



SirmaGroup

ANNUAL CONSOLIDATED
MANAGEMENT REPORT OF
SIRMA GROUP HOLDING
AD FOR THE PERIOD
ENDED 31.12.2016



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1/STATEMENT OF THE BOARD OF DIRECTORS OF SIRMA GROUP HOLDING AD

This annual consolidated management report of "SIRMA GROUP HOLDING" AD covers the period ending on December 31, 2016 and has been prepared in accordance with the provisions of Art. 33 of the Accountancy Act and Art. 100o, para. 2 and 5 of the Public Offering of Securities Act (POSA), including the established events that occurred after the balance sheet date. The structure of this report is in accordance with Annex 10 to Article 32a, paragraph 2 of Regulation No. 2.

The Board of Directors of the holding company confirms, based on the responsibility of the management for the preparation of each of the financial statements of the companies participating in the consolidated financial statements and in accordance with the explanatory notes to the

them that:

- there were no irregularities involving managers or employees that could be material to the consolidated financial statements;

- all material transactions have been properly accounted for and reflected in the interim financial statements consolidated financial statements as of December 31, 2016;

- there is no actual or potential violation of laws and (or) other regulatory provisions that would have a material impact on the consolidated financial statements or could serve as a basis for reporting a contingent loss;

- there are no legal or other restrictions on the flow of funds;

- There are no known trends, demands, commitments, events or random circumstances that there are reasons to expect could have an impact on the company as a whole.

This management report contains forward-looking statements and information based on our beliefs and assumptions, using currently available information about them. Any statements contained in this report that are not historical facts are forecasts. We have based these forward-looking statements on our current expectations, assumptions and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materialize, or if underlying management assumptions prove incorrect, our actual results could differ materially from those described in the report. We describe these risks and uncertainties in the report in the risk section.

The words "target", "anticipation", "assume", "believe", "in the future", "could", "we expect", "we are confident", "we estimate", "we expect", "forecast", "indicative", "we intend", "we may", "we may", "outlook",

"plan", "project", "predict", "seek", "need", "strategy", "we want", "will", "would" and the like

expressions are intended to identify these forward-looking statements. Such forecasts are, for example, those made in the Performance section, under

regarding our quantitative and qualitative

market risk disclosures, in accordance with International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the Financial Statements, Opportunity Report, our development prospects, as well as other forward-looking information that appears elsewhere in this report. Except as required by law, we undertake no obligation and have no obligation to publicly update or revise any forward-looking statements as a result of new information we obtain about conditions that existed when this report was issued or

future events.

This report includes statistics on the IT industry and global economic trends, which are derived from information published in

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

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

The financial information presented in the report of Sirma Group Holding AD includes our consolidated financial statements, our report of the Board of Directors, as well as certain financial dimensions obtained from our management reporting. The non-financial data presented in the report includes aspects of intellectual property rights, human and social relations derived from our materiality assessment.

Our consolidated financial statements have been prepared in accordance with IFRS. **Internal control over financial reporting ensures the reliability of the information presented in the consolidated financial statements.** Our Board of Directors



confirmed the effectiveness of our internal controls over financial reporting.

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

The reporting period is the financial period ending on 31.12.2016. The report covers Sirma Group Holding AD and all subsidiaries of the group except Flash Media AD and EngView Latin America which are excluded from consolidation due to immateriality.

