divided into sub-items			
E. 2b.	Not applicable.		
E. 3.	Description of the conditions of the offering. Introduction <p>Sirma Group Holding JSC has decided to increase its capital by issuing up to 39,573,679 New Shares, each with a nominal value of BGN 1 (one) offered for public subscription under the terms of this Prospectus (the "Offering"). The total nominal value of all New Shares offered is BGN 39 573 679.</p> <p>The capital increase will be considered successful if at least BGN 19 786 840 are subscribed and paid; in this event, Sirma Group Holding JSC will apply for entry of the achieved Capital Increase in the Commercial Register.</p> <p>The new shares will be offered to the public only in the Republic of Bulgaria. The offering currency is the Bulgarian Lev.</p> Issue Price per New Share <p>The issue value of one new share is BGN 1. The total value of all New shares in this issue amounts to BGN 39 573 679.</p> Rights <p>The securities incorporate the legal right of the current shareholders of Sirma Group Holding JSC to subscribe with priority, at issue value, a corresponding number of New Shares proportional to the Shares held by them prior to the capital increase.</p> <p>Against each share of the company capital already owned, one right is issued within the meaning of § 1, item 3 of the Public Offering of Securities Act, and against 1.5 rights, a shareholder or a third person who has acquired the rights, have the right to subscribe 1 New Share of this issue with issue value of BGN 1. Each person may subscribe a minimum of 1 new share and a maximum of shares equal to the number of rights acquired and / or held by him, divided by 1.5. In the event of a resulting non-aggregate number, it shall be rounded to the smaller integer. Only whole New Shares shall be subscribed.</p>		

The current shareholders acquire the rights free of charge. All other investors may acquire rights through a deal on the rights market, organized by the Bulgarian Stock Exchange - Sofia AD within the term for the transfer of the rights, or at the open auction organized by the Bulgarian Stock Exchange - Sofia AD for the non-exercised rights after the expiration of the the period for the transfer of rights. Pursuant to Art. 112b, para. (2) of POSA, only the persons who have acquired shares not later than 7 days from the date of publication of the announcement under Art. 92a, para. 1 of POSA shall be entitled to participate in the capital increase.

Time terms

Following the confirmation of this Prospectus for the public offering of shares by the FSC, the company publishes a notice of the public offering, the starting date and the deadline for the transfer of rights and the subscription of shares, the registration number and the date of confirmation of this Prospectus for the public offering of shares, the location, time and manner of acquaintance with the prospectus, as well as other data in line with the applicable regulations. The announcement is published in a central daily newspaper (Capital Daily newspaper), as well as on the websites of the company and the authorized investment intermediary First Financial Brokerage House Ltd. not later than 7 days prior to the initial term of the subscription or the start of sale. Within three working days, "Central Depository" AD shall open accounts for rights of the shareholders of the company, each of them having the opportunity to acquire such part of the new shares corresponding to his share in the capital before the increase.

The commencement date for the trading of the rights is the third business day following the expiration of 7 (seven) days from the date of publication of the announcement for the public offering under Art. 92a of the POSA in one central daily newspaper (Capital Daily) and on the websites of the company and the authorized investment intermediary First Financial Brokerage House EOOD (the latest date). The deadline for the transfer of rights is the first business day following the expiration of 14 days from the start date. Under the regulations of the Bulgarian Stock Exchange - Sofia AD (BSE), the last trading date of the stock exchange is two working days before the final date for transfer of the rights. On the 5th business day after expiry of the term for transferring the rights, the company offers through the authorized investment intermediary "FFBH" EOOD, on a Regulated Market, for sale, under the terms of an open auction, the unused rights, within the term of transfer of the rights. The starting date shall be the date from which the offering of the rights begins - the third working day following the expiration of 7 (seven) days from the date of publication of the announcement for the public offering under Art. 92a of the POSA in one central daily newspaper (Capital Daily) and on the websites of the company and the authorized investment intermediary First Financial Brokerage House EOOD (the latest date). The deadline for subscription of shares by rights holders is the first business day following the expiration of 15 business days from the end date for the transfer of rights. The final schedule of the offer will be announced after approval of the Prospectus by the FSC.

Information and subscription of New Shares

Investors who are interested in the offered securities may contact the authorized investment intermediary: First Financial Brokerage House EOOD, Address: Sofia, 2, Enos Street, Contact person: Anna Georgieva, Phone: (+359 2) 460 64 11, E-mail: Anna.Georgieva@ffbh.bg, as well as any investment intermediary, member of Bulgarian Stock Exchange - Sofia AD, and submit the necessary documents. The number of securities offered is not subject to change. For the subscription of shares, their issue value is paid into a special subscription account, appointed by the Company.

Results of the offering - public announcement

Within the legal deadline following the end of the offering, Sirma Group Holding JSC will disclose the results of the subscription in a central daily newspaper (Capital Daily newspaper) and on the websites of the company and of the authorized investment intermediary "First Financial Brokerage House" EOOD.

Issue of the new shares and their acquisition by the subscribed persons

	<p>If the offering is completed successfully, after registering the capital increase and the New Shares in the Commercial Register, the Central Depository will register the subscribed and paid issue of New Shares and will open new accounts for the investors' subscribed and paid New Shares. The new shares will be credited to the investor's account with the investment intermediary, through which the subscription rights were exercised.</p>																																										
E. 4.	<p>Description of any interest that is material for the issue/offering, including conflict of interests.</p> <p>All relations between the investment intermediary and the Company are regulated by contract and depend on the receipts from the sale of the Offered Shares. There is no potential conflict of interests between the duties of the members of the Company's Board of Directors and their personal interest or other obligations. There are no other interests (including conflict of interests) of organizations or natural persons that are of considerable importance for the Offering.</p>																																										
E. 5.	<p>Name of the natural person or the legal entity that offers to sell the security. Blocking agreements: participating parties, information for the blocked period</p> <p>The issued subject of the present initial public offering is for an increase of the capital of the Issuer and hence there are no holders of securities that are sellers in the public offering. There are no blocking agreements.</p>																																										
E. 6.	<p>Amount and percentage of immediate dilution of the offering.</p> <p style="text-align: center;"><i>Dilution of capital (share value) as a result of offering on the basis of audited consolidated financial statements as at 31.12.2017</i></p> <table> <tr> <th></th><th>31.12.2017</th><th>Minimum subscription</th><th>Maximum subscription</th></tr> <tr> <td>Total assets (BGN'000)</td><td>132 535</td><td>152 074</td><td>171 267</td></tr> <tr> <td>Total liabilities (BGN'000)</td><td>26 089</td><td>26 089</td><td>26 089</td></tr> <tr> <td>Total capital attributable to the owners of the capital of the parent company (BGN'000)</td><td>81 225</td><td>100 764</td><td>119 957</td></tr> <tr> <td>Number of shares in circulation</td><td>59 360 518</td><td>79 147 358</td><td>98 934 197</td></tr> <tr> <td>Carrying amount per share in BGN</td><td>1.37</td><td>1.27</td><td>1.21</td></tr> <tr> <td>Issuing value per share in BGN</td><td></td><td>1.00</td><td>1.00</td></tr> <tr> <td>Dilution in%</td><td></td><td>-6.96%</td><td>-11.39%</td></tr> </table> <p>Source: Audited consolidated financial statement at 31 December 2017; calculations FFBH</p> <p style="text-align: center;"><i>Dilution of capital (share value) as a result of offering on the basis of audited consolidated financial statements as at 31.03.2018</i></p> <table> <tr> <th></th><th>31.3.2018</th><th>Minimum subscription</th><th>Maximum subscription</th></tr> <tr> <td>Total assets (BGN'000)</td><td>83 118</td><td>102 657</td><td>121 850</td></tr> </table>				31.12.2017	Minimum subscription	Maximum subscription	Total assets (BGN'000)	132 535	152 074	171 267	Total liabilities (BGN'000)	26 089	26 089	26 089	Total capital attributable to the owners of the capital of the parent company (BGN'000)	81 225	100 764	119 957	Number of shares in circulation	59 360 518	79 147 358	98 934 197	Carrying amount per share in BGN	1.37	1.27	1.21	Issuing value per share in BGN		1.00	1.00	Dilution in%		-6.96%	-11.39%		31.3.2018	Minimum subscription	Maximum subscription	Total assets (BGN'000)	83 118	102 657	121 850
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Total assets (BGN'000)	83 118	102 657	121 850																																								

Total liabilities (BGN'000)	13 867	13 867	13 867
Equity (BGN'000)	69 251	88 790	107 983
Number of shares in circulation	59 360 518	79 147 358	98 934 197
Carrying amount per share in BGN	1.17	1.12	1.09
Issuing value per share in BGN		1.00	1.00
Dilution in%		-3.84%	-6.44%
<i>Source: Unaudited individual financial statements at 31 March 2018; calculations by FFBH</i>			
<p>The rate of dilution of the capital for the shareholders (having this capacity towards the date of registration of this increase of capital in the Commercial Register), in the event that they do not participate in the increase, is estimated at between 6.96% and 11.39% - in case of a minimum and maximum amount of the increase, respectively - based on the consolidated data at 31.12.2017. Based on the last published individual unaudited statements at 31.03.2018, the dilution of capital for the shareholders (having this capacity as at the date of registration of this increase of the capital in the Commercial Register), if they do not participate in the increase, is estimated to be between 3.84% and 6.44% respectively.</p>			
Immediate dilution of the share in the capital of Sirma Group Holding JSC to the shareholders if they do not participate in the subscription for the new offer	31.12.2017	Minimum subscription	Maximum subscription
Number of shares in circulation	59 360 518	79 147 358	98 934 197
Proportion in the equity capital of one share	0.00000168%	0.00000126%	0.00000101%
Immediate dilution of percentage participation in %		-25.00%	-40.00%
<i>Source: calculations by FFBH</i>			
<p>In the event that they fail to exercise the rights belonging to them, the present shareholders shall dilute their percentage shareholding by between 25.00% and 40.00% respectively, in case of minimum and maximum capital increase. The mechanism, which the equal treatment of shareholders provides for compensating this dilution, is contained again in the option for sale of the non-exercised rights and the obtaining of receipts from their sale by the non-participating shareholders.</p>			
E. 7.	Forecast costs accrued to the investor by the Issuer or the person offering the securities.		

	<p>Costs for investors, who are shareholders, will arise upon the subscription of shares and pursuant to a concluded contract with an investment intermediary, respectively bank fees in case of transfer. Costs for investors, who are not shareholders, will arise upon the purchase of rights, subscription of shares and under a contract concluded with an investment intermediary, respectively bank fees upon a transfer.</p> <p>Please see above "E. 1. The total net receipts, as well as a forecast concerning the total offering costs, including the expected costs accrued to the investor by the Issuer or the person offering the securities".</p>
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RISK FACTORS

Prior to investing in the Offered Shares, potential investors must carefully consider the herein specified risks, as well as the other information contained in this Prospectus. All risks set forth below have and may have an adverse effect on the activity of Issuer, its financial condition and the results from its operations. Should any of the listed hereinafter risks occur, they may result in a decrease of the Shares value and of their trading price, and the investors may lose a part or all of their investments. The sequencing, of the following risk factors, is not indicative of their relative importance for the Company, neither of the probability of their occurrence, nor of their potential impact on the Company's activity. Additional risks and other uncertain events, including some presently unforeseen by Issuer or currently deemed insignificant, may also have a considerable adverse effect on its business, its financial conditions or the results from its operations, or could possibly bring about a decrease of the value of the Shares.

Risks related to the Company's activity may be generally divided into systemic risks, risks related to the shares (general) and non-systemic risks (related to the Company's activity and the industry, in which the Company is active).

System risks

Systemic risks originate from the external conditions, under which the economic subjects operate, as they have direct impact on the issuing Company. Since they are related to the market and the macro-environment, in which the Company functions, systemic risks cannot be managed by the Company's management and require that its operating and investment policies take into account each of the components of the systemic risks – political, macroeconomic, currency, tax, credit risk of the country, etc.

Political risk

In the last 25 years, the political and socio-economic development of this country passed through different stages, the most important of them being the preparation and subsequent accession of Bulgaria to the European Union on January 1st, 2007.

Despite the financial crisis, in this period Bulgaria achieved real economic growth and financial stability which, albeit not automatically transformed into political stability, have definitely increased its perceived trustworthiness and improved its image. Future growth of the economy will still depend on the political will for implementation of economic reforms and the continuing abidance by the best market practices of the EU. Regardless of all benefits of the Bulgarian membership in the EU, there is no guarantee that the national government will conduct the correct economic policy, or that it will manage to administer it effectively. Should the authorities fail to create a secure, predictable environment for all domestic economic subjects, the effects on the Company's activity, operating results and financial status could be markedly adverse.

The present government was elected by the National Assembly in May 2017 with a mandate of the political party GERB ("Citizens for European Development of Bulgaria Party") after early parliamentary elections that followed the resignation of a government led by the same political formation and its chairperson Boyko Borissov. The newly-formed government is a coalition one - alongside representatives of GERB, it comprises members of the "United Patriots" coalition. Towards April 2018, the political environment in the country is relatively stable, as the next (local) elections are supposed to be conducted in 2019. Notwithstanding certain disagreements in the ruling coalition, there is no immediate risk that it may break up. At the same time, the government policy is supported by a stable parliamentary majority. In the first half of 2018, Bulgaria presides over the EU, which is an additional factor fostering the tolerant domestic policy atmosphere. Yet, there are no guarantees against the eventual emergence of triggers of social and political turmoil, which would bring about sudden and considerable change in the political and economic conditions in the country and result in a substantial adverse effect on the Company's activity, operating results and financial position.

The very accession of Bulgaria to the EU, apart from being an act of huge political significance, bears its intrinsic challenges. They are engendered by the continuing reforms in Bulgaria, as part of the process of integration into the Community, but also by the dynamics of development of integration processes in the EU itself. These processes require serious political, economic and institutional changes, which cannot take into consideration the interests of all member states. There is no guarantee that these processes will be completed successfully, or that the national interest of Bulgaria will be safeguarded. There is no guarantee either that the UK Brexit will not cause deepening of the disintegration attitudes in other EU member states and trigger serious political and economic cataclysms for all member states, including Bulgaria.

Beyond the context of EU membership and domestic political difficulties, the Bulgarian political system is also vulnerable to possible economic difficulties, social instability, organized crime and corruption. A potential instability of the government institutions may exert considerable adverse effect on the Company's activity, operating results and financial position.

The Issuer is also vulnerable to any foreign political risks and their direct effects on the national economy. *Force majeure* aside, economic restrictions are increasingly used as means for effecting political sanctions, which may lead to serious economic damages for entities in Bulgaria, including the Issuer.

Macroeconomic risks

Results from the Company's operations depend on the condition of the macroeconomic environment in Bulgaria, and on the overall health of the global economy. More specifically, the risks lie with the local and the global economy and exert palpable effect on economic growth, income of the population, demand and supply, profits of the economic entities, investments, consumption, and so forth. Macroeconomic trends and circumstances influence the market performance and final business results throughout all sectors of the economy.

Since 2010, economic activity in this country has been improving under the influence of growing consumption and investments and positive dynamics in the trade balance. For this period, the development of the ICT market in Bulgaria stays ahead of the economy, mainly due to the low level of ICT used by enterprises, as compared to the developed countries. According to the National Statistical Institute (NSI), the share of enterprises using resource management systems in 2010 is barely 10.8%, while in 2017 it already reaches 23.3%. At the same time, the prices of the information technology services in Bulgaria have increased by 27% in the 2010 - 2017 period, with a registered growth of 4.5% for the last year alone, according to NSI data. The strong consumption and accelerating inflation outline an auspicious trend for the turnover and profits of companies from the IT sector in this country.

However, if the rates of economic growth slow down, the Issuer may fail to achieve the expected financial and operating results. Any deterioration in the general economic conditions may adversely affect the level of demand for the various products and services, including those offered by the Company.

Macroeconomic factors and the economic downturn could also exert an adverse effect on the company's liquidity, including an increased risk of default. This would affect the valuation of financial assets and would negatively impact the business, financial position, profits and cash flows of the company. Sirma has a centralized financial management and financial risk control, the main objective being to maintain liquidity in the Group at a level, which is sufficient to fulfil its duties at any time and implement the planned investment policy. Currently, liquidity is also supported by strong operating cash flows as well as through credit lines that may be used whenever needed.

For information regarding the macroeconomic development of Bulgaria, please refer to "Overview of the industry – Bulgarian economy".

Inflation risk

The inflation risk is a risk of devaluation of the local currency and decrease of its purchasing power. The risk of increased inflation influences the Company, on the one hand, towards waning demand, while on the other hand it generates an increase of the Company's costs which, in the absence of revenues growth, directly causes worsened financial results.

The Bulgarian economy functioned in a deflation environment for over 3 years. It returned to inflation, in the end of 2017. As at the end of December 2017, the average annual harmonized consumer price index stands at 1.2%. Regardless of the forecasts for continuing growth of the base inflation in the next two years, the present economic realities in the EU do not support the expectations that it will be excessive. At the same time, Bulgaria is strongly focused on the inflation requirements for Eurozone membership and although the country does not possess the standard monetary instruments, this clearly defined goal ensures a high level of inflation predictability for the economic subjects.

Currency risk

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

The Monetary Fund system functions in Bulgaria since 1997. Under its rules, the exchange rate of the national currency, the Bulgarian Lev, was initially fixed to the German Mark and then, once the Eurozone was created, it was pegged to the Euro. The maintenance of the Monetary Fund system is considered an essential element of the economic reform in Bulgaria and requires resolute political support for the pursued non-inflation policy. The stringent rules of the monetary fund, which rule out both devaluation (depreciation) of the exchange rate and any independent monetary policy, may be inconsistent with the future needs of the Bulgarian economy. Nevertheless, the Monetary Fund system is expected to be retained until the country joins the Eurozone. Yet, there is no certainty that this will be achieved. Although Bulgaria satisfies the formal membership requirements, the main obstacles before its accession are said to be the absence of real convergence of Bulgaria with the Eurozone countries, mainly the institutional weaknesses and the low living standard. Even if Bulgaria does get invited to become a member of the Eurozone, there is no guarantee under what conditions (BGN-EUR exchange rate) this would happen.

A possible devaluation of the BGN would make the services and products offered by Sirma Group Holding JSC on the export markets more attractive to foreign customers at the same BGN price. At the same time, a significant depreciation of the Lev would have an adverse effect on the value of Sirma's resources with source in this country, on the local clients of Issuer, and on revenues realized on the Bulgarian market.

A significant amount of the Group's revenue is formed by exports of services, whose payment is negotiated in US dollars. The currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies. The impact, of potential currency fluctuations on the business and financial position, profits and cash flows of the Group, could be strong and may lead to negative deviations from its projected earnings and operating profit. To control the currency risk, a system is in place throughout the Group for the planning of imports and for foreign currency sales. Procedures for daily monitoring of the movements in the USD exchange rate and control of upcoming payments are implemented, as well. Sirma continuously monitors its currency exposures and realizes a unified group strategy for currency risk management, e.g., by employing derivative financial instruments as appropriate.

The loans which are denominated in foreign currency have been mainly drawn in Euro.

For more information on the currency risks, please see the notes to the consolidated financial statements.

Interest risk

The interest risk is related to the possible occurrence of a change in the prevailing interest rates in the country. This would impact the activity of Issuer, insofar as, other conditions being equal, the change in the interest levels results in a change in the price of the financial resource used by Sirma Group Holding JSC in the implementation of various projects.

The efforts of the Federal Reserve and the European Central Bank to overcome the effects from the global financial and economic crisis through the injection of liquidity, brought about unprecedented low interest rates levels on the international financial markets. At the same time, in Bulgaria the trend for interest rates decrease is further driven by the considerable free resource of corporate and private bank deposits available to the financial institutions, which cheapens the "price of money" even more.

Since the Federal Reserve changed its monetary policy in 2016, in view of the stable economic recovery in the USA, and commenced the gradual withdrawal of liquidity and an interest rates rise, similar steps are expected to be undertaken also by the European Central Bank in the Eurozone at the end of this year. All this will bring about a smooth increase of the price of financial resource in Bulgaria, too. Although at the moment Sirma Group Holding JSC does not use any significant external financing, a potential change in interest rates would lead to higher financial costs and would lower the Issuer's profits, accordingly. In view of this, the Company seeks to maintain a balanced financial debt profile and a combination of fixed and floating interest rate arrangements.

For more information on the interest risk, please refer to the Notes to the consolidated financial statements.

Unemployment risk

An eventual increase in unemployment rates in the country could lead to a reduction in disposable income. Due to a lack of substantial sales to individual customers, such a situation could indirectly affect the Group's business and result in a decrease in sales volumes and sales prices to Sirma Group's customers. Therefore, it would negatively impact product demand, earnings and profits for the group. At the same time, it should be noted that the Bulgarian business is relatively poorly digitalized and should continue to make significant investments in this aspect, so the Group's management does not consider this risk as significant.

Unemployment in Bulgaria has been steadily decreasing since the end of 2013 and currently (first quarter of 2018) stands at 5.3%. The positive economic development of the country, the steadily rising turnover in the production and services created many new jobs and influenced extremely favorably the labor market. The expectations of both the Ministry of Finance and the European Commission are that unemployment will continue to decline, albeit at a slower pace. On the other hand, households' disposable income, consumption of goods and services by the population - and the prices of these goods and services - are expected to maintain their upward trend.

Risk of a change in taxation or unfavourable interpretation of tax legislation

In recent years, the Bulgarian tax system has remained relatively stable due to the strict fiscal discipline but the challenges of the global financial and economic crisis exerted strong pressure on the stability of the national budget. This pressure has been currently overcome. There are no guarantees that due to political, economic or demographic factors, the taxation system will not be modified in the future, and these changes may be more or less negative for the business entities. If the tax laws and regulations applicable to Issuer are amended, this may have a material adverse effect on the results of the Issuer's operations and its financial condition.

Taxes paid by Bulgarian business entities include taxes at source, local (municipal) taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. For more information on taxation in Bulgaria, see "Taxation".

Certain provisions of the tax legislation are vague, often lacking a unanimous or equal interpretation of the law, or a blanket tax authorities practice. Due to different interpretations of the tax laws, the risk associated with Bulgarian tax laws may be greater than in other tax jurisdictions in developed countries. Tax authorities may apply a more meticulous approach in their interpretation of legislation and tax audits. This, along with the intensification of tax collection efforts as a result of budget needs, may lead to an increase in the scope and frequency of tax audits. In particular, it is possible for tax authorities to challenge transactions and activities which have not been challenged to date. As a result, significant additional taxes, fines and interest may be charged.

The Issuer cannot guarantee that the Bulgarian tax authorities will not give a different, unfavorable interpretation of the tax provisions applied by Issuer and this may have an adverse effect on the Company's business, its financial condition and / or the results of its operations.

Investors should also take into account the fact that the value of their investment in ordinary shares of the Issuer may be adversely affected by changes in existing tax legislation, including its interpretation and application.

Risk of a change in the credit rating of Bulgaria

The country's credit risk is the risk of inability or unwillingness to meet the forthcoming debt payments. The last change in the credit rating of Bulgaria was made in December 2017, when Fitch increased it to "BBB" with a Stable Outlook, and S&P recovered the investment rating of Bulgaria, BBB-, after a three-year suspension and with a stable outlook. The opinions of the two agencies are underlain by the strengthening of the external position of the country, determined by the long expansion of the export and the increased volume of savings, the higher expectations for economic growth and the conservative fiscal policy of the present government. For information concerning the currently up-to-date evaluations of the credit agencies under the country's rating, please see "Industry Review – the Bulgarian Economy".

The credit rating and the outlook are among the major indicators taken into account by foreign investors when making a decision about their investments in a country. A possible decrease of the Bulgarian credit rating would mean higher risk and would automatically raise investors' expectations of profitability, as the potential adverse effect will be expressed both in increased cost (appreciation) of the capital resources of the Company, and in a decrease in the value of the investment in its shares due to the increase of the risk premium.

Risk related to the Bulgarian legal system

Although since 2007 Bulgaria has implemented a number of significant statutory and constitutional reforms and Bulgarian legislation is largely harmonized with the EU one, the legal system in the country is still undergoing reforms. The changes in laws and regulations and their respective interpretation, including those of the accounting standards and taxation requirements and the increased activity in terms of law enforcement and sanctions, may change the business environment in which Sirma operates.

In order to overcome the weaknesses in legal practice, the EU has introduced a monitoring mechanism to control the achieved results and to identify areas where further efforts are needed. Regardless of the partial success of this mechanism, which has been extended in the justice and home affairs spheres at least until the end of 2018, judicial and administrative practice remains problematic and those who rely on the Bulgarian courts of law to reach swift and effective resolution of property disputes, violations of laws and treaties, and others, are in for a sobering experience.

As a consequence, a risk of legal infrastructure deficiencies that may result in uncertainty arising from corporate actions, supervision, and other issues that are generally not questioned in other countries can be identified.

In addition, the laws and regulations in Bulgaria, the United States, and elsewhere, have become much tougher, such as the anti-corruption legislation in a number of European countries, the US Corruption

Practices Act, the British Bribery Act, and other local laws prohibiting corruption payments by employees, suppliers, distributors, or agents are applied more rigorously. 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.

The failure of Sirma and its subsidiaries to comply with applicable laws may lead to supervisory investigations, civil liability, fines, loss of customers, damage to reputation, and may have an adverse effect on the business, financial position, profits and cash flows of the company. To manage this risk, the company continually monitors new regulatory requirements, updates or new trends in law enforcement, and the publicly available information.

Risk of catastrophic events

Acts of God, terrorist attacks and military or hostile activities, as well as the retaliation to such acts may create economic and political uncertainty that is possible to have a negative effect on the economic conditions in Bulgaria, and hence – an adverse effect on the Company's business, its financial position and the results from the company's operations.

Risks related to the Group's activity and to the industry, in which the Group operates

Risk, related to intense competition

Sirma Group Holding's operations are under intense competition from both local players and international IT companies. Global reach corporations are growing ever stronger as they have quick access to innovative technology solutions and to cheaper sources of financing, which enable the more efficient funding of large contracts. Any future intensification of competition and complication of market conditions may have a significant negative impact on the Group's operations, financial condition and future prospects for development.

Risk related to technological changes and new products development

The IT sector is characterized by the rapid development of new solutions and technologies which shorten the products' life cycle. Consequently, Sirma Group's future success will largely depend on its ability to incorporate the latest technology solutions into the products and services that it offers. In order to maintain its competitive advantage on the market, the group must conduct research and invest in new products. Moreover, 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. If Sirma fails to adequately implement modern technology solutions in its products and services, its operations, financial condition and future development may be adversely affected.

Risks to business strategy

The market presentation of new solutions may not go as planned and the company's strategy for new business models and flexible consumption patterns may not be successful due to customers' inclination to wait for 'word of mouth' recommendations, which may lead to delays in the adoption of new and innovative solutions, technologies, business models and flexible patterns of consumption or non-acceptance of some.

The cloud computing strategy may fail and lead to a loss of Sirma's cloud technology position if the market fails to take advantage of cloud computing and cloud service consumption does not develop, or develops at a slower pace than expected by the management of Issuer.

If the Group fails to create a successful partner ecosystem, this may have an adverse effect on the demand for its products and services. As a result, its competitive position would be affected, which could have an adverse effect on its reputation, business, financial position, profits and cash flows.

To manage these risks, Sirma balances the distribution of its strategic investments by protecting its core businesses while it develops new solutions, technologies, business models and markets.

Risk related to the technology saturation of the market

Technological saturation is already experienced at banks and private businesses, and may prompt them to focus their strategies on smaller or medium-sized IT projects that will meet their actual needs. Such circumstances may reduce the demand for the products / services and the scale of the Group's operations, thus worsening its financial performance.

Risk related to tender procedures in the public sector

It is typical of the IT business that some of the government procurement contracts are won through tender procedures. Therefore, it is uncertain whether the companies of the Group will be able to win such new contracts that would provide sufficiently high and satisfactory revenues in the future. These factors may have a negative impact on the Group's operations and financial performance, and also on its future development.

In addition, delays in the finalization of tender procedures for the provision of IT infrastructure for public use and application may lead to fluctuations in revenue from this sector. Combined with poor absorption of EU funds provided to improve state-owned innovation, this can significantly reduce local demand for IT services and thus have a negative impact on the Group's operations and financial performance, as well as on its future development.

Risk of dependence on key clients

Execution of contracts with key clients will greatly influence sales revenue generated by some of the Group's companies in the coming years. This risk cannot be ruled out because the loss of any major customer, the deterioration of the financial environment for the provision of services, or any potential claims for damages, would have an adverse effect on the operations, the financial position and the financial performance of the companies and the Group, and also on their future development.

HR-related risk

The Issuer is heavily dependent on the ability to attract, retain and motivate employees. Uncertainty surrounds the issue of employing staff with the needed qualifications at an acceptable price. The risk of the Group's inability to recruit and maintain sufficiently qualified staff at an acceptable level of remuneration may have a significant adverse effect on its operations, operations and financial condition.

The Issuer focuses on the management of this risk through a wide range of activities, including but not limited to (i) Workforce Planning; (ii) outsourcing; (iii) external short-term staff; (iv) Employer's trademark; (v) career management; and (vi) extended income programs - for example, a performance-based remuneration system alongside the long-term incentive plans.

The Issuer may encounter unethical behavior and non-compliance with its overall standards as a result of deliberate and deceptive behavior or negligence of individual employees. Unethical behavior may lead to financial loss and damage to reputation.

To prevent this, the company has put in place a complete compliance management system and a mandatory security training for all employees in the standards for safe internal and external communication, provision of technical security in IT hardware and communication channels, and mandatory encryption of personal data.

Financial risks

Sirma's revenue and operating results may vary and change, sometimes significantly, from quarter to quarter, which makes them difficult to predict.

The credibility of the Group's plans, budgets and forecasts may be compromised. Since operating costs are based on expected revenue levels and a large percentage of costs are relatively short-term, any discrepancy between actual and budgeted project revenue may lead to significant changes in operating results for a quarter or an year.

In order to comply with IFRS, management is required to make some very approximate estimates and assumptions, which affect the reported financial parameters. The facts and circumstances, on which the management base these estimates, as well as management's assessment of these facts and circumstances may change over time, and this may lead to significant changes in valuations and decisions - hence, in the reported financial parameters.

Although Sirma estimates these risks as quite unlikely to fully materialize, it cannot be ruled out that they may have a moderate impact on the business, financial position, profit and cash flows, or might lead to a negative deviation in the revenue and the targeted operating profit.

Project risks

The services and solutions of the Group are sometimes implemented jointly with partners, clients, or a combination of them. As a result, changes in functional requirements, schedule delays, or deviations from recommended best practices may occur in the course of work. These scenarios have a direct impact on the project model and its resource provision may be hindered.

As a result of these and other risks, the Group and / or client may incur significant costs. The implementation of some of the projects may continue longer than planned and have an adverse effect on the Group's business, financial position, profits and cash flows.

Risk of failure to provide funds for the implementation of the planned projects

It is possible for the Group to face financial difficulties in the future and to be unable to provide an adequate level of attracted resources, which circumstance would impose restrictions on capital investment, investments in R & D and / or limit the ability to finance working capital.

It is possible that the Group will not be able to provide sufficient funding in the future and an adequate level of attracted resources, which circumstance would impose restrictions on capital investment and/or R & D investments on one hand, and on the other hand would limit the ability to finance working capital. In order to carry out its activities, the Group uses debt financing and own funds, but it cannot guarantee that it will be able to provide sufficient resources in the future, or that it will be able to receive funding under favorable terms for the implementation of necessary and/or planned investments, or to implement them at all. In addition, there is a possibility of a future interest rates increase in this country, which would increase the cost of the borrowed resource used by the Group and would have a negative effect on its financial result. Currently, the Group enjoys favorable borrowing T&C and has no difficulty in managing its cash flows. The Company maintains a low level Debt / Equity capital and takes the necessary measures to minimize credit risk.

Until now, in its long history, the Company has been able to obtain the necessary resources even in adverse economic conditions.

Risk of breach of security of products and services

A customer service provision system or systems run by Sirma itself, could be compromised by hacking attacks. 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 the development process.

The Group estimates the likelihood of a security breach risk causing damages to customers of Sirma, or to the Group itself, as very weak. If such an event occurs, it can have a business-critical impact on reputation, business, financial status, profits and cash flows.

Risk of changes to Sirma's rights to use software and technology licensed by third parties

Sirma is licensed to use many technologies and uses some open-source software components that have become the basis of its market portfolio. The company relies on these technologies for the functionality of its own software or cloud services. Changes or loss of licenses, as well as open source licenses, could substantially increase the cost of products and services and significantly reduce the functionality of Sirma's software solutions. As a result, the Group may incur additional development costs or license purchases, which could have an adverse effect on its business, financial position, profits and cash flows.

Risk of accusations of intellectual property rights breach and / or open-source claims on Group components

Sirma believes that there is an ever-increasing risk of claims for intellectual property violations, as the number of technologies and products in the business segment is growing. Claims, whether reasonable or unjustified, as well as negotiations and disputes relating to such claims, could exclude certain technologies from being used in the services and products which the Group offers.

Sirma also integrates with some open-source software components. Third-party claims may require the company to allow free access to services and components built on open source software.

The Company believes that these risks are likely to materialize and that any claims relating to third-party intellectual property rights or to open source software could have a critical impact on its business, financial standing and reputation, and on its ability to achieve revenue and operating profit.

Sirma may not be able to obtain protection on its intellectual property

The preservation and protection of intellectual property is important to the Group. Sirma identifies and controls potential risks and protects its intellectual property, including through patent applications, brands, and registration of trademarks and copyrights. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its proprietary technology. A third party may reengineer or otherwise obtain and use the technology and information which Sirma considers to be its own. The group may not be able to protect its property rights, which could have an adverse effect on Sirma's competitiveness and financial position.

Risk of depreciation of the Group assets

The risk of impairment of assets reflects the possibility of a reduction of the carrying amount of the assets of Sirma Group. Possible impairment of tangible and / or intangible fixed assets would result in the need to account for the impairment loss. This, in turn, may impair the future financial performance of the Issuer and lead to a negative financial result for a given 1-year 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 the Issuer's shares due to the deteriorated financial performance.

Risk of erroneous valuation of the assets of the Group

The bulk of the Group's assets are intangible, due to the nature of its business and the sector in which it operates. Their carrying amount reflects the costs incurred for their acquisition, incl. development, as well as the Issuer's assessment of the potential for development (the expected economic benefits) which they bear. In the information technology sector with its rapid development, a product (intangible asset) can be extremely successful, resulting in book value significantly lower than its real one. At the same time, the rapidly advancing new technology could very quickly make a product redundant and useless, whence its real value would get much lower than its book value. The sector's dynamic nature leads to the risk of inaccurate valuation of the assets of all companies in the sector. The real value of their holdings may be significantly different from the book value at the date of the statement.

Sirma could realize losses associated with venture capital investments

Sirma plans to continue investing in new and promising technologies and companies. Equity investments run the risk of generating losses and require additional funding. To address this risk, Sirma diversifies its portfolio and manages its investments actively. In addition, its venture capital activities are of limited scope.

The Group is exposed to operational risk that is inherent to its business activities

The companies in Sirma Group are at risk of loss or unforeseen costs associated with inaccurate or non-functional internal processes, human errors, external circumstances, office or business errors, business misconduct, fraud, unauthorized transactions, and asset damage. Any failure of the Group's risk management system to identify or correct operational risk may have material adverse effect on the business, the financial position, or the results of its operations.

Risk of related party transactions at terms and conditions fundamentally different from the market ones

The Group may engage in related party transactions, the terms of which differ materially from the market conditions. Despite the special authorization regime for related party transactions under the POSA, the Group may conclude transactions with related parties, the terms and conditions of which are significantly different from the market ones. This may have a material adverse effect on the Issuer's operations, operating results and financial condition.

For more information, see "Related party transactions".

Risk of unsuccessful public offering

There is a risk that the increase of the capital of Sirma Group Holding JSC will be unsuccessful. In this case, the Issuer's management will consider alternative funding options to support the implementation of the planned investments. They will be realized at a slower pace with own and/or borrowed funds.

In accordance with the decision of the Board of Directors of Issuer, this public offering will not be possible if less than 19 786 840 shares are subscribed and paid during the offering period. In case of a failure, the investors will not be able to receive the shares for which they have subscribed during the period of the public offering and all payments made during the offering will be reimbursed in accordance with the procedures of the Central Depository. Investors shall not be entitled to additional compensation for the period during which their cash, provided for the payment of the shares, has been held, nor for any additional costs and/or commitments that investors may have made in connection with the offering.

The Issuer is also exposed to all sector-specific and general business risks inherent to any and all of its subsidiaries

"Sirma Group Holding" JSC carries out the business of a holding company and operates in different segments of the IT sector. The Group's business is diversified in the sector in which it operates, but Sirma Group Holding JSC is a direct or indirect majority shareholder and controls companies with narrow specialization and exposure to specific risks - for example, owner and datacenter operator, supplier of

products and services for the financial sector, and others. This also entails sectoral and business risks for each of its subsidiaries. Sector-specific risk arises from the impact of technological changes in the industry on income and cash flows in this sector, the aggressiveness of management, external and internal competitors, etc. Business risk, in turn, is determined by the nature of the subsidiary's business and represents the uncertainty of obtaining revenue inherent in the particular sector, in which the company operates.

The realization of any of these risks could have a material adverse effect on the business of the subsidiaries/companies concerned, their financial position, and the results of their operations. Due to the integration of subsidiaries' activities into the Group's overall business model, the potential negative effect would also affect the operations and financial condition of the holding.

In addition, Sirma Group Holding AD is a holding company and is therefore financially dependent on the receipt of dividends distributed by its subsidiaries.

Security-related risks

Risks related to the Bulgarian securities market

It is possible that the investors may have less information on the Bulgarian securities market than available for companies on other securities markets. There is a difference in the regulation and supervision of the Bulgarian securities market, and in the actions of investors, brokers and other market players, compared to the markets in Western Europe and USA. The Financial Supervision Commission controls the disclosure of information and the observance of the other regulatory standards on the Bulgarian securities market. The Financial Supervision Commission sees that the laws are complied with and issues ordinances and instructions on the obligations to disclose information, trade in securities in the availability of insider information and other issues. It is still possible that there is less publicly accessible information for the Bulgarian companies than usually made available to the investors by the public companies on other securities markets, which may have an impact on the market of the offered shares.

The Bulgarian stock exchange is considerably smaller and less liquid than the securities markets of some other countries¹

The Bulgarian Stock Exchange is considerably smaller and less liquid than the securities markets in some other countries, such as the ones in USA and the United Kingdom.

As at 31 December 2017, shares of 327 companies having total market capitalization of approximately BGN 10.7 billion are listed on the Bulgarian Stock Exchange. 100 of them are listed on the Main market of the Bulgarian Stock Exchange-Sofia. Towards 31 December 2017, they represent 88% of the total market capitalization and 87% of the value of shares traded on the Bulgarian Stock Exchange for 2017. The capitalization of the 15 largest companies listed on the Main Market of the Bulgarian Stock Exchange, part of which the existing shares of the Company are, is 57% of the total market capitalization of this market as at 31 December 2017, and the value of the listed shares of these fifteen issues represents 45% of the total turnover of the trade in shares on the Main Market of the Bulgarian Stock Exchange for the January 1st – December 31st 2017 period.

