

# Notes

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to the Individual Financial Statements of  
"Sirma Group Holding" JSC  
for the period 01.01.2019 – 31.03.2019

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## 1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

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

**Seat and registered office:**

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

**The object of the company is:**

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

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

The share capital of the company amounts to

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

The capital of the Company is amended as follows:

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

**The company's capital is paid 100%.**

Non-monetary contributions - description:

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

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



## 1.1 Distribution of share capital

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

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

Share capital allocation, including deduction of own shares:

Акционери	Number of shares at 31.03.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Veselin Kirov Antchev	4 700 786	4 700 786	1	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Krasimir Nevelinov Bozhkov	1 749 161	2 596 821	1	1 749 161	2,95%	2,97%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,35%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,66%
Peter Nikolaev Konyarov	1 271 910	1 271 910	1	1 271 910	2,14%	2,16%
Emiliana Ilieva Ilieva	2 268 790	2 343 985	1	2 268 790	3,82%	3,85%
Elena Yordanova Kozuharova	776 579	948 250	1	776 579	1,31%	1,32%
Ivo Petrov Petrov	886 300	835 800	1	886 300	1,49%	1,51%
Stanislav Ivanov Dimitrov	649 868	649 868	1	649 868	1,09%	1,10%
Expat Bulgaria SOFIX UCITS ETF	977 907	977 907	1	977 907	1,65%	1,66%
Foundation for Educational Transformation	1 227 961	1 301 855	1	1 227 961	2,07%	2,09%
"NN Universal Pension Fund"	2 434 539	2 434 539	1	2 434 539	4,10%	4,13%
UPF "Doverie" JSC	802 126	802 126	1	802 126	1,35%	1,36%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	664 190	1	715 810	1,21%	1,22%
"Mandjukov" Ltd.	960 000	960 000	1	960 000	1,62%	1,63%
Unicredit Bank Austria	813 659	296 649	1	813 659	1,37%	1,38%
Others	11 135 639	10 586 349	1	11 135 639	18,76%	18,91%
<b>Total</b>	<b>59 360 518</b>	<b>59 360 518</b>		<b>59 360 518</b>	<b>100%</b>	<b>100%</b>

As of 31.03.2019 "Sirma Group Holding" JSC posses repurchased 474 724 own shares.

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

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



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

## 1.2 Management authorities

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

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

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

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

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

**CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.**

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

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

Audit Committee

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

Shareholders	Number of shares at 31.03.2019	Number of shares at 31.12.2018	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Petar Borisov Statev	10 100	10 100	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
<b>Total</b>	<b>17 787 344</b>	<b>17 787 344</b>		<b>17 787 344</b>	<b>29,96%</b>	<b>30,21%</b>

During the period 31.12.2018 - 31.03.2019 there was no change in the participation of the members of the BD in the capital of the company.