2/ORGANIZATION AND METHOD OF PRESENTATION

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

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

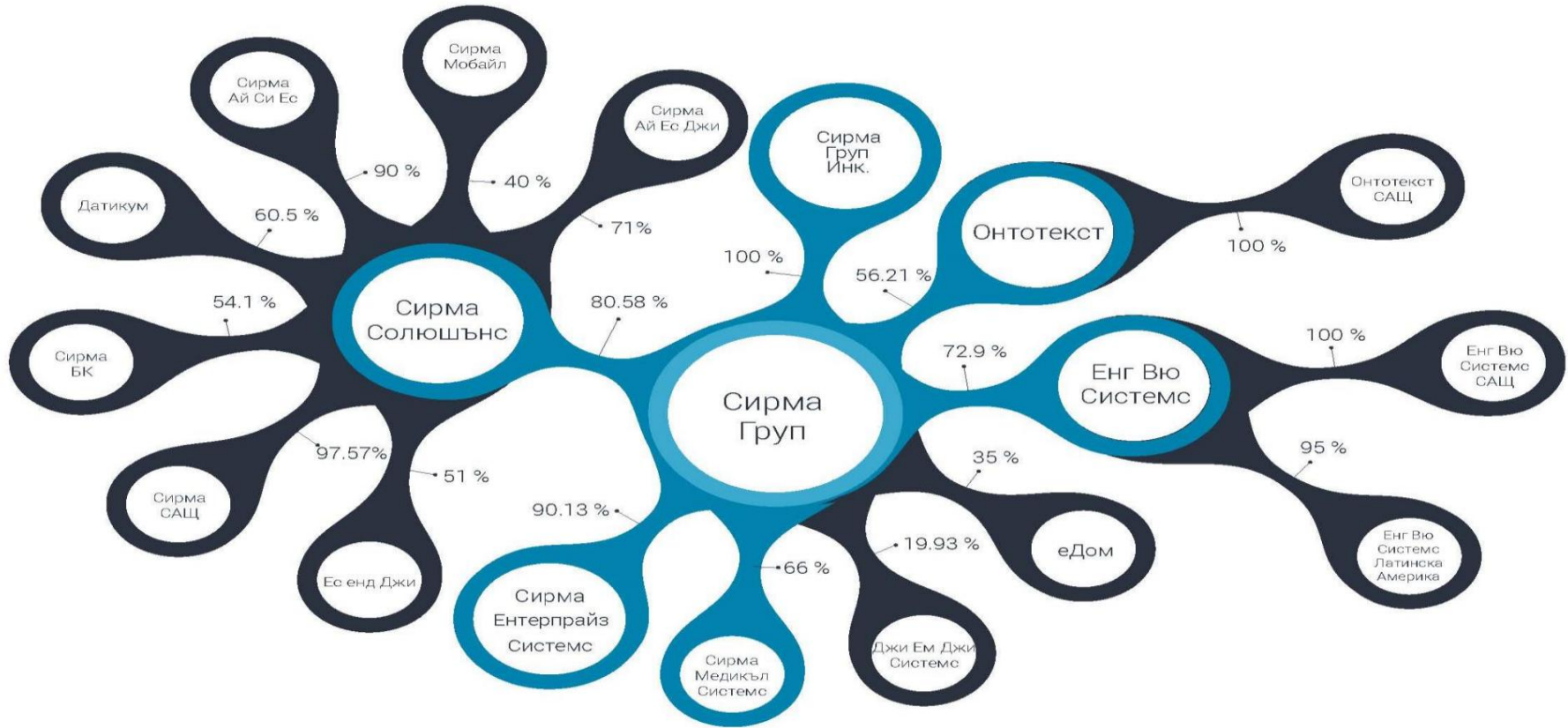
capital. Our strategy is to create businesses, incubate them, and develop them.

Generating stable growth, profitability and consistent business results are among the top priorities for all companies in the group.



2.1.Organizational structure

GROUP STRUCTURE



HISTORY AND DEVELOPMENT OF THE COMPANY

"Sirma Group Holding" AD was entered in the Commercial Register at the Registry Agency on 25.04.2008 with a Unified Identification Code (UIC): 200101236 and has its registered office and management address: Sofia District (Capital City), Stolichna Municipality, town of **Sofia 1784, Mladost District, Blvd. Tsarigradsko Shosse No.**

135. The name of the company was changed on 23.03.2009 from "SGH" AD to "Sirma Group Holding" AD, with the English equivalent "Sirma Group Holding" JSC. The company is not limited in its term of existence.

The correspondence address of "Sirma Group Holding" AD is: town of **Sofia 1784, Mladost District, Blvd. Tsarigradsko Shosse No. 135.**

Changes in the scope of activity:

On 23.03.2009. SGH changes its scope of activity, as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, assignment of licenses for the use of patents to companies in which the holding company participates, financing of companies in which the holding company participates, organization of accounting and preparation of financial statements in accordance with the Accounting Act. **The company may also carry out its own commercial activities that are not prohibited by law.** On 04.07.2012 the subject of activity was changed to the current one.