This statistics shows that a small number of companies make a large part of the market capitalization and a considerable part of the volumes traded on the Bulgarian Stock Exchange. The low liquidity also brings other difficulties, such as excessive volatility. In addition, the market is vulnerable to speculations because the liquidity is usually so low that the prices may be manipulated by transactions that are relatively low in terms of volume. Hence, there is no guarantee that the Shares will be actively traded, and if this happens, the price volatility may increase.

The trading in shares of the Issuer on the BSE may be suspended

The Bulgarian legislative framework provides for cases, in which trade in the Company Shares on the Bulgarian Stock Exchange will or may be suspended. Under Article 91 of the Markets in Financial Instruments Act, pursuant to Article 65 of the Rules on Trading on the Bulgarian Stock Exchange, the

¹ The data source in this point is BSE-Sofia

Board of Directors of the Bulgarian Stock Exchange may suspend trading in the Shares on the Bulgarian Stock Exchange on a temporary basis.

For information on the suspension of trading in the Shares on the Bulgarian Stock Exchange, pls. see "Bulgarian Capital Market - Termination of Exchange Trading". Any temporary suspension of trading of the Shares on the BSE would have an adverse effect on the liquidity and price of the Shares.

The volumes of trade in the Shares may go down and their market price may fluctuate and fall under the Issued value

The Company is not in a position to guarantee that the volumes of trade in the Shares will be permanent or will improve. It is possible that in certain periods the sale of Shares may be impeded or impossible due to the lack of investors' interest.

The market price of the Shares as at the time of the Offering may not be indicative of their market price after the completion of the Offering. The market price of the Shares may fluctuate widely depending on many factors beyond the control of the Company. These factors include, *inter alia*, actual or anticipated differences in the operating results and profits of Issuer and/or its competitors; changes in the financial valuations by the securities analysts, altered market conditions in the specific branch and changed condition of the stock market in general, amendments of applicable laws and ordinances, as well as changes in the general economic and market situation, e.g. recession.

The market price of the Shares may also fluctuate as a result from the subsequent issue of new shares by the Company/Issuer, redemption of Shares by the Company, sale of Shares by the main shareholders of the Company, dynamics of the liquidity of trading in the Shares, and as a result of the investors' perceptions. In view of these and other factors, the Company cannot guarantee that the market price of the Shares will not fluctuate or fall under the Issued value.

Additional financing through shares, including through preferred shares, convertible to normal, convertible or replaceable bonds, or other similar instruments, may also have a "Diluting effect" for the shareholders of the Company

The Company may issue additional ordinary shares upon subsequent increases of the capital. Pursuant to the Bulgarian legislation and the rules of the Bulgarian Stock Exchange, the Company is bound to offer these ordinary shares to the present shareholders in accordance with their right to acquire a part of the new shares, which correspond to their share in the capital prior to the increase. Nevertheless, the present shareholders may choose not to participate in a future issue of ordinary shares, which will bring about "dilution" of their current participation in the Company as a share of the capital.

"Dilution" of the participation of the shareholders may also take place when, for one reason or another, they have not exercised their right to proportional subscription of privileged shares convertible into ordinary shares, convertible bonds, warrants or other similar instruments that may be converted (replaced) into shares of the Company and the other holders of these instruments exercise their right to conversion (replacement) and acquire new shares of the Company capital.

Considerable future sales of shares may influence their market price

Sales of considerable amounts of Shares, or the expectation that such sales may take place, may have a negative impact on the market price of the Shares. Such sales may also make it difficult for the Company to issue new shares in the future whenever and at whatever prices the Company may deem fit.

The abilities of the Company to pay dividends depend on a number of factors and there is no guarantee that, in a given year, it will be able to pay dividends in accordance with its dividend policy or that it will be capable to pay dividends at all.

There are many factors that may affect the ability and timing of dividend payments to shareholders, including the liquidity and capital requirements of Issuer, in particular those related to the implementation of the investment program. The proposal of the Board of Directors for the distribution of dividends will

be influenced by a number of factors, including: the net profit reported in the Company's financial statements, the current cost and the existence of debt financing, the capital requirements of Issuer, the planned acquisitions and the applicable law (see also Dividends and Dividend Policy - Dividend Policy).

There is no guarantee that, in a given year, the Issuer will be able to pay dividends in accordance with its dividend policy, or that it will at all times be able to pay dividends.

Changes in the taxation regime of investments in securities

As at the date of preparation of this Prospectus, the capital profits made from the sale of securities to public companies in Bulgaria are not subject to taxation. There is a risk of a future change in this regime of non-taxation of incomes from securities operations, which would cause an increase in the tax burden for shareholders and would decrease their profits from trade in the shares of Issuer.

Currency risk

The currency risk borne by the shares of the company comes from the fact that they are denominated in BGN. Any change of the exchange rate of BGN against another currency would change the profitability that investors expect to receive, as compared to the profitability that they would receive from an investment denominated in another currency. In this sense, a possible devaluation of BGN would result in a decrease of the profitability from investing in shares of the company. The functioning Monetary Fund mechanism in this country, in which the Bulgarian Lev is tied to the Euro, largely eliminates any currency risk, as it narrows down the fluctuations of exchange rates against the major foreign currencies depending on the behavior of the common European currency.

Inflation / deflation risk related to the investments in securities

The inflation risk is related to the probability that the inflation may influence the actual return of the investments in securities. After a long period of deflation, in the past year a gradual price increase started in Bulgaria, which reached 1.2% at the end of 2017. Although we do not expect annual inflation to exceed 2%, the purchasing power of the cash flows originating from the shares would decrease by the same inflation rate.

Risk related to the rights of minority shareholders

The main risk with respect to the minority shareholders is expressed in the restriction of their ability to participate in the adoption of management decisions and to exert control over the Company. This risk may be minimized by investment in the securities of issuers that comply with high standards of corporate management and control.

For further information related to the Risk factors for the Company activity, kindly refer to the Consolidated statement of the Group for 2017, Appendix 5 – Risk factors, related to the activity of Sirma Group.

REASONS FOR THE PUBLIC OFFERING OF THE SHARES AND INTENDED USE OF THE RAISED CAPITAL

The anticipated net receipts from the public offering, provided that the entire amount of the issue of shares offered is subscribed, shall - after deducting the costs for the making thereof - be in the amount of BGN 38 732 038, and if the minimum number of shares is subscribed – 19 786 840, the sum of the net receipts shall amount to BGN 19 538 804.

The investments, planned by the Issuer depending on the result of the current Offering, are described in the following table. Due to the possibility of raising different capital for subscription and payment of different number of shares, two options are considered in the table: 1) upon a successful increase to a minimum amount of BGN 19 538 804; 2) upon a successful increase to a maximum of BGN 38 732 038. In the event of a successful increase between the minimum required for the success of the issue and the maximum admissible, the difference above the minimum amount shall be distributed among the projects according to their share in the overall investment program.

Use of funds for the capital increase.

	BGN	Scenario 1	Scenario 2
1	Implementation of the strategy for development of the Group's product portfolio	9 300 000	20 500 000
a)	Develop SENPAI (Sirma Enterprise Platform with Artificial Intelligence) by integrating key leading technologies and developments into a single product	4 000 000	10 000 000
b)	Expand the functionality of products in the Industrial Segment	1 500 000	1 500 000
c)	Add Connectivity (IoT Elements) and Expand Functionality of Products in I Health and Life Sciences Segment	600 000	1 000 000
d)	Expand Product Portfolio in Financial Segment	700 000	700 000
e)	Purchase or licensing of complementary SENPAI technologies	2 500 000	7 300 000
2	Implementation of the strategy for reorganization of the corporate structure throughout the Group	4 000 000	4 000 000
a)	Reduction of the non-controlling interest in the subsidiaries of the Holding	4 000 000	4 000 000
3	Marketing and sales of the Group's product portfolio, including commercialization of newly developed products	6 238 804*	14 232 038*
a)	Increase the team of sales representatives and sellers		
b)	Outsourcing services of marketing and sales		
c)	Acquisition of commercial companies to expand customer access to international markets, Germany and the United States in particular		

** The budget for this item is not allocated by sub-items*

DIVIDENDS AND DIVIDEND POLICY

Dividend history

For the period under consideration, Sirma Group Holding JSC has distributed a cash dividend only from the profit for 2016 at the amount of BGN 0.01 per share, as decided by the General Assembly of Shareholders, held on 15.06.2017. The distributed dividend amounts to BGN 593,605.18 and represents 36% of the net profit subject to distribution for the year on individual basis .

Before this dividend, outside the reviewed period, the regular annual General Meeting of the shareholders of Sirma Group Holding JSC held in 2014, decided to distribute a dividend of BGN 100,000 from the profit for 2013.

	2017	2016	2015
Net profit of the Company to be allocated (BGN'000)	2 809	1 643	18
Dividends paid (payable) to shareholders (BGN'000)	-	594	0
Number of shares outstanding at 31 December *	58 885 794	59 099 118	59 360 518
Dividend per share (in BGN), gross	-	0.01	0
Dividend payout ratio of the Company (%)	-	36.10%	0

Source: Minutes from the General Assembly of Shareholders of Sirma Group Holding JSC for 2016; audited individual financial statements; FFBH calculations

** "Sirma Group Holding" JSC has issued 59 360 518 shares, out of which 261 400 shares were bought back at the end of 2016, and 474 724 at the end of 2017*

**** As at the date of this Prospectus, a General Assembly of Shareholders has not yet been held to decide on the profit for 2017.*

Note: The information on the decisions adopted at the regular General Assembly of Shareholders, including information on the payment of dividends, is published by Sirma Group Holding JSC in accordance with its legal obligations to disclose information.

Dividend policy

The dividend policy of Sirma Group Holding JSC depends on the recommendations of the Board of Directors regarding the distribution of dividends. They may be affected by the following factors: the amount of net profit as per financial statements of Issuer; running costs and any debt financing; capital requirements for the Issuer; planned acquisitions and applicable law. The Board of Directors' recommendation on dividend distribution will also depend on the share of external financing in the Issuer's equity.

Dividend distribution

The decision on the distribution of profits in the form of dividends is subject to approval by the shareholders at the annual regular general meeting, after approval of the individual audited annual financial statement of Sirma Group Holding JSC for the respective financial year, and in adherence to the law. The distribution and payment of advance dividends is not allowed.

Each Share, including the Offered Shares, entitles its holder to a dividend proportional to its nominal value. The right to receive a dividend is granted to any person registered with the Central Depository as a shareholder of the Company on the date falling on the 14th day after the decision of the General Meeting for dividend distribution ("Dividend Date"). For more detailed information on dividend payments, please refer to the section "Share capital and rights and obligations relating to the Shares and General Meeting - the right to participate in the profits".

Bulgarian and foreign shareholders enjoy the same regime regarding their right to dividend and the procedures for its payment. As a rule, the Company pays a dividend in BGN.

The Articles of Association do not provide for any restrictions on the payment of dividends. Certain restrictions on the distribution of dividends are contained in the applicable Bulgarian legislation (Pls. see the section on "Share capital and rights and obligations relating to the shares and the general meeting - the right to participate in the profits").

For information on taxation of dividends, refer to the "Taxation - Dividends" section.

CAPITALIZATION AND INDEBTEDNESS

Data presented in this section should be analyzed along with the information provided in the Operational and Financial Review, the financial statements and notes thereto, as well as the financial data presented in the other sections of the Prospectus.

Capitalization and indebtedness

The table below contains information on the capitalization and indebtedness of the Group.

(BGN'000)	31.3.2018	31.12.2017
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Total short-term liabilities	18 486	22 267
Guaranteed	2 509	2 512
Secured	4 299	8 493
Unguaranteed / Unsecured	11 678	11 262
Total long-term liabilities	11 097	3 822
Guaranteed	72	159
Secured	9 513	2 123
Unguaranteed / Unsecured	1 512	1 540
Share capital	65 692	66 187
Guaranteed	59 361	59 361
Secured	2 091	2 091
Unguaranteed / Unsecured	4 240	4 735
Total	95 275	92 276

Source: Unaudited data from the Issuer; Calculations by FFBH

Indirect and contingent liabilities

The Issuer has no contingent liabilities. Indirect liabilities as at 31.12.2017 amounted to BGN 1,078 thousand, and towards 31 March 2018 they stood at BGN 1,052 thousand. As at the date of the Prospectus, the indirect and contingent liabilities of the Group remain unchanged.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables present selected financial data as at December 31st of the years 2017, 2016 and 2015, derived from the audited consolidated financial statements for 2017 and the reclassified data for 2016 and 2015. Companies included in the consolidated financial statements are listed in detail in the financial statements of Issuer.

Data presented in this section should be analyzed along with the information provided in the Operational and Financial Review, the financial statements and notes thereto, as well as the remaining financial data presented in the other sections of this Prospectus

The financial statements of the company can be found at this link - <http://www.sirma.bg/investors/financial-information/individual-consolidated-quarterly-reports/>

Statement for the profit or loss and other comprehensive income

BGN'000	2017	2016	2015
		Reclassified	Reclassified
Total revenues	52 036	41 583	33 977
Staff expenses	-20 760	-19 101	-16 369
Operational expenses	-23 482	-18 151	-14 760
Total expenses	-44 242	-37 252	-31 129
Profit/loss from operations	7 794	4 331	2 848
Financial income / costs net	-610	-138	-274
Profit / (Loss) before taxes	7 184	4 193	2 574

Income tax expense / Revenue from income taxes	-994	-524	-359
Profit / (Loss) for the year from continuing operations	6 190	3 669	2 215
including profit of non- controlling interest	2 036	1 352	786
including loss of non- controlling interest	-146	-53	-197
including profit per equity holder of the parent company	4 300	2 370	1 626
Basic earnings per share (BGN)	0.0730	0.0401	0.0274
Other comprehensive income	-2 634	925	3 786
including other comprehensive income of the non-controlling interest	-510	176	810
including other comprehensive income of equity holders of the parent company	-2 124	749	3 517
Total comprehensive income	3 556	4 594	6 542
including total comprehensive income of the non-controlling interest	1 380	1 475	1 399
including total comprehensive income of equity holders of the parent company	2 176	3 119	5 143
Basic earnings per share, incl. other comprehensive income (BGN)	0.0367	0.0525	0.0866

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

Statement of financial position

BGN'000	31.12.2017	31.12.2016 Reclassified	31.12.2015 Reclassified
Assets			
Non-current assets			
Intangible assets	48 471	47 571	36 800
Goodwill	19 540	19 540	19 540
Property, plant and equipment	5 214	3 473	3 594
Investments in subsidiaries	222	7	40
Investments in associates	236	242	276
Deferred tax assets	198	201	200

Expenditure on acquisition of fixed assets	36 737	18 429	14 988
Non-current assets	110 618	89 463	75 438
Current assets			
Inventories	2 576	766	892
Trade receivables	9 098	8 601	7 144
Receivables from related parties	2 460	2 270	1 633
Tax receivables	386	311	128
Other receivables	1 114	526	565
Prepaid expenses	164	134	104
Cash and cash equivalents	6 119	6 075	11 176
Current assets	21 917	18 683	21 642
Assets and disposal groups classified as held for sale	0	11 843	15 188
Total assets	132 535	119 989	112 268

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

BGN'000	31.12.2017	31.12.2016	31.12.2015
Equity		Reclassified	Reclassified
Main / Share Capital	59 361	59 361	59 361
Changes resulting from purchased own shares	-475	-262	0
Reserves	6 826	8 279	7 083
Retained earnings / (Accumulated loss) from previous years	15 513	9 862	7 990
Total capital attributable to the owners of the capital of the parent company	81 225	77 240	74 434
Non-controlling interest	25 221	24 961	23 669
Total equity	106 446	102 201	98 103
Liabilities			
Non-current liabilities			
Provisions	177	196	151
Long-term loans	1 924	437	510
Finance leasing	199	240	278
Obligations to suppliers	28	35	8
Financing	159	159	89
Deferred tax liabilities	1 335	1 124	1 131
Non-current liabilities	3 822	2 191	2 167
Current liabilities			
Provisions	714	711	698
Pension and other obligations to the staff	1 434	1 731	1 043
Short-term loans	8 452	2 966	1 588
Finance leasing	41	42	66
Trade and other payables	4 815	6 792	5 247
Short-term payables to related parties	1	1	16
Tax obligations	1 078	730	538
Duties on advances	2 583	1 676	1 892
Deferred income and financing	414	452	635
Obligations participations	2 735	496	275
Current liabilities	22 267	15 597	11 998
Total liabilities	26 089	17 788	14 165
Total equity and liabilities	132 535	119 989	112 268

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

Cash Flow Statement

BGN'000	2017	2016	2015
Operation activity			
Cash receipts from customers	59 754	43 674	34 369
Payments to suppliers	-32 371	-23 532	-13 748
Payments to employees and social security institutions	-15 905	-14 029	-11 994
Cash flows related to interest, dividends and similar	-193	-40	0
Income tax payments	0	0	-15
Paid and refunded income tax	-249	-475	-284
Positive / negative differences from foreign exchange operations	-100	0	0
Other receipts / (payments), net	-2 320	-1 272	-1 134
Net cash flow from operating activities	8 616	4 326	7 194
Investment activity			
Payments for acquisition of property, plant and equipment	-2 483	-889	-2 018
Proceeds from the sale of property, plant and equipment	0	3	621
Sale of subsidiaries	0	15	0
Acquisition of subsidiaries	-181	0	0
Acquisition / Sale of intangible assets	-11 542	-9 392	-6 251
Loans, deposits	387	55	2
Payments on loans	-401	-151	-120
Cash flows associated with investment deposits	0	-5	
Interest payments on loans	-4	-25	-16
Other	-33	-158	-109
Net cash flow from investing activities	-14 257	-10 547	-7 891
Financing activity			
Received or provided loans	-892	1 667	528
Loans payables	7 603	-369	-2 892
Cash flows from issuance and reacquisition of securities	5	129	11 424
Proceeds from interest, dividends and similar	-885	-84	-125
Payments under finance leases	-99	-105	-64
Cash flows from positive and negative foreign exchange differences	-5	-91	7
Other	-42	-27	-8
Net cash flow from financing activities	5 685	1 120	8 870
Net change in cash and cash equivalents	44	-5 101	8 173
Cash and cash equivalents at beginning of year	6 075	11 176	3 003
Cash and cash equivalents at end of year	6 119	6 075	11 176

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015

Financial indicators

for the year ended on December 31,
2017

№	Indicators	2017	2016	2015	Change 2017-2016	
		BGN '000	BGN '000	BGN'000	BGN '000	%
1	Revenue from operating activities	52 036	41 583	33 977	10453	25.14%
2	Cost of sales	-42 663	-35 919	-30 139	-6744	18.78%
3	Gross profit / loss	9 373	5 664	3 838	3709	65.48%
4	Other operating costs	-1 579	-1 333	-990	-246	18.45%
5	Operating profit / loss	7 794	4 331	2 848	3463	79.96%
6	Financial income	439	344	419	95	27.62%
7	Financial costs	-1 049	-482	-693	-567	117.63%
8	Profit / loss before tax expense	7 184	4 193	2 574	2991	71.33%
9	Tax costs	-994	-524	-359	-470	89.69%
10	Net profit / loss	6 190	3 669	2 215	2521	68.71%
11	Dividend	594	0	0	594	n/a
12	Cash and cash equivalents	6 119	6 075	11 176	44	0.72%
13	Inventories	2 576	766	892	1810	236.29%
14	Short-term assets	21 917	18 683	21 642	3234	17.31%
15	Total amount of assets	132 535	119 989	112 268	12546	10.46%
16	Average arithmetic total asset value for 5 quarters	123 799	113 018	101 849	10781	9.54%
17	Current liabilities	22 267	15 597	11 998	6670	42.76%
18	Debt	10 616	3 685	2 442	6931	188.09%
19	Liabilities (borrowed funds)	26 089	17 788	14 165	8301	46.67%
20	Equity	106 446	102 201	98 103	4245	4.15%
21	Equity averaged 5 quarters	104 445	98 189	87 919	6256.22	6.37%
22	Turnover capital	-350	3 086	9 644	-3436	-111.34%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	59 361	0	0.00%
24	Gain / loss minority interest	1890	1299	589	591	45.50%
25	Interest expenses	216	208	245	8	3.85%
26	Weighted average price of last trading session (BGN)	1.085	1.1795	1.2025	-0.0945	-8.01%
27	Last price per share of last trading session (BGN)	1.088	1.189	1.2	-0.101	-8.49%

for the year ended on December 31,
2017

Indicators	2017 BGN '000	2016 BGN '000	2015 BGN'000	Change 2017-2016 BGN '000	%
EBITDA (BGN '000)*	15 363	12 424	9 664	2939	23.66%
DEPRECIATION (BGN '000)	-8 179	-8 231	-6 816	52	-0.63%
EBIT (BGN '000)	7 400	4 401	2 460	2999	68.14%
FIN/INVEST NET (BGN '000)	-610	-138	-274	-472	342.03%
EBT (BGN '000)	7 184	4 193	2 574	2991	71.33%
ROA	0.0324	0.0198	0.0145	0.0127	64.26%
ROA(BSE)	0.0347	0.021	0.016	0.0138	65.63%
Debt/EBITDA Ratio	0.691	0.2966	0.2527	0.3944	132.97%
Quick Ratio	0.8686	1.1487	1.7295	-0.2802	-24.39%
ROE (BSE)	0.053	0.0316	0.0185	0.0215	68.07%
ROE	0.0593	0.0374	0.0252	0.0219	58.61%
Debt/Equity Ratio (BSE)	0.2451	0.174	0.1444	0.071	40.82%
Profitability ratios					
Gross profit margin (3/1)	0.1801	0.1362	0.113	4.39%	32.24%
Operating profit margin (5/1)	0.1498	0.1042	0.0838	0.0456	43.81%
Net profit margin (10/1)	0.119	0.0882	0.0652	0.0307	34.82%
Return on assets (10/15)	0.05	0.0325	0.0217	0.0175	54.02%
Return on Equity (10/19)	0.0593	0.0374	0.0252	0.0219	58.61%
Coefficients for assets and liquidity					
Assets turnover ratio (1/15)	0.4239	0.371	0.3377	0.0529	14.26%
Assets turnover ratio (1/16) (BSE)	0.4203	0.3679	0.3336	0.0524	14.24%
Operating cycle (1/22)	-148.6743	13.4747	3.5231	-162.149	-1203.4%
Current ratio (14/17) (BSE)	0.9843	1.1979	1.8038	-0.2136	-17.83%
Quick ratio ((14-13)/17)	0.8686	1.1487	1.7295	-0.2802	-24.39%
Cash ratio (12/17)	0.2748	0.3895	0.9315	-0.1147	-29.45%
Ratios per share					
P/S ratio (26/(1/23))	1.2377	1.6838	2.1009	-0.446	-26.49%
P/E ratio (26/(10/23))	10.405	19.0832	32.2265	-8.6783	-45.48%
P/B ratio (26/(20/23))	0.7751	0.8848	0.7276	-0.1097	-12.40%
Revenue per share (1/23)	0.8766	0.7005	0.5724	0.1761	25.14%
Earnings per share (10/23)	0.1043	0.0618	0.0373	0.0425	68.71%
Book value of equity per share (21/23)	1.7595	1.6541	1.4811	0.1054	6.37%
Dividend Ratios					
Dividend payout ratio (11/10)	0.096	0	0	0.096	n/a
Earnings retention ratio (1-(11-10))	0.904	1	1	-0.096	-9.60%
Dividend per share (11/23)	0.01	0	0	0.01	n/a
Development Indicators					
Revenue growth	0.2514	0.2239	0.2113	0.0275	12.29%
Gross profit growth	0.6548	0.4758	-0.3861	0.1791	37.64%
Assets growth	0.1046	0.0688	0.194	0.0358	52.04%
Leverage Ratios					
Debt/Total Assets (18/16)	0.0858	0.0326	0.024	0.0531	163.00%
Debt/Capital(18/(18+21))	0.0923	0.0362	0.027	0.0561	155.07%
Debt/Equity (18/21)	0.1016	0.0375	0.0278	0.0641	170.83%
Total Assets/Equity (16/21)	1.1853	1.151	1.1584	0.0343	2.98%
Market value of the company	64585	70580	71233	-5995.46	-8.49%

Source: Audited consolidated annual financial statements for 2017; Reclassified consolidated annual financial statements for 2016 and 2015.

* Profit before interest, amortization/depreciation and tax.

OPERATIONAL AND FINANCIAL OVERVIEW

This section provides information that management believes is essential to the understanding of the financial position and performance of the Issuer for the years ended December 31, 2017, December 31, 2016, and December 31, 2015. Sirma Group Holding JSC prepares financial statements on a consolidated and individual basis.

As a public company, Sirma Group Holding JSC has disclosed all interim and annual audited financial statements and has disclosed the necessary information under the applicable regulations. It is available on the FSC website (www.fsc.bg) of the Bulgarian Stock Exchange (www.bse-sofia.bg), on the Company's website (<http://www.sirma.bg/investors/>) and in the information system X3News (the media, through which the Issuer discloses information to the public).

With the audited consolidated financial statement for 2017, Sirma Group Holding JSC retrospectively recalculated separate items in the financial statements in order to achieve a clearer, more accurate and fair presentation of the information contained in them.

The following review of the Group's financial position and activity is based on:

- the consolidated statement of comprehensive income, the statement of financial position and the statement of cash flows of the Company at and for the twelve-month period ending 31 December 2017,
- the consolidated statement of comprehensive income, the statement of financial position and the cash-flow statement of the Issuer at and for the twelve-month period ending 31 December 2016 as revised in the Annual Audited Financial Statement for 2017, and
- the consolidated statement of comprehensive income, the statement of financial position and the cash flow statement at and for the twelve-month period ending 31 December 2015, as revised in the annual audited financial statements for 2017.

The recapitulative articles can be viewed in detail in the Explanatory Notes to the Audited Annual Financial Statement for 2017.

The following review of the Issuer's performance, financial position and cash flows, as presented below, should be read and interpreted in conjunction with the Financial Statements and other financial information contained in the remaining sections of this Prospectus.

The assumptions in this review and analysis, referring to the industry's prospects, the management's expectations regarding the future performance of Issuer, as well as the other non-historical information, relate to the future and, by their very nature, involve risk and uncertainty. As a result of the factors dealt with in this section and elsewhere in this Prospectus, in particular in the Risk Factors section, the actual results of the Issuer may differ materially from those relating to the future (see also "Trends and prospects"). Investors should consider this Prospectus in its entirety rather than make decisions or form an opinion solely on the basis of aggregated information.

General overview

The companies in the group of Sirma Group Holding JSC form the largest Bulgarian IT company, which provides a wide range of personalized products and services as well as high-tech solutions for different sectors. The Issuer operates as a holding company and manages subsidiaries operating in various industrial verticals.

In 2017 the Group's revenues amounted to BGN 52,036,000, the operating profit was BGN 7,794,000, and the profit from continuing operations before the minority interest amounted to BGN 6,190,000.

Common Factors Affecting the Operational and Financial Results

Historically, the Issuer's activities are influenced by the following key factors which he believes will continue to have an impact on the results of his operations: (i) international macroeconomic climate; (ii) the competitive environment in the IT sector; and (iii) cost and opportunity to attract human resources.

Listed below are the main factors affecting the financial and operating results of the Company in the 2015-2017 period. Management believes that these factors have had and are likely to have an impact on the business, financial performance, financial position and prospects for development of the Company.

A detailed analysis of the actual effect, of the factors listed below on the specific items of the statement of comprehensive income and the statement of financial position of the Company over the periods and on the dates indicated, is presented in this section under "Operation results".

Macroeconomic conditions

The operation results of the Company depend on the condition of the macroeconomic environment in Bulgaria and on the global macroeconomic climate.

Since 2010, economic activity in Bulgaria picked up due to the growth in consumption and investment and the positive dynamics in the trade balance. The development of the ICT market in Bulgaria in this period advances ahead of the economy, mainly due to the low level of ICT used by enterprises compared to other countries. According to the NSI, the share of enterprises using resource management systems in 2010 is barely 10.8%, against 23.3% for 2017. Meanwhile, the prices of information technology services in Bulgaria increased by 27% in the 2010-2017 period, scoring growth of 4.5% in the last year alone, according to the national statistics. At the same time, the global cost growth for IT services and products is estimated at 3.4% for the past year, with an overall market share of nearly \$ 4 billion.

The positive macroeconomic situation in the local market, which shows remarkable growth rates due to its relatively low level of development in terms of integrated information technologies, is directly reflected by the results achieved by the Issuer. Sirma Group historically generates about half of its consolidated revenue on the domestic market - therefore, all positive local trends have a tangible effect on its business. On international markets with their vast scale, Issuer easily adds presence and generates revenue despite its relatively low market share.

The main macroeconomic indicators for Bulgaria for the years 2015-2017 are presented in the section "Industry Overview - Bulgarian Economy".

Competitive environment in the IT sector

The information technology sector is highly competitive and characterized by dynamic technology cycles - rapid development of new solutions and technologies that shorten the life cycle of products and, at the same time, labor-intensive and costly migration from existing IT systems. While this dynamics is positive for the Group because of its extensive knowledge and experience in the implementation of modern elements and the renovation of complete systems, it does require significant costs for the update of proprietary solutions and products to meet the latest customer needs.

The dynamic competitive environment in which Sirma operates has - and will keep having - a significant impact on its operating results and financial position.

Pricing and opportunity to attract human resources

Labor costs have a significant impact on the Group's overall operating costs. The fluctuations in these costs exert a significant effect on Sirma's profitability, as they make up roughly half of the Issuer's operating costs. At that, Sirma has to compete for qualified personnel against specialized IT companies and against other Bulgarian and international employers in general, as the IT sector is globalized and human resources are mobile. For this reason, salary expenses are significantly higher than the national annual average of BGN 13,140, and also exceed the average for the sector of BGN 29,376 (according to NSI annualized data for the fourth quarter of 2017).

	2017	2016	2015
Staff expenses (BGN '000)	20 760	19 101	16 369
Average number of staff on LC	354	340	319

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; Unpublished data from the Company;

Labor costs historically represent about half of all operating costs. Labor market dynamics and trends will continue to influence the Group's performance. The management has established a partnership with the Angel Kanchev University of Rousse, where company specialists participate jointly with university lecturers in the training of M.Sc's. An active policy and the development of a training methodology for staff are key to the opportunity to create and attract human resources.

Results of the activity

The table below, prepared for the periods indicated, provides specific information on the results of the Group's operations.

Statement of comprehensive income

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
Total revenues	52 036	25.1%	41 583	22.4%	33 977
Staff expenses	-20 760	8.7%	-19 101	16.7%	-16 369
Operational expenses	-23 482	29.4%	-18 151	23.0%	-14 760
Total expenses	-44 242	18.8%	-37 252	19.7%	-31 129
Profit / (Loss) from operating activities	7 794	80.0%	4 331	52.1%	2 848
Financial income / costs net	-610	342.0%	-138	-49.6%	-274
Profit / (Loss) before taxes	7 184	71.3%	4 193	62.9%	2 574
Income tax expense / Revenue from income taxes	-994	89.7%	-524	46.0%	-359
Profit / (Loss) for the year from continuing operations	6 190	68.7%	3 669	65.6%	2 215
including profit of non-controlling interest	2 036	50.6%	1 352	72.0%	786
including loss of non-controlling interest	-146	175.5%	-53	-73.1%	-197
including profit per equity holders of the parent company	4 300	81.4%	2 370	45.8%	1 626
Basic earnings per share (BGN)	0.0730	82.1%	0.0401	46.4%	0.0274
Other comprehensive income	-2 634	n.c.	925	-75.6%	3 786
including other comprehensive income of the non-controlling interest	-510	n.c.	176	-78.3%	810
including other comprehensive income of equity holders of the parent company	-2 124	n.c.	749	-78.7%	3 517
Total comprehensive income	3 556	-22.6%	4 594	-29.8%	6 542
including total comprehensive income of the non-controlling interest	1 380	-6.4%	1 475	5.4%	1 399
including total comprehensive income of equity holders of the parent company	2 176	-30.2%	3 119	-39.4%	5 143
Basic earnings per share, incl. other comprehensive income (BGN)	0.0367	-30.2%	0.0525	-39.3%	0.0866

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

n.c. – not comparable

The Group implements segment reporting in accordance with IFRS 8 Operating Segments. Segments are currently monitored and guided individually, with each operating segment being a separate business area that offers different products and bears various business benefits and risks.

Revenue by Segment / Vertical:

BGN'000	2 017	Change %	2 016	Change %	2 015
Core	5 257	39%	3 780	0%	3 783
Cross-Industry	33 922	36%	24 966	28%	19 551
Financial	6 261	36%	4 600	27%	3 634
Market Intelligence, Publishing and Cultural Heritage	2 125	-47%	3 981	-4%	4 133
Industrial	2 898	-9%	3 178	22%	2 598
Retail and Utility	1 321	73%	763	620%	106
Healthcare and Life Sciences	252	-20%	315	83%	172
TOTAL	52 036	25%	41 583	22%	33 977

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

In absolute terms, the key growth engine of the Group is, yet again, its largest segment, the Cross-Industry solutions. The strategy for the development of key technologies, as well as the high investments in the retail software vertical, are the reasons for the good performance of these segments, too.

The table below provides a breakdown of Group revenues by type. Sirma's main revenues are revenue from the sale of goods and revenue from the sale of services. In 2017, they grow by 14.5% and 31.5%, respectively. The increase in consolidated revenue is due to the attraction of new customers, and to the increase in turnovers from existing customers.

Revenues of the Group by type:

BGN'000	2017	Change %	2016	Change %	2015
Revenues from the sale of materials	1	-66.7%	3	-88.0%	25
Revenues from the sale of goods	11 390	14.5%	9 950	14.2%	8 709
Revenues from sales of services	40 077	31.5%	30 478	32.4%	23 028
Revenues from revaluation and sale of FA	0	-100.0%	717	-61.0%	1 839
Revenues from financing	179	0.0%	179	-2.7%	184
Other Revenues	389	52.0%	256	34.0%	191
Total	52 036	25.1%	41 583	22.4%	33 977

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

The substantial increase in subscription revenue by 43% to 7690 thousand BGN, revenue from licenses to 3 858 thousand BGN, and revenue from system integration by 57% to 10 936 thousand BGN, should be noted.

Revenue from services of the Group, by type of service in thousands of BGN:

Service type	2 017	Change %	2 016	Change %	2 015
Integration projects	10 936	57%	6 976	55%	4 500
Subscriptions	7 690	43%	5 370	27%	4 216
Licenses	3 858	9%	3 544	54%	2 306
One-time projects	17 593	21%	14 588	22%	12 006
Total	40 077	31%	30 478	32%	23 028

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Main Markets

Europe and North America are the main markets, on which the Group sells its products and services. The most significant market for the Group is Bulgaria, where the Group's revenue registers growth of + 7.4% in 2017 and + 27.9% in 2016. In implementation of its strategy, revenues from the second largest market of the Group, the USA, kept rising in 2017 (+ 6.1%). The main change in the geographical distribution of revenues is related to the significant increase in the UK share within the last couple of years - from 8.6% in 2015 to 15.7% in 2017. This is the key reason for the decline in US revenue share from 20.6% in 2015 to 16.7% in 2017

Consolidated revenue from sales of Sirma Group Holding JSC by geographic markets

BGN'000	2017	2016	2015
Austria	2 321	2 686	1 438
Belgium	740	29	83
Great Britain	8 157	2 859	2 910
Germany	1 378	767	897
Canada	883	193	626
USA	8 712	8 210	7 014
Other countries	3 222	2 055	1 637
Bulgaria	26 623	24 784	19 372
Total	52 036	41 583	33 977

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Cost of sales

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
Materials	-8 148	63.0%	-4 998	57.8%	-3 167
External services	-13 481	56.4%	-8 619	24.7%	-6 910
Staff expenses	-20 760	8.7%	-19 101	16.7%	-16 369
Depreciation and amortization of non-financial assets	-8 179	-0.6%	-8 231	20.8%	-6 816
Cost of goods sold and other current assets	-10 170	5.8%	-9 613	28.6%	-7 475
Changes in stocks of finished products and incomplete production	745	596.3%	107	-78.6%	499
Capitalized own expenses	17 330	19.2%	14 536	43.9%	10 099
Other expenses	-1 579	18.5%	-1 333	34.6%	-990
Total	-44 242	18.8%	-37 252	19.7%	-31 129

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

The main components of the operating expenses of Issuer are staff costs, external services and the book value of goods sold. The large share of the book value of goods sold is the result of system integration projects that involve hardware and software from external suppliers. As a result of its software development activities, Sirma Group reported significant capitalized own expenses, which increased by 19.2% in 2017 to BGN 17.3 million. In 2017, the Group's operating expenses increased by 18.8 % (BGN 7.0 million) compared to the previous year but decreased to 85% of the Group's revenues (2016: 90%, 2015: 92%).

Financial income

<i>BGN'000</i>	2017	Change %	2016	Change %	<i>BGN'000</i>
Interest income on bank accounts	0	NA	0	-100.0%	7
Interest income on deposits	0	-100.0%	16	14.3%	14
Interest income on loans	103	15.7%	89	89.4%	47
Revenues from currency operations	336	40.6%	239	-9.1%	263
Other financial income	0	NA	0	-100.0%	88
Total	439	27.6%	344	-17.9%	419

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Financial income of the Company accomplished a growth of 27.6% in 2017, mainly due to the growth of foreign exchange-rate earnings.

Financial expenses

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
Interest expense NRA	43	152.9%	17	-45.2%	31
Interest expenses	4	-50.0%	8	33.3%	6
Interest expense on loans	203	170.7%	75	-60.7%	191
Interest expense on lease contracts	13	-18.8%	16	-5.9%	17
Expenses on currency operations	665	144.5%	272	-24.7%	361
Other financial costs	121	28.7%	94	8.0%	87
Total	1 049	117.6%	482	-30.4%	693

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Foreign exchange operations are also a major factor for the changed amount of financial expenses. The Group's debt growth in 2017 results in an increase in interest payments up to BGN 203 thousand.

Profitability

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
EBITDA*	15 363	23.7%	12 424	28.6%	9 664
<i>margin</i>	<i>29.52%</i>		<i>29.88%</i>		<i>28.44%</i>
Profit from operating activities	7 794	80.0%	4 331	52.1%	2 848
<i>margin</i>	<i>14.98%</i>		<i>10.42%</i>		<i>8.38%</i>
Profit before tax	7 184	71.3%	4 193	62.9%	2 574
<i>margin</i>	<i>13.81%</i>		<i>10.08%</i>		<i>7.58%</i>
Net profit for the year	6 190	68.7%	3 669	65.6%	2 215
<i>margin</i>	<i>11.90%</i>		<i>8.82%</i>		<i>6.52%</i>

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

** Earnings Before Interest, Taxes, Depreciation and Amortization*

The Group's profitability improved in 2017 as compared to the previous year, the main reasons being the marked revenue growth and the slowed down increase in personnel costs, which constitute the single largest cost item for the Group.