**Investor's Relationship Director is Stanislav Borisov Tanushev.**

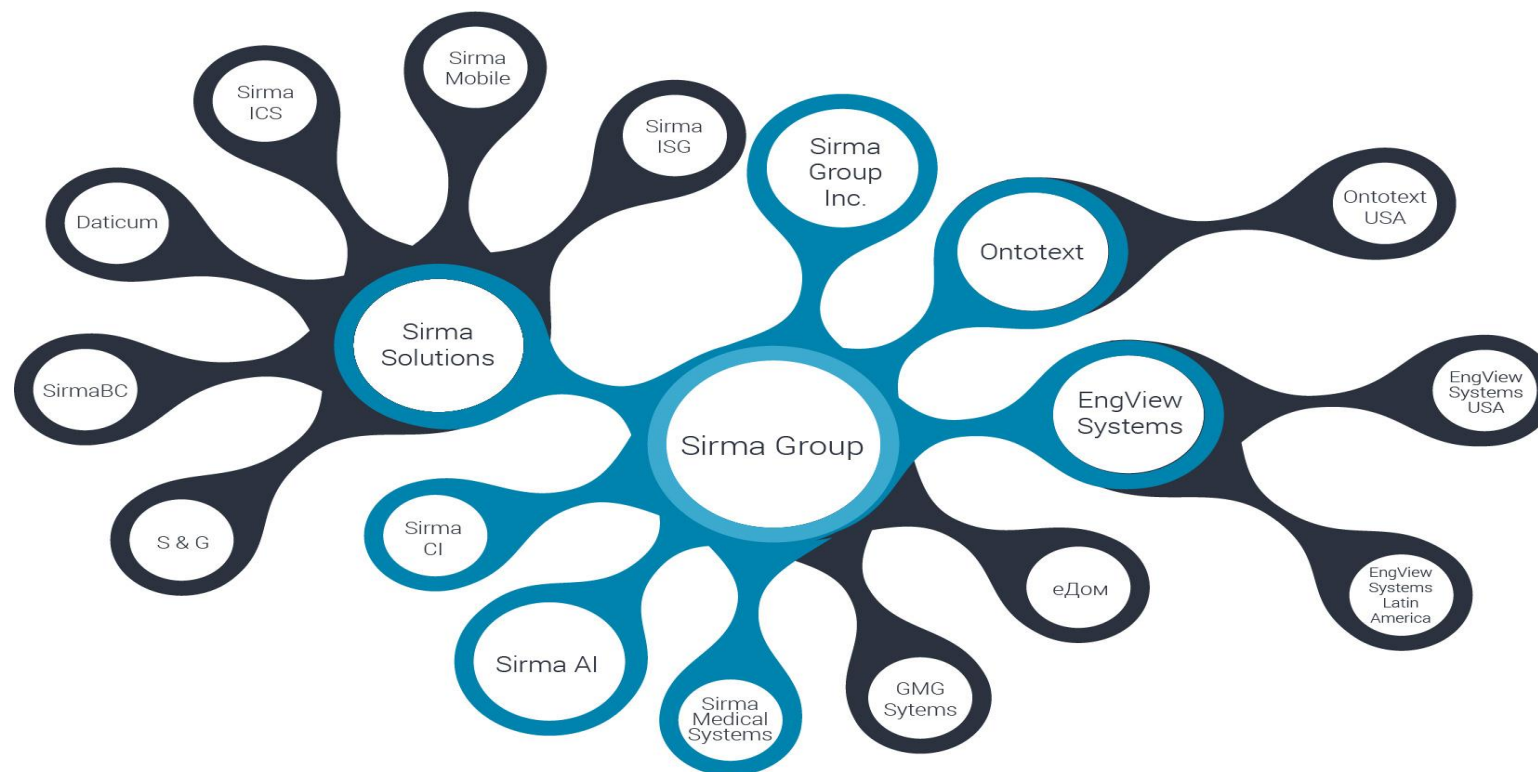
Pursuant to Article 25, paragraph 5 of the Articles of Association of the Company, each member of the Board of Directors has received a permanent bruto remuneration:

Name	Company	Period: 01.01.2019 - 31.03.2019 (BGN)
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	34 500
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING JSC	13 988
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING JSC	4 500
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	4 500
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	4 500
Sasha Konstantinova Bezuhanova	SIRMA GROUP HOLDING JSC	4 500
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING JSC	17 670
Petar Borisov Statev	SIRMA GROUP HOLDING JSC	4 500
<b>Total</b>		<b>88 658</b>



### 1.3 Structure of the group and scope of activity

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





### Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.03.2019 (in BGN'000)	Percentage of capital at 31.03.2019	Percentage of capital with adjusted repurchased own shares at 31.03.2019	Value of the investment at 31.12.2018 (in BGN'000)	Percentage of capital at 31.12.2018	Percentage of capital with adjusted repurchased own shares at 31.12.2018	Changes (in BGN'000)
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%	0
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	76,16%	76,16%	3 471	76,16%	76,16%	0
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	0
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%	0
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
<b>Total</b>	<b>67 904</b>			<b>67 904</b>			<b>0</b>

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

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

## 1.4 Events and business news in Q1 2019

The following major events took place in Q1 2019:

#### 27.03.2019

Ontotext JSC has been awarded by the Ministry of Education and Science for its successful participation in the European program "Horizon 2020", where the company won finance for the development of four of its projects for some EUR 3.1 million.

#### 27.02.2019

Sirma Group Holding and the School of Management in partnership with Cardiff Metropolitan University from the UK launch their program for free education of high-school students in the 10, 11 and 12<sup>th</sup> grade in Varna

#### 19.02.2019

Publication of Invitation for the return of sums as per art.89, par.4 of POSA.

#### 19.02.2019

Sirma Medical System has been awarded by the President Rumen Radev for technological achievements in the field of innovation.

#### 19.02.2019

Sirma AI launched its project for fighting cancer - ExaMode.

#### 19.02.2019

Disclosure of Notification for the end of the public offering and the achieved results.

#### 08.02.2019

Phone conference with Ben Griffith from Caravan Capital Management, USA. Issues discussed were related to future options for capital raise.

#### 06.02.2019

Phone conference with Tim Mesina from Briarwood Chase Management, USA. Topics discussed were related to the Strategy of Sirma and the current raise of capital.



**29.01.2019**

Meeting and discussion with Ben Griffith from Caravan Capital Management, USA. Issues discussed were related to the implementation of the Strategy and the current raise of capital.

**29.01.2019**

Daticum JSC has been certified under the special cloud services standard ISO 27018.

**23.01.2019**

A new version of Graph DB 8.8.0 is released.

**21.01.2019**

Disclosure of internal information for the decision for prolongation of the public offering of Sirma Group Holding. The information is also available in English.

**18.01.2019**

Notification of the Financial Supervision Commission about the decision for prolongation of the public offering of Sirma Group Holding.