Upon its establishment, the company operated under the following subject of design, development, marketing, sales, implementation, training and support of software products and complete solutions, including software project management, consulting services in the field of information and communication technologies; **CAPITAL**

The company's capital is BGN 59,360,518, distributed into 59,360,518 registered dematerialized shares with a nominal value of each share of BGN 1.

• On 30.10.2015, after a successful initial public offering, the capital was increased to BGN 59,360,518 through the issuance of 9,523,362 new shares with a nominal value of BGN 1 per share and an issue price of BGN 1.20.

Non-monetary contributions are:

1. Software, representing 29 (twenty-nine) software products

VALUE: 61,555,838 BGN.

2. 281,960 ordinary registered shares from the capital of "SIRMA GROUP" AD, the company registered in the Commercial Register at the Registry Agency, UIC, 040529004

The subject of activity, according to Art. 4 of the Company's Articles of Association, is: acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents,

granting licenses for the use of patents to companies in which the holding company participates, financing of companies in which the holding company participates, organizing accounting and compiling financial statements in accordance with the Accountancy Act. The company may also carry out its own commercial activities that are not prohibited by law.

accounting services, as well as any other activity not prohibited by law.

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

- is not subject to consolidation;
- no transfer or pledge has been made the enterprise;
- There are no claims filed to open a bankruptcy proceedings of the company;
- no tender offers have been made by third parties to the Company or by the Company to other companies;
- did not carry out research and development activities.

VALUE: 11,734,980 BGN.

3. Real estate - Floor 3 of the office building "IT - Center Office Express" in Sofia, Tsarigradsko Shose Blvd. No. 135 with a built-up area of 796.50 sq.m., according to the Notarial Deed for the purchase and sale of real estate No. 126, volume I, reg. **N 4551, case N 116 of 23.04.2003 and Floor 5 of the office building "IT - Center Office Express" in the city. Sofia, Blvd. "Tsarigradsko Shose" N 135 with a built-up area of 281.81**

sq.m., according to the Notarial Deed for the purchase and sale of real estate N 86, volume 4, reg. N 10237, case N 592 of 23.12.2004.

VALUE: 3,911,660 BGN.

TOTAL VALUE: 77,202,478 BGN.

Non-monetary contributions are described in detail in Article 7, paragraph 3 of the Company's Articles of Association.



HISTORY OF SHARE CAPITAL

History of changes in share capital

- In the transformation carried out and entered in the Commercial Register on 23.10.2014, the capital of the Company was reduced to BGN 49,837,156 through the cancellation of 23,503,662 shares. **This decrease is a result of the calculated fair value of the shares of Sirma Group Holding AD by two independent appraisers.** The shareholder structure of the Company does not change as a result of the separation as long as the shareholder structures in the transforming and newly established company are mirrored.
- On 22.10.2010, as a result of the decision of the regular annual general meeting of the shareholders of the Company, a reduction in the capital of Sirma Group Holding AD from BGN 77,252,478 to BGN 73,340,818 was registered through the cancellation of 3,911,660 shares with a nominal value of one lev each. **The Company's capital has been reduced pursuant to Art. 200, para. 2, in connection with Art. 187e, para. 1, item 2pts TC.**
- On October 15, 2008, after accepting three triple appraisals by experts, the share capital was increased from BGN 50,000 to BGN 77,252,478.

through non-cash contributions by issuing 77,202,478 new shares as follows:

- 1) 29 software modules worth 61,555,838 BGN;
- 2) Non-monetary contribution representing real estate worth 3,911,660 leva:
 - Office building - offices, 3rd floor and 1st floor. **5 of an office building located in the city. Sofia, Blvd. "Tsarigradsko Shose" 135, owned by "Sirma Group" AD, a company registered in the Commercial Register with the Registry Agency UIC 040529004, with its registered office and management address in the town of Sofia, Mladost district, Blvd. "Tsarigradsko Shose" No. 135, accepted as a shareholder in "SGH" AD by decision of the General Meeting of "SGH" AD dated 10.07.2008.**
- 3) Non-cash contribution representing shares worth from 11,734,980 leva:
 - Contribution of 81,690 shares with a total value of BGN 11,734,980 (BGN 143.6526 per share) from the capital of Sirma Group AD, a company registered in the Commercial Register with the Registry Agency, UIC, 040529004.