Assets and liabilities

BGN'000	As at December 31st		
	2017	2016	2015
Non-current assets			
Intangible assets	48 471	47 571	36 800
Goodwill	19 540	19 540	19 540
Property, plant and equipment	5 214	3 473	3 594
Investments in subsidiaries	222	7	40
Investments in associates	236	242	276
Deferred tax assets	198	201	200
Expenditure on acquisition of fixed assets	36 737	18 429	14 988
Non-current assets	110 618	89 463	75 438

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Non-current Assets, which at the end of 2017 stand at 83%, with an average of 75% over the past 3 years, are the main component of the Issuer's Assets. The main items of Non-Current Assets are intangible assets, which is the rule for the IT sector. Intangible assets under development, intangible assets and goodwill account for 95% of non-current assets and 79% of total assets as of 31.12.2017. These three categories represent 95% and 70% respectively for 2016 and 2015. In total, Intangible assets under development, intangible assets and goodwill increased by BGN 19,208,000 (+ 22% on an annual basis) for the last financial year and BGN 14,212,000. (+ 20% on an annual basis) for 2016

Intangible assets and goodwill of the Group

BGN'000	As at December 31st			Change '17-'16	
	2017	2016	2015	Sum	%
Intangible assets and goodwill					
Goodwill	19 540	19 540	19 540	0	0.00%
Products from development	6 423	11 737	9 730	-5 314	-45.28%
Software products	114	214	314	-100	-46.73%
Rights on Software Modules and Industrial Property	27 395	33 242	25 500	-5 847	-17.59%
Reclassified from held for sale to SENPAI embedded assets	13 511	0	0	13 511	n/a
Other intangible fixed assets	1 028	2 378	1 256	-1 350	-56.77%
Total	68 011	67 111	56 340	900	1.34%

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

The increase in intangible assets in 2017 comes in connection with a decision of the Board of Directors, according to which "Assets classified as held for sale" amounting to BGN 13,511,000 were reclassified as "Intangible assets". The plans of the Issuer are to further develop them for the purpose of incorporation into the intelligent SENPAI system.

Goodwill, which has a constant value of BGN 19 540 thousand for the review period. It is the third largest item in the non-current assets of Issuer.

Report on the distribution of the Company's goodwill by acquired company *

BGN '000		Share of
Acquired company	Balance at 31.12.2017	total
Sirma Solutions	11754	60%
EngView Systems Latin America	14	0%
Panaton Soft. Inc. USA	1 863	10%
Sirma Enterprise Systems	5 722	29%
Ontotext	19	0%
S&G Technology Services Ltd.	164	1%
Sirma Business Consulting	4	0%
Total Goodwill	19 540	100%

* The names of companies not registered in the Republic of Bulgaria are transcribed in brackets.

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Current assets

BGN'000	As at December 31st		
	2017	2016	2015
Current assets			
Inventories	2 576	766	892
Trade receivables	9 098	8601	7 144
Receivables from related parties	2 460	2 270	1 633
Tax receivables	386	311	128
Other receivables	1 114	526	565
Prepaid expenses	164	134	104
Cash and cash equivalents	6 119	6 075	11 176
Current assets	21 917	18 683	21 642
Assets and disposal groups classified as held for sale	0	11 843	15 188

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Current assets represent 17% of total assets at the date of the last report and an average of 17% over the three-year historical period. Trade receivables of BGN 9 098 thousand, representing 42% of current assets in the last report, are of the highest weight within the current assets item. The Company holds a relatively stable amount of cash and cash equivalents, amounting to BGN 6,119 thousand in the last two years versus BGN 11,176 thousand as at 31 December 2015.

Towards December 31st 2017, the total assets increased by BGN 12,546,000 or by 10%, to BGN 132 535 thousand. The increase is mainly due to the Holding's operating activities, and to the growth in long-term assets under development.

Liabilities

<i>BGN'000</i>	As at December 31st		
	2017	2016	2015
Non-current liabilities			
Provisions	177	196	151
Long-term loans	1 924	437	510
Finance leasing	199	240	278
Obligations to suppliers	28	35	8
Financing	159	159	89
Deferred tax liabilities	1 335	1 124	1 131
Non-current liabilities	3 822	2 191	2 167
Current liabilities			
Provisions	714	711	698
Pension and other obligations to the staff	1 434	1 731	1 043
Short-term loans	8 452	2 966	1 588
Finance leasing	41	42	66
Trade and other payables	4 815	6 792	5 247
Short-term payables to related parties	1	1	16
Tax obligations	1 078	730	538
Duties on advances	2 583	1 676	1 892
Deferred income and financing	414	452	635
Obligations participations	2 735	496	275
Current liabilities	22 267	15 597	11 998

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Liabilities, as at 31 December 2017, amounted to BGN 26 089 thousand - an increase of 47% or BGN 8 301 thousand on an annual basis. Short-term loans increased by BGN 5 486 thousand to BGN 8 452 thousand, and long-term loans grew by BGN 1 487 thousand to BGN 1 924 thousand. A significant decrease was recorded in Trade and other payables, which dropped by 29% on an annual basis, down to BGN 4 815 thousand.

Equity

BGN'000	As at December 31st		
	2017	2016	2015
Main / Share Capital	59 361	59 361	59 361
Changes resulting from purchased own shares	-475	-262	0
Reserves	6 826	8 279	7 083
Retained earnings / (Accumulated loss) from previous years	15 513	9 862	7 990
Total capital attributable to the owners of the capital of the parent company	81 225	77 240	74 434
Non-controlling interest	25 221	24 961	23 669
Total equity	106 446	102 201	98 103

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

As at 31.12.2017, the registered share capital of Sirma Group Holding JSC amounted to BGN 59 360 518 as a result of a successful initial public offering as of 30.10.2015. Previously, the capital was BGN 49 837 156. Towards 31.12.2017, the Issuer holds 474,724 redeemed shares directly, and further 550 indirectly, through Ontotext AD.

Capital resources, cash flows and indebtedness

The main items of the cash flow statement are as follows:

Cash flows from operating activities

Net cash flows generated by operating activities include mainly receipts from customers, payments to suppliers and staff.

Cash flows from investment activities

Net cash flows for and from the Company's investment activity include mainly payments related to the acquisition of intangible assets.

Cash flows from financing activities

Net cash flows from the Company's financial activities include mainly receipts and payments related to the receipt of borrowed financial instruments, proceeds from the issue of shares, and the payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents of the Company include cash and moneys in bank accounts.

Cash flows

The table below presents information about the net cash flows of the Company from operating, investment and financing activities for the specified periods, as well as cash and cash equivalents at beginning and end of the reporting periods.

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
Operating activity					
Cash receipts from customers	59 754	37%	43 674	27%	34 369
Payments to suppliers	-32 371	38%	-23 532	71%	-13 748
Payments to employees and social security institutions	-15 905	13%	-14 029	17%	-11 994
Cash flows related to interest, dividends and similar	-193	383%	-40		0
Income tax payments	0		0	-100%	-15
Paid and refunded income tax	-249	-48%	-475	67%	-284
Positive / negative differences from foreign exchange operations	-100		0		0
Other receipts / (payments), net	-2 320	82%	-1 272	12%	-1 134
Net cash flow from operating activities	8 616	99%	4 326	-40%	7 194
Investment activity					
Payments for acquisition of property, plant and equipment	-2 483	179%	-889	-56%	-2 018
Proceeds from the sale of property, plant and equipment	0	-100%	3	-100%	621
Sale of subsidiaries	0	-100%	15		0
Acquisition of subsidiaries	-181		0		0
Acquisition / Sale of intangible assets	-11 542	23%	-9 392	50%	-6 251
Loans, deposits	387	604%	55	2650%	2
Payments on loans	-401	166%	-151	26%	-120
Cash flows associated with investment deposits	0	-100%	-5		
Interest payments on loans	-4	-	-25	-	-16
Other	-33	-	-158	-	-109
Net cash flow from investment activities	-14 257	-	-10 547	-	-7 891

<i>BGN'000</i>	2017	Change %	2016	Change %	2015
Financing activity					
Received or provided loans	-892	-	1 667	216%	528
Loans payables	7 603	-	-369	-	-2 892
Cash flows from issuance and reacquisition of securities	5	-96%	129	-99%	11 424
Proceeds from interest, dividends and similar	-885	954%	-84	-33%	-125
Payments under finance leases	-99	-6%	-105	64%	-64
Cash flows from positive and negative foreign exchange differences	-5	-95%	-91	-1400%	7
Other	-42	56%	-27	238%	-8
Net cash flow from financing activities	5 685	408%	1 120	-87%	8 870
Net change in cash and cash equivalents	44	-101%	-5 101	-162%	8 173
Cash and cash equivalents at beginning of year	6 075	-46%	11 176	272%	3 003
Cash and cash equivalents at end of year	6 119	1%	6 075	-46%	11 176

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Yearly, the company manages to monetize most efficiently the reported revenue. In 2017 and 2016, cash receipts to customers amount to 115% and 105% of the Group's revenue, respectively, while in the same period the company has reduced past trade receivables. The net cash flow from operating activity increases by 99% in 2017, after a 40% decrease between 2016 and 2015. At the same time, the Issuer also steps up payments to suppliers, which fact has partly limited the amount of operating cash flow.

The main cash flow from investing activities is due to the growing investments in intangible assets that include licenses, software rights, etc., which support the development of new and existing company products. The cash flow from the acquisition of intangible assets in 2017 is BGN -11.5 million, a decrease of 23% versus 2016, and the net flow of investment activity for the same period is BGN -14.3 million (-35.2 % annually).

The key element of the Group net flow of financial activities between 2015 and 2017 is the Group's initial public offering in 2015, as a result of which the financial activity flow at end of year reaches BGN 8.8 million, after the recruitment of BGN 11.4 million and the BGN 7.6 million funded through bank loans in 2017.

Net cash flow declined significantly in 2016 as a result of higher investment and the lack of cash inflows from financial activity. Good financial results, high liquidity, and debt raised in 2017 contributed to the Group's return to positive cash flow.

Capital resources

The Issuer finances its operations with cash from operating activities. Furthermore, at the date of this Prospectus the Company relies on the following external sources of financing: (i) share capital; (ii) bank loans; (iii) finance leases; and (iv) trade payables, including payables to suppliers and advances received.

The Company's main cash needs are related to its operating activities, capital expenses, repayment of debt at maturity and payment of dividends to shareholders. According to the Board of Directors, cash from operating activities will be the main source of cash for the Company in the future.

No restrictions on the usage of capital resources have been imposed upon the Company that have affected or could significantly affect its business, directly or indirectly.

For a description of debt, material credit financial instruments and loan agreements of the Group, see "Debt Liability". For a description of the loans provided by affiliated enterprises, see "Related party transactions". For a description of the future capital needs of the Company, please refer to "Current and Planned Investments" below.

Debt

As at 31 December 2017, the short-term loans of the Company amounted to BGN 2,123 thousand, and as at 31 December 2016 and 31 December 2015 they amounted to BGN 677 thousand and BGN 788 thousand, respectively. As at 31 December 2017 the long-term loans of the Company amounted to BGN 8 493 thousand and as at 31 December 2016 and 31 December 2015 they amounted to BGN 3 008 thousand and BGN 1 654 thousand, respectively.

The table below provides certain information relating to the loans and net debt of the Company at 31 December 2017, 2016 and 2015 respectively.

BGN'000	As at December 31st		
	2017	2016	2015
Current loans			
Bank loans	1 924	437	510
Loans from related parties			
Other loans			
Interest rate swap			
Leasing	199	240	278
Total current loans	2 123	677	788
Non-current loans			
Bank loans	8 452	2 966	1 588
Loans from related parties			
Other loans			
Interest rate swap			
Leasing	41	42	66
Total non-current loans	8 493	3 008	1 654
Total loans	10 616	3 685	2 442
Minus: Cash and cash equivalents	6 119	6 075	11 176
Net debt	4 497	-2 390	-8 734

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

Loan Agreements and Credit Instruments

The table below presents the Group's loans as at 31 December 2017 and 31 March 2018 respectively.

Credit	Bank	Type of loan	Currency	Total amount of credit (BGN'000)	Outstanding obligation toward 31.12.2017 (BGN'000)	Outstanding obligation toward 31.03.2018 (BGN'000)	Date of taking the loan	End date of the contract	Interest rate
1	Eurobank Bulgaria	overdraft	BGN	2 200	2 194	0	11.8.2017	31.7.2018	2,50%
2	Societe Generale Expressbank	overdraft	BGN	2 000	1 994	0	8.8.2017	31.8.2018	1 m. SOFIBOR +1,8%
3	Unicredit Bulbank	investment	BGN	1 782	1 638	1 638	7.4.2017	7.4.2027	3 m. SOFIBOR ; premium 2.5%;
4	Allianz Bank Bulgaria	investment	EUR	123	74	70	18.12.2013	25.11.2023	6m. LIBOR EUR + 4.75%, but not less than 4.75%
5	Unicredit Bulbank	investment	EUR	300	150	144	8.10.2013	8.12.2023	3 m. EURIBOR + 4.45%
6	Unicredit Bulbank	investment	EUR	9 780	0	7 824	26.1.2018	26.7.2022	3 m. SOFIBOR ; premium 1.35%;
7	Unicredit Bulbank	overdraft	BGN	420	416	420	30.5.2015	31.5.2018	1 m. SOFIBOR + 2,9%
8	Unicredit Bulbank	overdraft	EUR	460	242	0	30.5.2016	30.5.2018	1 m. EURIBOR (but not less than 3.5%) in euro or 1 m. SOFIBOR (but not less than 2,9%) in BGN
9	Unicredit Bulbank	overdraft	BGN	550	549	547	8.10.2013	31.3.2018	1 m. SOFIBOR + 2,9%, but not less than 2,9%
10	Unicredit Bulbank	overdraft	EUR	810	750	775	30.5.2015	30.5.2018	1 m. EURIBOR + 2,9%
11	Unicredit Bulbank	overdraft	EUR	700	607	613	30.5.2015	30.5.2018	1 m. EURIBOR + 2,9%

Source: Data from the Issuer

* The balances for each individual credit are presented in the respective currency of the loan

** Loans from 1 to 6 were taken by Sirma Group Holding JSC, loans from 7 to 11 were taken by companies within the group;

The Group is a party to financial leases for 7 motor vehicles with total outstanding of BGN 196,000, remaining interest payments of BGN 7,000 and residual value of BGN 37,000 (excluding VAT). In addition, the Issuer has acquired office space under a lease, where the remaining contributions amount

to BGN 156 thousand. At the end of 2017, the sum of all lease obligations amounts to BGN 240 thousand. The lease creditors are Piraeus Leasing, UniCredit Leasing, Interlease Auto, Sogilis-Bulgaria. As at the date of the Prospectus, no new or terminated lease contracts were concluded; the remaining total liability under leasing contracts is BGN 223 thousand.

Loan collateral

Towards December 31st 2017, loans taken out by the Issuer (pls. see Capital Resources, Cash Flows and Debt Loans - Loan Agreements and Loan Instruments) were secured with the following collateral for the respective loans.

Credit	Collateral
1	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)
2	Pledge of 1 392 740 registered shares of the capital of Daticum, owned by Sirma Solutions; In case of a dividend decision from Daticum, the bank should be notified immediately and if, within one month, the Bank does not raise an objection, the dividend may be paid off. In the event of an objection, the amount is received into a bank account, specified by the bank and serves as collateral.
3	Office №1, 2, 3, 4, 5, 6, 7, 9, 11
4	Office №8 , 3th floor+ pledge of receivables totaling EUR 123,000
5	Office №19; Office №20; Office №21 + pledge of receivables
6	Pledge under the terms of LPO of the commercial enterprise Sirma Solutions, Pledge of 2 443 682 (BGN 10) ordinary shares of Sirma Solutions' equity and 3,550 shares (BGN 1) from Sirma ISG, 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 Sirma ICS, 25000 shares of the capital of Flash Media, 20000 shares of the capital of Sirma Mobile.
7	Established Pledge on Dividends from and to Sirma Solutions and in favor of Sirma Group Holding by Sirma Solutions.
8	Office №19; Office №20; Office №21 + pledge of receivables
9	Ontotext - Contracts for 391 041 GBP + 848 316 GBP;
10	Office №19; Office №20; Office №21 + pledge on receivables + contract EUR 400 000.
11	3th Floor, 135 Tsarigradsko shose office building Sofia + pledge on receivables \$ 700,000 / annually by Sirma USA and all other receivables

Capital expenditure

<i>BGN'000</i>	Investments in 2018 until the date of the prospectus	2017	2016	2015
Property, plant and equipment				
Buildings and constructions	0	2062	76	0
Plant and equipment	86	492	550	1 078
Vehicles	0	24	91	32
Economic inventory	14	16	43	39
Expenses for acquiring and liquidating assets in an economic manner	0	-4	0	0
Others	13	42	17	1
Total	113	2 632	777	1150
Intangible assets				
Property rights	94	2 352	14 264	6 935
Software products	0	0	0	57
R&D Products	1463	17 330	14 536	10 099
Others	8	15	373	1 082
Total	1565	19 697	33 287	18 173
Financial assets (excluding long- term receivables)				
Investments in:				
Subsidiaries	0	1159	5568	127
Associates	0	0	0	0
Total	0	1159	5568	127
Goodwill	0			142
Total amount	1 678	23 488	39 632	19 592

Source: Data from the Issuer

Investments in the Group's fixed assets take up a relatively small share of total assets. Traditionally, computer equipment is of the highest weight, but the largest growth for the last three years occurred in April 2017 when Sirma Group Holding JSC acquired nine office premises, located in an office building on 135 Tsarigradsko shosse Blvd. at a price of 781 268 euros. For this purpose, an investment loan of EUR 710 000 was taken from UniCredit Bulbank, and an additional EUR 200 000 was used for the overhaul of the office premises.

The main investments for the period from the end of 2017 up to the date of the Prospectus are in Intangible Assets – Products from development, as follows:

Project	Investments in 2018 until the date of the prospectus (BGN'000)
Insurance Platform Sirma ICS	68
AD New Development	81
EV/M-Caliper	15
EV/PackGate	183
EV/Shafy	95
OT/GraphDB-P	156
OT/Ontotext Platform	36
OT/S4-P	21
OT/SAS-P-Semantic Pub-Platform	32
SGH/Sirma Cloud	60
SMS/Diabetes:M	51
SS/Loyax - Core	54
SS/PROD-LOYAX-Loyax	51
SS/R&D ImageRecognition-BG161PO003	229
SS/SRVC-MarketVidia	55
STT/EMF - Enterprise Management Framework	275
Total	1 463

Source: Data from the Issuer

Current and planned investments

The investments described below are current and planned major investments of the Group, in terms of their impact on the Group's operations and their value.

The investment plans of Issuer are focused on the development of its own cognitive platform SENPAI, which will combine into one the Group's technical developments and its leading software. In order to secure key elements for the platform, funds will be invested in the purchase of minority shareholders in subsidiaries of the Group, and also in the additional development of products that will be integrated as platform components.

SENPAI: According to the management of Issuer, a key project is the development of integration of the main cognitive technologies and the graph database, named the Sirma Enterprise Platform with AI (SENPAI). The platform will be a system of modules for data collection from various sources, storage, processing, modeling and analysis, and front-end interface (work tools, external integration modules, APIs)

New technologies: The Management of Issuer monitors the global trends in the software industry and invests in a consistent capacity to implement and develop such technologies. Management's intent is to develop technology platforms and products based on Blockchain and IoT for financial markets, healthcare and personal data protection. Blockchain is the leading example of promising technology. In 2017 and 2018, technology is largely experimental, still looking for the right areas for effective application. Gartner expects serious investments in blockchain applications after 2020, with an envisaged contribution of USD 176 billion in business value by 2025. From this breakthrough point onward, blockchain applications are expected to add a global economic value reaching USD 3.1 trillion in 2030.

A detailed description and an estimate of planned investments are provided in the "REASONS FOR THE PUBLIC OFFERING OF SHARES AND PLANNED USE OF THE CAPITAL RAISED" Section.

The above investments are realized mainly in Bulgaria.

The Group intends to finance its future capital costs, including the above investments,, mainly from own funds and funds raised from the public offering of shares. Loans will also be used if necessary.

Information on major future investments for which management has already made firm commitments

The Issuer has made a firm commitment in connection with the acquisition of shares by one of the minority shareholders in Ontotext. The deal and its parameters are described in the "Recent Developments" section.

Statement regarding working capital

Sirma Group Holding JSC boasts excellent short- and medium-term visibility regarding revenue and the need for working capital. In addition, historical levels of working capital are relatively low. The group traditionally uses its own funds to finance its operations, and for its investment program, it uses external debt financing, if at all needed. The Issuer maintains low levels of interest and non-interest payables.

The Board of Directors declares that, in its opinion, Sirma Group Holding JSC has sufficient funds in the form of cash and short-term financing to cover the current needs of the Company.

Trends and perspectives

The issuer is not involved in any production activity. The trends that have affected the Group's activity for the last financial year are the trends observed in the sector at local and international level, as described in the INDUSTRY REVIEW section.

There are no other material developments that the Issuer believes will have an impact on its activities after the end of the latest reporting period up to the date of this document.

Recent Developments

In pursuance of the Group's strategy for restructuring and reducing non-controlling participation, the following actions were carried out:

- On 26.01.2018 Sirma Group Holding JSC has signed an investment bank loan agreement with Unicredit Bulbank AD. The amount of the loan is BGN 9 780 000, with interest rate: 3M SOFIBOR + 1.35% per annum. Deadline for absorption 30.07.2018, and deadline for repayment 14.06.2022. The loan is secured by pledge on the commercial company of Sirma Solutions AD, a stake on Sirma Group Holding JSC own 2 443 682 shares of Sirma Solutions AD, and a pledge on receivables. Joint debtor and collateral taker within the meaning of the LAW ON CONTRACTS FOR FINANCIAL SECURITY: Sirma Solutions AD with UIC 040529004 and Sirma Enterprise Systems AD with UIC 200421236. The current status and parameters are described in the section "Loan Agreements and Credit Financial Instruments ".
- On March 13th 2018, the Company has entered into a contract with New Europe Venture Equity EI PI for the acquisition of all 4 187 087 (four million one hundred and eighty seven thousand one hundred and eighty seven) Class A1 voting shares, of the capital of Ontotext AD.
- The purchase price is EUR 4,200,000 (four million two hundred thousand), payable as follows: EUR 1,000,000 (one million euros) shall be paid by the Buyer for the endorsement of the Shares as agreed in the contract; EUR 1,000,000 (one million euros) shall be paid by Buyer by 30.06.2018; EUR 2,200,000 (two million two hundred thousand euros) shall be paid within three days after the entry of Buyer's capital increase in the Commercial Register, but not later than 15 March 2019;

Collateral on the deal:

COLLATERAL № 1: Type of assets to be pledged: 1,968,131 uncertificated shares of Sirma Group Holding owned by Tsvetan Borisov Alexiev, of BGN 1 each, registered in the Central Depository.

COLLATERAL № 2: Type of assets to be pledged: 1,968,130 uncertificated shares of Sirma Group Holding owned by Atanas Kostadinov Kiryakov, of BGN 1 each, registered in the Central Depository.

COLLATERAL № 3: Type of assets to be pledged: 1,968,130 uncertificated shares of Sirma Group Holding owned by Georgi Parvanov Marinov, of BGN 1 each, registered in the Central Depository.

Date of transfer of the shares: The transfer of the Shares from Seller to Buyer shall take place on the business day following the day on which the following conditions are met: Buyer must certify that the collaterals (described above) are duly established in favor of Seller; The parties shall provide all corporate decisions, powers of attorney, certificates, declarations and other supporting documentation needed in connection with the transfer of the Shares from Seller to Buyer; Changes in the governing bodies of Ontotext AD: Zlatolina Mukova and Konstantin Petrov leave the Board of Directors of Ontotext AD.

The first tranche of the price will be funded by an investment bank loan.

- On 13 March 2018, a new subsidiary of Sirma USA Inc. was established, part of Sirma Group Holding JSC - Sirma Software Inc. with a capital of USD 11,711,476, 100% owned by Sirma USA Inc.
- On March 14th 2018, by share transfer agreement concluded between Sirma USA Inc. on the one hand and Sirma Solutions JSC and Sirma Group Inc. on the other, all 11,711,476 ordinary shares with a nominal price of USD 1.00 from the capital of Sirma Software Inc. were transferred to Sirma Solutions JSC and Sirma Group Inc. in the following ratio: 97.5% of the capital (11,418,689 shares) into Sirma Solutions JSC, and 2.5% of the capital (292,787 shares) into "Sirma Group Inc.". The capital of Sirma USA Inc. was reduced by reducing the nominal value of the issued shares to \$ 641,996. Number of shares issued -13 323 558.
- On February 9 .2018, the Board of Directors of Sirma Enterprises Systems AD decided to convene the GMS for redemption of shares by minority shareholders.
- On May 2nd 2018, a decision was taken at the meeting of the Board of Directors of Sirma Group Holding JSC, for the increase of the capital of Sirma Group Holding JSC and on May 8th 2018, a Prospectus of Sirma Group Holding was submitted for approval by the Financial Supervision Commission, for the increase of the Company capital.
- On May 4 2018, in compliance with the Strategy of Sirma Group Holding JSC, two of the subsidiaries of the Group - Sirma Group Inc. and Sirma USA Inc., merged. The capital of the new company is USD 2 641 995, distributed into 54 830 258 shares with a par value per 1 share of \$ 0.048145. The new company, incorporated on May 8, 2018, is named Sirma Group Inc., and it is based in the USA, Idaho 83702, Boise 202 N, 9th Street Suite 303B.
- Towards the date of this Prospectus, a call was published for the GMS of Sirma Group Holding JSC on 25 June 2018. Proposals for decisions include approval of the audited financial statements for 2017, assignment of 10% of the profit for the year on an individual basis to a reserve fund, while the remaining 90% of the profit will be proposed to go into "Retained earnings from previous years".

- On 29 May 2018, the meeting of the Board of Directors of Sirma Group Holding JSC decided to adopt a revised Prospectus for capital increase of Sirma Group Holding JSC.

There are no other material changes in the Group's financial or trading position between 31 December 2017 and the date of the Prospectus.

BUSINESS REVIEW

Overview

The companies from the economic group of Sirma Group Holding JSC form the largest ICT company in Bulgaria with a track record of over 25 years. Established as a regional leader in information technology, the company boasts a range of proprietary, innovative technologies, a diverse product portfolio and a growing market share in Europe and North America.

Sirma Group Holding JSC is a holding company and as such, its main activity is related to the strategic and operational management of investments in information technology companies to which it provides management, administrative, legal, marketing and financial services. The responsibilities of the holding company may be viewed along the following axes: Strategic Management; Financial Management, Legal and Administrative Services; and General Operations Management, including Intellectual Property Management, Human Resources, Marketing and Brand Management.

The Sirma Group includes more than 20 companies in this country and abroad, operating in 7 business verticals: Core Technologies (which are the basis for other Group solutions), Cross-Industry Solutions, Finance, Market Intelligence, Publishing and Cultural Heritage, Industrial Solutions, Healthcare & Life Sciences, and Retail.

Core Technologies / SENPAI

- Combines the key semantic and AI technologies of the group. The main technologies that make up this segment are: GraphDB, Text and Data Management, Sirma Enterprise Interactive Platform, Computer Vision and Knowledge and Marketing Cloud Services.

Cross-Industry solutions

- System integration;
- A complete range of enterprise IT outsourcing solutions;
- Cloud Services and Infrastructure Provider with Certified Data Center;
- Cyber Security Solutions;
- SEP (Sirma Enterprise Platform) Open source platform for intelligent management of organizations and documents with LOW CODE for customisation.

Finance segment

- Banking Services for System Integration and Implementation of Different Solutions Based on "FlexCube" by Oracle Corporation and T24 Core Banking by Temenos;
- Provider of a cloud-based platform for insurance brokers.
- Software services and solutions for insurance companies.

Market Intelligence, publishing and cultural heritage

- Semantic software solutions for the media, business and investment information agencies and scientific publishing houses;
- Software solutions and services for galleries, museums, archives and libraries.

Industrial software

- Supplier of CAD / CAM solutions for the packaging industry;
- Supplier of products and solutions for the measurement industry;
- OEM partner (factory software for machines) for the delivery of equipment for the measurement industry.
- On-line platform to connect users and manufacturers in the packaging industry based on the EngView Package Designer Suite

Healthcare & Life Sciences

- Software applications for the management and control of chronic disease;
- A chronic disease (diabetes) monitoring product - (Diabetes M);
- Analysis of reports on the clinical research of pharmaceuticals and data integration for pharmaceutical companies and health insurers.

Retail

- Among the leading face recognition solutions;
- Solutions and services based on machine self-learning algorithms;
- Platform for the management of loyalty programs.

The shareholding structure of Sirma Group Holding JSC is highly diversified. The management controls about 30% of the Issuer's capital. No single shareholder holds more than 10% of the capital. A detailed reference is provided in the "MAIN SHAREHOLDERS" section

In 2017, the consolidated earnings from Sirma's operations reached BGN 52,036,000, and the net profit of the parent's equity holders amounted to BGN 4,300,000. The Group sells its products in over 50 countries at 6 continents. The major markets are Europe and North America. At the end of the year 2017, the Group employs 399 people.

There are no extraordinary factors that have a significant impact on the Group's core business and operations.

Key indicators for Sirma Group Holding JSC (2015-2017)

Indicator	2017	2016	2015
Revenues (BGN'000)	52 036	41 583	33 977
Profit from operating activities (BGN'000)	7 794	4 331	2 848
Profit before taxes (BGN'000)	7 184	4 193	2 574
Net profit (BGN'000)	6 190	3 669	2 215
Profit per equity holders of the parent company (BGN'000)	4 300	2 370	1 626
Assets (BGN'000)	132 535	119 989	112 268
Investment costs (BGN'000)	23 488	39 632	19 592
Number of employees on LC (average)	354	340	319

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; Data from the Company

Background and development of Issuer

Sirma Group Holding JSC (with the name of the date of creation "SGH" JSC) was entered in the Commercial Register at the Registry Agency on April 25th 2008, with registered capital of BGN 50 thousand. The name of the company changed on March 23rd, 2009 from "SGH" JSC to Sirma Group Holding JSC, with an equivalent in English "Sirma Group Holding" JSC.

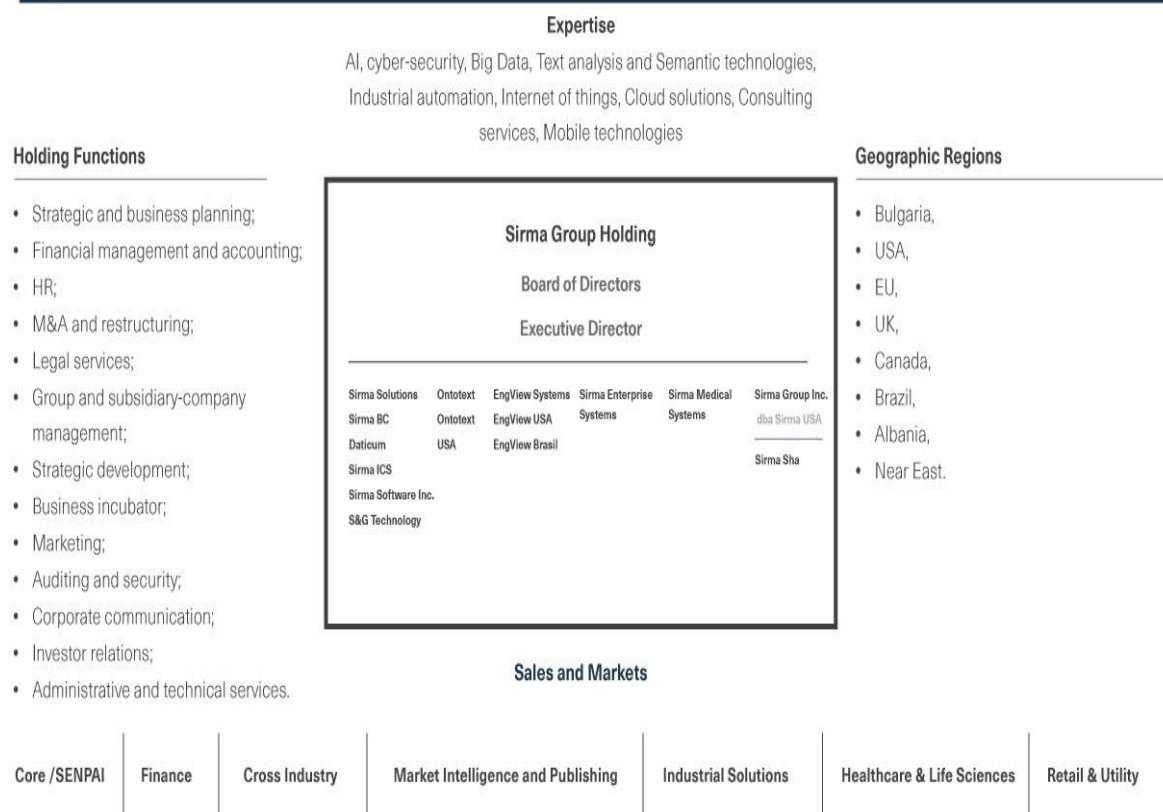
"Sirma Group Holding" JSC is a listed company and its shares are traded on the Bulgarian Stock Exchange since November 2015, after a successful initial public offering. On 30th October.2015, the capital was increased to BGN 59 360 518 by issuing 9 523 362 new shares with a par value of BGN 1 and an issue value of BGN 1.20. The company is included in the Blue Chip Index (denoting premium quality, high-liquidity companies) of BSE-Sofia SOFIX, as well as in the indices BG TR30 and BGBX40. The holding is a legal entity of perpetual existence.

"Sirma Group Holding" JSC was established as a structure integrating companies and projects launched by the founders of the holding. The Group came to life in 1992 in Sofia, when a small team of young Bulgarian IT specialists founded their own company to develop sophisticated software systems based on artificial intelligence. A quarter of a century on, the Group occupies prominent positions on local and international markets, as its products and services are extensively used by private institutions and government agencies alike, in this country and across the globe.

Year	Key events in the company's development
1992	<ul style="list-style-type: none">▪ The first company "Sirma AI" is founded by a group of friends and colleagues. The company is registered simultaneously in Bulgaria and in Canada;
1998 - 2000	<ul style="list-style-type: none">▪ Creates a unit for specialized CAD / CAM systems and a semantic technology lab;
2007	<ul style="list-style-type: none">▪ Acquires ITT, a young company with significant experience in SOA, BPMS, eGovernment projects and customs systems;
2008 - 2009	<ul style="list-style-type: none">▪ Period of restructuring the group into a holding;
2014	<ul style="list-style-type: none">▪ Builds its own datacenter, jointly with reputable local investors;
2014	<ul style="list-style-type: none">▪ Sirma is the largest Bulgarian IT group;
2015	<ul style="list-style-type: none">▪ Sirma made the first public offering of an IT company in Bulgaria and the largest since 2007;
2016	<ul style="list-style-type: none">▪ Registration of a trading company on the East Coast - USA;
2018	<ul style="list-style-type: none">▪ Release of a platform for insurance brokers and a platform for the monitoring of chronic diseases - diabetes;

Organizational structure

Organization chart



The Group is a cluster of quasi-independent legal entities, in which Sirma Group Holding JSC owns the controlling stake in the capital. The holding is the parent company. Most often, it controls with more than 50% of the members of the group's management bodies and determines their development and investment plans, approves their budgets, provides legal, financial and administrative services and coordinates their marketing and HR policies.

Organization chart of the Group's business structure

The structure of the Group, and its entities operating in different IT areas, result in these intrinsic synergies:

- Knowledge-sharing in the development of products and services

The possession, of a wide range of products and services in the individual companies within the group, enables the implementation of already completed specialized software in different projects, which optimizes labor costs, execution time and quality.

- Cross-selling

Group companies can sell to their customers the products and services of other companies in the group (cross-selling), which increases revenue for the group as a whole, minimizes sales and marketing costs, and at the same time strengthens customer relationships.

➤ Optimization of human resources

The ability to create specialized teams allows for better human resource management and workflow optimization, while participation in a larger structure enables the development of a unified corporate culture and values.

➤ Infrastructure - Datacenter

Sirma operates its own data center of the highest class. This allows companies within the Group to provide SaaS under flexible conditions.

The companies in the Group - key data

Presentation of the group structure

Subsidiaries of Sirma Group Holding JSC

Company	As at the Prospectus date		As at 31.12.2017		
	Value of the investment (BGN'000)	Percentage of the capital	Value of the investment (BGN'000)	Percentage of the capital	Percentage of capital rights *
Sirma Solutions	36 260	75,61%	36 260	75,61%	80,62%
Sirma Enterprise Systems	6 895	88,71%	6 895	88,71%	90,13%
Sirma Medical Systems	66	66,00%	66	66,00%	66,00%
Sirma Group Inc.	3 498	76,31%	3 471	100,00%	100,00%
Sirma USA	0	0%	521	2,50%	2,50%
Ontotext	9 650	58,51%	9 650	58,51%	58,51%
Engview Systems	50	72,90%	50	72,90%	72,90%
Total	56 419		56 913		

*"Percentage of the capital" shall mean the ratio between the number of the owned capital shares and the number of all issued shares of the company capital, without taking into account the number of own shares, which the company may possess. The term "percentage of the capital rights" shall mean percentage of all share rights: right to dividend, right to subscribe new shares of capital increase, right to liquidation quota - in case of liquidation of the company, all assets, remaining after all claims of the creditors are paid or secured, are distributed among the shareholders proportionally to their capital share.

Subsidiaries of Sirma Solutions AD

Company	As at the Prospectus date		As at 31.12.2017	
	Value of the investment (BGN'000)	Percentage of the capital	Value of the investment (BGN'000)	Percentage of the capital
Sirma Business Consulting	1 374	54,08%	1 374	54,08%
Daticum	1 394	60,50%	1 394	60,50%
Sirma USA	0	0%	17 630	97,57%
Sirma Group Inc.	916	23,69%	0	0%
Sirma Software Inc.	16714	97,50%	0	0%
S&G Technology Services Ltd.	117	51,00%	117	51,00%
Sirma ISG	0	71%	0	71%
Sirma ICS	270	90,00%	270	90,00%
Total	20 785		20 785	

Subsidiaries of Ontotext AD

Company	Value of the investment at 31.12.2017 (BGN'000)	Percentage of the capital at 31.12.2017
Ontotext USA Inc.	30	100,00%

Subsidiaries of EngView Systems Sofia AD

Company	Value of the investment at 31.12.2017 (BGN'000)	Percentage of the capital at 31.12.2017
EngView Systems Latin America	7	95%
EngView Systems USA Inc	9	100%
Total	16	

Subsidiaries of Sirma USA, now Sirma Group Inc.