**18.01.2019**

Disclosure of internal information for a concluded contract for the sale of the daughter company Ontotext JSC to Sirma AI JSC. The information is also available in English.

**03.01.2019**

Disclosure of internal information for the acquisition of a liquidation share by Sirma AI in Sirma Software. The information is available in English.

**02.01.2019**

Disclosure of internal information for sale of rights of Sirma Group Holding by Chavdar Dimitrov – Member of the BD. The information is also available in English.

## 2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

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The separate financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2019 and have been accepted by the Commission of the European Union

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

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2019, has not caused changes in the accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

For more information, please see – Appendix №2.



### 3/ REVENUES

The revenues of the Company are:

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	380	1 579	(1 199)	-75,93%
Interest income	67	65	2	3,08%
Income from financing	14	14	-	0,00%
<b>Total</b>	<b>461</b>	<b>1 658</b>	<b>(1 197)</b>	<b>-72,20%</b>

In Q1 2019 the revenues of Sirma Group Holding decreased by BGN 1 197 thousand or by 72,20% compared to Q1 2018.

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

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

Revenues by countries:

	31.03.2019 BGN '000	Relative share	31.03.2018 BGN '000	Relative share
Bulgaria	447	100,00%	1 644	100,00%
<b>Total</b>	<b>447</b>		<b>1 644</b>	

Revenues generated by the biggest clients of the company:

	31.03.2019 BGN '000	Relative share	Relationship	31.03.2018 BGN '000	Relative share	Relationship
Client 1	150	39,47%	Related party	1 301	79,14%	Related party
Client 2	55	14,47%	Related party	153	9,31%	Related party
Client 3	44	11,58%	Related party	43	2,62%	Related party

Sales revenue includes:

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	131	79	52	65,82%
Administrative service	214	207	7	3,38%
Sales of licenses	-	81	(81)	-100,00%
Cloud Services	-	1 170	(1 170)	-100,00%
Others	35	42	(7)	-16,67%
<b>Total</b>	<b>380</b>	<b>1 579</b>	<b>(1 199)</b>	<b>-75,93%</b>



## EXPENSES

In Q1 2019 the expenses of "Sirma Group Holding" JSC decreased by BGN 1 283 thousand or by 68,90% as compared to Q1 2018. The main share in the expenses is the staff expenses, decreased by BGN 33 thousand compared to Q1 2018.

### 4/ STAFF EXPENSES

Staff expenses include:

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN '000)	Change (%)
Employment remuneration	278	313	(35)	-11,2%
Social security contributions	33	31	2	6,45%
<b>Total</b>	<b>311</b>	<b>344</b>	<b>(33)</b>	<b>-9,59%</b>

### 5/ MATERIAL EXPENSES

Material expenses includes:

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN 000)	Change (%)
Electricity	1	1	-	0,00%
Heating	2	5	(3)	-60,00%
Office supplies	1	2	(1)	-50,00%
Materials for office repair and maintenance	-	3	(3)	-100,00%
Computer components	1	-	1	n/a
Inventory	1	4	(3)	-75,00%
Advertising materials	1	-	1	n/a
Hygienic materials	2	2	-	0,00%
Others	2	4	(2)	-50,00%
<b>Total</b>	<b>11</b>	<b>21</b>	<b>(10)</b>	<b>-47,62%</b>



## 6/ EXPENSES FOR EXTERNAL SERVICES

Expenses for external services includes:

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
Mobile phones	2	2	-	0,00%
Internet	4	4	-	0,00%
Civil contracts	4	5	(1)	-20,00%
Consulting services	124	140	(16)	-11,43%
Security	1	3	(2)	-66,67%
Cleaning	1	2	(1)	-50,00%
Maintenance and repair of automobiles	2	1	1	100,00%
Maintenance and repair of the office	1	7	(6)	-85,71%
Parking	-	1	(1)	-100,00%
Insurance	3	3	-	0,00%
Subscriptions	3	4	(1)	-25,00%
Advertising	2	23	(21)	-91,30%
Seminars and training	1	4	(3)	-75,00%
Software services	-	1 220	(1 220)	-100,00%
Комисионни и такси	8	27	(19)	-70,37%
Fees and commissions	-	2	(2)	-100,00%
<b>Others</b>	<b>156</b>	<b>1 448</b>	<b>(1 292)</b>	<b>-89,23%</b>

## 7/ DEPRECIATION AND AMORTIZATION EXPENSES

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
Depreciation and amortization	114	82	32	39,02%

## 8/ CAPITALIZED EXPENSES

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
Capitalized own expenses	24	45	(21)	-46,67%

## 9/ INTEREST EXPENSES

Interest expenses on deposits of related companies include:

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
Interest expenses	1	2	(1)	-50,00%



## 10/ OTHER OPERATING EXPENSES

Other operating expenses include:

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
Entertainment expenses	1	4	(3)	-75%
Social costs	2	3	(1)	-33%
Local taxes and fees	1	1	-	0%
Business trips	2	-	2	n/a
Donations	3	-	3	n/a
Others	1	2	(1)	-50%
<b>Total</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>0,00%</b>

## FINANCIAL INCOME / COSTS (NET)

In Q1 2019, financial income / costs (net) of "Sirma Group Holding" JSC increased by BGN 37 thousand to Q1 2018.