Information on the terms of any rights to acquire and/or obligations for authorized but unissued capital

Sirma Group Holding AD has no information about the terms of any acquisition rights and/or obligations for authorized but unissued capital.

Group functioning

The economic group of SIRMA GROUP HOLDING includes the parent company and its subsidiaries and associated companies - all of which carry out their business activities in the IT sector. The group functions as a typical holding structure with the organization of activities, coordination and subordination of the companies of a similar structure.

The companies in the group have a common strategic framework, corporate values, financial and accounting policies, a vision for good corporate governance and human resources policy.

3/ PORTFOLIO OF SIRMA GROUP HOLDING AD

Subsidiaries of Sirma Group Holding AD

Enterprise	Value of investment as of 31.12.2016 (in thousands of BGN)	Percentage of capital to 31.12.2016	Value of investment as of 31.12.2015 (in thousands of BGN)	Percentage of capital to 31.12.2015	Changes 2016 Mr. (in thousands of BGN)
Sirma Solutions AD Sirma	36 260	80.58%	35 027	81.44%	1233
Enterprise Systems AD Sirma Medical	6 895	90.13%	6 895	91.72%	0
Systems AD Sirma Group Inc. "Ontotext"	66	66.00%		0.00%	66
AD "EngView Systems Sofia" AD Total	3 471	100.00%		0.00%	3471
	8 672	56.21%	0 0 8	56.21%	0
	50	72.90%	672 50	72.90%	0
	55414		50644		4770



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

Subsidiaries of Sirma Solutions AD

	31.12.2016	Relative share	31.12.2015	Relative share	Changes to 2016 (in thousands of BGN)
	BGN '000		BGN '000		
"Sirma Business Consulting" AD "Daticum"	1 373	54.08%	1 373	54.08%	0
AD "Sirma" USA	1 394	60.50%	1394	60.50%	0
S&G Technology	17 630	97.57%	17629	100%	1
Services Ltd., UK "Sirma ISG" Ltd. "Sirma	117	51.00%	117	51%	0
ICS" AD Total	0	71%	4	71%	-4
	270	90.00%	0	0	270
	20784		20517		267

Subsidiaries of Ontotext AD

Enterprise	Investment value as of 31.12.2016 (in thousands of BGN)	Percentage of capital as of 31.12.2016	Investment value as of 31.12.2015 (in thousands of BGN)	Percentage of capital as of 31.12.2015	Changes 2016 (in thousands of BGN)
Ontotext USA	30	100.00%	30	100.00%	-

Subsidiaries of EngView Systems Sofia AD

Enterprise	Value of the investment as of 31.12.2016 (in thousands of BGN)	Percentage of capital as of 31.12.2016	Value of the investment as of 31.12.2015 (in thousands of BGN)	Percentage of capital as of 31.12.2015	Changes 2016 (in thousands of BGN)
EngView Systems Latin America, Brazil EngView USA Total	7	95%	7	95%	-
	9	100%	9	100%	-
	16		7		-

Associates of Sirma Group Holding AD

Enterprise	Value of the investment to 31.12.2016 (in thousands of BGN)	Percentage of capital to 31.12.2016	Value of the investment to 30.09.2015 (in thousands of BGN)	Percentage of capital to 30.09.2015	Changes 2016 (in thousands of BGN)
GMG Systems (in liquidation) E-Dom	214	19.93%	229	21.42%	-15
Management Ltd. Total	7	35.00%	7	35.00%	0
	221		236		-15

Associates of Sirma Solutions AD

Enterprise	Value of the investment as of 31.12.2016	Percentage of capital to 31.12.2016	Value of the investment as of 31.12.2015	Consolidated percentage of capital as of 31.12.2015	Changes
"SEP Bulgaria" AD (other financial assets)	0	6.50%	0	6.50%	0
I-BIL INTERACTIVE EXCEL	0	34%	20	34.00%	-20
MANAGEMENT OOD Flash Media	0	34%	0	34.00%	0
AD "Sirma Mobile" AD	0	50%	25	50.00%	-25
Total, thousand BGN	15	40%	20	40.00%	-5
	15		65		-50



For more information about the companies in the group – Appendix No. 1.