Company	Value of the investment at 31.12.2017 (BGN'000)	Percentage of the capital at 31.12.2017
„Sirma Sha“ Albania	28	55,00%

Associated to Sirma Group Holding JSC

Company	Value of the investment at 31.12.2017 (BGN'000)	Percentage of the capital at 31.12.2017
GMG Systems (in liquidation)	214	19,93%
E-Dom Management	7	35,00%
Total	221	

Associated to Sirma Solutions AD

Company	Value of the investment at 31.12.2017 (BGN'000)	Percentage of the capital at 31.12.2017
SEP Bulgaria	0	6,50%
EYE BILL INTERACTIVE	0	34%
EXCELL MANAGEMENT	0	34%
Flash Media	0	50%
Sirma Mobile	15	40%
Total	15	

Detailed presentation of the companies in the Group**Sirma Group Holding JSC**

Year of incorporation	2008
UIC	200101236
Share capital	59 360 518 BGN (59 360 518 shares with nominal value BGN 1)
Shareholders	The shareholding structure is described in the section "MAJOR SHAREHOLDERS"
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

The main business of the holding is to manage, finance and support the development of its subsidiaries.

At the date of this Prospectus, Sirma Group Holding JSC has participations in the following subsidiaries described in the paragraphs below:

Name	Description in
Sirma Solutions	IT. 1
Engview Systems Sofia	IT. 2
Sirma Enterprise Systems	IT. 3
Ontotext	IT. 4
Sirma Medical Systems	IT. 5
Sirma Group Inc.	IT. 6

Control acquired and exercised through Sirma Group Inc.	
Sirma Sha - Albania	IT. 1.5.1
Sirma Software Inc.	IT. 1.7

Control acquired and exercised through "Sirma Solutions" AD:

Sirma Business Consulting	IT. 1.1
Daticum	IT. 1.2
Sirma ISG	IT. 1.3
Sirma ICS	IT. 1.4
Sirma Group Inc.	IT. 1.5
S&G Technology Services Ltd., UK	IT. 1.6
Sirma Software Inc.	IT. 1.7

Control acquired and exercised through „Engview Systems Sofia“ AD:

EngView Systems USA Inc.	IT. 2.1
EngView Systems Latin America	IT. 2.2

Control acquired and exercised through "Ontotext" AD:

Ontotext USA Inc.	IT. 4.1
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As at the date of the Prospectus, "Sirma Group Holding" JSC has participations in the following associates described in the relevant paragraphs below:

Name	Description in
GMG Systems	IT. 7

Participations, acquired and exercised through "Sirma Solutions" AD :

Sirma Mobile	IT. 1.8
SEP Bulgaria	
EYE BILL INTERACTIVE	

1. Sirma Solutions AD

Year of incorporation	1992
UIC	040529004
Share capital	BGN 32,319,700 (3,231,970 shares with a nominal value of BGN 10)
Purchased own shares	192 115 shares with nominal value BGN 10
Participation of the Issuer in the capital	2 443 682 shares owned by Sirma Group Holding JSC, representing 75.61% of the capital and 80.75% of the voting shares
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

In line with the implementation of the Sirma Group Holding strategy, a decision was taken by the GMS of Sirma Solutions AD to increase the capital by BGN 3,524,800 by issuing new 352,480 (three hundred fifty two thousand four hundred eighty) ordinary shares with nominal share value of 10 BGN. The shares are subscribed for cash contributions with an issue value of 10 (ten) BGN. Entry of the decision in the Commercial Register pending.

Sirma Solutions AD, the largest company within the Group, is among the leaders on the Bulgarian and international markets in the field of information technologies, IT consultancy services and system integration. Founded in 1992, the company implements complex projects on local and international markets for customers from different business sectors, striving to increase their productivity and efficiency through the implementation of next-generation software solutions. Sirma Solutions AD boasts strong technological expertise in many areas of modern technology, as well as a proven methodology for project management, coupled with deep knowledge of business processes in a number of major verticals.

The main activities of Sirma Solutions AD are: design, development, marketing, sales, implementation, training and support of software products and complete solutions, including software project management, information and communication technology consulting services. Sirma Solutions AD specializes in several areas - mobile and telecom technologies, e-government, complex business systems and cloud infrastructures. The company has developed the innovative loyalty management platform LOYAX. Sirma Solutions AD invests in research projects in high-tech areas such as the recognition and automatic annotation of images, robotics, and mobile technologies.

The company has repeatedly ranked first in the annual Top 100 of the leading ICT companies on the Bulgarian market at ComputerWorld. In addition, it is a leading partner and maintains close collaboration with world leaders such as Oracle, Microsoft, IBM, Hewlett Packard, Siemens, Atos and others.

2. "EngView Systems Sofia" AD

Year of incorporation	1998
UIC	201277917
Share capital	BGN 68.6 thousand (68.6 thousand shares with nominal value of BGN 1)
Participation of the Issuer in the capital	Sirma Group Holding JSC owns 50,000 shares with a nominal value of BGN 1, which represent 72.90% of the capital and of the voting shares
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

EngView Systems Sofia is a company specializing in the development of CAD / CAM (computer-aided design and computer-aided manufacturing) system for the needs of the packaging industry and software solutions in the field of video measurements. The company has a wide global network of partners and distributors, ensuring the effective distribution of products on international markets. The company has clients in over 40 countries worldwide and has a subsidiary in Brazil. EngView Systems Sofia AD is well known for its creativity and innovation and is the winner of the European IT Award for Outstanding Contribution to Generating and Converting Innovative Ideas and R & D Projects into High Market Potential Products. The CAD / CAM product of "EngView Systems Sofia" AD is recognized as the world's second most popular after the corresponding solutions of AutoDesk Inc.

3. "Sirma Enterprise Systems" AD (until 15.7.2016 "Sirma ITT" AD)

Year of incorporation	2007
UIC	200421236
Share capital	BGN 1,410,460 (127,144 ordinary shares with a nominal value of BGN 10 and 13,902 Class A shares with a nominal value of BGN 10) ordinary shares - materialised, voting, dividend-bearing; Class A Shares - shares owned by the Company that can only be transferred to employees. Materialised, voting, dividend-bearing.
Purchased own shares	2 217 shares with a nominal value of BGN 10
Participation of the Issuer in the capital	Sirma Group Holding JSC holds 125,120. shares representing 88.71% of the capital and 90.13% of the voting shares
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

At the date of this Prospectus, a decision was taken to buy back the minority interest. Entry of the decision at the Register pending.

Sirma Enterprise Systems AD develops a platform for semantic integration, content, collaboration and enterprise management - The Sirma Platform for Semantic Enterprise Integration, Content, Collaboration and Management. It is designed for large businesses and can be offered as cloud service. It is built up of open-source and Service-Oriented Architecture. The semantic technologies and graph database that support a flexible network model of data, objects and concepts are unique with their ability to automatically recognize text in documents. The behavior of applications is determined by dynamic data models, nomenclatures, business processes, structured documents and tasks.

Sirma Enterprise Systems AD implements applications on the platform for the needs of the different departments of enterprises, or to solve specific business problems. A key advantage of the platform is that the world / data and application behavior models are able to evolve along with the development of the enterprise itself, in an evolutionary and significantly more efficient way than traditional systems and technologies. Some major clients of Sirma Enterprise Systems Inc. are Quality Vision International Inc. (the world leader in video measuring equipment), The US National Gallery of Arts (along with seven other leading museums in North America and Europe) and the Sofia Municipality in Bulgaria.

4. "Ontotext" AD

Year of incorporation	2008
UIC	200356710
Share capital	BGN 16,068,801 (11,881,714 ordinary shares and 4,187,087 shares with special economic rights under the Articles of Association of the Company, with nominal value of BGN 1)
Participation of the Issuer in the capital	Sirma Group Holding JSC owns 9,401,155 shares. Class ordinary shares, which represent 58.51% of the capital and of the voting shares
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

Optional Fund

Holders of ordinary shares of the capital of Ontotext AD, incl. Sirma Group Holding JSC, have agreed to create an option fund of 1 210 215 (one million two hundred and ten thousand two hundred and fifteen) shares for a term up to March 31, 2019, under which agreement they are obliged to sell the included in the option fund shares to option holders at a price per share of BGN 1.17. Options of the Option Fund shall be sold to key employees of the Company, key employees of subsidiaries and consultants of the Company and its subsidiaries, at the price fixed in the previous sentence, in accordance with a decision of the Board of Directors of Ontotext AD to determine the persons entitled to acquire options taken by a simple majority but with the participation of at least one nominated member from the Board of Directors who voted for the decision. The Board of Directors is authorized, for a period of 3 (three) years from the announcement of this amendment to the Articles of Association in the Commercial Register, to manage the opt-in fund, to determine a price per 1 option for acquisition of one share, which can not to be higher than three eurocents, to determine the persons entitled to acquire options and to sell options from the option fund for the acquisition of shares in the Company's capital. The sale of ordinary shares under the Options Scheme shall be made in proportion to all Shareholders holding Ordinary Shares included in the Option Fund. **As at the date of preparation of this Prospectus, there is a decision of the General Meeting of Shareholders of Ontotext AD on the adoption of amendments to the Articles of Association, which decision removes the text about the Option Fund. Entry in the Commercial Register, and liquidation of the Option Fund, are forthcoming.**

Ontotext AD is a leading developer and provider of semantic technologies, including GraphDB (NoSQL graph database - database management systems that support non-relational models) and text analysis technology for automatic retrieval of structured information and automatic tagging of information content. GraphDB is also a Web server for Web 3.0 ("Semantic Web", a conditional name for the next generation Internet Web) that allows Linked Open Data to be published in the Resource Description Framework, the W3C standard for representing of structured information and metadata on the web).

The innovative software algorithms and technologies developed by the company enable the development of solutions for a wide range of applications related to the analysis and management of large volumes of information. Typical areas of application are intelligent search in voluminous documents (e.g., clinical studies of medicines), management of media content (news, analyzes, etc.), publication of cultural heritage data (for example, full information on the British museum), integration of heterogeneous databases and automatic extraction of data from the web (for example, automated creation and updating of database of job vacancies in Great Britain).

Ontotext's products are distinguished, from those of competitors employing traditional technologies and methods, with their ability to efficiently handle heterogeneous information in evolving data models.

Ontotext Technologies have bypassed the efforts to develop such applications and instead make cost-effective projects that reduce the cost of organizations and increase their competitiveness through faster, more comprehensive and more analytical access to diverse information. The official BBC websites for the 2012 Summer Olympics in London and the 2010 FIFA World Cup were amongst the flagship projects of Ontotext AD, where the technology of the company was preferred to its competitors Oracle and IBM . Another product, the OpenPolicy regulatory document management system, is implemented in the Department of Defense (DoD) and in the US Department of Health (HHS).

5. „Sirma Medical Systems” AD

Year of incorporation	2016
UIC	204054855
Share capital	100 000 BGN (100 000 shares with nominal value of BGN 1)
Participation of the Issuer in the capital	Sirma Group Holding JSC owns 66,000 shares representing 66% of the company's capital and voting shares.
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

The main business of Sirma Medical Systems AD is the development of software systems monitoring the health status and medical indicators of chronic disease sufferers; software systems for analysis of medical indicators and health predictions, based on the performed analysis; tele-medicine and remote consultation with specialists, and software for connection and monitoring of medical equipment.

6. Sirma Group Inc. merged with Sirma USA Inc.

Merger	2018
Share capital	USD 2 641 996 (54,830,258 shares with a nominal value of 0.048185 USD)
Participation of the Issuer in the capital	Sirma Group Holding JSC owns 41 839 789 shares with a nominal value of 0.048185 USD, representing 76.31% of the capital and the voting shares. Sirma Solutions AD owns 12,990,469 shares with a nominal value of 0.048185 USD, representing 23.69% of the capital and the voting shares
Address	16192, Coastal Highway, Lewes, Delaware, US

Sirma Group Inc. (Sirma Group Inc.) is a subsidiary of Sirma Group Holding JSC based in New York, for whose initial stage of development Sirma's management plans to concentrate on expanding sales volumes on the US and other nearby markets of the group, by building a strong sales team with whom the group shall leave a solid footprint on the Eastern coast of the US.

Sirma USA Inc. is a subsidiary of Sirma Solutions AD on the territory of the United States of America, with the following scope of activity: management of copyright on software, management and marketing of software services and development and implementation of software products, provision of software services, etc. After the merger of Panaton Software Inc. with it, it also became specialized in software development, system integration and product design.

The merger of the two companies will streamline management of the Group's presence and expansion on the US market.

Sirma USA Inc. was incorporated as a subsidiary of SIRMA SOLUTIONS AD, in which Sirma Solutions AD held 97.5% and Sirma Group Inc. (Sirma Group Inc.) 2.5%

Sirma Group Inc. is incorporated as a subsidiary of Sirma Group Holding JSC, in which the latter held 100% of the capital..

As at the date of this Prospectus, following the transformation (merger) of Sirma USA Inc. and Sirma Group Inc., a company named Sirma Group Inc. in which Sirma Solutions AD owns 23.7% of the capital and Sirma Group Holding JSC - 76.3% of the capital, is the successor of the two companies

1.1 Sirma Business Consulting AD

Year of incorporation	2006
UIC	175445129
Share capital	BGN 2 539 768 (1 958 268 ordinary shares Class A and 581 500 Class B shares (privileged non-voting) with a nominal value of BGN 1)
% of a subsidiary	Sirma Solutions AD owns 1 077 048 Class A shares and 296500 Class B shares representing 54.08% of the company's capital and 55% of the voting shares.
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

Sirma Business Consulting AD is a specialized consultancy company that provides IT and business solutions to banks and financial institutions. The company develops its own software products and provides a full range of services to support and conduct banking and financial operations, including: core banking systems, retail banking, electronic channel management, risk management systems, regulatory reports. Sirma Business Consulting AD is an authorized implementer of the Oracle FLEXCUBE core banking software and implements complex projects for the implementation of a main banking system Oracle FLEXCUBE for banks in Bulgaria, the Balkans, Europe and America. The company's proprietary products are: GetBank electronic channel management system; WeBank - electronic banking for desktop browsers; Bank on mobile - a banking platform for electronic services of mobile phones; UBREX - Reporting System to the European Central Bank and Control of Input Information for the Production of Analysis and Reporting Data. In addition, the company boasts experience in the implementation of ERP (Enterprise Resource Planning) systems, development on ORACLE and BI (Business Intelligence, business data analysis) solutions and building Data Warehouse (large data sets) for banks and financial institutions.

1.2 "Daticum" AD

Year of incorporation	2008
UIC	200558943
Company capital	BGN 2302049 (2302049 shares with nominal value of BGN 1)
% of a subsidiary	„Sirma Solutions“ AD - 60.5%
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

"Daticum" AD is a joint-stock company, founded in 2008 as part of the "Sirma Group Holding" JSC group of companies. The company-operated data center complies with the international standards for high-end centers. "Daticum" AD provides business services and solutions that ensure constant highly reliable access to data processed and stored at the center. Using the services of "Daticum" AD,

customers drastically reduce their costs for the building and maintenance of own IT infrastructure. The team of "Daticum" AD meets the specific needs of each client, while ensuring a high level of security. The data center has been approved by the Bulgarian National Bank for the storage of bank information and payment systems, it is also approved by the Communications Regulation Commission for deployment of systems for universal electronic signatures, digital certificates and personal data. The company offers a comprehensive range of manageable services - colocation and provision of leased hardware servers and equipment, their full servicing, including connectivity, power supply, hardware maintenance and, if necessary, software development of Disaster Recovery Systems (infrastructure to guarantee maximum crash capacity computer and network components, or connectivity as a result of various incident events), building and maintenance of private cloud systems. For several years already, "Daticum" AD successfully provides public cloud services through its own infrastructure on the domestic market and internationally.

1.3 „Sirma ISG“ OOD

Year of incorporation	2011
UIC	201580558
Company capital	BGN 5 000 (5000 shares with a nominal value of BGN 1)
% of a subsidiary	„Sirma Solutions“ AD - 71%
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

"Sirma ISG" OOD develops web-based solutions and services in the insurance sphere.

1.4 „Sirma ICS“ AD

Year of incorporation	2016
Company capital	BGN 300 000 (270 000 ordinary shares and 30 000 Class A shares with a nominal value of BGN 1)
% of a subsidiary	"Sirma Solutions" AD owns 270 000 ordinary shares with a nominal value of BGN 1, representing 90% of the capital and the voting shares.
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

"Sirma ICS" AD is a software developer of applications and platforms for the insurance industry and the financial services industry. The company concentrates Sirma Group's expertise on software solutions for the insurance and non-banking financial sectors. The company's core business includes the design, development, deployment and maintenance of integrated solutions and services for insurance brokers and companies and non-banking financial institutions. The products of "Sirma ICS" AD are based on innovative technologies and are recognized by users as intuitive and friendly. The company covers software solutions, hardware and internet connectivity, infrastructure consultancy and business logic in the field of insurance, as well as various types of hands-on training. The company also offers warranty and post-warranty service and support based on high international standards and own methodology and expertise.

1.5 S&G Technology Services Ltd.

Year of incorporation	2014
UIC (Reg. Number)	8165885 (UK)
Company capital	GBP 100 (100 shares with a nominal value of GBP 1)
% of a subsidiary	"Sirma Solutions" AD owns 51 shares with a nominal value of GBP 1, representing 51% of the capital and voting shares.
Address	, 38-42 Newport Street, Wiltshire, United Kingdom

S&G Technology Services Ltd. is incorporated under the laws of Great Britain and Wales, with principal office and address thereof at 38-42 Newport Street, Wiltshire United Kingdom, Registration Number 8165885, in which "Sirma Solutions" AD has 51 shares, each with a nominal value of GBP 1, which represents 51% of the capital of GBP 100.

S&G Technology Services Ltd. is one of the newest companies in the portfolio of "Sirma Group Holding" JSC, with headquarters and main business in Great Britain. The company provides consulting and technology solutions to optimize the software systems used by banking institutions. The company boasts significant expertise in the banking sector. S&G Technology Services Ltd. develops specific solutions related to banking-specific regulatory frameworks, mobile payments, software security, etc. In addition to its expertise in the banking sector, S&G Technology Services Ltd. is also distinguished by its flexibility, innovativeness and the development of custom IT solutions of lasting effect in terms of optimization of the business processes.

1.7 Sirma Software Inc.

Year of incorporation	2018
UIC (Reg. Number)	200558943
Company capital	USD 11 711 476 (11 711 476 shares with a nominal value of US \$ 1 each).
Shareholders	"Sirma Solutions" AD owns 11 418 689 shares with a nominal value of \$ 1 each, representing 97.5% of the capital and voting shares and Sirma Group Inc. owns 292 787 shares with a nominal value of US \$ 1 each, representing 2.5% of the capital and the voting shares
Address	USA, Delaware, 16192 Cove Highway, Lewis City

Sirma Software Inc. was established in March 2018 as a sole proprietorship of Sirma Group Inc. (Sirma Group Inc.) (sole proprietor of "Sirma Group Holding" JSC at the time of incorporation) in order to separate the key assets of "Sirma Group Holding" JSC. By a Share Transfer Agreement, concluded by Sirma USA Inc. on the one hand and "Sirma Solutions" AD and Sirma Group Inc., on the other hand, all 11 711 476 ordinary shares with a nominal price of USD 1 from Sirma Software Inc.'s capital were transferred to "Sirma Solutions" AD and Sirma Group Inc. in a ratio of 97.5% of the capital (11 418 689 shares) for "Sirma Solutions" AD and 2.5% of the capital (292 787 shares) for Sirma Group Inc.

2.1 EngView Systems USA Inc.

Year of establishment	2016
Company capital	USD 5 000 (10 shares with a nominal value of USD 500)

% of a subsidiary	"EngView Systems Sofia" JSC owns 10 shares with a nominal value of USD 500, which represents 100% of the capital and the voting shares.
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Address	USA, New York State 14621, 1175 North Street, Rochester
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Engview Systems USA Inc. carries out the following business activities: trading, import and export of information products and services; offer and provision of information services; brokerage; performing similar activities and services related to the company's business, as well as participation in other national or foreign companies.

2.2 EngView Systems Latin America, Brazil

Company capital	BRL 10 000 (10 000 shares with nominal value BRL 1)
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Shareholders	"EngView Systems Sofia" AD holds 9,500 shares with a nominal value of 1 BRL, representing 95% of the capital and voting shares.
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Address	São Bernardo to Campo, State of Sao Paulo, Hoa Azabobo Marchez Str. 215, Office 13
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EngView Systems Latin America is engaged in: (a) trading, import and export of information products and services; (b) offer and provision of information services, as well as brokerage, similar activities and services related to the main scope of company activity, and (c) participation in other national or foreign companies.

4.1 Ontotext USA Inc.

Year of incorporation	2012
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UIC (Reg. Number)	4888154
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Company capital	USD 20 100
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% of a subsidiary	"Ontotext" AD owns 100% of the capital and the voting shares
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Address	USA, Delaware, 16192 Cove Highway, Lewis City
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The Company is registered for trading in New York at 116 W 23rd Street, Suite 500, New York, NY 10011.

Ontotext USA Inc. is a subsidiary of "Ontotext" AD in the United States. Ontotext USA Inc. supports and complements the marketing and business development of "Ontotext" AD in order to expand its operations in North America.

The following associate companies are included in the economic group of "Sirma Group Holding" JSC:

7. „GMG Systems“ – in process of liquidation

Year of establishment	2004
Company capital	USD 2 762 (2 762 000 shares with nominal value of \$ 0.001)
Percentage of capital owned by the parent company	“Sirma Group Holding” JSC owns a 34.82% liquidation stake
Address	USA, California 94577, 14439 Catalina Street, San Leandro

“GMG Systems” is a joint venture of “Sirma Group Holding” JSC. The company specializes in the design, manufacture and installation of a complete range of automated parking equipment. The product range includes on-site parking systems, ticket dispensers, automotive barriers, video surveillance and recording systems, street parking meters, and others. The participation of the Issuer in “GMG Systems” is in the process of being phased out by December 2018.

1.8 „Sirma Mobile“ AD

Year of incorporation	2013
UIC (Reg. Number)	202391934
Company capital	BGN 50 000 (50 000 shares with nominal value of BGN 1)
% of a subsidiary	“Sirma Solutions” AD owns 20 000 shares with nominal value BGN 1, which represents 40% of the capital and the voting shares
Address	Sofia 1784, Mladost district, 135 "Tsarigradsko Shosse" Blvd.

“Sirma Mobile” AD creates B2B and B2C mobile applications for a number of industrial verticals. The company is a partner of Nokia, Motorola, Orange (France) / Bipper Communication (Norway), Sagem Orga (France), amongst many.

“Sirma Group Holding” JSC does not have other significant for the Group participations in companies. There are no entities other than companies in the Group, in which the Company or any of the companies within the Group own, directly or indirectly, shares or other voting rights, profits or distributed assets in the event of liquidation. A detailed list of the companies that “Sirma Group Holding” JSC consolidates can be found in the audited consolidated financial statements of the Company.

As at the date of this Prospectus, there are no arrangements for mergers, acquisitions, divisions, acquisitions of significant assets (including the whole enterprise or any structural part thereof) with the participation of “Sirma Group Holding” JSC or subsidiaries of the Group, nor acquisition of shares in subsidiaries of the Group, beyond those described in the Restructuring section.

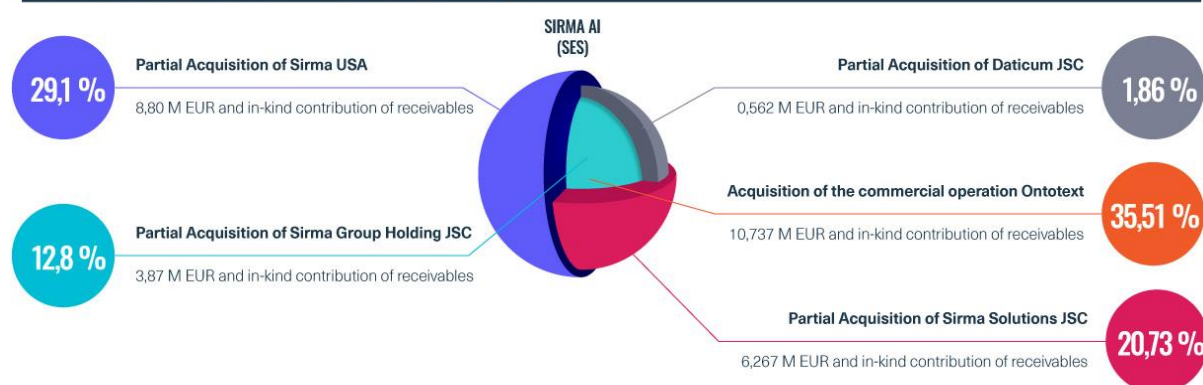
Restructuring

According to the Group's strategy, restructuring of companies and property in subsidiaries is planned to separate and strengthen control of key assets and developments. The plans are to congregate all strategic for the Group intellectual property under a single legal entity – “Sirma Enterprise Systems” AD, in order to facilitate the management and organization of future development, knowledge sharing and

integration into the overall Group portfolio. This company will be capitalized by accrual of receivables. The planned actions are:

- Separation of assets from SIRMA USA*
- Purchase of the commercial enterprise of Sirma Software Inc. from "Sirma Enterprise Systems" AD.
- Software asset allocation by "Sirma Group Holding" JSC in the capital of "Sirma Enterprise Systems" AD.
- Purchase of a separate part of the commercial division of "Daticum" AD by "Sirma Enterprise Systems" AD.
- Purchase of the shares of the minority shareholders in "Ontotext" AD *.
- Purchase of the commercial enterprise of "Ontotext" AD by "Sirma Enterprise Systems" AD.
- Purchase of a separate part of the commercial enterprise of "Sirma Solutions" AD by "Sirma Enterprise Systems" AD.
- Purchase of the shares of the minority shareholders in "Sirma Enterprise Systems" AD.
- Change of appellation - "Sirma Enterprise Systems" AD will be renamed Sirma AI.
- The merger of Sirma AI with "Sirma Group Holding" JSC.

Asset Concentration - Restructuring



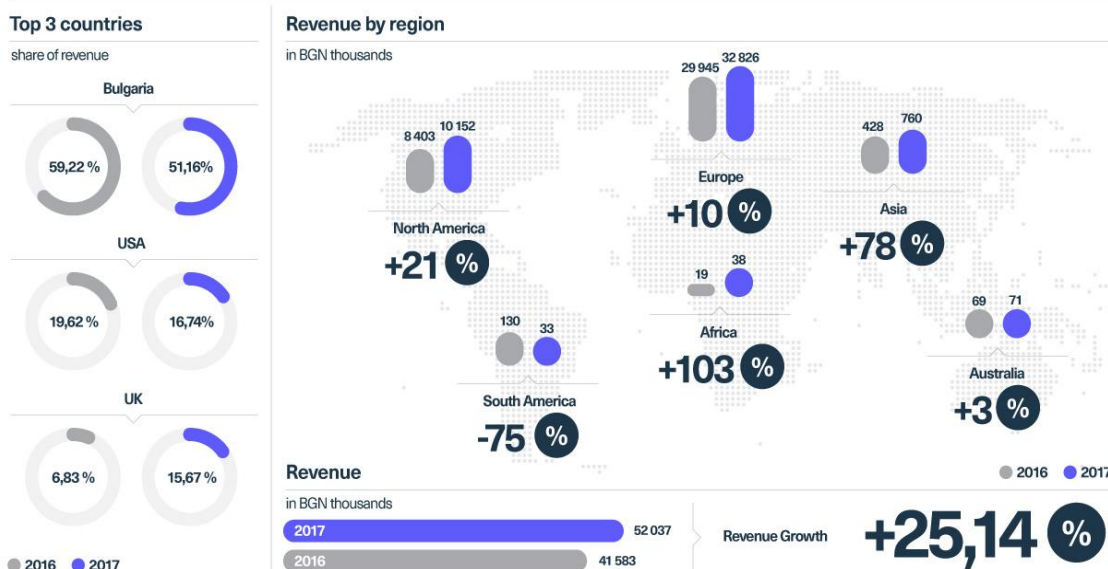
Re-structuring aiming at concentration of intellectual property within the Holding company;
Decrease of non-controlling participation in the Group through share buy-back from minority shareholders;

* Some of the actions have already been implemented, or are in the process of being implemented. A description of the current status is given in the "Recent Developments" section

Key Markets

The Group has realized a significant portion of its sales on foreign markets. In 2017, almost half (49%) of Sirma Group's consolidated earnings were generated by exports. Main markets for Sirma Group's foreign sales are North America, Britain and Europe. According to the Group's Development Strategy, the share of export earnings aims to grow.

Geographic penetration of revenue in 2017



Revenues from sales by markets for the last 3 years, based on the country where the customer is registered, are presented in the following table in thousands of BGN:

Consolidated revenues from sales of “Sirma Group Holding” JSC by geographic markets

BGN'000	2017	2016	2015
Austria	2 321	2 686	1 438
Belgium	740	29	83
Great Britain	8 157	2 859	2 910
Germany	1 378	767	897
Canada	883	193	626
USA	8 712	8 210	7 014
Other countries	3 222	2 055	1 637
Bulgaria	26 623	24 784	19 372
Total	52 036	41 583	33 977

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

In 2017, the revenues from the activity of the economic group Sirma amount to BGN 52 036 thousand, which represents a growth of BGN 10 453 thousand, or 25.1% compared to 2016 when the revenues were BGN 41 583 thousand, and 22.4% more than revenues in 2015. Revenues from Bulgaria, which is the most important market for the Group, rose by + 7.4% in 2017 and + 27.9% in 2016. Sales in the United Kingdom also grew considerably - by + 185.3% in 2017, after a decline of -1.8% in 2016. The Group's second-largest market by revenue, the USA, continued to grow in 2017 (+ 6.1%), albeit at a slower pace than in the previous year, when it increased by 17.1%. On overall, all relevant markets for the group increased in 2017, with the sole exception of Austria, where a decline of 13.6% was recorded.

Share of geographic markets in consolidated revenues of “Sirma Group Holding” JSC

<i>Share of all</i>	2017	2016	2015
Austria	4.5%	6.5%	4.2%
Belgium	1.4%	0.1%	0.2%
Great Britain	15.7%	6.9%	8.6%
Germany	2.6%	1.8%	2.6%
Canada	1.7%	0.5%	1.8%
USA	16.7%	19.7%	20.6%
Other countries	6.2%	4.9%	4.8%
Bulgaria	51.2%	59.6%	57.0%
Total	100.0%	100.0%	100.0%

Source: Audited Consolidated Annual Financial Statements for 2017; Reclassified Consolidated Annual Financial Statements for 2016 and 2015; FFBH calculations

The main dynamics in the geographical distribution of the consolidated revenues of “Sirma Group Holding” JSC is related to the substantial growth of the UK market share over the past year, reflecting in a decline in the relative share of the two main markets of Sirma - Bulgaria and the United States.

Revenues per segment and geographical regions

Sector: Basic cognitive technologies - SENPAI

Region	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	%	(BGN'000)	%	(BGN'000)	%	(BGN'000)
EU	32	1 682	76	2 881	75	2 845
UK	40	2 103	18	673	14	511
North America	28	1 472	6	227	11	427
Total revenues		5 257		3 781		3 783

Sector: Cross-industry solutions

Region	Region	31.12.2017	31.12.2017	31.12.2016	31.12.2015	31.12.2015
		%	(BGN'000)	%	%	(BGN'000)
Bulgaria	64	21 711	76	18 866	74	14 469
EU	9	3 053	7	1 748	4	782
UK	14	4 749	3	749	0	0
North America	12	3 901	14	3 603	22	4 301
Others	2	509	0	0	0	0
Total revenues		33 922		24 966		19 552

Sector: Finances

Region	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	%	(BGN'000)	%	(BGN'000)	%	(BGN'000)
Bulgaria	77	4 821	88	4 048	84	3 053
EU	6	376	7	322	4	145
UK	1	63	0	0	0	0
North America	15	939	5	230	12	436
Others	1	63	0	0	0	0
Total revenues		6 260		4 600		3 634

Sector: Market Intelligence, Publishing and Cultural Heritage

Region	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	%	(BGN'000)	%	(BGN'000)	%	(BGN'000)
EU	2	43	1	40	3	124
UK	47	999	38	1 513	55	2 273
North America	51	1 084	61	2 428	32	1 323
Others	0	0	0	0	10	413
Total revenues		2 126		3 981		4 133

Sector: Industrial Solutions

Region	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	%	(BGN'000)	%	(BGN'000)	%	(BGN'000)
Bulgaria	2	58	6	191	4	104
EU	35	1 014	37	1 176	34	883
UK	0	0	0	0	0	0
North America	58	1 680	48	1 518	52	1 351
Others	5	145	9	294	10	260
Total revenues		2 896		3 178		2 598

Sector: Retail

Region	31.12.2017 %	31.12.2017 (BGN'000)	31.12.2016 %	31.12.2016 (BGN'000)	31.12.2015 %	31.12.2015 (BGN'000)
Bulgaria	3	40	6	46	38	40
EU	0	0	0	0	0	0
UK	16	212	1	8	8	8
North America	67	886	77	587	40	42
Others	14	185	16	122	14	15
Total revenues		1 322		763		105

Sector: Healthcare and Life Sciences

Region	31.12.2017 %	31.12.2017 (BGN'000)	31.12.2016 %	31.12.2016 (BGN'000)	31.12.2015 %	31.12.2015 (BGN'000)
Bulgaria	0	0	0	0	0	0
EU	12	30	44	139	0	0
UK	15	38	43	136	66	114
North America	73	184	13	41	34	58
Total revenues		252		315		172

Source: Data from the Issuer

Competitive advantages

Listed below are the most significant competitive advantages of the Company that will allow it to benefit from future growth opportunities and to achieve its strategic goals:

- ***The largest Bulgarian IT Group with over 25 years of history, an established name and impeccable corporate image***

The listing of Sirma's strengths begins with its quarter-of-a-century long history as a preferred partner for the implementation of a variety of projects in the information technology sector. During these years, Sirma has developed over 20 successful businesses in different segments, while in parallel with this diversification, it has maintained its reputation of a reliable solutions and service provider. This strategy has provided companies of the Group with ample space for continuous and consistent growth in all aspects of the business - markets and customers, products and services, revenue and profit.

Sirma is a public company since 2015, and since 2018 the shares of the Company are traded in the Premium segment of BSE-Sofia. The company adheres to the highest standards of corporate governance, including transparency, protection of shareholders, management, etc., which boosts Sirma's high profile and popularity not only among the investor community, but also in the overall business context of the Group.

- ***Broad technological expertise and sound development base in one of the most promising segments in the sector - Artificial Intelligence***

Sirma has a wide range of acquired and internally generated technology expertise. The Group possesses one of the highest-rated graph databases (a key component in the development of AI elements) in all tested features - performance, scale, features, semantics, operations, analysis and ease of use; it also owns high-tech software for text analysis, image recognition, news and social media analysis, cyber security, and more. Thanks to this expertise, Sirma has won contracts with leading international companies to build innovative products for the storage, processing, analysis and management of large datasets.

The Group strategy aims to encompass these technologies into a common framework that will improve the competitive position of products by expanding their functionalities and optimizing the internal processes of development.

- ***Principles of development that allow cost optimization***

When developing solutions and products, Sirma seeks to use the Low-Code principle - using ready-made modules to build complete products. This optimizes costs - allowing for flexible pricing, as it allows for re-use of already-completed developments.

- ***Portfolio of products at an early stage of market development***

Sirma owns a portfolio of products, in which substantial funds have been invested and which are at an early stage of development. These include Loyax - an innovative loyalty program management platform; Market Vidia, a customer-flow analysis platform for the business sector; Diabetes:M - an application tracking vital indicators for diabetic patients; a cloud based version of EngView software for the packaging industry, and quite a few others.

In addition, the Group has leading local applications - such as an insurance broker platform that is not yet commercialized for foreign markets.

All of these products are yet to return investments in their development and bring profits, which will affect the Group's future performance positively and will improve its market presence.

- ***Infrastructure***

Sirma owns a high-end datacenter that enables the Group to offer complex services. In addition, the availability of an own center increases the flexibility of the solutions offered and their attractiveness to customers.

- ***Market diversification - nearly 50% of the revenues are from foreign markets***

One of Sirma's most distinct strong points is its time-tested capacity for revenue generation and growth that the Group achieves in international markets. With the money attracted from the IPO, Sirma has stepped up revenues growth from the US market. The Group continues to work on developing its presence there and expanding its portfolio of solutions, while actively entering the markets of other countries. Currently, the Group sells in 50 countries on 6 continents. Access to different markets reduces the Group's dependence on a single market and improves growth opportunities by expanding the revenue generation base.

- ***Experienced highly qualified management. A team of specialists with significant experience in the IT sector. Investments in staff training***

Company managers are highly educated with years of experience in the sector, which is of paramount importance for the development and good performance of Sirma. The group invests in various training programs for its employees and provides opportunities for professional development. The sector is highly competitive in terms of recruiting and retaining staff. The group has proven its experience in this aspect, as it manages to attract new highly-qualified experts year after year, which is key to successful growth and development.

- ***A fragmented market where Sirma plays a role of niche and local player***

Sirma is in a relatively secure position as a local player with well-established recruitment channels for project implementation, while for an international company this would be a serious barrier to market entry.

The competitive advantage of being "local" is especially valid for the Cross-Industry segment - the provision of complex solutions to the industry that require long-term relationships and local presence, and is valid for both the domestic market and the regional one, where the Group aims to develop.

At the same time, on the global market Sirma is present, with part of its portfolio solutions, as a niche player with highly specialized products and services where it invests in knowledge creation. New players could hardly catch up with these. A few noteworthy examples of such products are the solutions for

museums, chronic disease management, face recognition in trade, for the measurement and packaging industry, etc. - relatively small markets where Sirma enjoys a leading position and a low level of competition. In solutions for software upgrades, cyber security, semantic technologies, Critical Project Software Services, DevOps, the implementation of core banking systems, research projects, and so on, Sirma competes with the major global suppliers.

▪ **Low indebtedness. Strong operating cash flow**

Sirma historically generates a strong operating cash flow. The amount of cash flows earned on operating activities is a key indicator of the extent to which the Group's activities can finance debt repayment, dividend payments and investment without recourse to external sources of finance. Proof of the excellent operational performance is the fact that despite the high investment costs, the Company manages to maintain a low ratio of Bank Debt / EBITDA.

Strategy

The objective of the management of "Sirma Group Holding" JSC is to achieve revenue growth and improve operational efficiency of the Group, as well as to increase the share of high marginal products and SaaS. The following Key Performance Indicators (KPIs) are defined in the context of objectives adopted by the Board of Directors of the Company and are to be achieved in the coming years up to 2022:

- 31% average annual revenue growth;
- 70% revenues share from North America and Europe;
- 70% revenues share from SaaS;
- 28% EBITDA margin.

Their accomplishment is to reflect in increased value of the Group, to the benefit of shareholders, employees, customers and partners.