## 11/ FINANCIAL COSTS

Financial expenses include:

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN '000)	Change (%)
Interest expense on loans received from unrelated parties	66	44	22	50,00%
Expenses on foreign exchange operations	4	8	(4)	-50,00%
Other financial costs	21	3	18	600,00%
<b>Total</b>	<b>91</b>	<b>55</b>	<b>36</b>	<b>65,45%</b>

## 12/ FINANCIAL INCOME

	31.03.2019 BGN '000	31.03.2018 BGN '000	Change (BGN '000)	Change (%)
Interest income from unrelated parties	2	4	(2)	-50,00%
Income from foreign exchange operations	6	-	6	n/a
<b>Total</b>	<b>8</b>	<b>4</b>	<b>4</b>	<b>100,00%</b>



## 13/ PROPERTY, PLANT AND EQUIPMENT

31.12.2018	PROPERTY, PLANT AND EQUIPMENT	OTHER	WORK IN PROGRESS	TOTAL
<b>Cost</b>				
Cost at 1 <sup>st</sup> of January	961	46	406	1 413
Additions	3		50	53
Cost at 31 <sup>st</sup> of March	964	46	456	1 466
<b>Depreciation</b>				
Depreciation at 1 <sup>st</sup> of January	565	8	-	573
Depreciation charge for the period	22	2	-	24
Depreciation at 31 <sup>st</sup> of March	587	10	-	597
Net Book Value at 31 <sup>st</sup> of March	377	36	456	869
Net Book Value at 1 <sup>st</sup> of January	396	38	406	840

31.12.2018	PROPERTY, PLANT AND EQUIPMENT	OTHER	WORK IN PROGRESS	TOTAL
<b>Cost</b>				
Cost at 1 <sup>st</sup> of January	855	24		879
Additions	105	22	406	127
Cost at 31 <sup>st</sup> of December	960	46	406	1 006
<b>Depreciation</b>				
Depreciation at 1 <sup>st</sup> of January	449	3		452
Depreciation charge for the period	115	5		120
Depreciation at 31 <sup>st</sup> of December	564	8		572
Net Book Value at 31 <sup>st</sup> of December	396	38	406	840
Net Book Value at 1 <sup>st</sup> of January	406	21		427

## 14/ INTANGIBLE ASSETS

31.3.2019	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
<b>Cost</b>					
Cost at 1 <sup>st</sup> of January	540	57	4	8 864	9 465
Additions	41			23	64
Cost at 31 <sup>st</sup> of March	581	57	4	8 887	9 529
<b>Amortization</b>					
Amortization at 1 <sup>st</sup> of January	31	39	1	-	71
Amortization charge for the period	69	2			71
Amortization at 31 <sup>st</sup> of March	100	41	1	-	142
Net Book Value at 31 <sup>st</sup> of March	481	16	3	8 887	9 387
Net Book Value at 1 <sup>st</sup> of January	509	18	3	8 864	9 394



31.12.2018	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
<b>Cost</b>					
Cost at 1 <sup>st</sup> of January	-	57	4	5 103	5 164
Additions	540	-	-	3 761	4 301
Cost at 31 <sup>st</sup> of December	540	57	4	8 864	9 465
<b>Amortization</b>					
Amortization at 1 <sup>st</sup> of January	-	27	1	-	28
Amortization charge for the year	31	12	-	-	43
Amortization at 31 <sup>st</sup> of December	31	39	1	-	71
Net Book Value at 31 <sup>st</sup> of December	509	18	3	8 864	9 394
Net Book Value at 1 <sup>st</sup> of January	-	30	3	5 103	5 136

## 15/ INVESTMENT PROPERTY

	31.12.2018 BGN '000	31.12.2017 BGN '000
Cost at 1 <sup>st</sup> of January	7 750	6 222
Additions	-	1 528
Cost at 31 of March/December	7 750	7 750
<b>Depreciation</b>		
Depreciation at 1 <sup>st</sup> of January	1 146	1 068
Depreciation charge for the period	19	78
Depreciation at 31st of March/December	1 165	1 146
Net Book Value at 31st of March/December	6 585	6 604
Net Book Value at 1 <sup>st</sup> of January	6 604	6 682

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

## 16/ INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The carrying amount of investments in subsidiaries is as follows:

Company	Value of the investment at 31.03.2019 (BGN'000)	Value of the investment at 31.12.2018 (BGN'000)	Changes In BGN'000
Sirma Solutions	39 311	39 311	0
Sirma AI	50	50	0
Sirma Medical Systems	66	66	0
Sirma Group Inc.	3 471	3 471	0
Sirma CI	17 865	17 865	0
Ontotext	106	106	0
Engview Systems	7 035	7 035	0
<b>Total</b>	<b>67 904</b>	<b>67 904</b>	<b>0</b>





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

Company	Value of the investment at 31.03.2019 (BGN'000)	Value of the investment at 31.12.2018 (BGN'000)	Changes In BGN'000
GMG Systems (IN LIQUIDATION)	150	150	0
E-DOM MANAGEMENT	7	7	0
<b>Total</b>	<b>157</b>	<b>157</b>	<b>0</b>

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

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

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

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

Changes in the investment in subsidiaries are presented below:

Cost of acquisition	31.3.2019 BGN '000	31.12.2018 BGN '000
Cost at 1 <sup>st</sup> of January	67 904	56 392
Acquired through increase of the share capital	0	11 512
Cost at 31st of March/December	67 904	67 904
Net Book Value at 31st of March/December	67 904	67 904
Net Book Value at 1 <sup>st</sup> of January	67 904	56 392

## 17/ OPERATING LEASE

The Company has provided for rent fixed assets to related parties with carrying amount as at 31.03.2019 amounting to BGN 5 156 thousand (31.12.2018 - BGN 5 172 thousand).

## 18/ FINANCE LEASE

As at 31.03.2019, assets with carrying amount of BGN 207 thousand were acquired under finance lease contracts (31.12.2018: BGN 208 thousand).

## 19/ INVENTORIES AND OTHER DATA

As at 31.03.2019, there are established burdens on the tangible fixed assets of the company in relation to borrowings as follows:

- Mortgages - BGN 7 664 thousand (31.12.2018: BGN 7664 thousand)



## 20/ RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from subsidiaries	4 983	5 064	(81)	-1,60%
Receivables from entities under indirect common control	1 355	1 440	(85)	-5,90%
<b>Total</b>	<b>6 338</b>	<b>6 504</b>	<b>(166)</b>	<b>-2,55%</b>

Trade receivables from related parties by types are as follow:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables on sales of products, goods, materials and services	546	895	(349)	-38,99%

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

The Company has set a 180-day credit period for which it does not charge interest rates on the related parties. The delay after this period was accepted by the company as an indicator of impairment.

The management estimates expected future losses..

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

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	476	370	106	28,65%
from 31 to 90 days	53	10	43	430,00%
from 91 to 180 days	5	515	(510)	-99,03%
<b>Total</b>	<b>534</b>	<b>895</b>	<b>(361)</b>	<b>-40,34%</b>

IFRS 9 requires the Company to account for the expected credit losses on all its trade and other receivables.

For the reporting period no impairment charges are recognized.

Granted loans to related companies by type of ownership:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from entities under indirect common control	1 286	1 292	(6)	-0,46%
Subsidiaries	4 383	4 159	424	5,39%
<b>Total</b>	<b>5 669</b>	<b>5 451</b>	<b>418</b>	<b>4,00%</b>

Dividends receivables from related companies by type of ownership:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Subsidiaries	66	66	0	0%



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

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	31.3.2019 BGN '000	31.12.2018 BGN '000
<b>Receivables from entities under indirect common control</b>					
Sirma ISG	257	31.12.2018	5,00%	257	257
Sirma Media	18	31.12.2019	6,50%	18	18
Pirina Technologies	766	31.12.2019	6,50%	766	767
Sirma ICS	250	31.12.2019	3,00%	245	250
<b>Subsidiaries</b>					
Sirma AI	3 583	31.12.2019	5%, 3,5%	3 807	3 583
Sirma Medical Systems	516	31.12.2019	5,00%	516	516
EngView Systems Sofia	60	31.12.2019	2,50%	60	60

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

## 21/ TRADE RECEIVABLE

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Receivables from customers	34	353	(319)	-90,37%
Advances provided	84	131	(47)	-35,88%
<b>Total</b>	<b>118</b>	<b>484</b>	<b>(366)</b>	<b>-75,62%</b>

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

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	8	467	(459)	-98,29%
from 31 to 90 days	17	3	14	466,67%
from 91 to 180 days	9	14	(5)	-36%
<b>Total</b>	<b>34</b>	<b>484</b>	<b>(450)</b>	<b>-92,98%</b>

## 22/ TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Tax receivables includes:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
VAT	27	69	(42)	-60,87%

Other receivables and prepaid expenses includes:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Prepaid expenses	9	7	2	28,57%
Other receivables	460	353	107	30,31%
<b>Total</b>	<b>469</b>	<b>360</b>	<b>109</b>	<b>30,28%</b>



Prepaid expenses includes:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Insurance	3	2	1	50%
Subscriptions	6	5	1	20%
<b>Total</b>	<b>9</b>	<b>7</b>	<b>2</b>	<b>29%</b>

## 23/ CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Cash at bank	1 456	1 179	277	23,49%
Cash in case	46	35	11	31,43%
<b>Total</b>	<b>1 502</b>	<b>1 214</b>	<b>288</b>	<b>23,72%</b>

Cash in case is in BGN.