PARTICIPATION INFORMATION

Apart from the Company's participations mentioned in item 3 above, there are no other participations that are likely to have a significant effect on the valuation of its own assets and liabilities, financial position or profits or losses.

4/ SHARE CAPITAL STRUCTURE AND BODIES ON MANAGEMENT

4.1. Shareholder structure

As of 31.12.2016, the distribution of the share capital of Sirma Group Holding AD is as follows:

	31.12.2016	31.12.2015
Share capital	59 360 518	59 360 518
Number of shares (par value 1.00 leva)	59 360 518	59 360 518
Total number of registered shareholders	777	474
including legal entities	42	42
individuals	735	432
Number of shares held by legal entities	6 532 738	6 132 088
% of participation of legal entities	11.01%	10.33%
Number of shares held by individuals	52 827 780	53 228 430
% of participation of individuals	88.99%	89.67%
Own shares repurchased	261 400	3

Shareholders	Number of shares as of 31.12.2016	Number of shares as of 31.12.2015	Nominal value	Value	% in capital	Normalized % in capital
Atanas Kostadinov Kiryakov	5258015	5250686	1 BGN	5,258,015 BGN.	8.86%	8.90%
Vesselin Anchev Kirov	5250786	5250686	1 BGN	5,250,786 BGN.	8.85%	8.88%
Tsvetan Borisov Aleksiev Chavdar	5252376	5250686	1 BGN	5,252,376 BGN.	8.85%	8.89%
Velizarov Dimitrov Yavor Lyudmilov	5250786	5250686	1 BGN	5,250,786 BGN.	8.85%	8.88%
Dzhonev Georgi Parvanov	5250786	5250686	1 BGN	5,250,786 BGN.	8.85%	8.88%
Marinov Krasimir Nevelinov	5257402	5250686	1 BGN	5,257,402 BGN.	8.86%	8.90%
Bozhkov Ognian Plamenov	4903530	5250686	1 BGN	4,903,530 BGN.	8.26%	8.30%
Chernokozhev Vladimir Ivanov	3729330	3727730	1 BGN	3,729,330 BGN.	6.28%	6.31%
Aleksiev Rosen Vassilev Varbanov	2177583	2177483	1 BGN	2,177,583 BGN.	3.67%	3.68%
Vasil Stanimirov Mirchev Petar	2156687	2156687	1 BGN	2,156,687 BGN.	3.63%	3.65%
Konyarov "NN Universal Pension Fund" UPF	837327	1601794	1 BGN	837,327 BGN	1.41%	1.42%
"Doverie" AD UPF "DSK Rodina" AD Others	1298965	1549288	1 BGN	1,298,965 BGN	2.19%	2.20%
Total	2084539	2081249	1 BGN	2,084,539 BGN	3.51%	3.53%
	802126	802126	1 BGN	802,126 BGN	1.35%	1.36%
	747036	747036	1 BGN	747,036 BGN	1.26%	1.26%
	9 103 244	7 762 323	1 BGN	9,103,244 BGN.	15.34%	14.96%
	59360518	59360518		59,360,518 BGN	100%	100%



The shareholders owning over 5% of the company's capital are:

Shareholders	Number of shares	% of capital	Normalized % in equity
Atanas Kostadinov Kiryakov	5 258 015	8.86%	8.90%
Vesselin Anchev Kirov	5 250 786	8.85%	8.88%
Tsvetan Borisov Alexiev	5 252 376	8.85%	8.89%
Chavdar Velizarov Dimitrov	5 250 786	8.85%	8.88%
Yavor Lyudmilov Dzhonev	5 250 786	8.85%	8.88%
Georgi Parvanov Marinov	5 257 402	8.86%	8.90%
Krasimir Nevelinov Bozhkov	4 903 530	8.26%	8.30%
Ognyan Plamenov Black-skinned	3 729 330	6.28%	6.31%

To the best of the Company's knowledge, state whether the company is directly or indirectly owned or controlled and by whom, and describe the nature of such control and the measures that have been put in place to prevent abuse of such control.