From an operational point of view, the strategy focuses on changing the sales model to SaaS and increasing the implementation of cognitive elements, along with planned investments in marketing and sales. The key elements of the strategy are the following:

1. Technological transformation through concentration of development and basic cognitive technologies in the group for the construction of SENPAI - a cloud-based platform with a new level of artificial intelligence (cognitive computing), allowing the management of the intelligent evolution of organizations in everything;
2. Increased commercialization of technologies;
3. Expanding and technological leap in the Group's product portfolio through:
 - Cloud based;
 - Development of new products with a cognitive element;
 - Integration of the existing portfolio with the SENPAI cognitive platform.
4. Complementing the sales model - from predominantly on-premise to SaaS sales;
5. Substantial expansion of the distribution network and the partner ecosystem to improve the sales model - besides direct sales, realization through a major affiliate distribution network, including an increase of OEM partnerships;
6. Organizational restructuring for realization of the strategy.
7. Reduction of non-controlling interest.

Vertical Strategy

Each of the conditional business verticals of Issuer bears the specific features of the market, in which it operates. Therefore, its management strategy and plans for development are tailored accordingly. These are described in the following paragraphs, **but they are meant to briefly elucidate** and are far from exhaustive:

Sector: Basic cognitive technologies - SENPAI

Sectoral dynamics

Developed technologies and development opportunities in a segment with significant predictable growth - the spending for cognitive technology is expected to grow by nearly 40% per year by 2021, according to International Data Corporation.

Strategy

The group will seek to position itself as a leading provider of cognitive software in the segment and, after 2020, to enter the blockchain software market. The management will aim to commercialize and mark the cognitive platform of the group. In addition, market penetration services will be sought to explore and moderate the attitudes of virtual communities.

Sector: Cross-industry solutions

Sectoral dynamics

This is a key sector for the Group, which generates a high share of revenue and where it holds the leading position on the local market. A positive development is expected due to the low penetration of advanced technologies in Bulgaria and the improvement of sales on the US market.

Strategy

To achieve its goals, Management will aim to maintain and expand its leadership position on the local market and expand its position in the US, especially in the segment of software upgrades and outsourcing of IT activities. Additionally, expanding product offering will be sought by positioning on the market of cyber security and rating software, as well as by change of the sales model.

Sector: Finances

Sectoral dynamics

Group companies are a well-established provider of software solutions for the banking industry. The group has significant experience in the implementation of various FlexCube and Temenos solutions. The company concentrates unique knowledge, experience and profound knowledge of the needs of banks and financial companies to achieve intuitive work, quick links between different financial and payment systems, processes, channels, products and services. On this basis, Sirma also offers a number of proprietary software products that help operations in banks, insurance companies and other financial companies.

The Group has a leading position in the local insurance brokerage software market. The sector is defined by expensive migration and the need for compatible, personalized solutions.

Strategy

The Group will seek market expansion and delivery of new artificial intelligence products to the financial sector - intelligent document management, processes, regulatory requirements, chat bots, and so on.

The data retrieval and analysis capabilities that SENPAI will provide, coupled with the discovery and predictability of models, will enable companies in the Group that operate in the Financial Sector to expand their product portfolio by providing information to their customers as a knowledge to improve their relationship with their customers, increase the security and efficiency of their operations and detect fraud.

Management aims to extend the coverage of software services for insurance and enhancement of functionality. It will aim to enter the market of research and management of human behavior in the financial markets.

Sector: Market Intelligence, Publishing and Cultural Heritage

Sectoral dynamics

The market for software solutions for market information, business and financial information agencies, publishers, media and cultural heritage is a traditional segment for the Group. The group is known on this market as a provider of the GraphDB database, which is already being used by many of the global leaders in this sector.

Strategy

The aim will be to shorten the sales cycle and boost marketing, with a focus on the US, UK, South America and Asia. Priority will be given to the market intelligence and business intelligence sub-sector which hold the greatest potential for sales growth.

Sector: Industrial Solutions

Sectoral dynamics

In this segment, where Management expects increasing demand, the Group has recognized solutions and B2B partnerships with some of the major suppliers such as Canon, Agfa, Zund and Aristo.

Strategy

It is planned to maintain and expand market positions in the CAD / CAM sector solutions for the packaging industry and to change the supply model to SaaS. PackGate and products in the measuring industry must be commercialized.

Sector: Retail

Sectoral dynamics

Application of face recognition and forecasting technologies

Strategy

Commercialization of Loyax products, MarketVidia and offering of SaaS service and white-label products. Technologically, an increase in analytical functionality will be sought. The management aims to expand the market coverage and the offered services in the direction of consultancy and analytical functionalities.

Sector: HealthCare and Life Sciences

Sectoral dynamics

The sector is defined by increasing regulatory requirements and significant data growth, thanks to the introduction of IoT devices in everyday life. Management expects tangible increases in cognitive technology spending in pharmaceutical research.

Strategy

Management plans to extend the portfolio of products for chronic-disease tracking and add IoT connectivity. Business solutions will be developed to analyze documents from clinical trials of medicines and patient information.

Strategic Objectives of the Issuer

The strategic objectives of "Sirma Group Holding" JSC are to increase the Group's revenues and to improve the operational financial efficiency. In addition, an increase in the share of revenues from the sale of high-margin products and SaaS will be pursued. For the implementation of these objectives, the management plans an investment program, which will be financed by funds raised from the planned increase of the Issuer's capital, debt financing and the operational cash flow.

Research and development, patents and licenses

The companies of the economic group of "Sirma Group Holding" JSC follow the adopted in 2018 technological strategy for the management of the R & D activities. The strategy is clearly focused on "productisation" of services offered by the group, enhanced presence of cloud-based and SaaS products in the portfolio and the integration of cognitive developments to improve competitiveness - improving the ability to increase prices, demand for these products and active interest from customers.

Investments for the acquisition of Intangible Assets

Intangible assets (BGN'000)	2018 until the date of the prospectus	2017	2016	2015
Rights on Property	-	2 376	2 186	1 935
Software products	-	-	-	57
R&D Products	1 463	14 662	10 745	7 025
Others	-	292	1605	1 082
Total	1 463	17 330	14 536	10 099

Source: Data from the Issuer; FFBH calculations

Investments of companies in the Group in R&D

(BGN'000)	2018 until the date of the prospectus	2017	2016	2015
Ontotext	245	2 064	2 001	3 028
SoftOWLIM bep.8/Graph DB	-	1 053	1 265	1 465
Semantic Data and Services Management Platform	32	830	540	1 221
Media-Publ-Solution	-	-	115	144
LS-HC-Solution	-	38	33	136
OT/GraphDB-P	156	-	-	-
OT/Ontotext Platform	36	-	-	-
Other projects	21	143	48	62
Sirma Solutions	664	6 214	8 754	4 675
SS/PROD-LOYAX-Loyax	105	4 536	4 409	3 426
SS/PROD-Cloud Platform	-	-	3 512	-
SS/SRVC-ISG-Insurance (Common)	-	89	387	273
SS/R&D ImageRecognition-BG161PO003	229	772	391	577
Pay Mobilio	-	-	-	262
STT/EMF – Enterprise Management Framework	275	802	-	-
Other projects	55	15	55	137
Sirma Enterprise Systems	-	3 499	1 988	1454
STT/EMF – Enterprise Management Framework	-	498	1 988	1454
Common ITT - Software	-	3 001	-	-
Sirma Group Holding	60	3 361	42	113
Sirma Cloud	60	3 313	-	-

Manager Reporting	-	48	42	113
Engview Systems Sofia	375	946	282	400
EV/EngView Package Designer Suite	-	264	282	265
EV/M-Caliper	15	-	-	-
PackGate	184	375	-	-
Shafty	95	205	-	-
Other projects	81	102	-	135
Sirma Business Consulting	-	-	-	429
SBC/UBX ECB S75	-	-	-	429
Sirma ICS	68	593	361	-
Sirma ICS Platform	68	593	361	-
Sirma Medical Systems	51	339	185	-
Diabet App	51	339	185	-
Sirma USA Inc., towards the date of the prospectus Sirma Group Inc.	-	314	923	-
SBC/UBX ECB S75	-	314	923	-
Total investment in R&D	1 463	17 330	14 536	10 099

Source: Data from the Issuer; FFBH calculations

The dynamics of R&D investment over the past 3 years is in line with the management strategy of focusing on the creation of the SENPAI system to unite key and leading technologies and expertise of the Group and the expansion of cognitive capabilities of portfolio products. During the period, new, significant for Sirma versions of existing products and services were launched, and a detailed description of the products and services introduced was provided in the "Major News" Appendix to the financial statements.

For the historical period, "Sirma Solutions" AD and "Ontotext" AD are responsible for the largest part of the development activities within the Group, followed by "Sirma Enterprises Systems" AD, with the total of the three companies accounting for 80.25% of the Group's development activities.

The Issuer has significant software development costs during the reporting periods, reaching the impressive amount, for the three here considered reporting periods, of BGN 41 965 thousand.

The management of the Issuer plans to continue R&D along these lines as it wishes to fine-tune them to better meet the requirements of its client base. In 2018, the following products are expected to be completed - Sirma Cloud, packGATE cloud-based solution for printing and packaging manufacturers, EngView Package & Display Designer Suite (Version 7), MarketVidia - Face Recognition Product for Retailers.

Intellectual Property

Patents

The group holds no registered patents.

Trademarks

At the date of the Prospectus, the Group has registered the following trademarks:

Image	Application Number	Date of Application	Name	Classes of Goods and Services	Owner
	2004070546N	29.03.2004	Znam Знам	41, 42	"Sirma Solutions"
	2007097506N	25..07.2007	СИРМА SIRMA	9, 35, 42	Book publishing house "Trud"
	2012126174N	12.06.2012	Geekstore	35, 37, 38	"Sirma Solutions"

Source: Information from the Issuer; Beyond Bulgaria, the trademark "GraphDB" is also registered with the European Union Office for Intellectual Property (EUIPO) * and the German Intellectual Property Office (DPMA) **.

Image	Application Number	Date of Application	Name	Classes of Goods and Services	Owner
	013185772*	20.08.2014	GraphDB	9, 35, 38,42	„Ontotext“
	30201101536 04**	11.03.2011	GraphDB	9, 35, 38,42	„Ontotext“

Source: Information from the Issuer; FFBH calculations

Licenses

There are no current activities dependent on foreign patents in the economic group of "Sirma Group Holding" JSC. In their product development, "Ontotext" AD and "Sirma Enterprise Systems" AD have integrated and developed software components that are based on open source software but are under licensing regimes (LGPL - "Common right of public use of GNU" of Free Software Foundation, USA; BSD License – License for publicly available software of Berkeley Software Distribution, USA; Apache License - License for publicly available software of Apache Software Foundation, United States), which do not restrict the commercial use or otherwise limit their freedom to dispose with their complete software solutions, including the transfer of copyrights over them.

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.

Application development licenses include the following vendors - Oracle, Microsoft, Redhat, Jboss.

The Company does not have any other significant intellectual property.

The Issuer does not possess information on material disputes regarding intellectual or industrial property rights owned by the Group or used in its activities, nor of any threats/prospects of such intellectual property disputes. There are no circumstances in which the benefit or right to use any of the abovementioned material intellectual or industrial property rights may be lost or adversely affected.

New products and / or services

The companies in the Group of "Sirma Group Holding" JSC have historically accumulated great expertise in the realization of various technological projects related to software and hardware development, as well as in the specific business knowledge of many industries, in which the companies have implemented client projects or have invested in development. For its further growth, the group has developed a well-established strategy that describes in detail the planned technological progress. Investors can learn more about the Group's strategy at <http://2022.sirma.com>

The goal of the management is to focus on the development of SENPAI (Sirma Enterprise Platform with AI) - a cloud-based platform with an artificial intelligence (cognitive computing) that allows efficient management and swift and effective response to a variety of customer needs.

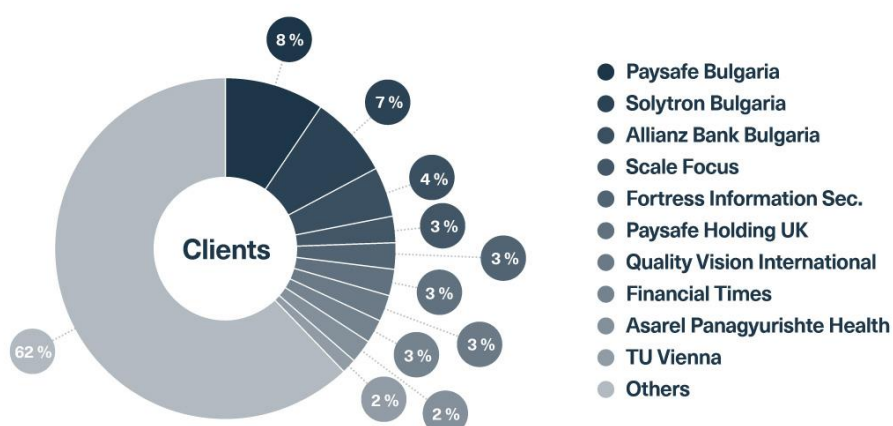
In order to maintain their market positions, companies from the Group of "Sirma Group Holding" JSC will (i) develop other new technologies and products in the fields of medicine, robotics, automatic image recognition, artificial intelligence and others that are still on the concept level, and (ii) further develop and enhance the functionality of products and services already on the market, to meet the needs of their customers.

Major suppliers and clients

List of the 10 largest clients by sales volume in the last three years - by name and share of sales

List of Top 10 Clients by Sales Volume in the Last Three Years

Source: information from the company; calculations by FFBH



Source: Information from the Issuer; FFBH calculations

The Group's sales are divided roughly in half between the domestic and the foreign markets, which also reflects in the list of major clients, in the relative share of total revenues. A large number of clients are long-time partners; The group takes particular pride in the following clients that it managed to attract:

- *The 10 largest publishers of scientific literature in the world;*
- *Leading media such as BBC and the Financial Times and global players in the forecast and analysis sphere;*
- *70% of the banks in Bulgaria;*
- *60% of the insurance brokers and the leading insurance companies in Bulgaria;*
- *Corporations in the pharmaceutical industry.*

Customer base by Verticals

Financial Segment	Healthcare and Life Sciences	Industrial Solutions	Market Intelligence, Publishing and Cultural Heritage	Retail	Cross-industry solutions
Uniq, Unicredit, Bulbank, Credit Agricole, Allianz, Armeec, DZI, Generali, Groupama, Societe Generale	Sales directly to customers - B2C model	Canon, Heidelberg, Valiani, Zun, Aristo, Pro Tek	Financial Times, BBC, Oxford University Press, Astra Zeneca,	Solarbridge, Sunpower, Safari, MarkLogic, idealab	IBM, Cisco, Coca Cola, Speedy, Mauer, Chroniko, Tinqin

Providers

As a large and reliable partner, the Group is a preferred customer. This implies its strong position in negotiations with suppliers and the freedom to choose between them. In system integration, there are products and services that can only be purchased by a particular supplier, and in these cases the Group has a weaker market position.

The Group maintains partnerships with some of the world's largest IT suppliers. These relationships are important to the business but are highly standardized and there is no significant concentration on a single provider. Products are used to embed in solutions that are offered to customers. The main ones are:

- FlexCube and Temenos - System Integration and Banking Systems implementation;
- IBM, Cisco, HPE, Lenovo, Oracle, EMC / Dell, Netapp - Data storage and computing servers;
- Cisco, Juniper, HPE, Huawei - Network Infrastructure;
- VMWare, Microsoft, Veeam - Virtualization and Backup;
- APC, Emerson - Data Center Infrastructure;
- Lenovo, HP, Samsung, Dell - Terminal devices;
- F5, PaloAlto, Cisco, Radware, Imperva, Forcepoint, Checkpoint, CyberArk, RSA - Information Security;
- In connection with the provision of solutions integration and implementation, the Group maintains the following partnerships - HP Preferred Gold Partner; Oracle Gold Partner; Microsoft Gold Certified Partner; Certified Microsoft SPLA Provider; Strategic Partnership with Oracle Financial Services (i-Flex); IBM Advanced Partner.

In connection with data center management, the Group is a member of CISPE - the organization of European providers of infrastructure as a service.

Sales Channels

The Group keeps a commercial partnership with Global Consulting for the sale of products and solutions on the Mexican market and with ISPD International Software Partners GmbH, to sell software products and solutions on DACH markets.

The Group boasts strategic partnerships with manufacturers of digital cutting machines for the packaging industry, where its software is embedded in new machines. Partners in this area are Heidelberg Druckmaschinen AG, Canon Inc., ARISTO GRAPHIC SYSTEME Austria, Zünd Swiss Cutting Systems; and for quality measurement and quality tracking technologies - Quality Vision International (QVI) USA.

Substantial contracts

The Issuer determines the contract for the purchase of a minority share of the capital of "Ontotext" AD as substantial. A detailed description is provided in the "Recent Developments" section.

Insurance coverage

The Company maintains valid Property Insurances for all its real estate. Property risks covered include fire and other hazards, natural disasters, landslides or collapse, flood, earthquake, burglary or robbery. Significant insured risks are Professional Liability Insurances, concluded by "Sirma Solutions" AD and "Ontotext" AD, which cover breach of confidentiality clauses, data loss, intellectual property breaches, etc. In addition, "Ontotext" AD has employee liability cover, financial losses, product processing, loss of data, etc. "Sirma Solutions" AD has insurance for project implementation worldwide, concerning the installation and implementation of Data Center. The Group maintains valid MTPL and MOD Insurance for its fleet.

Significant fixed tangible and intangible assets

: The Company's office-building - offices, floor 3 and floor 5 of the office building, located in Sofia, 135 "Tsarigradsko shosse" Blvd., and servers and infrastructure equipment owned by "Daticum" AD can be determined as the only significant non-current assets.

The described real estates, located on 135 "Tsarigradsko shosse" Blvd., Sofia, Mladost Area, are owned by the Group, together with the encumbrances on them:

- Floor 1, Offices 1 to 6 with a built-up area of 664.54 sq.m., mortgage with "UniCredit Bulbank" AD
- Floor 2, Offices 7, 9 and 11 with a built-up area of 333.54 sq.m., mortgage with "UniCredit Bulbank" AD
- Floor 2, Office 8 with built-up area 176.74 sq.m., mortgage with "Allianz Bank Bulgaria" AD
- Floor 2, Office 10 with built-up area 144.39 sq.m., contract for financial leasing concluded with "Piraeus Leasing Bulgaria" AD ²
- Floor 3, with built-up area 796.50 sq.m., mortgage with "UniCredit Bulbank" AD
- Floor 4, Offices 19, 20, 21 with a built-up area of the office 324.95 square meters, mortgage with "UniCredit Bulbank" AD
- Floor 5 with built-up area 281.81 square meters, mortgage with "Allianz Bank Bulgaria" AD

Source: Information from the Issuer; FFBH calculations

Assets of "Daticum" AD as at 31.12.2017

	Residual value (BGN'000)
Office furniture	3
Machinery and equipment	60
Computer equipment	399
Renovations of rented premises	4
Licenses	1
Non-current Fixed Assets Held for Sale (Cloud Platform)	1 099
TOTAL	1 565

Source: Information from the Issuer; FFBH calculations

² The nature of a lease agreement provides for the transfer of factual ownership at the end of the lease term. Until then, the lessee is in possession and records the property on its own balance sheet, but does not own title over it.

Intangible assets with residual book value over BGN 1 million as at 31 December 2017

Type*	Name	Carrying amount (BGN'000)
216	Software Module – Makelt	5 523
212	Graph DB ver. 7	4 238
216	Software Module – Cuba Libre - text search	3 777
216	Software Module - CherryDialer	3 584
216	Software Module - Text Search Solution - Tools for working with indexes on Lucene	3 048
215	Software Module - Sirma location based Services	2 989
215	Software Module Sirma location based services	2 904
216	Software Module – Jhippo	2 737
215	Enterprise Management Framework 2015	2 529
216	Software Module for Exchange of Electronic messages in the Financial Industry	2 134
216	Software Module for Card Transaction Processing	1 927
216	Cyber Security	1 725
216	Cryptographic software module	1 401
212	LOYAX	1 346
216	Cloud platform	1 099
Total		40 961

Source: Information from the Issuer; FFBH calculations

** 212: Products from development; 215: Rights on Software Module; 216: Non-Current Fixed Assets for the Creation of SENPAI*

The sum of the presented intangible assets represents 60% of the total of BGN 68 011 thousand of intangible assets and goodwill at the end of 2017

Environmental protection

While the Company has no environmental problems or commitments it has turned environmental protection into a top priority. All components of the services are subject to environmental considerations.

The Company operates in accordance with the applicable provisions of the environmental protection legislation in the Republic of Bulgaria and the European Union.

Judicial, administrative and arbitration proceedings

In the normal course of business, the Company is a party to legal proceedings in connection with its operating activities, but to the best of its knowledge, “Sirma Group Holding” JSC is not involved in administrative, civil, arbitration or criminal proceedings (including pending ones or prospects of any such, that may be formed by or against the Company) for the last 12 months and towards the date of the Prospectus that could significantly affect the financial position or profitability of the Company.

Judicial, administrative and arbitration proceedings of the Group

In the ordinary course of business, the companies within the Group are parties to legal proceedings in relation to their operating activities. “Sirma ISG” Ltd is a claimant in two court cases pending at the end of the reporting period and their outcome is unclear. After receiving sound legal advice, the management is of the opinion that there is minimum probability of an outcome resulting in any significant losses and costs for the company.

To the best of the Group's knowledge, no other administrative, civil, arbitration or criminal proceedings (including pending ones or prospects of any such in the foreseeable future), which may be initiated by or against the Group) exist for the last 12 months and to the date of this Prospectus, that could have a significant effect on the financial position or profitability of the Group.

Employees and staff

The Issuer believes that its employees play a key role in business development and corporate goals, and therefore pays special attention to the development of a common human resources management strategy and policies. The Group policies in this respect are aimed at stimulating the responsibility and motivation of the staff to fulfil the assigned tasks and reach the objectives.

The Company and all companies within the group apply certain selection criteria and believe that they have built an ambitious team of professionals capable of pursuing the strategic and operational objectives. The Group invests in various further qualification programs for its employees and provides its personnel with ample opportunities for professional development.

Most of the employees work in Sofia.

At the date of this Prospectus, the Group has 355 employees on full-time contract

The dynamics of staff recruited in the Group over the last 3 years

	As at the date of the prospectus	The year ending on December 31st		
	2018	2017	2016	2015
Average number of staff	356	354	340	319

Source: Unaudited data from the Company;

The dynamics of staff employed by the Group over the last 3 years by the end of the year

	As at the date of the prospectus	The year ending on December 31st		
	2018	2017	2016	2015
Staff on Labor Contract	358	352	355	323
Staff on Management and Supervision Contracts	49	47	43	41
Total	407	399	398	364

Source: Unaudited data provided by the Company;

Note: The average number of staff is defined as the sum of the list of full-time employees and the number of part-time employees recalculated in full-time equivalents for each calendar day of the year, divided by the total number of calendar days in the respective year. The list of personnel at the end of the year is the number of employees in the Group, effectively working or temporarily absent towards December 31st.

Structure of the employees by education and professional qualification at the date of the Prospectus.

	LC	MSC	Total
Number of staff as at the date of the prospectus	358	49	407
Higher education	290	49	339
College education	37	0	37
Secondary education	31	0	31

Structure of the employees by education and professional qualification as of December 2017.

	LC	MSC	Total
Number of staff as at 31.12.2017	352	47	399
Higher education	284	47	331
College education	37	0	37
Secondary education	31	0	31

Breakdowns of the average number of staff by business activities:

Activity by category (business activities)	As at the date of the prospectus	%	31.12.2017	%
IT	240	67,04%	234	66.48%
Business analysis	31	8,66%	31	8.81%
Business development, marketing and sales	35	9,78%	35	9.94%
Administrative activities	18	5,03%	18	5.11%
Finance and accounting	16	4,47%	16	4.55%
Management	16	4,47%	16	4.55%
Lawyers	2	0,56%	2	0.57%
Total	358	100.00%	352	100.00%

As at the date of this Prospectus, there are no arrangements for employee participation in the Company's capital.

The Company and companies within the Group do not employ a significant number of temporary employees.

INDUSTRY OVERVIEW

The Bulgarian Economy ³

The development of the Group's activity is related to the trends for development of the general macroeconomic environment in this country.

Key macroeconomic indicators for Bulgaria	2013	2014	2015	2016	2017
Gross Domestic Product, BGN mln.	82 166	83 634	88 571	94 130	98 631*
Annual real GDP growth rate,%	0.9	1.3	3.6	3.9	3.6
HICP, annual change,%	- 0.9	- 2.0	- 0.9	- 0.5	1.8
Unemployment,%	11.8	10.7	10.0	8.0	7.1
Average monthly salary, BGN	775	822	878	948	1 060
GDP per capita, BGN.	11 310	11 577	12 339	13 206	13 884
Budget (deficit) / surplus, BGN mln.	-1440.8	-3072.9	-2485.2	1 465.1	845.2
Budget (deficit) / surplus,% of GDP	-1.8%	-3.7%	-2.8%	1.6%	0.9%
Basic interest rate	0.02	0.03	0.01	0.00	0.00
Gross External Debt,% of GDP	87.9%	92.0%	74.0%	71.1%	66.1%
Current account (deficit) / surplus,% of GDP	1.3%	0.1%	0.0%	2.3%	4.5%
Direct investment in Bulgaria,% of GDP	3.3%	2.7%	5.5%	2.2%	1.9%
Direct Investment in Bulgaria, EUR mln.	1 383.7	1 160.9	2 475.9	1 079.6	950.1
Exchange rate of BGN for 1 EUR	Fixed exchange rate BGN 1.95583 for 1 euro				
Exchange rate of US \$ 1, end of period	1.42	1.61	1.79	1.86	1.63

* Data for 2017 is preliminary.

Source: BNB; NSI

The table below summarizes the current long-term rating of the Republic of Bulgaria in foreign currencies, as determined by the specialized international rating agencies.

Rating agency	Long-term rating	Outlook	Change
Moody's	Baa2	Stable	May 29, 2017
Standard&Poor's	BBB-/A-3	Stable	December 1, 2017
Fitch	BBB	Stable	December 1, 2017

Gross domestic product

During the 2004-2008 period, the Bulgarian economy was characterized by a stable real growth of appx. 6% per annum, chiefly due to the significant inflow of foreign capital. These flows, mainly directed at the banking and real estate sectors, stimulated both private consumption and corporate investment. The increased demand for consumer and investment goods led to an increase in the current account deficit. In addition, economic growth has led to a labor market shortage and correspondingly higher wages, and this, coupled with rising food and fuel prices, has led to a rise in inflation.

The global financial crisis had raised investors' unwillingness to take risks. As a result, in 2009 the inflow of capital decreased significantly and the Bulgarian economy went into recession. The slump in foreign direct investment (FDI) was accompanied by a rapid deterioration in export earnings as a result of weaker international demand. The economy responded automatically by curtailing the current account

³ As sources of preparation of the section "Bulgarian Economy", statistical data were used by the Bulgarian National Bank, the National Statistical Institute, the Ministry of Finance

deficit and reducing inflation. Economic activity shrunk by 4.2%, but in 2010 it regained growth by 1.4% real annual growth. The main driver of this economic reversal was the steady improvement in exports, while domestic demand remained low (up 1.7% on an annual basis).

For the 2011-2016 period, the Bulgarian economy remained positive, albeit with slowing down growth. The overall economic situation and uncertainty in Europe, driven by the eurozone debt crisis, were one major driver of this slower national growth. As a result, GDP reached BGN 80.8 billion in 2011, BGN 82.0 billion in 2012, BGN 82.2 billion in 2013 and BGN 83.6 billion in 2014. The most significant contribution to the positive developments in 2011 and 2013 can be traced to the contraction in net imports, which fell by 36.6% and 74.5%, respectively, on an annual basis. In 2012 and 2014, domestic demand was the most significant, with real annual growth of 2.0% and 2.2% respectively, supported by higher gross capital formation. In 2015 and 2016, positive trends gained momentum, with GDP scoring 3.6% and 3.9% real annual growth to respectively 88.6 and 94.1 billion at current prices. Net imports turned into net exports and domestic demand continued to increase.

In line with the overall economic situation in Europe, the real annual GDP growth in 2017 shrank to 3.6%, but remained above the European average of 2.4% (EU28), with GDP for the year alone reaching 98.6 billion leva. In 2017, domestic demand contributed most significantly - it registered a real growth of 4.5% to BGN 76.5 billion at current prices, while the gross capital formation increased by 3.8%. Net exports for the year fell to BGN 1.5 billion at current prices and turned into net imports of BGN 1.6 billion at inflation-adjusted prices (net exports of BGN 0.1 billion at revised prices in 2016). Exports scored real growth of 4.0%, up to BGN 65.4 billion at current prices, while imports grew by 7.2%.

As for the contribution and dynamics of the main economic sectors, the service sector, which formed 67.0% of the gross value added in 2016, registered a real growth of 3.3% compared to 2015, the industry (28.3% of the GVA) increased by 3.2%, and the agricultural sector (4.7% of GVA) increased by 5.3%. At the end of 2017, the service sector (67.4% of GVA) rose another 4.4% vs. the previous year, the industry (28.3% of GVA) - by 3.6%, while agriculture (4.3% of GVA) shrank by 0.1%.

Inflation

Influenced mainly by the slump in international oil and gas prices, inflation in Bulgaria continued its downward trend in 2016, with the Harmonized Index of Consumer Prices reporting an annual decline of 0.5% towards the end of the year, against a 0.9% end of 2015. As a result of the significant rise in economic activity in 2017, the tide began to turn and the index reported an annual growth of 1.8%, the first inflation since 2012. The most significant growth was recorded in house prices and communal services (+ 4.5%), education (3.9%) and food and non-alcoholic beverages (3.1%), whereas decline was recorded only in communications (-1.3%) and clothing and footwear (-0.3%).

Employment

In recent years, unemployment has emerged as one of the main problems before the global economy, and for Bulgaria this problem is particularly painful. However, employment in the country has gradually started to improve since the end of 2013. According to the Employment Agency, the registered unemployed by the end of 2017 decreased by 11.1% yoy to 232 066 and the unemployment dropped by 0.9 pp. to 7.1%, against the 7.3% European Union (EU-28) average. According to the agency, the average monthly unemployment rate in 2017 stood at 7.2%, the lowest figure for the past 9 years. Economic activity of the population and labor productivity are also rising.

Balance of payments

The country's balance of payments also exhibits positive trends, the most significant of which is the current account surplus, with billions of recurring deficit in the pre-crisis years. The current account for 2016 was 1.1 billion euros, compared to a deficit of 16.9 million euros in 2015, the growth being mainly due to the contraction of the trade deficit. The current account surplus kept rising to 2.3 billion euros by

the end of 2017, largely because the negative balance on primary income fell by 1.9 billion euros to 0.5 billion euros, while the trade deficit once again increased by 1.1 billion euros to 2.1 billion euros. It should be noted that, despite the higher trade deficit, the export of goods in the January - December 2017 period amounted to € 25.8 billion, up by € 2.7 billion versus the same period in 2016. The capital account tended to shrink from EUR 1.4 billion in 2015 and EUR 1.1 billion in 2016 to EUR 0.5 billion in 2017, which is comparable to 2010 levels. The financial account was increased by EUR 1.3 billion in 2016 and by another EUR 1.7 billion in 2017, to a surplus of EUR 2.3 billion, whereby the general balance deficit for 2016 decreased by EUR 262.3 million to EUR 3.5 billion and the December 2017 balance surged to EUR 98.9 million. Foreign direct investment in Bulgaria continued to shrink, falling by -12.0% on an annual basis to EUR 950.1 million by the end of 2017.

Public finance

The fiscal discipline of the Bulgarian governments was one of the most positive features of the national economy. In the 2009-2013 period, Bulgaria was one of the few countries that managed to reduce their budget deficit below 5% in 2009 and keep it below 3% in the subsequent years. In 2014 this changed, with the country ending the year with a deficit of 3.7% of GDP. By 2015, the deficit on the consolidated fiscal program amounted to BGN 2.5 billion (2.8% of GDP), but by 2016 the budget surged to BGN 1.5 billion surplus, resulting from a deficit in the national budget of 0.7 billion and a surplus on EU funds amounting to BGN 2.2 billion. It should be noted that this is the first national budget surplus since 2008. The consolidated fiscal program ended in 2017 with a surplus of BGN 845.2 million (0.9% of GDP), out of a surplus on the national budget of BGN 309.1 million and a surplus on EU funds of BGN 536.1 million. The positive results are due both to higher revenues, mainly owing to more efficient tax collection and lower expenditure, largely as a consequence of the suspended funding of government projects co-financed by the EU.

Indebtedness

Towards the end of 2016, the total state (incl. government-guaranteed) debt increased by EUR 2.1 billion on an annual basis to EUR 14.0 billion (29.1% of GDP), as Bulgaria was distinguished for its "praiseworthy" low profitability levels. In March 2016, the government placed 7- and 12-year Eurobonds for a total amount of almost EUR 2 billion, with profitability rates amounting to 2.156% and 3.179% respectively, and in January 2017 the Ministry of Finance issued BGN 50 million 10,5-year state securities at an average-weighted profitability at record-breaking low level of 1,76%.. These positive trends were maintained until the end of 2017 and into the current year, as the state repaid EUR 1.0 billion Eurobonds; as a consequence, the total government debt decreased to EUR 13.0 billion or 25,8% of GDP. It should be noted that Bulgaria keeps its third position in the debt-to-GDP ratio EU ranking, immediately after Estonia and Luxembourg. The updated medium-term budget forecast for 2018-2021 sets out that the government debt will shift in the range of 23.3-19.4% of GDP, as in terms of par value it will stabilize around BGN 24.4 – 24.2 billion per annum.

IT market

Global IT products market trends

Gartner's forecasts substantial growth in 2018⁴ in the global consumption of IT products. The market is expected to reach 3.68 trillion USD at 4.5% yoy. The projected growth rate is significantly higher than the expected 3.8% in 2017 and the 2.7% for 2019. According to the forecast, companies in the professional, financial, healthcare and media industries will contribute most significantly to the overall increase in IT products spending in 2018⁵.

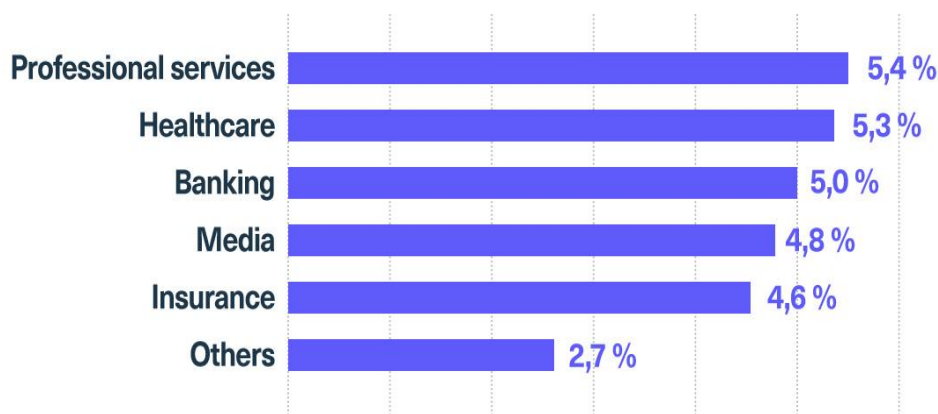
⁴ <https://www.gartner.com/newsroom/id/3845563>

⁵ <https://www.idc.com/getdoc.jsp?containerId=prUS42298417>

Increased spending for IT products by sectors for 2018

Growth of expenses for IT products by sectors for 2018

Source: IDC



Source: IDC

The manufacturing sector is expected to be ousted out of its leading position as the largest user of technology solutions by the service sector. IDC predict that companies with over 1,000 employees will account for 45% of IT purchases, while the small offices (1 to 9 employees) will effect roughly one quarter of total sales in the industry.

North America will remain the world's largest consumer of IT products. In total, the US and Canada are expected to generate 40% of total consumption, the share of Western Europe is expected to be just over 20%, and the East Asia region (excluding Japan) will account for one fifth of the IT sector revenue. The fastest growing markets for 2018 are Latin America (5.5%), East Asia (excluding Japan) (4%) and the United States (4%).

Leading market shares

(in billion US dollars)	Spending 2017	Growth (%)	Spending 2018	Growth (%)	Spending 2019	Growth (%)
Data center equipment	178	4.4%	179	0.6%	179	-0.2%
Business software	355	8.9%	389	9.5%	421	8.4%
Devices	667	5.7%	704	5.6%	710	0.9%
IT services	933	4.3%	985	5.5%	1030	4.6%
Communications	1393	1.3%	1427	2.4%	1443	1.1%
Total	3527	3.8%	3683	4.5%	3784	2.7%

Source: Gartner

According to Gartner, growth in the market will be boosted by business software sales (9.5% increase in 2018), which they expect to reach \$ 389 billion in 2018. Growth in revenue from IT products is expected to be generated through the sales of computers and smartphones, as well. On the one hand, higher demand is expected due to the growing migration to Windows 10, and on the other hand because of the growing interest in iOS-based devices.

Expectations for the cloud service market

In 2020, consumption of all varieties of cloud software is projected to exceed \$ 400 billion a year, 87% more than the projected costs for 2017.

Companies are expected to increase their consumption of SaaS products. The development of this type of software in recent years makes it more widely applicable in financial and human resources management, resulting in a sharp increase in sales. Gartner's forecasts are of increased SaaS software demand by 2020. At the end of the period, SaaS sales are believed to reach \$ 100 billion a year, more than twice the revenue generated in 2016.

Cloud infrastructure building is yet another direction that enjoys a positive outlook. Demand for a platform-like-service, or PaaS, is estimated to grow by nearly a quarter in 2018, generating revenue of \$ 14.2 billion for companies within the segment. The Gartner survey shows that an ever-growing number of large software developers prefer PaaS-based solutions that allow more flexibility and functionality vs. the widely used application environments.

The latest element in the cloud software market is IaaS. It is the fastest growing segment in the market, with a projected increase of 36.6% in 2018 on annual basis. The need, for a computer resource that is accessible and available remotely, leads to an increase in the number of datacenters worldwide. At the same time, revenue from IaaS in 2016 represents 1.4 times revenue generated from physical infrastructure. By 2021, the sales gap between the two is expected to expand to 3.1 times. Therefore, global IaaS expenses may be expected to increase on average by 28% per annum by 2021, ahead of forecasted sales of both physical infrastructure and other types of cloud software

Artificial Intelligence and Cognitive Systems

IDC's⁶ forecast is that many industries will invest aggressively in AI and cognitive systems. The total cost for both products in 2017 reached about 12 bln. USD worldwide, 59% more than in 2016. The relatively small market is expected to maintain its exceptionally rapid growth until 2021. IDC foresees annual earnings for companies in the sector to rise by about 50%. A major factor is the wide use of AI and cognitive systems in various industries. For the time being, highest revenue is generated by automation systems for customer queries (\$ 1.5 billion for 2017). B2C businesses, as well as banks, benefit from them. A major share of the market (1.1 bln. USD for 2017) is occupied by systems for diagnostics and treatment by means of artificial intelligence, which open new opportunities for the healthcare sector.

AI and cognitive software market

The growing application of artificial intelligence-based systems also leads to revenue growth for software developers. The market is \$ 1.6 billion in 2016, but IDC's⁷ expectations are that it grows on average by 39% annually by 2021. New software innovations build on mature and established technologies, prompting a rapid expansion of the market. Innovations include products for deep and other forms of machine learning, natural language processing, generating and understanding, as well as semantically activated technologies for knowledge extraction and intelligent systems. North America is expected to be a major market for new software products ; it will generate approximately 80-90% of sales between 2016 and 2021.