## 24/ EQUITY

In Q1 2019, Equity decreased by BGN 201 thousand compared to the previous reporting period.

### MAIN SHARE CAPITAL

As of 31.03.2019, the share capital of "Sirma Group Holding" JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with nominal value of BGN 1.

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

Issued and fully paid ordinary at	Number of shares	Share capital, net of treasury shares BGN '000
Balance at January 1, 2018	59 360 518	59099
Balance at December 31, 2018	59 360 518	58886
Balance at January 1, 2019	59 360 518	58886
Balance at March 31, 2019	59 360 518	58886

For the reporting period share capital remained unchanged from the previous period. In execution of the decisions of the regular General Meeting of Shareholders in 2017 Sirma Group Holding JSC purchased 474 724 own shares. The board of directors believes in the development of the Sirma Group Holding JSC and the increase of the market value of the shares in the future and therefore decided to purchase these shares at a relatively low price.



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

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Statutory reserves	592	592	-	0,00%
Revaluation reserve of property, plant and equipment	5 462	5 462	-	0,00%
<b>Total</b>	<b>6 054</b>	<b>6 054</b>	<b>-</b>	<b>0,00%</b>

The movement of statutory reserves is as follows:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
<b>Balance on January 1</b>	<b>592</b>	<b>311</b>	<b>281</b>	<b>90%</b>
Profit distribution	-	281	(281)	-100%
<b>Balance on 31<sup>st</sup> March/ December</b>	<b>592</b>	<b>592</b>	<b>-</b>	<b>0%</b>

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

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
<b>Balance on January 1</b>	<b>5 462</b>	<b>5 462</b>	<b>-</b>	<b>0,00%</b>
Reserves from issue of shares	-	-	-	n/a
<b>Balance on 31<sup>st</sup> March/ December</b>	<b>5 462</b>	<b>5 462</b>	<b>-</b>	<b>0,00%</b>

The movement of retained earnings is as follows:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
<b>Balance on January 1</b>	<b>7 140</b>	<b>4 847</b>	<b>2 293</b>	<b>47,31%</b>
<b>Balance on 31<sup>st</sup> March/ December</b>	<b>7 140</b>	<b>4 847</b>	<b>2 293</b>	<b>47,31%</b>
Distribution of profit for reserves	-	(281)	281	-100,00%
Others	-	(22)	22	-100,00%
<b>Current result for the period</b>	<b>(201)</b>	<b>2 596</b>	<b>(2 797)</b>	<b>-107,74%</b>
<b>Balance on 31<sup>st</sup> March/ December</b>	<b>6 939</b>	<b>7 140</b>	<b>(201)</b>	<b>-2,82%</b>

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Weighted average number of shares	58 886	58 886	-	0,00%
Net profit for the period (BGN '000)	(201)	(255)	54	-21,18%
Basic earnings per share (BGN)	(0,0034)	(0,0043)	0,0009	-21,18%



## 25/ LONG-TERM AND SHORT-TERM BANK LOANS

### Long-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	183	196	(13)	-7%
Unicredit Bulbank AD (BGN)	1 782	7.4.2027	3M SOFIBOR; premium 2.5%	1 258	1 308	(50)	-4%
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	90	95	(5)	-5%
Unicredit Bulbank AD (BGN)	9 780	26.7.2022	3M SOFIBOR; premium 1.35%	7 044	7 800	(756)	-10%

### Short-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Eurobank Bulgaria AD – overdraft (BGN)	2200	31.7.2019	2,50%	2 115	2 110	5	0%
Societe Generale Expressbank - overdraft (BGN)	2000	31.8.2019	2,50%	1 644	1 994	(350)	-18%
Unicredit Bulbank AD (euro)	587	8.12.2023	3M EURIBOR + 4.45%	49	49	-	0%
Unicredit Bulbank AD (BGN)	1782	25.11.2023	ADI + 2.332% (no less that 2.5%)	198	198	-	0%
Alianz Bank AD (euro)	241	26.7.2022	6M LIBOR premium 4.75%	24	24	-	0%
Unicredit Bulbank AD (BGN)	9780	8.12.2023	ADI + 2.332% (no less that 1.35%)	2 496	1 980	516	26%



## 26/ DEFERRED TAX ASSETS AND LIABILITIES

**Deferred income taxes** as at 31 March relate to the following items in the statement of financial position:

	Temporary difference as at 31.03.2019 (BGN '000)	Deferred tax as at 31.03.2019	Temporary difference as at 31.12.2018 (BGN '000)	Deferred tax 31.12.2018
Property, plant and equipment, incl. Revaluation reserve	816	82	816	82
Unpaid amounts to individuals	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>816</b>	<b>82</b>	<b>816</b>	<b>82</b>
Payables to staff	53	5	53	5
Unpaid amounts to individuals	45	5	45	5
Loss	-	-	-	-
Impaired receivables	21	2	21	2
Estimated costs	64	6	64	6
<b>Total deferred tax assets</b>	<b>27</b>	<b>3</b>	<b>27</b>	<b>3</b>
<b>Net deferred income tax liabilities</b>	<b>210</b>	<b>21</b>	<b>210</b>	<b>21</b>



## 27/ FINANCIAL LEASING

### Finance lease liabilities

The finance lease liabilities included in the statement of financial position as at 31 March are under contracts for the acquisition of fixed assets. They are presented net of interest due in the future and are as follows:

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Up to one year	47	46	1	2,17%
Over a year	53	66	(13)	-19,70%

Company	Creditor	Currency	Credit amount in currency	Type	Value at 31.03.2019 (BGN)	Interest rate	Contract end date
Sirma Group Holding JSC	Leasing Finance	Euro	154 082	Leasing	51 344	3M Euribor + 4,75%	30.4.2021

## 28/ LONG-TERM PROVISIONS

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Accrued retirement benefits Under IAS 19	27	27	-	0%

## 29/ CURRENT TRADE AND OTHER PAYABLES

	31.3.2019 BGN '000	31.12.2018 BGN '000	Change (BGN '000)	Change (%)
Obligations to suppliers	31	37	(6)	-16,22%
Payables on purchased shares	4 303	4 303	-	0,00%
<b>Total</b>	<b>4 334</b>	<b>4 340</b>	<b>(6)</b>	<b>-0,14%</b>

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

## 30/ CURRENT LIABILITIES TO RELATED PARTIES

Current liabilities to related parties include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	787	540	247	45,74%
Liabilities to companies under common control through key management personnel	31	27	4	14,81%
<b>Total</b>	<b>818</b>	<b>567</b>	<b>251</b>	<b>44,27%</b>





Current liabilities to related entities by type are as follows:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Service delivery	184	174	10	5,75%
Interest payable on deposits	1	-	1	n/a
Deposits payable	580	170	410	241,18%
Capital liabilities	50	220	(170)	-77,27%
Dividend obligations	3	3	-	0,00%
<b>Total</b>	<b>818</b>	<b>567</b>	<b>251</b>	<b>44,27%</b>

## 31/ TAX OBLIGATIONS

Tax liabilities include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Taxes on Income of Individuals	29	28	1	3,57%
VAT	-	3	(3)	-100,00%
Taxes under CITA	305	220	(43)	-100,00%
<b>Total</b>	<b>334</b>	<b>251</b>	<b>83</b>	<b>33,07%</b>

## 32/ PENSION OBLIGATIONS TO THE STAFF

Payables to staff and social security are as follows:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
<b>Payables to personnel, including:</b>	<b>141</b>	<b>113</b>	<b>28</b>	<b>25%</b>
Remuneration obligations	122	96	26	27%
Social security obligations	19	17	2	12%
<b>Provisions for unused compensated leave, including:</b>	<b>53</b>	<b>53</b>	<b>-</b>	<b>0%</b>
Accruals for unused compensated leave	46	46	-	0%
Contributions for unused compensated leave	7	7	-	0%

## 33/ OTHER CURRENT LIABILITIES

Other current liabilities include:

	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
Other liabilities	812	12	800	6670%



## 34/ CONDITIONAL OBLIGATIONS AND COMMITMENTS, FINANCING

There are no legal proceedings against the company.

### Guarantees provided

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

	Maturity	Type of currency	Amount	Debt status
Sirma Solutions - overdraft Unicredit Bulbank	31.05.2019	BGN	420 000	regular
Sirma AI - overdraft Unicredit Bulbank	31.05.2019	BGN	550 000	regular
Sirma AI - overdraft Unicredit Bulbank	31.05.2019	EUR	460 000	regular
Sirma Solutions - overdraft Unicredit Bulbank	31.05.2019	EUR	810 000	regular
Sirma Solutions - overdraft Unicredit Bulbank	31.05.2019	EUR	700 000	regular

### Financing

As of 31.12.2018 the long-term financing of Sirma Group Holding JSC amounted to BGN 26 thousand (31.12.2017 : BGN 81 thousand) and the short-term loans amounted to BGN 55 thousand (31.12.2017 : BGN 55 thousand).

## 35/ CASH FLOWS

Money and cash equivalents at the end of Q1 2019 decreased by BGN 1 796 thousand or by 54,46% compared to the end of Q1 2018.