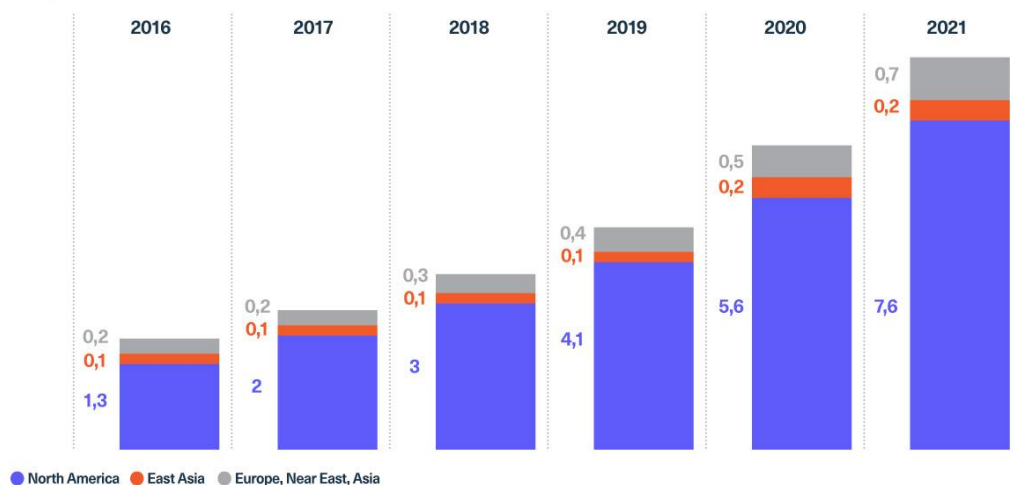
⁶ <https://www.idc.com/getdoc.jsp?containerId=prUS43095417>

⁷ <https://www.idc.com/getdoc.jsp?containerId=US42072817>

Sales of AI and cognitive software by region (in billions of USD)

Sales of AI and Cognitive software by region (bln. USD)

Source: IDC



Source: IDC

Local IT Product Market Trends

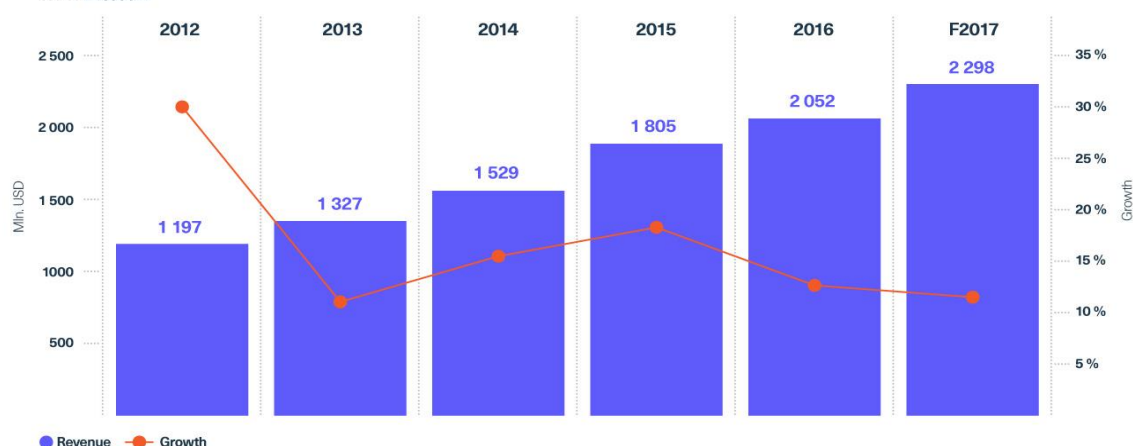
A survey of the Bulgarian Association of Software Companies (BASSCOM)⁸ shows that software industry revenues in Bulgaria grow on average by about 11% annually between 2011 and 2016, and the organization's forecast for 2017 is for an increase of 12%. According to the last consultation with BASSCOM members, 90% of them believe that the market will expand in 2017 and 55% of all expect growth to be between 15% and 50% or more.

Revenue of the Software Industry 2012-2017.

⁸ http://www.basscom.org/RapidASPEditor/MyUploadDocs/BASSCOM_Barometer_2017_ENG.pdf

Software Industry Revenue

Source: BASSCOM



Source: BASSCOM

In this respect, positive influence will be exerted by the accelerating growth of national GDP. The World Bank expects the domestic production to rise by about 4% annually by 2020⁹, and in January 2018, the institution has upped its forecasts for the Bulgarian economy. The boosted activity and higher overall consumption will positively affect the demand for IT products, whose supply will need to catch up with demand..

Human Resources

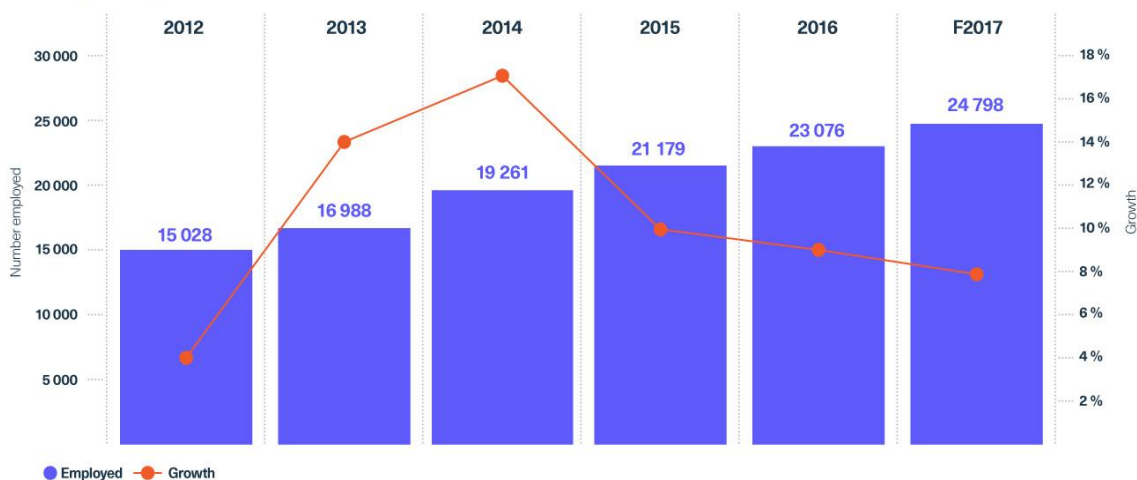
Development of the sector relies on the increased number of specialists employed within it. According to the BASSCOM survey, about 25,000 IT specialists were employed in Bulgaria in 2017. While their number doubled in the 2013 -2015 period, in the following two years the influx of new cadres slowed down a bit.

Number of IT specialists in Bulgaria

⁹ <https://openknowledge.worldbank.org/handle/10986/28932>

Number of IT experts in Bulgaria

Source: BASSCOM



Source: BASSCOM

One reason is the inability of the education system to prepare a sufficient number of new employees that would match the needs of the business. The combination of high demand and weak supply leads to higher wages in this market. The BASSCOM survey shows that in 2017, the average net salary within the sector reached BGN 2,885. Thus, the income of an IT specialist is about 2.7 times the country average, and in the 2011 - 2017 period, the monthly pay has increased by a mean 8.14% per annum.

New staff training

Employers in the IT sphere try to curb this trend of HR dearth by either educating employees themselves, or by creating joint programs with local universities and schools. Examples include Telerik, VMware, SAP Labs, Sirma Group Holding and others. It should be noted that, until revenue of the sector keeps rising at its current pace, rising labor costs should not lead to a deterioration in the financial position of companies in the market. It should be taken into account that local IT companies often serve clients from economically developed countries, for which the offered price terms remain advantageous. However, it should be kept in mind that favorable conditions are offered by countries like China and India, where labor costs are even lower.

GENERAL INFORMATION ABOUT THE COMPANY

Appellation and legal status:	Sirma Group Holding JSC
Principal office and address thereof:	Bulgaria, Sofia district (capital), Municipality Stolichna, Sofia, Mladost district, 135 Tsarigradsko Shose Blvd
Landline:	+359-2-976-8310;
Fax:	+359-2-974-3988;
Website:	http://www.sirma.bg
Email:	office@sirma.bg
UPI:	200101236

The Company was entered in the Commercial Register kept at the Registry Agency on April 25th 2008.

The Company is public and operates under Bulgarian legislation, in adherence to the Public Offering of Securities Act, the Commercial Law, the binding and applicable regulations, in accordance with the provisions of the Articles of Association and other internal acts and in compliance with the applicable European legislation.

MANAGEMENT AND CORPORATE GOVERNANCE

"Sirma Group Holding" JSC is a joint stock company with one-tier governance system. The company's management bodies are the General Meeting of Shareholders and the Board of Directors.

Members of the Board of Directors

Towards the date of this Prospectus, the Board of Directors consists of 8 individuals:

- Georgi Parvanov Marinov,
- Tsvetan Borisov Alexiev,
- Chavdar Velizarov Dimitrov,
- Atanas Kostadinov Kiryakov,
- Tsvetomir Angelov Doskov
- Yordan Stoyanov Nedev
- Sasha Konstantinova Bezuhanova
- Peter Borisov Stattev

The term of office for current members is until 27.06.2019.

The official address of all members of the Board of Directors is: Sofia, Mladost district, 135 Tsarigradsko shosse Blvd.

Chavdar Velizarov Dimitrov - Vice-president of the BD

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

Does not participate in other companies as a partner during the last 5 years.

He has not been involved in managing companies as a procurator in the past 5 years.

Managing member of the Management / Supervisory Body for the last 5 years: Member of the Board of Directors of Sirma Medical Systems JSC from 2016 until present; Datium JSC from 2009 until present; Sirma Solutions JSC from 2005 to 2017.

Education and relevant professional experience: As a university student, he participated in the founding of the company in 1992 and has worked in Sirma since then. Over the years, he has been involved in various programming positions - programmer, team leader, project manager.

In 2005 he is appointed Administrative Director, and then Director of Human Resources at Sirma Group Holding JSC. He holds this position until August 2009. Since February 2009, he acts as an Executive Director of Sirma Solutions JSC. He fulfils this position until August 2017.

Mr. Dimitrov graduated with a master's degree in Computer Science from the Faculty of Mathematics and Informatics of the Sofia University.

Tsvetan Borisov Alexiev - Executive Member of the Board of Directors

Data for activity performed outside the issuer:

He has not been an unlimited liability partner in companies over the last 5 years.

Participated in the following companies as a shareholder in the last 5 years: Sirma Solutions JSC until 2014

He has not been involved in managing companies as a procurator in the past 5 years.

Managing Director / Member of the Management / Supervisory Body for the last 5 years: Executive Director and Chairman of the Board of Directors of Sirma Solutions JSC, Chairman of the Board of Directors of Sirma Business Consulting JSC from 2008 till present and member the Board of Directors of Ontotext JSC, Datium JSC from 2009 until present and Sirma Enterprise Systems JSC from 2013 until present.

Education and relevant professional experience:

Mr. Aleksiev starts working at Sirma as a software engineer in 1993. He goes through different positions in the company - Team Leader, Project Manager, Head of Department. Since 2002, he has been the CEO of Sirma Group Holding JSC. Mr. Alexiev is responsible for the overall management of the holding structure and business development of the largest company in the group - Sirma Solutions JSC.

Mr. Alexiev has graduated with a Master's degree in Computer Systems at the Technical University of Sofia.

Atanas Kostadinov Kiryakov - Member of the Board of Directors

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

There is no participation in other companies as a partner during the last 5 years..

He has not been involved in managing companies as a procurator in the past 5 years.

Managing member / member of the managing/supervisory body for the last 5 years in: Sirma Solutions JSC, member of the Board of Directors from 2012 until present date; "Engview System Systems Sofia" JSC, member of the Board of Directors from 2014 until present date; "Sirma Enterprise Systems" JSC, member of the Board of Directors from 2013 until present date.

Education and relevant professional experience:

Atanas Kiryakov is the founder and CEO of Ontotext JSC - a market leader in semantic databases and text analysis technologies. Ontotext clients include BBC, Financial Times, EuroMoney, Oxford University Press, AstraZeneca, British Museum, UK Parliament, US National Gallery, the Getty Trust and Korea Telecom.

Between 2001 and 2004, Mr. Kiryakov is a member of the Management Board of BASSCOM. Member of the board of directors of Sirma Group Holding JSC and three of the companies in the group as well as of the Linked Data Benchmarking Council - NoSQL International Testing Database Organization.

Mr. Kiriakov began his career in Sirma as a software engineer in 1993 and several years later became a partner and member of the Board of Directors. In 2008, he became the Executive Director of Ontotext. Ontotext invested more than 400 person-years in research and product development and won a number of awards for innovation: the Pythagoras of the Ministry of Education and Science for 2010, the BAIT for 2013, the Washington Post in 2014 (for the OpenPolicy product), Innovative Enterprise Award of 2014

Mr. Kiriakov attained his MS in "Computer Science" at Sofia University "St. Kliment Ohridski". Today, he is a leading expert in semantic databases and author of more than 20 scientific publications with over 3000 citations.

Georgi Parvanov Marinov - Chairman of the Board of Directors

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

There is no participation in other companies as a partner during the last 5 years.:

He has not been involved in managing companies as a procurator in the past 5 years.

Managing Director / Member of the Management / Supervisory Body for the last 5 years: Executive Director and Chairman of the Board of Directors of Engview Systems Sofia JSC since 2003 and a member of the Management Board of Sirma Business Consulting JSC from 2008 until now.

Education and relevant professional experience:

Mr. Marinov has been working in Sirma since it was first established in 1992. During the years, he has held various positions within the company - software engineer, quality control, team manager, project manager, marketing and sales manager and business development manager. Since 2003, Mr. Marinov has been the Executive Director of Engview Systems Systems. Mr. Marinov is a graduate of the Technical University of Sofia with a MS in Computer Science and International Business.

Tsvetomir Angelov Doskov - Member of the Board of Directors

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

Has participated in the following companies as a partner in the last 5 years: Partner Ileris Solutions OOD, Partner "PEASERA BULGARIA" OOD, Partner until 2017 in "ZVD SET" EOOD.

He has not been involved in managing companies as a procurator in the past 5 years.

Managing / Managing member of the Management / Supervisory Body for the last 5 years in: SirmaBC Executive Director (SirmaBC) Executive Director since 2008.

Education and relevant professional experience:

Mr. Doskov has a leading role in turning SirmaBC into a trusted and preferred provider of software solutions for the banking sector in Bulgaria. He has many years of experience in designing, developing and implementing strategic plans and business solutions for financial institutions. Prior to joining Sirma Business Consulting, Tsvetomir has worked in some of the largest banks in Bulgaria, Allianz Bank Bulgaria, UniCredit Bulbank, HVB Bank Biochim, Hebros Bank and Bulgarian National Bank. Over the

years, he has held various managerial positions, including Chief Operating Officer, Operations Director, Head of Internal Audit Unit, Chief Inspector, and Director of Multiple Projects.

Mr. Doskov has a bachelor's degree in Finance and a Master's degree in Banking and Insurance at the University of National and World Economy in Sofia, as well as a Master's degree in Aikido at the NSA.

Sasha Konstantinova Bezuhanova - member of the Board of Directors and independent member of the Board of Directors of the Issuer within the meaning of Art. 116a, para. 2 of POSA.

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

No participation in companies as a partner during the last 5 years

Has not been involved in managing companies as a procurator in the past 5 years.

Managing member / member of the managing / supervisory body during the last 5 years in:

From 2013	Foundation "MOJE BG"	Chairman of the Board
From 2007 - currently	Foundation "Elisabeth Kostov"	Member of the Board
From 2007 - currently	Foundation "Elizabeth Kostova"	Member of the Board
From 2009 - currently	Board of Trustees of the Technical University of Sofia	Chairman
From 2016 - currently	Eurotrust Technologies	Member of the Board
1999-2013	Junior Achievements	Chairman of the Board
From 2014 - currently	Foundation "Social Growth Initiative"	Member of the Board
	Foundation "Charity Aid in Bulgaria"	Member of the Management Board

Education and relevant professional experience:

Ms. Bezuhanova is the initiator and founder of MoveBG - a civic platform for debate and joint action. Prior to dedicating herself to the cause developed by MotionBG, Ms. Bezuhanova boasts a 20-year successful management career at HP, where she recently heads the Public Administration and Education line for emerging global markets. Her former position in the company is Director of Public Administration for Central and Eastern Europe.

From 1998 to 2008, she is the general manager of HP Bulgaria, turning the company into a leader in the local information and communication technology market. Ms. Bezuhanova has a leading role in attracting the strategic investment of Hewlett-Packard to build a Global Center for Remote Services, which places Bulgaria on the global investment map and nowadays provides more than 5,000 highly qualified specialists.

The public activity and philanthropy are an integral part of Ms. Bezuhanova's biography. She is a senior chairman of the Board of Junior Achievement Bulgaria, Chairman of the Board of the Bulgarian School of Politics "Dimitar Panitza", co-founder and chairman of the High Level Advisory Board of the European Center for Women and Technology and of the Bulgarian Center for Women in Technology, Member of

the Management Board of the Charity Aid Foundation in Bulgaria and Chairman of the Board of Trustees of the Technical University of Sofia. She was a member of the Advisory Board to the Minister of Science and Education, the Innovation Council to the Minister of Economy, Chairman of the Board of Directors of BIBA and the KRIB and a member of the Open Society Foundation Board.

In 2013, she is named "The Digital Woman of Europe" and in 2010 she receives the LeaderSHE International Women Leader Prize; in 2011 Sasha Bezuhanova is recognized as one of the five most influential women in Bulgaria. In 2009, she has been awarded one of Italy's highest awards - the Order of the Star of Italian Solidarity for contribution to the development of bilateral economic relations between Bulgaria and Italy.

Sasha Bezuhanova holds an MA in Electronics from the Technical University of Sofia and has completed the INSEAD Management Program. She is the Honorary Consul of the Grand Duchy of Luxembourg for Bulgaria.

Petar Borisov Statev - Member of the Board of Directors and an independent member of the Board of Directors of the Issuer within the meaning of Art. 116a, para. 2 POSA.

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

He has been a member of the following companies as a shareholder over the last 5 years: SmartComb Bulgaria JSC - 50% of the current capital, Barin Sports JSC - 27% of the capital at present.

He has not been involved in managing companies as a procurator in the past 5 years.

Managing member / member of the managing / supervisory body during the last 5 years in: Ex. Director of SMARTCOM Bulgaria JSC from 2017 until now, Chairman of Barin Sports JSC from 2015 until now, Member of the Board of ESI Center Bulgaria Foundation from 2013 until now and Chairman of the Board of Cluster Information and Communication Technology (ICT) from 2006 until now.

Education and relevant professional experience:

Petar Statev was elected in 2013 to the post of Vice President of the European Telecommunications Standards Institute (ETSI), nominated by the European Association of Craftsmen, Small and Medium-Sized Enterprises and supported by the Bulgarian Association of Software Companies (BASSCOM) through the European Association of Small and Medium Enterprises in the ICT sector / PIN-SME /. He is an ICT entrepreneur and Chairman of the Board of Directors of SmartComb Bulgaria JSC, a company for the development and integration of telecommunication systems, the most innovative Bulgarian enterprise according to the Sixth National Innovation Forum 2010. He is co-founder of "Cluster Microelectronics and Industrial Electronic Systems", "Bulgarian Cluster Telecommunications" and "Association of Business Clusters in Bulgaria", where he held the position of chairman in the 2012 - 2013 period. From 2004 to 2009, Peter is the CEO of Sinvest Consulting Ltd. - an IT consultancy company, amongst whose clients are some of the globally familiar telecom operators.

Petar Stattev is a Master of Telecommunication at the Technical University of Sofia, and has graduated the program of effective management of the NBU and Open University, London.

Yordan Stoyanov Nedev - member of the Board of Directors and independent member of the Board of Directors of the Issuer within the meaning of Art. 116a, para. 2 POSA.

Data for activity performed outside the issuer:

Does not participate as an unlimited partner in companies in the last 5 years.

Participated in the following companies as a partner in the last 5 years: Susanna and Vesko-SV Ltd. - 75% of the capital from 2012 until now.

He has not been involved in managing companies as a procurator in the past 5 years.

Managing member / member of the managing / supervisory body during the last 5 years in: April 2013 - September 2014 is the manager of Bianor Services EOOD; member of the Board of Directors of KIBI Bushido since 2008, trustee at the Alexander Foundation since 2008.

Education and relevant professional experience:

Jordan Nedev is a financier and expert of rich management and consulting experience.

Yordan Nedev has started his experience in the Bulgarian office of the German consultancy company Roland Berger, where he worked on the privatization of Bulgarian enterprises. Upon his return to Bulgaria, Mr. Nedev worked as a financial adviser on the primary offering of shares on the Bulgarian Stock Exchange of Investor.bg, after which he worked as its Executive Director. He was the manager of the licensed investment broker CEE Securities before joining the MMD Partners team in 2005, where he leads the financial consulting practice. In 2011, after two successful consultancy projects in the field, BDZ Holding EAD took over the management of the company, carrying out a massive restructuring of the activity, increased financial and operational control and improved commercial practices.

Yordan Nedev is bachelor of economics at the Faculty of Economics, Sofia University "St. Kliment Ohridski ", and in 2002 he became Master of Finance at the London Business School, UK.

Family relations

There are no family relations between the members of the Board of Directors.

Other information about the members of the Board of Directors

Towards the date of drawing-up of the present Prospectus and in the last five years, none of them has been:

- sanctioned through the imposition of administrative measures or penalties;
- sentenced for fraud;
- involved in bankruptcy, management by receiver in bankruptcy or company termination;
- officially publicly incriminated and/or sanctioned by statutory or regulatory authorities (including certain professional bodies);
- Stripped, by a court of law, of the right to be a member of the administrative, management or supervisory bodies of an issuer, or of the right to occupy management positions, or to carry out the activity of an issuer.

Conflict of interests

There is no potential conflict of interests between the obligations of the members of Board of Directors to the Company and their personal interest or alternative commitments.

At the time of preparation of the this Prospectus, the Company is not aware of arrangements or agreements between the main shareholders, customers, suppliers and others, under which any person from the composition of the Board of Directors of the company is elected as a member of the management body.

There are no restrictions adopted by the members of the Board of Directors of the company concerning the disposal, within a certain time period, of their assets in securities of the Issuer with the following exception:

The Company has entered into a contract with New Europe Venture Equity EI PI for the acquisition of all 4,187,087 Class A1 voting shares of Ontotext JSC's capital representing 26.06% of the Company's capital. Securities on the shares of Sirma Group Holding JSC have been set up as collateral for the transaction as follows: PLEDGE 1: Type of assets to be pledged: 1,968,131 dematerialized shares of Sirma Group Holding owned by Tsvetan Borisov Alexiev, each of which of a nominal value of BGN 1 (one BGN). PLEDGE 2: Type of assets to be pledged: 1,968,130 dematerialized shares of Sirma Group Holding, owned by Atanas Kostadinov Kiryakov, each of which of a nominal value of BGN 1 (one BGN). PLEDGE 3: Type of assets to be pledged: 1,968,130 dematerialized shares of Sirma Group Holding, owned by Georgi Parvanov Marinov, each of a nominal value of BGN 1 (one BGN).

Any senior manager who is involved in establishing whether the issuer has the required knowledge and experience to manage the Issuer's business.

There are no senior managers who would be involved in determining whether the issuer has the appropriate knowledge and experience to manage business.

Committees

The following committees were set up in support of the activities of the Board of Directors of Sirma Group Holding JSC,:

- Audit Committee
- Investment and Risk Committee
- Remuneration Committee
- Information Disclosure Committee

Currently, the composition of the committees is as follows:

Name	Investment and Risk Committee	Remuneration Committee	Information Disclosure Committee
Yordan Nedev	Chairman	√	
Radka Peneva	√		√
Georgi Marinov	√	Chairman	
Tsvetan Alexiev	√		Chairman
Atanas Kiryakov		√	√
Chavdar Dimitrov			√
Petar Statev		√	
Tsvetomir Doskov		√	

Remuneration Committee

The Remuneration Committee is responsible for defining and implementing the remuneration policy for senior management and key positions at Sirma Group Holding JSC.

Responsibilities

1. Development of remuneration schemes for all members of the Board of Directors, taking into account specific responsibilities and aims to align their interests with the strategic objectives of Sirma Group Holding.
2. Develop remuneration schemes for all key employees of Sirma Group Holding by aligning their interests with the achievement of specific desired key indicators (KPIs).
3. Development of a common framework for the remuneration of all key employees in the subsidiaries of Sirma Group Holding.
4. Implementation review and proposals for adjustments to approved remuneration schemes.

Audit Committee

By decision of the General Assembly of Shareholders of Sirma Group Holding dated 14.06.2016, an Audit Committee was set up. The mandate of the Audit Committee is 3 (three) years - until 14.06.2019. The composition of the Audit Committee is:

Angel Kraychev - Chairman of the Audit Committee, Master, registered auditor, certified accountant with over 30 years of experience in the field of finance. Chairman of the Board of Directors of EFCO GROUP JSC. Member of the Disciplinary Board of the Institute of Certified Public Accountants.

Alexander Kolev - Member of the Audit Committee. He has over 16 years experience in the financial and operational management of multinational and Bulgarian companies in the technological sector.

Emilian Petrov - Member of the Audit Committee. He has over 12 years of experience in finance.

Remunerations and compensations

The Company applies its policy for remunerations of the members of the Board of Directors, in accordance with the legal requirements for public companies, the objectives, the long-term interests and the strategy for the future development of the company, as well as its financial-economic position in the context of the national and European economic conjuncture. The General Meeting of the Company determines the remuneration of the Board of Directors.

Presently, there are no plans to provide remunerations to the members of the Board of Directors in the form of shares of the company, options over shares or other share acquisition rights. Remunerations based on changes in the price of the shares of the Company are not provided for, either.

The remunerations paid in 2017 to the members of the Board of Directors on an individual basis are as follows:

Board Member	Company from the Group	Amounts for the 01.01.2017 - 31.12.2017 period (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	600
	Ontotext	112 241.38
	Sirma Enterprise Systems	99.96
	Sirma Group Holding	19 200
	Sirma Solutions	6 000
Georgi Parvanov Marinov	EngView Systems Sofia	102 888
	Sirma Business Consulting	8 725
	Sirma Group Holding	25 200
Yordan Stoyanov Nedev	Sirma Group Holding	77 880
	Sirma Medical Systems	1 200
Petar Borisov Statev	Sirma Group Holding	19 200
Sasha Konstantinova Bezuhanova	Sirma Group Holding	18 000
Tsvetan Borisov Alexiev	Daticum	240
	EngView Systems Sofia	600
	Ontotext	5 500
	Sirma Enterprise Systems	99.96
	Sirma Business Consulting	17 450
	Sirma Group Holding	144 000
	Sirma Solutions	126 027
Tsvetomir Angelov Doskov	Sirma Business Consulting	152 058.32
	Sirma Group Holding	19 200
Chavdar Velizarov Dimitrov	Daticum	240
	EngView Systems Sofia	33 791.79
	Sirma Group Holding	58 865.43
	Sirma Medical Systems	1 200
	Sirma Solutions	52 270.66
Total		1 002 777.50

In-kind compensations have not been paid to the members of the Board of Directors; respectively, the specified total amount of the remunerations paid does not include in-kind compensations.

Retirement benefits have not been set aside or paid to any member of the Board of Directors. The mandatory social-security instalments, as stipulated in the Social Insurance Code, are made.

Information for the contracts of the members of the Board of Directors with the Company, which provide compensations upon termination of employment

The relations of the members of the Board of Directors with the Company do not entitle the members of the Board of Directors to compensations upon their termination over and above the ones determined by the Bulgarian legislation (in particular, in case of termination of a public-office/employment relationship, the employee is entitled to a compensatory payment for any leaves not used by him/her; likewise, in case of termination of a public-office/employment relationship by reason of retirement, the employee is entitled to a payment in the amount of his/her gross salary for a period of up to 6 months).

Dates of expiration of the current term for holding the positions by the members of the Board of Directors and a period, in which the persons held this job position

Period for which the members of the Board of Directors of the company have held these positions - the current staff has not changed during the last three years.

The current members of the Board of Directors of Sirma Group Holding JSC are registered in the Commercial Register dated 27.06.2017 and have a mandate of two years, or until 27.06.2019.

Information for the shareholding and any options for similar shares in the company of each of the members of the Board of Directors as at the Prospectus date

As at the date of this Prospectus, the members of the Board of Directors hold shares of the company:

Shareholders	Number of shares at 31.03.2018	Number of shares as at December 31st			Nominal (BGN)	Value in BGN (2017)
		2017	2016	2015		
Atanas Kostadinov Kiryakov	2 864 965	2 859 965	5 258 015	5 250 686	1	2 859 965
Georgi Parvanov Marinov	5 257 402	5 257 402	5 257 402	5 250 686	1	5 257 402
Tsvetan Borisov Alexiev	4 851 376	4 851 376	5 252 376	5 250 686	1	4 851 376
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	5 250 786	5 250 686	1	4 750 786.
Petar Borisov Statev	10 100	10 100	100	0	1	10 100
Yordan Stoyanov Nedev	3 433	3 433	34 33	3 333	1	3 433
Total	17 738 062	17 733 062	21 022 112	21 006 077		17 733 062

Source: Data from the Company

Shareholders	Percentage of capital on 31.12.2017	Percentage of capital rights* on 31.12.2017
Atanas Kostadinov Kiryakov	4,82%	4,86%
Georgi Parvanov Marinov	8,86%	8,93%
Tsvetan Borisov Alexiev	8,17%	8,24%
Chavdar Velizarov Dimitrov	8,00%	8,07%
Petar Borisov Statev	0,02%	0,02%
Yordan Stoyanov Nedev	0,01%	0,01%
Total	29,87%	30,11%

*"Percentage of capital" means the percentage ratio between the number of shares held by the capital and the total number of shares issued in the capital of a company, without taking into account the number of own shares that the company may hold. The term "percentage of capital rights" means net equity of repurchased own shares and represents a percentage of all the rights the share gives: the right to profit (dividend right), the right of preferential acquisition of new shares at the increase of capital of the company, right of liquidation of the assets upon liquidation of the company - in the case of liquidation of the company, the assets remaining after the satisfaction or securing of the claims of creditors of the company, among the shareholders, in proportion to their share in the share capital.

Source: Data from the Company

Members of the Board of Directors are currently not offered options on securities owned by the Company.

Corporate Governance

The Company performs its activity in compliance with the legislation of the Republic of Bulgaria. In 2007 the Bulgarian Stock Exchange adopted a National Code for Corporate Governance (the "**Bulgarian Stock Exchange Code**"), which includes all internationally adopted principles of corporate governance and good practices in the field. The Bulgarian Stock Exchange Code is binding upon the companies whose shares are traded on the Bulgarian Stock Exchange.

The Bulgarian Stock Exchange Code applies on a “comply or explain” basis, which means that the Company is supposed to comply with the Code recommendations and in case of a deviation or non-compliance, its management must clarify the reasons for this. Information about the application of the compliance with the Bulgarian Stock Exchange Code is disclosed in the annual statement of the Company, which is published through a specialized information agency, as well as on the webpage of the company.

The code is a standard of good practice and means of communication among the business. The Bulgarian Stock Exchange Code takes into account the regulatory framework. Without reiterating it, the Bulgarian Stock Exchange Code recommends how the Bulgarian companies should apply the good practices and the principles of corporate governance. The rules and norms of the Bulgarian Stock Exchange Code are standards for the management and supervision of the public companies, which have proven their efficiency over the years. The Bulgarian Stock Exchange Code is underlain by the understanding of corporate governance as a balanced interaction between shareholders, companies’ managements and stakeholders. The good corporate governance means loyal and responsible corporate managements, transparency and independence, as well as responsibility of the company before society.

It proposes rules for the protection of shareholders, transparency, for the work of the corporate managements, for taking into account the best interest of stakeholders, which rules are addressed to the public companies and companies that intend to acquire public status.

The Company has adopted the programme for the implementation of the internationally recognized good corporate governance standards, which is submitted to the Financial Supervision Commission and is being implemented by the company. This programme deals with the main aspects and principles of good corporate governance of the company, in accordance with the international recognized standards and subject to the provisions of the Bulgarian laws and regulations. The principles laid down in the Good Corporate Governance Programme of the company have already been implemented, to a high extent.

MAIN SHAREHOLDERS

Information is submitted about the shareholding structure of the Company (direct and indirect participation of 5 and over 5 percent in the capital of the company), on the basis of information, submitted by the Company as the Prospectus date.

The main shareholders, i.e. the persons who hold directly at least 5% of the total number of votes at the General Meeting, are:

Ognyan Plamenov Chernokozhev, with business address: 135 Tsarigradsko Shose Blvd., Sofia, holding directly 3 731 620 shares with a nominal value of BGN 1 each, totaling BGN 3 731 620 representing 6.29% of the total capital of the Issuer.

Veselin Anchev Kirov, with business address: 135 Tsarigradsko Shosse Blvd., which owns directly 4 700 786 shares with a nominal value of BGN 1 each, totaling BGN 4 700 786, representing 7.92% of the total capital of the Issuer

There is no other person who can hold directly or indirectly 5 and more than 5 per cent of the total number of votes of the General Assembly.

None of the aforementioned shareholders has different voting rights at the General Assembly of the Issuer.

Control over the Company

The Issuer is not directly or indirectly owned/controlled.

The issuer is not aware of the presence of arrangements/agreements that could result in the acquisition of control and/or a subsequent change in the control over the Company.

The shareholders exercise their shareholders' rights conferred by the applicable legal instruments and internal regulations.

TRANSACTIONS BETWEEN RELATED PARTIES

(BGN'000)	As at the date of the prospectus	2017	2016	2015
Sales	18	32	24	51
EngView Systems Sofia	1	1	2	14
Sirma Business Consulting	-	3	-	-
Sirma Group Holding	17	26	22	37
Sirma Solutions	-	2	-	-
Interest received	-	-	17	4
Sirma Business Consulting	-	-	-	3
Sirma Solutions	-	-	17	-
Sirma Enterprise Systems	-	-	-	1
Purchases	-	49	28	12
EngView Systems Sofia	-	17	17	12
Sirma Group Holding	-	32	-	-
Sirma Solutions	-	-	11	-

Balances - related parties (BGN'000)

	As at the date of the prospectus	As at December 31st		
		2017	2016	2015
Loans	1309	1 287	1 164	948
Sirma Business Consulting	46	46	46	46
Sirma Group Holding	608	608	612	608
Sirma Solutions	637	615	488	276
Sirma Enterprise Systems	18	18	18	18

Source: Data from the Company

From the date of the last report to the **date of the Prospectus**. The Issuer has not reported deliveries from related parties.

The following sales with related parties were reported.

Company	Type of transaction	Connectivity	Partner	As at the date of the Prospectus (BGN'000)
EngView Systems Sofia	Sale of services	Other related parties	Pirina Technologies	1
Sirma Group Holding	Sale of services	Other related parties	Pirina Technologies	5
Sirma Group Holding	Sale of services	Companies under common indirect control	Sirma Mobile	5

Sirma Group Holding	Interest income	Other related parties	Pirina Technologies	7
Total				18

Source: Data from the Company

SHARE CAPITAL AND RIGHTS AND OBLIGATIONS RELATED TO THE SHARES AND THE GENERAL MEETING

Share Capital

The Company is a licensed special-investment-purpose joint-stock company. The Company is public within the meaning of Chapter eight of the Public Offering of Securities Act and is registered with the Financial Supervision Commission. The issue of ordinary shares of the Company is registered for trade on the Bulgarian Stock Exchange-Sofia.

The share capital of Sirma Group Holding AD, according to the last audited annual report, is BGN 59,360,518. The share capital is divided into as many ordinary registered shares with a nominal value of BGN 1.00 each. Towards the date of this document, there is no subsequent change in the share capital. Shares are ordinary, entitled to one vote at the General Meeting of Shareholders, with a right to dividend and a liquidation share proportional to the nominal value of the share. The shares are issued in accordance with the Bulgarian legislation and exist in dematerialized form by virtue of their registration with the Bulgarian Central Depository (address: Bulgaria, Sofia, 6 Tri Ushi Str.).

The Issuer holds 474,724 own shares at the date of this document. The accounting and par value of the same is BGN 1 each. The subsidiary Ontotext AD holds 550 shares from the issuer.

The Company has not issued shares, which do not represent capital. The Company has not issued convertible or exchangeable securities or securities with warrants. There is no authorized, but unissued, capital of the Company except for the decision taken by the competent authority in this offer. The Company has a commitment to increase the capital according to the decision of the Board of Directors dated 02.05.2018.

To the best of the Company's knowledge, there is no capital of the Company, which is subject to an option or is agreed to be placed conditionally or unconditionally under an option. All shares are fully paid in cash. There are no subsidiaries.

In the period covered by the historical financial information up to the date of this Prospectus, the share capital of the Company has not been altered.

Provisions from the Articles of Association

The *company business*, as described in Article 4 of the company's Articles of Association, is the acquisition, management, evaluation and sale of interests in Bulgarian and foreign companies, the acquisition, assessment and sale of patents, the transfer of licenses for the use of patents to companies in which the holding company participates, the financing of companies, in which the holding company participates, organizing the accounting and preparation of financial statements under the order of the Accountancy Act.

The company may also carry out its own, unprohibited by law commercial activity. The company may not participate in a company which is not a legal person; to acquire licenses not intended for use in the companies controlled by it; to acquire real estate which is not necessary for its servicing and to provide loans to companies in which there is no direct holding or which it does not control.

The objectives set out in Art. 6 of the Statutes are the accumulation of expertise; acquisition of know-how, licenses, patents and implementation of inventions and their use in the company's activities and its related activities; creating technologies and products; creating new ones and participating in other companies.

Members of the Board of Directors cannot be elected persons who have been effectively sentenced for crimes against property, against the economy or against the financial, tax and social security system committed in the Republic of Bulgaria or abroad, unless they have been exculpated.

Due Care: Members of the Board of Directors are required to:

1. to perform their duties with the care of a good husband in a way which they reasonably consider to be in the best interest of all the company's shareholders and by using only information that they reasonably consider to be trustworthy and comprehensive;

2. to show loyalty to the company, by:

a) prioritizing the Company's best interest before their own private interest;

b) avoiding any direct or indirect conflict of interests between their private interest and the best interest of the company; in the event of any such conflict, they shall disclose it in writing, in a timely and complete manner, to the relevant body and shall not participate, nor influence the remaining members of the board in their decision-making process in all such cases;

b) abiding by the principle of non-disclosure of nonpublic information about the company after they vacate their positions of members of the relevant bodies, until the Company itself decides to publicly disclose the respective circumstances

The members of the Board of Directors must provide a financial guarantee for their management in the amount of their 3-month gross remuneration, which is levied in BGN.

Remunerations and benefit of the members of the Board of Directors, as well as the term for which they are due, shall be obligatorily determined by the General Assembly of Shareholders.

At least one third of members of the Board of Directors must be independent persons under POSA.

Power of Attorney: The members of the Board of Directors are elected for a term of two years according to their statutes and can be re-elected without restriction. After the expiry of their term of office, the members of the Board of Directors shall continue to perform their functions until the General Assembly has appointed a new council.

Management and Representation: The Company is managed and represented by the one-tier system of a Board of Directors, which meets at least once a month. The Board shall elect from among its members an Executive Director representing the company. The latter organizes the implementation of the decisions of the Board of Directors and the operational management of the company.

Powers: The Board of Directors adopts resolutions on:

1. Closure or transfer of undertakings or significant parts thereof by the Board of Directors;
2. Any substantial change in the Company business, unanimously approved by Members of the Board;
3. Essential organizational changes;
4. Long-term partnership of key significance, or the termination of any such partnership;
5. Establishment and closing down of branches, representations and offices
6. Adoption of the annual business program of the company
7. Concluding credit agreements and granting collateral, securing liabilities to third parties, and in cases where their amount exceeds half the value of the company's assets according to the latest certified annual accounts and subject to the restrictions under Art. 114 of POSA, the decision shall be taken unanimously by the Board of Directors
8. Acquisition and expropriation of immovable property and shareholdings in other companies, the conclusion of pledge agreements, a mortgage on tangible fixed assets - ownership of the company and intellectual property rights, and in cases where the value of the assets with which an order is made exceeds half of the value of the company's assets, according to the last certified annual accounting report and subject to the restrictions under Art. 114 of POSA, the decision is taken unanimously by the Board of Directors;
9. Election and dismissal of Executive Directors and Procurators, Adoption of the Rules of Procedure of the Board of Directors;
10. Development of a program for the activity of the company and the implementation of its economic policy;

11. Organizational and production structure of the company, appointment and dismissal of personnel, bookkeeping;
12. House rules regulating the work process and labour remunerations, the care for - and proper use of - the company property;
13. Investments by the company, including in new product lines
14. Transactions with interested parties within the meaning of Art. 114, para. 2 of POSA, which do not require prior authorization by the General Meeting of Shareholders, and instead are to be approved by unanimous decision of the Board of Directors;
15. Drawing up of prospectuses for public offering of Company shares

Other decisions and actions concerning the management and representation of the Company, for which the latter has been granted powers by law or under the Articles of Association, or which do not contradict the Law, nor the Articles of Association.

The rights, preferences, and restriction of the shares shall include:

Voting right

Each ordinary share, as well as each privileged share issued with a voting right, shall entitle to one voting right in the General Meeting of Shareholders of the Company. The voting right in the General Meeting of Shareholders shall be exercised by the persons registered as shareholders in the Central Depository Register 14 days before the date of the General Meeting. The Central Depository shall submit to the Company a list of shareholders as at the abovementioned date (14 days before the General Meeting). Any person on the list is entitled to participate in the general meeting and exercise his/her voting right, after valid identification (ID card for natural persons; certificate of good standing from the Commercial Register of legal entity shareholders and IDs of their respective representatives). The holders of the voting rights shall participate in the General Meeting in person or through proxy expressly authorized in writing, pursuant to Article 116, Paragraph 1 of the Public Offering of Securities Act.

Right to dividend

Dividends are distributed by decision of the General Assembly of Shareholders.

Each share entitles its holder to a dividend proportional to its nominal value. The right to receive dividends shall have the persons entered in the registers of the Central Depository as shareholders on the 14th day after the day of the General Meeting, at which the annual accounts have been adopted and a resolution on the distribution of profit has been passed.

The Company is obliged to ensure dividend payment to the shareholders, as voted by the General Meeting, within three months of its date.

The Company shall immediately notify the Commission, the Central Depository and the regulated market of the decision of the General Meeting regarding the type and the amount of the dividend, and on the terms and procedure for its payment.

Dividends shall be paid only if, according to the audited and accepted financial statement for the respective year as per Section XI of the Commercial Law, the net value of the property - less dividends and outstanding interest - equals or exceeds the sum of the Company equity, the Reserve Fund and the other funds that the Company is required to keep by Law or by Statute.

Dividend payout is affected with the assistance of the Central Depository and in accordance with Ordinance No. 8/2003. on the Central Depository of Securities.

Under the mandatory legal provisions, the right to dividend lapses 5 years from the date of its conferral. If unclaimed by shareholders, funds allocated towards dividend remain in favour of the Company upon the expiry of the said 5-year limitation period.

Bulgarian and foreign shareholders enjoy the same regime with respect to their right to dividend and the payment procedures (Pls. see "Taxation - Dividends")

Right to a liquidation quota

Every share shall entitle to a liquidation quota, pro-rata to its par value. This right is conditional – it shall arise and may be exercised only if (and as long as) upon the liquidation of the Company, after the claims of all creditors have been satisfied, there remains property for distribution among the shareholders and

up to the amount of this property. The right to a liquidation quota is only vested in the persons registered in the registers of Central Depository AD as shareholders towards the date of dissolution of the Company. The Company shall be terminated in conformity with the text of Art. 252 of the Commercial Law. Once a decision has been taken to terminate the company, a liquidator is appointed to perform and oversee the actions required by the Commercial Law for company liquidation, the liquidation of its property and, once the company's creditors have been satisfied, the distribution of the remaining property in the form of a liquidation quota. Under current legislation, the right to liquidation lapses with the expiry of the general 5-year limitation period.

Advantages of the shareholders

Upon an increase of the capital, every shareholder shall have the right to acquire a part of the new shares that corresponds to his/her share in the capital before the increase. This right may not be cancelled or restricted by the body making the capital increase decision as per the procedure set out in Article 194, Paragraph 4 of the Commercial Law.

The pre-emptive right for new shares shall apply first to holders of the class of shares, by which the capital is being increased. The remaining shareholders shall be next in line to exercise their pre-emptive right.

The right to participate in the increase shall be vested in the persons who have acquired shares not later than 14 days from the date of the General Meeting resolution for an increase of capital, and when this resolution is adopted by the management body, this right shall be granted to the persons who have acquired shares not later than 7 days from the date of publication of the notice as per Article 92a, paragraph 1 of the Public Offering of Securities Act.

The rights granted by the shares subject of the present public offering may not be limited by rights provided by another class of securities, or by the provisions of a contract or another document.

Rights of the minority shareholders

Shareholders who hold, together or individually, at least five per cent (5%) of the shares shall have the following rights:

The right to file suits against third parties for the Company in case of omission of the management body or the supervisory body of the Company, and the right to file suits against members of the management body or supervisory body of the Company for damages inflicted on the Company.

Pursuant to Article 118, paragraph 1 of the Public Offering of Securities Act, in case of a failure to act by the Company's management bodies, which omission endangers the Company's best interests, the minority shareholders may lodge before the court of law the Company's actions against third parties. Pursuant to Article 118, paragraph 2, item 1 of the Public Offering of Securities Act, these shareholders may file a suit before the district court for indemnification for damages inflicted on the Company by action or inaction of the members of its bodies of management and supervision, or by the procurators of the Company.

Demand to convene the General Meeting and include new items - or insist on draft resolutions on items already included - in the agenda

Pursuant to Article 118, paragraph 2, item 3 of the Public Offering of Securities Act, these shareholders may request from the district court the convening of a General meeting, or authorization of their representative to convene a General meeting under an agenda determined by them.

Furthermore, pursuant to Article 118, paragraph 2, item 4 of the Public Offering of Securities Act, these shareholders may demand the inclusion of further items and submit proposals for resolutions on items already included in the agenda of the already convened General Meeting, in accordance with Article 223a of the Commercial Act. The right referred to in Article 118, paragraph 2, item 4 of the Public Offering of Securities Act does not apply when the agenda of the general meeting includes an item, the subject of which is the adoption of a resolution under Article 114, paragraph 1 of the Public Offering of Securities Act. These shareholders shall not have the right to include in the agenda of the General

Meeting new items for the adoption of a resolution under Article 114, paragraph 1 of the Public Offering of Securities Act.

Right to demand the appointment of controllers of the Company

Pursuant to Article 118, paragraph 2, item 2 of the Public Offering of Securities Act, these shareholders may demand from the General Meeting or from the district court the appointment of controllers who will examine the entire financial documentation of the Company and prepare a report on their findings.

Additional rights

- Right of every shareholder to acquire, upon an increase of the capital, shares that correspond to his/her share in the capital before the increase.
- Right of every shareholder to participate in the management, to elect and get elected in the management bodies;
- Right to information, including the right of preliminary acquaintance with the written materials under the announced agenda of the General Meeting of shareholders and their free receipt upon request;
- Right to appeal before the court against resolutions of the General Meeting, which are in conflict with the law or with the Articles of Association.

Redemption and conversion

A public company may acquire more than 3 per cent of its own voting shares in one calendar year, in cases of reduction of the capital by cancellation of shares and redemption, only under the conditions and procedure of a tender offer under Art. 149b POSA. The public company shall notify the Commission and the public in accordance with Art. 100t, para. 3 and 4 of the POSA on the number of own shares that he / she will redeem within the limit and about the investment intermediary, to whom the buyout order has been issued.

In 2016, the General Assembly of Shareholders of Sirma Group Holding JSC authorized the Board of Directors to carry out a redemption of the Company's shares under the following conditions:

- The maximum number of shares subject to redemption is 300,000 shares.
- Minimum price of BGN 0.50 per share and a maximum price of BGN 1.50 per share.
- The buyback deadline is 31.12.2019.
- Way of redemption - through an investment intermediary.

In 2017, the General Assembly of Shareholders of Sirma Group Holding JSC authorized the Board of Directors to carry out a redemption of the Company's shares under the following conditions:

- The maximum number of shares subject to redemption is 1 000 000 shares.
- Minimum price of BGN 0.50 per share and a maximum price of BGN 1.50 per share.
- The buyback deadline is 31.12.2017.
- Way of redemption - through an investment intermediary.

The Company may issue bonds that can be converted into shares / convertible bonds / with appropriate application of the shareholder benefit rules. Bonds are issued by the General Assembly.

Changes in the shareholders' rights

As a whole, the basic rights related to ordinary shares (right to vote, right to a dividend and liquidation quota), as described above, may not be limited or eliminated.

The legal provisions, pursuant to which these rights are vested in the shareholders, are imperative; hence, the Articles of Association may vest additional rights in the shareholders, but may not rule out or restrict the rights set out in these laws.

Article 113, paragraph 2, item 2 of the Public Offering of Securities Act stipulates that when the increase of the capital is required for the implementation of a merger, auction offering for exchange of shares, or for securing the rights of the holders of warrants or convertible bonds, the shareholders may be deprived of their pre-emptive rights for new shares upon an increase of the capital.

Convening of the General Meeting

The ordinary General Meeting shall be conducted until the end of the first half of the year, after the close of the reporting year. An extraordinary general meeting of shareholders may be convened at any point. The General Meeting shall be convened by the Board of Directors. A General Meeting may be convened also on the request of shareholders (collectively) holding at least 5 per cent of the Company's capital.

The convening of the General Meeting of the Shareholders is done by an invitation, in accordance with Article 223, paragraph 3, first sentence of the Commercial Act, posted at the Commercial Register and announced under the terms and procedure of Article 100s (100т), paragraphs 1 and 3 of the Public Offering of Securities Act at least 30 (thirty) days prior to the date of the Meeting. In the deadline set out in the preceding sentence, the invitation, together with the materials for the general meeting under Article 224 of the Commercial Act, shall be sent to the Financial Supervision Commission and shall be published on the Company's webpage. The procedure set out in the previous sentence shall also be the procedure for publishing the templates for voting by proxy or through correspondence, if applicable.

The contents of the invitation for the convening of the General Meeting shall be determined in accordance with the requirements of Article 223, paragraph 4 of the Commercial Act and Article 115 paragraph 2 of the Public Offering of Securities Act. Shareholders holding at least 5 per cent of the capital of the Company may demand supplementation of the agenda announced in the invitation under the procedure and conditions of Article 223a of the Commercial Act. In the cases referred to in the preceding sentence, the shareholders shall submit - to the Financial Supervision Commission and to the Company not later than on the working day following the announcing of the issues in the Commercial Register - the materials referred to in Article 223a, paragraph 4 of the Commercial Act. The Company shall be bound to update the invitation and to publish it together with the written materials under the terms and procedure of Article 100s (100т), paragraphs 1 and 3 immediately and not later than the end of the working day following the day of receipt of the notice of inclusion of the issues in the agenda.

The right to vote in the General Meeting shall be exercised by the persons registered in the registers of Central Depository AD 14 days before the date of the General Meeting, pursuant to a list of the shareholders made available by Central Depository AD as at this date.

Written materials related to the agenda of the General Meeting shall be made available to shareholders at the latest by the date of announcement of the invitation for the convening of the General Meeting in the Commercial Register.

When the agenda includes the election of members of the Board of Directors, the written materials shall also include the names, permanent addresses and professional qualifications of the proposed members.

Delay, postponement or prevention of a change in the control of the Issuer.

The Company's Articles of Association do not contain provisions that would delay, postpone or prevent a change in control of the Company, as they do not require a larger than statutory majority for the adoption of decisions on amendments to the Statute, transformation and dissolution, reduction or increase of capital, election and dismissal of members of the Board of Directors, decisions about their remuneration and guarantees for their standard of management.

Pursuant to the applicable legal instruments, disclosure of the shareholding is required in certain cases.

Pursuant to the Public Offering of Securities Act, any shareholder who acquires a voting right at the General Meeting of the company, or transfers it directly and/or under the procedure of Article 146 of the Public Offering of Securities Act, is bound to inform the company and the Financial Supervision Commission, in the event that: (1) as a result from the acquisition or transfer his/her voting right reaches, exceeds or falls below 5% or a number divisible by 5%; (2) his/her voting right exceeds, reaches or falls

below the thresholds referred to in item (1) as a result from events bringing about changes in the total number of the voting rights on the basis of information disclosed by the company upon any change in the capital pursuant to Article 112e of the Public Offering of Securities Act.

The obligation to notify shall be fulfilled immediately but not later than four business days from the day following the date, on which the shareholder or the actual owner of the voting rights: (1) learns of the acquisition, transfer or of the possibility to exercise the voting rights pursuant to Article 146 of the Public Offering of Securities Act, or on which, in view of the specific circumstances, he/she was bound to learn, regardless of the date, on which the acquisition or transfer took place, or the possibility to exercise the voting rights arose; (2) is notified that his/her voting right has exceeded, reached or fallen below 5 per cent or a number divisible by 5 per cent of the number of votes in the general meeting of the company as a result from events bringing about changes in the total number of the voting rights on the grounds of information that is disclosed pursuant to Article 112e of the Public Offering of Securities Act. The obligation to notify shall apply also to the persons who hold directly or indirectly financial instruments entitling them to acquire, on their own initiative and on the grounds of a written contract, shares incorporating the right to vote at the General Meeting of the company.

The members of management and supervisory bodies of a public company are bound to announce before the company, the Financial Supervision Commission and the Bulgarian Stock Exchange: (a) the legal entities, in which they hold, directly or indirectly, 25% or more of the voting rights, or which are under their control; (b) the legal entities, in which they participate in supervisory or management bodies or are appointed as procurators; or (c) any known present and future transactions, with respect to which they believe that they could be defined as interested parties.

Changes in the capital, which are more restrictive than the conditions provided in the law

The Articles of Association do not provide conditions for changing the company's capital more restrictive than the rules defined by law. Pursuant to Article 230 of the Commercial Act, the adoption of a resolution for the increase of the capital requires a majority of 2/3 of the represented capital.

Pursuant to the law and the articles of association, the company's capital is increased through the issue of new shares against cash contributions, or through the conversion of bonds issued as convertible bonds into shares.

The Company's capital cannot be increased through an increase of the par value of shares already issued, nor through conversion into shares of bonds that have not been originally issued as convertible bonds. The Company's capital may not be increased through capitalization of the profit under Article 197 of the Commercial Law, by non-cash contributions under Article 193 of the Commercial Act, as well as under the condition that the shares will be purchased by certain persons pursuant to Article 195 of the Commercial Law, if the shareholders' pre-emptive right is violated.

The increase of capital is done by resolution of the General Assembly or on the basis of a resolution of the Board of Directors pursuant to Article 41a of the Articles of Association.

Upon an increase of the capital, except for the mandatory initial increase of the capital, each shareholder shall have the right to acquire a part of the new shares that corresponds to his/her share in the capital before the increase. This right may not be cancelled or restricted by the body adopting the resolution for the increase of capital, under the procedure of Article 194, paragraph 4 of the Commercial Act.

Upon the increase of the capital of the Company, rights are issued within the meaning of § 1, item 3 of the Additional Provisions of POSA. A single right is issued against each existing share. The relationship between issued rights and one new share is determined by the decision to increase the capital. This does not apply to an increase in the capital of the Company, in which only members of the Board of Directors and/or its employees are entitled to participate. In this case, the capital increase shall be performed subject to the restrictions under Art. 112, para. 3 of POSA.

The Company's capital may be decreased through cancellation of redeemed shares under the conditions of the legislation in force and the Articles of Association. The capital may not be decreased

through coercive cancellation of shares or redemption of ordinary shares under the procedure of Article 111, paragraph 5 of the Public Offering of Securities Act.

Resolutions, authorizations, and approvals for the performance of the present offering of securities

The proposed shares of the capital increase are issued on the basis of a decision of the Board of Directors taken on May 2nd.2018. The decision envisages an increase of the company capital from BGN 59,360,518 to BGN 98,934,197 by issuing new 39,573,679 ordinary shares, each with a nominal value of BGN 1 and an issue value of BGN 1 of the same class of shares as the existing ones. The Board of Directors has elected an investment intermediary to service the capital increase - "First Financial Brokerage House" EOOD. By decision, FSC will confirm this Prospectus for the public offering of shares.

Anticipated date of issuance of the issue of shares from the capital increase

The increase of the capital shall come into effect from the date of its registration in the Bulgarian Commercial Register. The new shares are issued with the registration of the increase of the capital in the Central Depository, as this is expected to happen on or around 20th August 2018. (Please refer to Expected Offering Schedule for more detailed information)

Restrictions over the free transferability of the securities

Pursuant to Article 111, paragraph 3 of the Public Offering of Securities Act, the shares of the public company are book-entry, and for this reason the restrictions on transfer, provided for in the Commercial Act for physical securities, do not apply to the disposal of them. Pursuant to Article 127, paragraph 1 of the Public Offering of Securities Act, their transfer is effective from the registration thereof in Central Depository AD.

The Bulgarian legislation provides certain restrictions on the transfer of shares blocked in the depository institutions, as well as over the ones that are subject of an established pledge or imposed distraint. The prohibition of transfer in case of an established pledge over the shares does not apply if the acquirer has been notified of the established pledge and has expressly consented to acquire the pledged shares, and there is an explicit consent of the pledge creditor for the transfer of the pledged shares (if the consent of the pledge creditor is required under the Bulgarian Special Pledges Act). The restrictions concerning the transfer of pledged shares do not apply to the cases of a pledge established over an aggregate within the meaning of the Special Pledges Act. The prohibition of the transfer of pledged shares shall neither apply in the cases of an established right of use for the benefit of the pledge creditor in the shares granted as a pledge under the Financial Collateral Arrangements Act, in which case the pledge creditor has the right to transfer the shares.

Purchase offers

The Issuer has not received bids, offers for mandatory takeover/acquisition, forcible purchase or clearance sale with respect to the securities.

Towards the date of this Prospectus, there are no public offers for purchase of the shares by third parties.

CONDITIONS OF THE OFFERING

Information for the shares subject of the public offering

Type and class of the securities

The subject of the initial public offering are 39 573 679 ordinary, registered, book-entry shares of the capital of the Company. The subscription shall be considered successful, if at least 19 786 839 offered shares are subscribed. The Shares from this issue are of the same class as the Company's shares, which are already issued and give equal rights to their holders. The book of shareholders is kept by

Central Depository AD, having its seat and registered address at 6 Tri Ushi str., Sofia. The rights within the meaning of §1, item 3 of the Public Offering of Securities Act, which incorporates rights to subscribe shares from the increase of the capital, will be assigned an ISIN code through the sending of a request to Central Depository AD, immediately before the commencement of the public offering. The Shares of the present issue, as well as the shares already issued by the Company, shall have an ISIN code BG1100032140.

Legislation

The creation of the securities subject of the present public offering is governed by the provisions of the Bulgarian legislation. The Shares will not be subject of international offering.

Currency of the issue of securities

The securities are denominated in Bulgarian levs.

Data for the public offering

Total number of the shares offered for subscription and sale

Subject of a public offering are 39 573 679 ordinary shares from the new issue under the increase of the Company's capital. The subscription shall be considered successful, if at least 19 786 839 offered shares are subscribed. The par value of the offered shares is BGN 1, and the issued value of the offered shares is BGN 1.

Issuance of rights within the meaning of §1, item 3 of the POSA

Upon an increase of the capital of a public company through the issue of new shares, on the grounds of Article 112, paragraph 2 of the Public Offering of Securities Act, rights are mandatorily issued within the meaning of §1, item 3 of the Additional Provisions of the Public Offering of Securities Act, as 1 (one) right will be issued for each existing share. The rights allow the subscription of a certain number of shares of a public company, in relation to an adopted resolution for an increase of the capital.

Conditions and term of the initial public offering of the shares

Each share owned by the company is issued one right within the meaning of § 1, item 3 of the Public Offering of Securities Act, as against 1.5 rights, a shareholder or a third person who has acquired rights, has the right to subscribe 1 new shares of this issue with issue value of 1 BGN. Each person may subscribe at least 1 new share and at most such number of shares equal to the number of rights acquired and / or held by him, divided by 1.5; where the result is a non-aggregate number, it rounds to the smaller integer.

The present shareholders shall acquire the rights for free. All other investors may purchase rights through a transaction on the market of rights organized by Bulgarian Stock Exchange – Sofia AD within the term for transferring the rights, or at the open auction organized by Bulgarian Stock Exchange – Sofia AD for the non-exercised rights, after the expiration of the term for the transfer of the rights.

In case that the holder of the rights does not wish to subscribe shares of the present offering against all or part of the rights held by him/her, he/she may offer the unused rights on sale, in accordance with the rules described herein below.

On the grounds of Article 112b, paragraph 2 of the Public Offering of Securities Act, persons who have acquired shares not later than 7 days after the date of publication of the notice referred to in Article 92a, paragraph 1 of the Public Offering of Securities Act, shall be eligible to participate in the increase of the capital.

Once this Prospectus for public offering of shares is approved by the Financial Supervision Commission, the company shall publish a notice of the public offering, the initial and final date for transferring rights and for the subscription of shares, the registration number and the date of the approval of the prospectus for public offering of shares issued by the Financial Supervision Commission, the place, time and manner of acquainting with the prospectus, as well as other data according to the applicable legal provisions. The notice shall be published in one nationwide daily newspaper ("Capital Daily" newspaper), and on the webpages of the company and of the authorized investment intermediaries "First Financial Brokerage House" EOOD and Sofia International Securities AD, at least 7 days before the initial date of the subscription or the beginning of the sale. Not later than three business days thereafter, Central Depository AD shall open accounts for rights to the shareholders of the company, as each of them shall have the opportunity to acquire such part of the new shares that corresponds to his/her shareholding in the capital before the increase. After publication of the notice of the public offering under Article 92a, paragraph 1 of the Public Offering of Securities Act, the regulated market, on which the shares are traded, shall immediately announce the last date for conclusion of transactions with them, as a result from which transferees of the shares shall have the right to participate in the increase of the capital. For the period, in which the shares are transferred with a right of participation in the increase of the capital, the regulated market may apply special rules about price restrictions to the submission of orders or quotation, and to the concluded transactions.

Contact details

Investors who are interested in the offered securities may contact the authorized investment intermediaries:

“First Financial Brokerage House” EOOD

Address: 2 Enos str., 4th floor, Sofia

Contact person: Anna Georgieva

Telephone: +359 2 460 64 11

E-mail: Anna.Georgieva@ffbh.bg

Investors may also contact any other investment intermediary, member of Bulgarian Stock Exchange – Sofia AD.

Initial date for sale (trade) of the rights

The initial date for trade in the rights is the third business day that follows the expiry of 7 (seven) days from the date of publication of the communication for the public offering under Article 92a of the Public Offering of Securities Act in one nationwide daily newspaper (“Capital Daily” newspaper) and on the webpages of the company and of the authorized investment intermediaries “First Financial Brokerage House” EOOD and Sofia International Securities AD (the latest date). The initial date of the subscription and of the exchange trade in rights is expected to be on or around 4 July 2018.

Final date for sale of the rights

The final date for transferring the rights shall be the first business day following the expiration of 14 days from the initial date (expected date: 19 July 2018). Pursuant to the regulations of “Bulgarian Stock Exchange – Sofia” AD (BSE), the last date for trade in rights on the exchange is two business days before the final date for transferring rights (the expected last date for trade in rights on the exchange: 17 July 2018).

Venue, conditions, and procedure for the transfer of the rights. Auction

The transfer of the rights shall be effected on the floor of Bulgarian Stock Exchange – Sofia AD. On the 5th business day after the expiration of the term for transferring the rights (expected date: 26 July 2018), the company shall offer the non-exercised rights through the authorized investment intermediary FFBH EOOD, on a Regulated market, on sale, under the conditions of an open auction, , within the term for transferring the rights. Hence, the holders of rights, as well as the persons who have purchased rights within the term for transferring the rights, may subscribe shares from the offered issue until the expiration of the term for transferring the rights. The persons who have purchased rights at the organized open auction may subscribe shares until the expiration of the deadline for subscription of shares.

Initial date for subscription of shares

The initial date coincides with the date, on which the offering of the rights starts – the third business day following the expiration of 7 (seven) days from the date of publication of the notice of the public offering under Article 92a of the Public Offering of Securities Act in one nationwide daily newspaper (“Capital Daily” newspaper) and on the webpages of the company and of the authorized investment intermediaries “First Financial Brokerage House” EOOD and Sofia International Securities AD (the latest date).

Final date for subscription of shares

The final date for subscription of shares by the holders of rights shall be the first business day following the expiration of 15 business days, counted from the final date for transferring rights. (expected date: 10 August 2018).

Subscription of shares before the initial and after the final date for subscription of shares shall be inadmissible.

Expected Offering Schedule

Date of publication of the Prospectus	on or around 22 June 2018
Date of announcement of the message for SPO	on or around 22 June 2018
Start of trading in rights on BSE and subscription of new shares	on or around 4 July 2018
Last day of trading in rights on BSE	on or around 17 July 2018
End of period for transfer of rights	on or around 19 July 2018
Official auction	on or around 26 July 2018
End date for subscription of shares	on or around 10 August 2018.
Registration of the capital increase in the Commercial Register	on or around 15 August 2018
Registration of new shares in investors' accounts in the Central Depository	on or around 20 August 2018
Start of the trading the new shares on BSE	on or around 5 September 2018

These dates are determined on the assumption that: (a) the deadlines under the schedule are met without any delay, and (b) the procedures at the respective institutions shall be completed in the shortest terms practicable. The actual date may be a few days after the indicated date.

Possibility to extend the terms for offering the rights and the shares

The terms for the transfer of the rights and subscription of the shares may be extended once by the company by up to 60 days, as the respective amendments shall be made to this Prospectus and the Financial Supervision Commission shall be duly notified.

Pursuant to Article 84, paragraph 2 of the Public Offering of Securities Act, the Issuer shall immediately notify the Commission of the extension of the term and will announce it on the webpages of Issuer and of the investment intermediaries participating in the offering; at that, Issuer shall file an application for announcement in the Commercial Register and for publication in the daily newspaper referred to in Article 92a, paragraph 2 of the Public Offering of Securities Act.

Possibility to decrease/increase the number of the offered shares

The number of the offered securities is not subject to change.

Minimum and maximum number of shares that could be acquired by a single person

Every person may subscribe at least one new share and to a number not exceeding the number of rights acquired

Terms and conditions for the subscription of the shares, including conditions for filling in forms and submission of documents by investors; conditions, order, and deadline for the withdrawal of the subscription application (order)

Subscription of shares within the meaning of §1, item 11 of the Additional Provisions of the Public Offering of Securities Act is understood as an unconditional and irrevocable expression of will for the acquisition of the shares in the process of their issuance and for payment of their full issued value.

The subscription of shares shall take place in the following way: for the purpose, the owners of rights shall file applications with the authorized investment intermediaries "First Financial Brokerage House" EOOD, Sofia International Securities AD, or with the investment intermediaries - members of Central Depository AD, who keep the customer account for the rights owned. The subscription of shares shall be effected by submission of an application form compliant with the legal requirements and containing, at a minimum, the following:

A) Natural persons:

- 1) the full name and unique customer number of the person and of the person's proxy, and in case that such numbers have not been assigned, the following data: full name, personal ID No., place of residence and street address;
- 2) the issuer, ISIN code of the issue and number of the shares that the application refers to;
- 3) date, time and place of submission of the application;
- 4) total value of the order;
- 5) signature of the person filing the application.

B) Legal entities:

- 6) firm and the unique customer number of the person and of the person's proxy, and if such numbers have not been assigned, the following data: company name, Uniform Identification Code, principal office and registered address of the company;
- 7) the data referred to in items 2–5 of letter A above.

C) Foreign natural person/legal entity – analogical identification data as per letter A or letter B above, as well as the data referred to in items 2–5 of letter A above:

Upon receipt of an order, the person receiving it shall verify the customer's identity, respectively the customer's representative's identity. Legal entities shall place orders through their legal representatives who shall prove their identity through an identity document. Natural persons shall place orders in person, as they must prove their identity through an identity document. The order may also be placed by proxy, who shall prove his/her identity and present a notary certified special power of attorney.

In case that a person who want to place an order for participation in the offering before an investment intermediary is not a customer of the respective investment intermediary, this person shall sign an investment intermediation contract, with the following documents attached thereto:

(a) a certified copy of a certificate of good standing from the Commercial Register of the applicants – legal entities; (b) translated and legalized registration documents of foreign legal entities; (c) original of notary certified special power of attorney in case of entry into the contract by proxy. Foreign natural persons shall attach a legalized translation of the pages of their identity document (passport) containing the following information: full name; document number; date of issue (if any); nationality; address (if written in the document) and a non-certified copy of the translated pages of the identity document, which contain other information, including a photograph of the person.

In case of placement of an order with an investment intermediary that keeps the person's customer accounts, the respective provisions of the applicable legislation shall apply.

An investor cannot withdraw his/her order. He/she may abandon the shares subscribed under the procedure and conditions of Article 85, paragraph 6 in conjunction with paragraph 2 of the Public Offering of Securities Act.

The subscription of shares shall be considered to be valid only if made by the holder of rights, up to the maximum possible number of shares, and the entire issued value of shares being subscribed is paid within the time limit and under the conditions set forth herein below. In case of partial payment of the issued value, the number of shares considered to be subscribed shall be the number, for which the issued value is paid in full.

Conditions, procedure, and term for payment of the subscribed shares and for receipt of the certification documents for contributions made

The payment of the issued value of the subscribed shares shall be made into a special accumulation account of the company, which shall be specified in the notice referred to in Article 92a of the Public Offering of Securities Act.

The accumulation account must be credited with the amount due not later than by 15:00 on the last day of the subscription. The bank, in which the accumulation account is opened, shall block the amounts received to the special accumulation account.

Pursuant to Article 89, paragraph 2 of the Public Offering of Securities Act the cash accumulated to the special account may not be used before the end of the subscription and registration of the increase of the capital in the Commercial Register at the Registry Agency. A certification document for the contributions made shall be the payment document (payment order or pay-in slip, which must state the name/firm of the person subscribing shares, his/her/its personal ID No./Uniform Identification Code – for Bulgarian persons, the number of the subscribed shares, the total amount of the contribution due and made). The investor shall receive the certification document from the servicing bank, through which the investor orders the payment or pay the amount due, and must hand it over to investment intermediary “First Financial Brokerage House” EOOD until the expiration of the deadline for subscription of shares. In case that the orders are placed with other investment intermediaries, they must hand over to “First Financial Brokerage House” EOOD payment documents for the contributions made under the subscribed shares until the expiration of the last day of the subscription, at the latest.

Procedure to be followed if all shares of the issue are subscribed before the final date of the public offering; procedure to be followed if until the final date of the public offering all shares of the issue are not subscribed; procedure to be followed, if until the final date of the public offering more shares than offered are subscribed; procedure for satisfaction of orders in case of competition between them

In case that all shares of this issue are subscribed before the final date of the subscription, the Company shall notify the Financial Supervision Commission within 3 (three) business days (Article 112b, paragraph 12 of the Public Offering of Securities Act) and take the action required for the registration of the increase of the capital in the Commercial Register, and then, for registration of the new issue of shares in the Central Depository and “Bulgarian Stock Exchange – Sofia” AD.

If until the final date of the subscription at least 19 786 839 offered shares are subscribed, the subscription will be considered successful and the capital shall be increased up to the amount of the subscribed and paid shares.

The increase of the company’s capital with rights rules out a subscription of more shares than offered and competition between the orders.

In case that until the final date of the subscription, shares reaching the minimum amount of 19 786 839 offered shares are not subscribed, the increase of the capital shall be considered failed. In such case, the company shall notify the Financial Supervision Commission of the result from the subscription within seven days from its final deadline.

In the event of a refusal to register the increase of the capital in the Commercial Register at the Registry Agency, the company shall notify the Financial Supervision Commission not later than seven days from the date of the rejection. On the day of the notice under the preceding sentences, according to Article 89, paragraph 4 of the Public Offering of Securities Act, the issuer shall notify the bank, in which the special

accumulation account is opened, of the result from the subscription and shall publish on its webpage and on the webpage of the investment intermediaries, as well as in the nationwide daily newspaper ("Capital Daily") an invitation to the persons who subscribed shares, which shall contain the procedure and conditions for refunding the accumulated amounts. On the same day, the Issuer shall file an application for the announcement of the invitation under the preceding sentence in the Commercial Register. The accumulated amounts shall be returned to the persons who subscribed shares, within up to one month from the notice, together with the interests accrued by the bank, if any. The terms, conditions and procedure for refunding the amounts shall be contained in the invitation to the persons who have subscribed shares.

Conditions, procedure, and date for the public announcement of the results from the subscription

The Company shall notify the Financial Supervision Commission within 3 (three) business days from the end of the subscription of the results from it, including any difficulties, disputes and similar in the course of trading of the rights and the subscription of the shares.

After the end of the initial public offering of shares, the Company shall send a notice to the Financial Supervision Commission within the term referred to in Article 24, paragraph 1 of Ordinance No.2 of the Financial Supervision Commission about the result from the public offering, which shall contain information about the date of completion of the public offering; the total number of subscribed shares; the amount received against the subscribed shares; the amount of the commission fees and other costs related to the public offering, incl. the fees paid to the Financial Supervision Commission. The Company shall attach to the notice a certificate obtained from the Central Depository of registration of the issue and a certificate from the bank, with which the accumulation account is opened, certifying the contributions made under the subscribed shares.

If the public offering is successful, the FSC shall register the issued securities issue in the register under Article 30, para. 1, item 3 of the Financial Supervision Commission Act

In case of rejection of registration in the Commercial Register of the increase of the capital of the company, the latter shall notify the Financial Supervision Commission within 7 (seven) days from the issue of the rejection.

Conditions, procedure, and term for receipt of the subscribed shares (for transfer of the shares to accounts at the Central Depository of the persons who subscribed for them, and for receipt of the certification documents for the shares)

After the registration of the increase of the capital in the Commercial Register, the Company shall register the issue of shares at the Central Depository, where after the latter shall issue depository receipts to the shareholders for the newly issued shares held by them under personal accounts (not in their capacity of investment intermediary customers). The receipts will be handed over to the shareholders or to persons authorized by them with a special notarized power of attorney, without limits in time, at the registered address of II "First Financial Brokerage House" EOOD, as the handover shall start within two weeks from the issue of the depository receipts. When the newly issued shares are in customer sub-accounts with an investment intermediary, the issue of depository receipts shall be made by the latter on the request of shareholder and under the procedure provided for in the Rules of the Central Depository.

Procedure and term for a refund of the cash deposited for the subscribed, respectively purchased, shares in the event of an unsuccessful public offering

If the subscription fails, the Company shall publish a communication about this in a nationwide daily newspaper ("Capital Daily") and notify the Financial Supervision Commission under the procedure of Article 112b, paragraph 12 of the Public Offering of Securities Act. The deposited amounts, together with the interests accrued by the bank, will be refunded to the investors within 30 days from the notice

referred to in Article 112b, paragraph 12 of the Public Offering of Securities Act, by a transfer to a bank account specified by them or in cash. In case that the increase of the capital is not registered in the Commercial Register, the Company shall notify the respective institutions and publish in the specified daily newspaper a notice of entry into effect of the issued rejection and shall refund the received amounts within the specified term and according to the specified procedure.

Procedure for exercising the pre-emptive right for the offered shares (procedure for exercising the rights for subscription of the securities within the meaning of § 1, item 3 of the Public Offering of Securities Act); procedure to be applied upon non-exercising of this right

Upon an increase of the capital of the public company, the current shareholders shall have a pre-emptive right to acquire a part of the new shares that corresponds to their shares in the capital before the increase.

The shareholders and the persons, who purchased rights within the term for transferring of rights, as well as during the organized open auction, may exercise them and subscribe shares against them. Every person may subscribe at least one share and no more than a number of shares that is equal to the acquired rights.

The possibility of subscription of a number of offered shares that exceeds the number of rights owned, and of competition between orders, is ruled out.

In case that a person who has purchased rights at the auction fails to exercise them and/or a person who has subscribed shares fails to pay their issued value, under the above conditions, the shares shall remain non-subscribed and no other owner of rights may subscribe them.

Specification when and under what circumstances the public offering may be cancelled or suspended and whether the cancellation may take place after the commencement of trade

The Company reserves its right to terminate or postpone the Offering, after a consultation with the authorized investment intermediaries and under the conditions specified herein below. The Board of Directors shall adopt a resolution for termination or postponement of the offering and the Issuer is bound to notify thereof immediately, but not later than the business day following the date of adoption of the resolution, while also making the due publications. The Offering may be terminated or postponed upon the occurrence of certain adverse events, including force-majeure ones, which are relevant to the success of the offering (e.g. failure of the financial markets, terrorist attacks, natural disasters, etc.).

The public offering may be cancelled or suspended, incl. after the commencement of the trade, in the following cases:

Where violations are identified of the Public Offering of Securities Act, of the acts implementing it, of resolutions of the Financial Supervision Commission or of the deputy-chairperson, as well as when the exercising of supervisory activity by the Financial Supervision Commission or by the deputy-chairperson is obstructed, or the investors' interest are endangered, the Financial Supervision Commission, respectively the deputy-chairperson managing the Investment Activity Supervision Division may suspend for up to 10 business days in a row the sale or the performance of transactions with certain securities (Article 212, paragraph 1, item 4 of the Public Offering of Securities Act);

In the period between the issue of the approval of the prospectus and the final date of the public offering the Issuer, the offeror or the person who requests admission of the securities to trade on a regulated market shall be bound - until the expiration of the next business day, after the occurrence, at the latest, of a material new circumstance, considerable error or inaccuracy, related to the information contained in the prospectus, which may influence the evaluation of the offered securities, - to send a supplement to the prospectus and to submit it to the Financial Supervision Commission. The Financial Supervision Commission shall rule on the supplement to the prospectus within up to 7 business days from the receipt thereof, and when additional information and documents have been requested – from the receipt thereof.