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
<b>Operation activity</b>				
Cash receipts from customers	551	1 529	(978)	-63,96%
Payments to suppliers	(259)	(2 074)	1 815	-87,51%
Payments to employees and social security institutions	(309)	(287)	(22)	7,67%
Cash flows from positive and negative exchange rate differences	(1)	-	(1)	n/a
Other receipts / (payments), net	(43)	302	(345)	-114,24%
<b>Net cash flow from operating activities</b>	<b>(61)</b>	<b>(530)</b>	<b>469</b>	<b>-88,49%</b>

	31.3.2019 BGN '000	31.3.2018 BGN '000	Change (BGN '000)	Change (%)
<b>Investment activity</b>				
Payments for acquisition of property, plant and equipment	(91)	(16)	(75)	468,75%
Payments for acquisition of intangible assets	(15)	(9)	(6)	66,67%
Cash flows associated with the purchase and sale of investments / shares	770	-	770	n/a
Loans, deposits	-	(173)	173	-100,00%
Payments on loans	5	-	5	n/a
Cash flows related to investment deposits	410	-	410	n/a
<b>Net cash flow from investing activities</b>	<b>1 079</b>	<b>(198)</b>	<b>1 277</b>	<b>-644,95%</b>



	31.12.2018 BGN '000	31.12.2017 BGN '000	Change (BGN '000)	Change (%)
<b>Financial activity</b>				
Received loans	4	7 839	(7 835)	-99,95%
Loans payables	(657)	(4 362)	3 705	-84,94%
Payments under finance leases	(13)	(13)	-	0,00%
Interest payments	(64)	(42)	(22)	52,38%
<b>Net cash flow from financing activities</b>	<b>(730)</b>	<b>3 422</b>	<b>(4 152)</b>	<b>-121,33%</b>

## 36/ FINANCIAL RISK MANAGEMENT

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

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

### Currency risk

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

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

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

### Price risk

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

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

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

### Credit risk

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



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

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

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

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

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

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

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

#### Liquidity risk

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

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

#### Risk of interest-bearing cash flows

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

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

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



#### Capital risk management

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

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

#### Fair Values

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

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

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

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

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

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

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



## 37/ RELATED COMPANIES TRANSACTIONS

Affiliates	Type of connectivity	Connectivity period
Sirma Solutions	subsidiary	25.4.2008 until now
Ontotext	subsidiary	31.3.2014 until now
Ontotext USA	entity under indirect common control	31.3.2014 until now
EnfView Systems Sofia	subsidiary	4.11.2009 until now
Sirma AI	subsidiary	25.4.2008 until now
Daticum	entity under indirect common control	19.1.2009 until now
Sirma Business Consulting	entity under indirect common control	25.4.2008 until now
Sirma ISG	entity under indirect common control	30.5.2011 until now
Panaton Soft Inc.	entity under indirect common control	1.1.2013 untill 15.01.2015
Sirma ICS	entity under indirect common control	24.02.2016 until now
Sirma Medical Systems	subsidiary	28.04.2016 until now
Sirma Group Inc.	subsidiary	15.03.2016 until now
Pirina Technologies	subsidiary	01.09.2008 untill 31.07.2014
Pirina Technologies	other related parties	31.07.2014 until now
Sirma Media	subsidiary	01.01.2009 untill 31.07.2014
Sirma Media	other related parties	31.07.2014 until now
Sirma Sha	entity under indirect common control	17.02.2017 until now
Sirma CI	subsidiary	26.10.2018 until now

The types of connectivity are:

- 1 Subsidiary
- 2 A company under common control with key management personnel
- 3 Other related parties

### Purchases

Type	Type of Connectivity	Description	31.3.2019 BGN '000	31.3.2018 BGN '000
Materials	1	Office supplies	(1)	(1)
Materials	1	Inventory	-	(1)
External services	2	Internet	(3)	(3)
External services	2	Consulting services	-	(4)
External services	1	Software services	-	(25)
External services	2	Software services	-	(25)
Interest on deposits	1	Interest expense on deposits	(1)	(1)



**Sales**

Type	Type of Connectivity	Description	31.3.2019	31.3.2018
			BGN '000	BGN '000
Services	1	Subscriptions	-	25
Services	1	Administrative, accounting services	168	168
Services	2	Administrative, accounting services	35	34
Services	3	Administrative, accounting services	2	5
Services	1	Consumables	24	6
Services	1	Rentals	119	66
Services	2	Rentals	13	13
Services	1	Cloud services	-	1 170
Services	1	Revenue from the sale of licenses	-	81
Services	1	Technical Support	6	8
Services	2	Technical Support	4	4
Interest on loans	1	Interest income on loans	53	53
Interest on loans	2	Interest income on loans	4	5
Interest on loans	3	Interest income on loans	9	7

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

### 38/ EVENTS AFTER THE END OF THE REPORTING PERIOD

No events have occurred after the date of the balance sheet which require adjustments or disclosures in the separate financial statements.

**Sofia**

**30.04.2019**

**CEO:**

**Tsvetan Alexiev**