The Financial Supervision Commission shall refuse to approve the supplement to the prospectus if the requirements of the Public Offering of Securities Act and the acts implementing it are not complied with. In such events, the Financial Supervision Commission may terminate the public offering or the trade in the securities under the procedure of Article 212 of the Public Offering of Securities Act (Article 85, paragraph 4 of the Public Offering of Securities Act);

If violations are identified with respect to the Markets in Financial Instruments Act, acts implementing it, the applicable acts of the European Union or other internal regulations of the trade venues approved by the commission, resolutions of the Financial Supervision Commission or of the deputy-chairperson, as well as when the exercising of supervisory activity by the Financial Supervision Commission or by the deputy-chairperson is obstructed, or the investors' interest are endangered, the Financial Supervision Commission, respectively the deputy-chairperson managing the Investment Activity Supervision Division, may suspend the trade in certain financial instruments or disqualify from trade on a regulated market or from another trading system financial instruments (Article 276, paragraph 1, items 4 and 9 of the Markets in Financial Instruments Act);

The market operator may suspend the trade in financial instruments or disqualify from trade financial instruments that do not meet the requirements established in the rules of the regulated market, if this will not materially prejudice the interests of the investors and the proper functioning of the market (Article 181, paragraph 1 of the Markets in Financial Instruments Act);

In order to prevent and discontinue the administrative violations under the Act Implementing the Measures against Market Abuses in Financial Instruments, of the applicable acts of the European Union for prevention and remedial measures against their harmful consequences, as well as in case of obstructed supervisory activity by the Financial Supervision Commission or by the deputy-chairperson, or when the investors' interests are endangered, the deputy-chairperson may suspend the trade in certain financial instruments (Article 20, paragraph 3, item 3 of the Act Implementing the Measures against Market Abuses in Financial Instruments).

Shares distribution plan

Groups of potential investors to whom the shares are offered

All shares of the present increase of the Company's capital are offered for subscription only on the territory of the Republic of Bulgaria.

Eligible to participate in the increase of the capital shall be the persons who have acquired shares not later than 7 days after the date of announcement of the notice of the public offering under Article 92a, paragraph 1 of the Public Offering of Securities Act. All investors may, under equal conditions, participate in the increase of the Company's capital through the purchase of rights and the acquisition of shares against them within the determined time-limits. Each right shall entitle to subscription for 1 new share of the Issuer at an issued value of BGN 1.

Notifications to the candidates for distribution

Notifications of investors' securities crediting with the offered shares will be submitted to investors in accordance with the rules of the respective investment firm that manages its securities account. The Issuer will announce the issue of new shares of the Company for trading on BSE - Sofia AD after the registration of the capital increase in the Commercial Register and after their registration with the Central Depository AD, as well as with the FSC.

Grounds for the privileged offering of shares to a certain group of investors

There are no grounds for a privileged offering of the shares to certain groups of investors (including current shareholders, members of the issuer's Board of Directors, current or former employees of the issuer).

Indication whether the shareholders with considerable participation or the members of the Board of Directors of Issuer intend to acquire any of the offered shares or whether a person intends to acquire more than 5 per cent of the offered shares, as long as such information is available to the Issuer

The Issuer does not have information whether the members of the Board of Directors intend to acquire the offered shares.

The Issuer has no information about the intention of large shareholders to acquire offered shares, or of a person intending to acquire more than 5% of the offered shares.

The Issuer and the authorized investment intermediaries have not determined and do not intend to determine in advance ratios, tranches and an additional quantity of shares that will be distributed among the individual investors.

Subscription of shares exceeding the amount of the pre-set parameters of the subscription is not intended and there is no “**greenshoe**” option in the Subscription.

Organization of the initial public offering (placement) of the shares

Name, principal office and registered address of the banking or depository participants in the offering

The Bank, in which the special escrow account, on which the issue value of the subscribed shares will be deposited, is UniCredit Bulbank AD, with headquarters and address of management: Sofia, 7, Sveta Nedelya Square.

The depository institution about the offered shares and the rights related to them is **Central Depository AD**, having its seat and registered address at 6 Tri Ushi str., Sofia.

Name, seat and registered address of the investment intermediaries that will service the increase of the capital

“**First Financial Brokerage House**” EOOD, with principal office and address thereof at: 2 Enos str., 4th and 5th floors, Triaditsa district, Sofia and **Sofia International Securities AD**, with principal office and registered address at 140 Georgi S. Rakovski str., 4th floor, Sofia, are licensed investment intermediaries compliant with the legal requirements, authorized by the Board of Directors of the company to service the increase of the capital.

The authorized investment intermediaries are not subscribers of the issue of shares. Their obligations are reduced to “putting their best efforts” to place the shares. Subscription or establishment of a guarantee for the offered issue of shares is not envisaged.

Description of the distribution plan and the conditions of the contract with the investment intermediary

The investment intermediaries will offer on behalf and account of the Company, to the investors to subscribe the shares of the increase of the Company's capital against payment of the issued value of the shares being subscribed.

Pursuant to a concluded contract, the Investment Intermediaries undertake to carry out the preparation and servicing of the increase of the capital of the Issuer, which includes, as follows:

- Preparation of a prospectus and servicing of the increase of the capital through the conduction of the procedure for an increase of the capital, in abidance by the provisions of the Public Offering of Securities Act, the Rules of Bulgarian Stock Exchange – Sofia AD and the Rules of Central Depository AD
- Providing consultation to the Issuer about the steps and the necessary actions that the Issuer must carry out during the procedure.

Description of the important specificities of the initial public offering together with the number of shares, the placement of which is undertaken by the investment intermediaries by virtue of a contract with the Company

Upon subscription of the shares, the Investment Intermediary undertakes to "put the best effort" to subscribe the proposed shares without being obliged to acquire shares at its own expense or engage in the placement of a certain number of shares. The remuneration of the investment intermediary depends on the successful capital increase.

Price

Price of the shares at the offering

Share price at the offering shall be an issue value equal to the nominal value of BGN 1 per share.

Costs assumed by the investor who subscribes for and pays shares

Investors shall pay the costs for fees and commissions of the investment intermediaries, the settlement institutions, "Bulgarian Stock Exchange – Sofia" AD, Central Depository AD, related to the purchase of the rights and the subscription of the company's shares.

Criteria used to determine the price, at which the shares are offered

The issue value of each new share of the company is BGN 1. The issue value is determined by the Board of Directors of the company, in accordance with Art. 176 of the Commercial Act, as equal to the nominal, taking into consideration the market price of the shares, the interests of the current shareholders and the attainment of maximum effect of the increase for the Issuer.

Price announcement

The issue value per share is adopted by a resolution of the Board of Directors of the company, the minutes from which are submitted to the Financial Supervision Commission. An official source announcing the price is the present document. The issue price will also be specified in the notice referred to in Article 92a of the Public Offering of Securities Act, which will be announced in a nationwide daily newspaper, as well as on the webpages of the company and the investment intermediaries.

Rights of existing shareholders

The holders of the share capital who have acquired shares not later than 7 days from the date of announcement of the notice of the public offering under Article 92a, paragraph 1 of the Public Offering of Securities Act, shall have rights before the other investors upon the subscription and purchasing of new shares of the present issue. The right of these shareholders to acquire shares that correspond to their shareholding in the capital before the increase, cannot be restricted pursuant to the requirement of Article 112, paragraph 1 of the Public Offering of Securities Act (Article 194, paragraph 4 and Article 196, paragraph 3 of the Commercial Act do not apply).

At the date of this prospectus the members of the Board of Directors

Atanas Kostadinov Kiryakov, Georgi Parvanov Marinov, Tsvetan Borisov Aleksiev, Chavdar Velizarov Dimitrov Petar Borisov Stattev Yordan Stoyanov Nedev own shares of the Company. There are no rights for the members of the management bodies that would allow them to acquire shares at a fixed price.

Significant discrepancy between the cost of public offering and the effective cash outflows of members of the management body or related parties for the securities acquired by them in transactions over the past year, or which they are entitled to acquire, by including a comparison with the public participation in the proposed public offering and the cash contributions of such persons:

On 01 September 2017, the Executive Director Tsvetan Borisov Alexiev acquired 100,000 shares of Sirma Group Holding JSC, with a total value of the transaction of BGN 70,000 and a price per 1 share of BGN 0.70.

There is no issue of shares of the members of the Board of Directors or their affiliates in the last 5 years, or options with which they would be entitled to acquire shares in the future. The members of the Board of Directors are not entitled to acquire securities of the forthcoming issue for public offering under a price different from the announced issue value per share.

The Company may issue additional ordinary shares in subsequent capital increases. Pursuant to Bulgarian law, the Company is obliged to offer these ordinary shares to the current shareholders in accordance with their right to acquire some of the new shares corresponding to their share in the capital

prior to the increase. Nonetheless, current shareholders may opt not to participate in the future issuance of ordinary shares.

Admission to trade on a regulated market

Indication of the regulated market, on which the Issuer intends to file an application for admission of the issue to trade

The Offered securities will be offered for admission to a regulated market only on the territory of the Republic of Bulgaria after the approval of the present Prospectus by the Financial Supervision Commission and the respective resolution of the management body of the Exchange.

As part of the capital increase procedure, the issue of 59 360 518 rights will be registered for trading on BSE-Sofia AD market within the terms described heretofore in this Prospectus.

Pursuant to the requirement of Article 110, paragraph 9 of the Public Offering of Securities Act, the Issuer is bound to request - within 2 business days from the registration of the increase of the capital, as a result from the issuance of the present issue of shares in the Commercial Register - the registration of the new issue of shares in the Register referred to in Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act, and then to request the admission thereof to trade on a Regulated market.

Trading the new shares is expected to begin on or about September 5, 2018.

Transactions with shares issued by a public company registered in Bulgaria are regulated in detail in the Public Offering of Securities Act, the Markets in Financial Instruments Act and the implementing regulations thereof, the BSE Rules and the Central Depository Regulations, as well as by the applicable European legislation.

Regulated markets with admitted securities of the same class

The regulated market, which has been issued with the issue of shares of the same class as the offered shares of the capital increase of the Company, is Bulgarian Stock Exchange-Sofia AD, Premium Equity Segment. On this market, 59 360 518 shares of the same class representing the capital of the Issuer listed in the Commercial Register were admitted to trading.

Information for another public or private subscription for securities of the same or of another class, which is organized simultaneously with the issue of the shares, for which admission to a regulated market will be requested

There is no other public or private subscription for securities of the same or another class that is organized simultaneously with the issue of the shares being offered by the present prospectus and for which admission to "Bulgarian Stock Exchange-Sofia" AD will be requested.

Investment intermediaries who undertake to provide liquidity through "buy" and "sell"

The Company has not committed investment intermediaries to undertake to provide liquidity of the issue through "buy" and "sell" quotes.

Stabilization

The Issuer has not given an option to exceed the amount of the present public offering and no provision for price stabilization is envisaged with the present public offering.

Holders of securities – sellers in the public offering

The issue subject to this initial public offering is for an increase in the capital of the Issuer and therefore there are no securities holders to be sellers in the public offering.

As at the date of this Prospectus, the Company does not have information as to whether current shareholders will offer securities within the time limit set for trading rights.

As at the date of this Prospectus, the Company does not have any information about the existence of a "lock-up period" or capital freezing agreements.

Costs under the public offering

Information for the commissions agreed with the investment intermediary that will offer the issue of shares

For the preparation and servicing of the capital increase of the Issuer, including but not limited to all activities related to the preparation of a prospectus, the investment intermediary will receive a fixed remuneration from Sirma Group Holding JSC at the amount of BGN 40,000.

In the event that the Offering is successful, the Investment Intermediary will also receive a bonus for success as follows:

- a) 1% on the amount of the capital increase subscribed by persons attracted by the Issuer;
- b) 3% on the amount of the capital increase subscribed by persons attracted by the Manager;

The following table lists the main costs directly related to the public offering of securities, the amount of which is variable and depends on the bidder's success rate.

All expenses listed below are on the Company's account. The costs, which are expected to arise in connection with the capital increase at the respective minimum success threshold and maximum capital raised, are set out.

BGN	Minimum subscription	Maximum subscription
Confirmation of a prospectus under Art. 82a POSA of the FSC	5 000	5 000
Fee for registration of the emission rights in "Central Depository" AD	2 030	2 030
Fee for assigning the ISIN code to the emission rights	72	72
Fee for registration of the emission shares in "Central Depository" AD	2 030	2 030
Publishing a notification for Public Offering (Estimated Value)	400	400
Remuneration of the Manager*	237 869	831 474
Entry of the capital increase in the Commercial Register	15	15
Registration of a new Statute in the Commercial Register	20	20
Admission to trading on BSE-Sofia	600	600
Total costs	248 036	841 641

** Upon reaching a maximum subscription amount for the New Shares and an equal share of attracted capital from the Manager and the Issuer; Upon reaching a minimum subscription amount and capital attracted entirely by the Issuer (Minimum Expenditure for the Issuer)*

The expected net proceeds of the offer, subject to the subscription of the entire amount of the offered issue of shares, after deduction of the expenses for its execution, amounts to BGN 38 732 038 and on condition that just the minimum number of shares is subscribed - BGN 19 786 840, the net receipts amount to BGN 19 538 804.

Dilution

The amount and percentages of immediate dilution resulting from the offering.

Immediate dilution is a reduction in the carrying amount of a share as a result of the offering. Dilution is calculated as the difference between the issue price and the pro-forma stock value per share immediately after the offer.

The "Book value of a share" according to §1, item 20 of the LPOS of POSA shall be determined on the basis of the Issuer's balance sheet as the equity of the Issuer, divided by the number of issued shares. As of 31.12.2017, the value of the Equity attributable to the owners of the parent company's capital on

the Issuer's consolidated balance sheet is BGN 81,225 thousand. Therefore, the book value per share is BGN 1.37. As at 31.03.2018, the value of the Equity in the individual balance sheet of the Issuer is BGN 69,251 thousand, therefore the book value per share is BGN 1.17.

The issue value of the shares of the capital increase of Sirma Group Holding JSC was determined by a decision of the Board of Directors dated 02.05.2018, which set an issue value of BGN 1.00 per share.

Dilution of the capital (of the share value) as a result of the offering on the basis of audited consolidated financial statements as at 31.12.2017.

	31.12.2017 r.	Minimum subscription	Maximum subscription
Total assets (BGN'000)	132 535	152 074	171 267
Total assets (BGN'000)	26 089	26 089	26 089
Total capital attributable to the owners of the capital of the parent company (BGN'000)	81 225	100 764	119 957
Number of shares in circulation	59 360 518	79 147 358	98 934 197
Book value per share in BGN	1.37	1.27	1.21
Issuing value per share in BGN		1.00	1.00
Dilution in%		-6.96%	-11.39%

Source: Audited Consolidated Financial Statements as of December 31, 2017; FFBH calculations

Dilution of the capital (of the share value) as a result of the offering on the basis of audited consolidated financial statements as of 31.03.2018

	31.3.2018	Minimum subscription	Maximum subscription
Total assets (BGN'000)	83 118	102 657	121 850
Total assets (BGN'000)	13 867	13 867	13 867
Equity (BGN'000)	69 251	88 790	107 983
Number of shares in circulation	59 360 518	79 147 358	98 934 197
Book value per share in BGN	1.17	1.12	1.09
Issuing value per share in BGN		1.00	1.00
Dilution in%		-3.84%	-6.44%

Source: Unaudited Individual Financial Statement as of March 31, 2018; FFBH calculations

The rate of capital dilution for shareholders (having this quality at the date of entry of this capital increase in the Commercial Register) if not participating in the increase, is calculated between 6.96% and 11.39%, respectively, with a minimum and maximum amount of the increase on a consolidated basis data as of 31.12.2017. On the basis of the latest published individual reports - the unaudited statements as at March 31, 2018, dilution of the capital for the shareholders (having that quality at the date of entry

of this capital increase in the commercial register), if not involved in the increase, is calculated between 3.84% and 6.44%. Issuance of traded rights and the possibility of subsequent sale significantly limit the negative effect of dilution. The Board of Directors took this decision in line with current market conditions by estimating that the issue of new shares above market prices would seriously jeopardize the success of the current capital increase.

The amount and rates of immediate dilution if existing shareholders do not participate in the subscription for the new offering.

By increasing the total number of shares to which the capital of a company is allocated, the percentage voting right of each share in the general meeting of the company is reduced proportionally, and the share in dividend distribution and the liquidation shares may be impaired along with some of the additional rights of shareholders. This effect is also called "dilution".

As the issue is granted through the issue of rights, the present owners of shares in Sirma Group Holding JSC may retain their existing shares in the Issuer. In the event that the shareholders who have received the subscription rights of the new shares subsequently refuse to participate in the subscription (i.e., if they fail to exercise their rights to subscribe for new shares), their percentages in the capital of the company may be reduced.

Immediate dilution of the share in the capital of "Sirma Group Holding" JSC to the shareholders if they do not participate in the subscription for the new offer

	31.12.2017	Minimum subscription	Maximum subscription
Number of shares in circulation	59 360 518	79 147 358	98 934 197
Share of the share capital per 1 share	0.00000168%	0.00000126%	0.00000101%
Immediate dilution of percentage participation in %		-25.00%	-40.00%

Source: FFBH calculations

In the event that they fail to exercise their rights, the current shareholders will divide their percentage participation by between 25.00% in the event of a minimum increase, and 40.00% upon maximum increase of the capital. The mechanism that equitable treatment of shareholders provides to offset this dilution is, again, in the possibility of the untapped rights to be sold and the non-participating shareholders to make proceeds from their sale.

Investors should bear in mind that, under the Company's Articles of Association, no limitations on the maximum amount of future share issues are provided. For that reason, the shareholding of shareholders (having that quality at the date of entry of this capital increase in the commercial register) may be reduced as a result of a future capital increase, provided that they do not record their shares. If due to a future increase in the capital, the number of issued shares of the Company increases at a faster rate than the net assets of the Company, it is possible to reduce the value of the net assets per share of the Company. With the exception of the current capital increase procedure, Sirma Group Holding JSC does not foresee at the time of preparation of this document:

- issuance of bonds convertible into shares;

- issuance of preferred shares, convertible into ordinary shares;
- the issue of options.

TAXATION

General Information

The general information set out in this section on certain taxes due in the Republic of Bulgaria is applicable to the holders of Shares, including domestic and non-resident individuals.

Local legal entities are legal entities established in accordance with the Bulgarian legislation; companies established in accordance with Council Regulation (EC) No.2157/2001 and cooperatives established in accordance with Council Regulation (EC) No.1435/2003, when their principal office is in this country and are registered in a Bulgarian company register.

Local natural persons are natural persons, irrespective of their nationality, who have a permanent address in Bulgaria or who reside in Bulgaria for more than 183 days in any 12-month period. Local is also the person whose center of vital interests (which is determined by the family, property, place of employment, occupation or economic activity or the place where the person manages his property) is located in Bulgaria, as well as persons posted abroad by the Bulgarian government, its bodies and / or organizations, Bulgarian enterprises, including the members of their families.

Local legal and natural persons are commonly referred to as "**Bulgarian Owners**". Foreign persons (legal and physical) are those who do not meet the above definitions. They are collectively referred to as "**Non-Bulgarian Owners**".

This statement is not exhaustive and is intended to serve solely as general guidance. Therefore, it should not be considered a legal or tax advice to any shareholder. Accordingly, the Company strongly recommends that potential investors consult with tax advisers on the overall tax consequences, including the implications of Bulgarian legislation and the treatment by the Bulgarian authorities of the acquisition, ownership, and disposal of shares.

The information provided below conforms to the laws and regulations effective towards the date of this Prospectus. The Company shall not be held responsible for any subsequent legislative amendments or changes in the regulations on the taxation of the income from shares.

Dividends

Final tax is imposed on taxable incomes from:

1. dividends for the benefit of a sole proprietor;
2. dividends and liquidation quotas for the benefit of:
 - a) a local or foreign natural person from a source in Bulgaria;
 - b) a local natural person from a source abroad;
 - c) foreign legal entities, except for the cases when the dividends are gained by a foreign legal entity through a permanent establishment in the country;
 - d) local legal entities, which are not traders, including municipalities.

Exemptions from the taxation rule only exist when the dividends and the liquidation quotas are distributed for the benefit of:

1. a local legal entity that participates in the capital of a company as a representative of the state;
2. a contractual fund;
3. a foreign legal entity that is a tax resident of a European Union member state, or of another state – party to the Agreement on the European Economic Area, except for the cases of hidden distribution of profit.

The incomes from dividends distributed by the company are subject to withholding tax in the amount of five per cent (5%) on the gross amount of the dividends (Article 38, paragraph 1 in conjunction with Article 46, paragraph 3 of the Personal Income Tax Act and Article 194, paragraph 1 in conjunction with Article 200, paragraph 1 of the Corporate Income Tax Act).

Incomes are not recognized for tax purposes when such incomes result from the distribution of dividends from local legal entities and from foreign entities, which are tax residents of a European Union member state, or of another state – party to the Agreement on the European Economic Area. The tax treatment of dividends paid by the company for the benefit of foreign legal entities, which are tax residents of a European Union member state, or of another state – party to the Agreement on the European Economic Area, should be regulated in the legislation of the respective European Union member state or party to the Agreement on the European Economic Area. The Company assumes liability for deducting withholding taxes in the cases when there is a legal requirement to do so in the applicable tax laws.

Capital profits

In accordance with the provisions of the Personal Income Tax Act, taxable income from transactions with a Bulgarian natural person or from foreign natural persons established for tax purposes in a Member State of the European Union or in another country belonging to the European Economic Area units and shares of collective investment schemes and of national investment funds, shares, rights and government securities, executed on regulated markets within the meaning of Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act (i.e., a multilateral system organized and/or managed by a market operator meeting or assisting in meeting the interests of buying and selling financial instruments of many third parties through the system and in accordance with its rules and/or systems, licensed and operating on a regular basis in accordance with the requirements of the Markets in Financial Instruments Act and its implementing instruments. In any multilateral system that is licensed and operates in accordance with the requirements of Directive 2014/65 / EC), rights are securities entitling to subscribe a certain number of shares in connection with a decision to increase the capital; income from transactions concluded in the form of redemption from collective investment schemes and national

investment funds admitted to public offering in the country or in another Member State of the European Union or in a State party to the Agreement on the European Economic Area, as well as income of transactions concluded under the terms and conditions of a tender offering within the meaning of the Public Offering of Securities Act, or similar transactions in another Member State of the European Union or in a State Party The Agreement on the European Economic Area ("Disposal of Financial Instruments") (Article 13 (1) (3) in § 1 (11) of the Additional Provisions and Article 37 (7) of the Law on Taxes the income of individuals).

No capital gains from the disposal of financial instruments realized under the terms of § 1 (21) of the Additional Provisions of the Corporate Income Tax Act (196 of the Corporate Income Tax Act) are subject to withholding tax.

Income from transactions in company shares (realized capital gains) as well as from financial assets received by foreign natural persons from third countries other than the above are subject to a final tax of 10% (10%) on the taxable income (Article 37, paragraph 1, item 12 and Article 46, paragraph 1 of the Personal Income Tax Act).

With the realized capital gain from the disposition of financial instruments, the accounting financial result is reduced (Article 44, paragraph 1 in § 1, item 21 of the Supplementary Provisions of the Corporate Income Tax Act). However, it should be borne in mind that the loss on disposal of financial instruments is not recognized as tax expense and the financial result increases with it (Article 44 (2) of the Corporate Income Tax Act).

Tax relief in respect of share gains does not apply to transactions that are not disposals of financial instruments (for example, purchases and sales of shares contracted out of a regulated market, other than a tender offering). The capital gains on such transactions executed in Bulgaria by foreign shareholders are subject to Bulgarian tax rules. Unless a double taxation convention applies, such income is subject to withholding tax at the rate of ten percent (10%) on the positive difference between the sale price and its documentary purchase price. The capital gains on such transactions executed by Bulgarian shareholders are subject to taxation in accordance with the general rules of the Corporate Income Tax Act and the Personal Income Tax Act.

Transfer taxes.

No state fees are due for the transfer of shares

The procedure for the application of the tax reliefs for foreign persons, which are provided in a legally effective double taxation convention, is stipulated in chapter sixteen, section III of the Tax and Social Security Procedure Code (DOPK). When the total amount of the incomes made exceeds BGN 500 000, the foreign person is supposed to certify before the Bulgarian income revenue service the presence of grounds for application of a double taxation convention. The foreign holder of shares has the right to use the respective tax relief, and for this purpose the said foreign holder must file a request form, accompanied by evidence certifying that: a) he/she/it is a local person for the country, with which Bulgaria has entered the respective double taxation convention (by filing a certificate issued by the tax authorities of the respective country, or otherwise in compliance with the usual practice of the foreign tax administration); b) he/she/it is the owner of the dividend from the Shares (by submitting a declaration); c) he/she/it does not have a permanent establishment or fixed establishment on the territory of the Republic of Bulgaria, to which the dividend incomes are actually related (by submitting a declaration); and d) all applicable requirements of respective double taxation convention are met (by presenting an official document or other written evidence). Furthermore, the Bulgarian revenue authorities must be supplied with additional documentation, certifying the type, the amount and the grounds for receipt of the dividends, such as the resolution of the General Assembly of the shareholders of the Company for the distribution of dividends and a document certifying the number of shares held (e.g. a depository receipt). The request for the application of a double taxation convention, accompanied by the necessary documents, must be submitted to the Bulgarian revenue authorities for each and every non-Bulgarian holder immediately after the adoption of the resolution by the General Assembly of the shareholders of the company, which approves the distribution of dividends. If the Bulgarian revenue authorities refuse tax exemption, the company is bound to deduct the full amount of 5% of the tax due for the dividends paid. A shareholder whose request for tax exemption has been rejected may appeal against the decision. In case that the total amount of the dividends, or any other incomes, paid by the

issuer, does not exceed BGN 500 000 per year, the foreign holder is not bound to file a request for application of a double taxation convention to the Bulgarian revenue authorities. However, the foreign holder must certify before the company the presence of the above circumstances and present the above documents certifying the grounds for application of double taxation convention on the part of the company.

ADDITIONAL INFORMATION

This Prospectus has been prepared in relation to the Offering solely for the purpose of allowing the prospective investor to decide whether to invest in the Offered Shares. The information contained in the Prospectus is provided by the Company and the other sources mentioned in the Prospectus.

Documents accessible for review

This Prospectus will be made available for the period of validity of the Prospectus on the webpage of "Sirma Group Holding JSC" (www.sirma.bg) and on the webpage of the investment intermediary (www.ffbh.bg). The Articles of Association of Sirma Group Holding JSC as well as the financial statements of the subsidiaries are also published on the Company website www.sirma.bg. Its financial statements and information subject to disclosure are also available in the X3News Information System (the media through which the Company discloses information to the public).

Independent registered auditors

The annual financial statements of the Company for 2015 and 2016 are audited by BISICOM - 61 OOD. "BISIKOM - 61" Ltd. is a specialized auditing company, registered according to the requirements of the Commercial Law and the Independent Financial Audit Law of the Republic of Bulgaria. Affiliates in the enterprise are the following registered auditors - Boyko Kostov, Teodosi Georgiev and Milka Kostova. The company operates in three offices - central in Sofia, Dianabad, 15, Krum Kyulyavkov Str., Fl. 7, office 13 and two regional ones in the towns of Rousse and Troyan. "Bisikom - 61" Ltd. is registered under N19 in the Register of the Institute of Certified Public Accountants in Bulgaria. After auditing the Annual Financial Statements of the Company for 2015 and 2016, it has expressed an unqualified opinion on them.

The Annual Financial Statements of the Company for 2017 are audited by Teodora Ivanova Tsvetanova through INVESTEX AUDIT EOOD, where it is the manager and sole owner of the capital. Ms. Tsvetanova holds a diploma 0771 and is registered under the same number in the Register of the Institute of Certified Public Accountants in Bulgaria. The address of Teodora Ivanova Tsvetanova is in Sofia, 3, "Buntovnik" Str., Office 1A. The address of the company management is in Sofia, Lozenets, 42 Gorski patnik St. ap. 15. After auditing the Annual Financial Statements of the Company for 2017, it has expressed an unqualified opinion on them.

The reason for replacing the audit firm is a risk in terms of independence, as well as the statutory requirement for an undertaking in the public interest under the Independent Financial Audit Act.

Investors should keep in mind that the Company publishes interim financial statements. Any financial information related to the interim financial results of the Company has not been audited by the Independent Registered Auditor of the Company and no report has been issued on such an audit.

Teodora Tsvetanova declares that the financial information contained in the prospectus for public offering of shares of Sirma Group Holding JSC is derived from the audited consolidated financial statements of Sirma Group Holding JSC for 2017 including the reclassifications and corrections of errors made retrospectively for 2016 and 2015 is true and consistent with all material aspects of that contained in the audited financial statements of the company for the year 2017, including reclassifications and corrections of errors made retrospectively for 2016 and 2015

Preparation of Financial Reports

The compiler Nikolay Yatsino is responsible for the preparation of the Financial Reports for 2015, 2016 and 2017.

Persons participating in the Offering

The following entities are involved in the Offering:

Investment intermediaries

Investment intermediaries of the offering are “First Financial Brokerage House” EOOD, with principal office and registered address at 2 Enos str., Sofia. The relations between the investment intermediaries and the Issuer, regulated by a contract for servicing and preparation of an increase of the capital, depend on the receipts from the sale of the Offered Shares. Pls. see “Conditions of the Offering – Costs under the public offering”.

There are no interests (including conflicts of interest) of organizations or individuals that are essential to the Offering.

Information from experts and third parties

This Prospectus does not use information ensuing from expert opinions or reports.

This Prospectus includes information from the following sources (third parties):

- The public company issuer of the offered shares - Sirma Group Holding JSC
- BNB - statistics from the BNB website (www.bnb.bg);
- NSI - statistics from the NSI website (www.nsi.bg);
- Employment Agency - statistics from the agency's website (www.az.government.bg);
- Ministry of Finance – statistics from the MF site (www.minfin.bg);
- FSC - information and normative documents from the FSC website (www.fsc.bg);
- BSE - information from the BSE website (www.bse-sofia.bg);
- World Bank (<https://openknowledge.worldbank.org/handle/10986/28932>);
- Information from the websites of Moody's (www.moody.com), Standard & Poor's (www.standardandpoors.com) и Fitch (www.fitchratings.com)
- Information from the website of IDC (www.idc.com)
- Information from the website of Gartner (www.gartner.com)
- BASSCOM - Bulgarian Association of Software Companies (www.basscom.org)

The information from these sources is accurately reproduced in this Prospectus and to the extent that the responsible persons are aware and can verify the information published by these third parties, there are no facts omitted that would make the reproduced information inaccurate or misleading.

ABBREVIATIONS AND DEFINITIONS

The definitions below are used throughout this Prospectus unless the context requires otherwise

AI	Artificial Intelligence
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API	Application-Programming Interface (API) is a program code that is entered between two programs to allow them to connect and work in common mode.
BGN	Bulgarian Lev - the legal currency in Bulgaria
Blockchain	A method of storing information in a computer network, which is a continuously growing list of computer records called "blocks" interconnected and encrypted cryptographic.
BSE	"Bulgarian Stock Exchange – Sofia" AD
Cloud	Software products that are stored and / or operated on the Internet
Cyber security	Cybersecurity - a rapidly growing IT sphere in terms of reducing the risk of hacking and data corruption in organizations.
Debt/EBITDA Ratio	Debt factor
Debt/Equity Ratio (BSE)	Debt factor according to the BSE methodology
DEPRECIATION	Depreciation and Amortization
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBIT	Earnings Before Interest and Taxes
EBT	Earnings Before Taxes
FIN/INVEST NET	Net finance-investment income / expenses
Front-end	The portion of the software that allows users to use it and communicate with them. It can be graphic or textual.
IaaS	Providing Infrastructure as a Service, often cloud-based form
IoT	Internet of Things - Concept of a computer network of physical objects (devices, vehicles, buildings, and other objects and possessions) that have embedded electronic devices for interaction with each other or with the external environment.
OEM	Original Equipment Manufacturer or software embedded by an original equipment manufacturer
ROA	Return On Assets
ROA(BSE)	Return On Assets, according to the BSE methodology
ROE	Return On Equity
ROE (BSE)	Return On Equity, according to the BSE methodology
SaaS	Providing Software as a Service, often cloud-based form
SENPAI	Sirma Enterprise Platform with Artificial Intelligence – cognitive platform with artificial intelligence
Quick Ratio	Short-term liquidity ratio

XaaS	Summarizing term - everything as a service
AD	Abbreviation for a Joint-Stock Company incorporated under the laws of Bulgaria
GDP	Gross Domestic Product
BNB	Bulgarian National Bank
BSE	"Bulgarian Stock Exchange - Sofia" AD
AFR, Audited financial reports	Audited financial statements of the Company for the years ending 31 December 2015, 2016 and 2017, which are included in the Prospectus
Sirma Group, The Group, Group Company	The economic group, in which "Sirma Group Holding" JSC is a controlling legal entity, with subsidiaries subject to consolidation (see "Group Companies").
Dividend Date	This is the date, on which shareholders of the Company who own or have acquired shares a fortnight after the decision of the General Meeting of Shareholders to approve the distribution of dividends, are entitled to receive a dividend.
VAT	Value Added Tax
Directive MIFID	Directive 2014/65 / EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92 / EU and Directive 2011/61 / EU Directive 2004/39 / EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611 / EEC and 93/6 / EEC and Directive 2000/12 / EC of the European Parliament and of the Council and repealing Council Directive 93/22 / EEC - repealed
Regulation and Prospectus Directive	COMMISSION REGULATION (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71 / EC of the European Parliament and of the Council as regards the information contained in the prospectuses and the form, inclusion by reference and publication of such prospectuses and the distribution of advertisements
FA, Fixed Assets	Long-term Fixed assets
The Company / The parent company	The economic group, in which Sirma Group Holding JSC is a controlling legal entity, with subsidiaries subject to consolidation (see "Group Companies").
USD	The legal currency in the United States of America
Member State	Member State of the European Economic Area
SSC	Unique Joint-Stock Company incorporated under the laws of the Republic of Bulgaria
EUR	The legal currency in the euro area
EU	European Union
LTD	Abbreviation for a personal limited liability company incorporated under the laws of Bulgaria
Issuer	"Sirma Group Holding" JSC

MFIA	The Bulgarian Act for Markets of Financial Instruments
POSA	The Bulgarian Law on the Public Offering of Securities (Official Gazette, No 114 of 30 December 1999 with amendments)
IT	Information Technology
IKT	Information and Communication Technologies
BSE Code	National Corporate Governance Code 2007, adopted by BSE and subsequent amendments.
CLA	Collective Labor Agreement
FSC, Financial Supervision Commission	Financial Supervision Commission, which is a specialized state body in the Republic of Bulgaria for regulation and supervision of the non-banking financial sector (capital market, insurance, pension insurance).
ME	Ministry of Economy
MRDPW	Ministry of Regional Development and Public Works
IAS	International accounting standards, adopted by the EU
IFRS	International Financial Reporting Standards, adopted by the EU
NSI	National Statistical Institute
General Assembly (General Meeting)	General Meeting of Shareholders of the Company
Ltd	Limited Liability Company, established under the laws of the Republic of Bulgaria
The rules Central Depository	Detailed rules for the functioning of the Central Depository
The Prospectus	This Prospectus, prepared for the purposes of the proceedings before the FSC and confirmed by the FSC.
Offered Shares	39 573 679 new ordinary shares with a nominal value of BGN 1 and an issue value of BGN 1 each, offered by Sirma Group Holding JSC
The offering	Public offering of 39 573 679 ordinary registered shares with a nominal value of BGN 1 and an issue value of BGN 1 per share subject to this Prospectus.
Public announcement/disclosure	Public announcement made in connection with the Offering and Listing of the BSE
FFBH	"First Financial Brokerage House" EOOD, with principal office and address thereof at 2 Enos Str., Fl. 4 and 5, Sofia (investment intermediary).

Regulation 809/2004	Regulation (EC) No 809/2004 of 29 April 2004 on the application of Directive 2003/71 / EC of the European Parliament and of the Council as regards the information contained in prospectuses as well as the form, inclusion by reference and publication of such prospectuses and the distribution of advertisements
Sirma, Sirma Group	The economic group, in which Sirma Group Holding JSC is a controlling legal entity, with subsidiaries subject to consolidation (see "Group Companies").
AGS	Average gross salary
Board of Directors, BD	Board of Directors of the Company
Commercial Law	The Bulgarian Commercial Law (State Gazette No 48 of 18 June 1991, with all amendments)
Articles of Association	The Statute (Articles of Association) of the Company
Financial Statement 2015	Audited financial statements of the Company for the year ended 31 December 2015
Financial Statement 2016	Audited financial statements of the Company for the year ended 31 December 2016
Financial Statement 2017	Audited financial statements of the Company for the year ended 31 December 2017
CD, Central Depository	"Central Depository" AD, Bulgaria
The Central Bank	BNB
CEE	Central and Eastern Europe

LIABILITY STATEMENT

The undersigned, in his capacity of a representative of "Sirma Group Holding" JSC, in its capacity of an Issuer of the securities, does hereby with his signature declare the circumstances set out hereinabove in the "Liability for the Prospectus" section.

Tsvetan Borisov Alexiev

Chief Executive Officer

The undersigned, in their capacity as representatives of First Financial Brokerage House EOOD, in its capacity of a manager and investment intermediary of the offering, do hereby with their signature declare the circumstances set out hereinabove in the "Liability for the Prospectus" section.

Nadejda Mihaylova Dafinkicheva

Manager

Stoyan Nikolov Nikolov

Manager

THE COMPANY

"Sirma Group Holding" JSC

Members of the Board of Directors

**Georgi Parvanov Marinov
Tsvetan Borisov Alexiev
Chavdar Velizarov Dimitrov
Atanas Kostadinov Kiryakov
Tsvetomir Angelov Dосkov
Yordan Stoyanov Nedev
Sasha Konstantinova Bezuhanova
Peter Borisov Stattev**

Address: Sofia, 135 Tsarigradsko Shose Blvd

INVESTMENT FIRM

First Financial Brokerage House EOOD,

Executive Directors

Nadejda Mihaylova Dafinkicheva

Stoyan Nikolov Nikolov

Address: Sofia, 2, Enos Str

REGISTERED AUDITOR

Teodora Ivanova Tsvetanova by INVESTEX AUDIT LTD

Auditor's address: Sofia, 3 Buntovnik St., Office 1A

Address of the company: Sofia, Lozenets district, Gorski patnik St. No 42, apt. 15

PERSON RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Nikolay Yatsino

"Sirma Group Holding" JSC

Address: Sofia, 135 Tsarigradsko Shose Blvd