The Company is not aware of any control being exercised over it.

A description of any arrangements known to the Company, the operation of which may at some future date result in a change in control of the Company

The Company is not aware of any arrangements whose operation could lead to a change in control of Sirma Group Holding AD in the future.

4.2. Governing bodies

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

The Board of Directors as of 31.12.2016 includes the following members:

Chavdar Velizarov Dimitrov

Tsvetan Borisov Alexiev

Atanas Kostadinov Kiryakov

Georgi Parvanov Marinov

Tsvetomir Angelov Doskov

Sasha Konstantinova Bezukhanova – independent member

Petar Borisov Stattev – independent member

Yordan Stoyanov Nedev – independent member

Method of determining the term of office of the Board of Directors: 2 years from the date of registration. **The mandate of the board of directors expired on December 16, 2016. Until a new Board of Directors is registered, the registered Board of Directors continues its activities.** A new Board of Directors is expected to be elected at the annual general meeting of shareholders.

The powers of the governing bodies

The powers of the management bodies are in accordance with those listed in the Commercial Code, the Articles of Association and the LPOS.

At the annual General Meeting of Shareholders of Sirma Group Holding AD, a decision was made for the annual long-term variable remuneration of the members of the Board of Directors to be paid in shares from the company's capital - Maximum amount of

the annual long-term variable remuneration – up to 0.5% of the total number of shares in the Company's capital. In connection with this decision, a decision was also made to buy back own shares by Sirma Group Holding AD, as follows:

Sirma Group Holding AD to buy back its own shares, the Board of Directors to carry out the buyback under the following conditions:



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The maximum number of shares subject to redemption is 300,000 shares.

Minimum price 0.50 leva per share and maximum price 1.50 per share.

The redemption period is until December 31, 2019.

Redemption method – via investment intermediary.

As of the date of this report, 261,400 treasury shares have been purchased at a price of 1 BGN.

Company stock options

As of the date of this report, there are no options granted to the members of the Board of Directors on its shares.

Bodies of the Board of Directors

Sirma Group Holding AD established the following internal committees in 2015, which are assigned to manage the relevant activities at an operational level, as well as to propose decisions to the company's Board of Directors:

1. Investment and Risk Committee composed of:

Yordan Nedev – Chairman
Tsvetan Aleksiev – member
Radka Peneva – member
Georgi Marinov – member
Stefan Kiryakov – member

2. Remuneration Committee – internal -

composed of:
Georgi Marinov – Chairman
Atanas Kiryakov - member
Tsvetomir Daskov – member
Petar Stattev – member
Yordan Nedev – member

3. Disclosure Committee in

composition:
Tsvetan Aleksiev – Chairman
Radka Peneva – member
Stefan Kiryakov – member
Chavdar Dimitrov – member
Atanas Kiryakov - member

4. Audit Committee composed of:

Angel Kraychev - Chairman
Alexander Todorov Kolev - member
Emilian Ivanov Petrov – member

Adopted internal regulatory documents

In 2015, the company adopted the necessary internal documents in connection with the company's work and management processes and the fulfillment of its obligations as a public company:

- Good Corporate Governance Program; _____
- Rules of Procedure of the Board of Directors; _____
- Instructions and explanations regarding duties and responsibilities of insiders with inside information _____
information; _____
- Special code of conduct for financial and accounting positions. _____

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

<http://www.sirma.bg/investors/>



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The participation of the members of the Board of Directors in the company's capital is as follows:

Shareholders	Number of shares as of 31.12.2016	Number of shares as of 31.12.2015	Nominal value	Value	% in capital to 31.12.2016	Normalized % in capital as of 31.12.2016
Atanas Kostadinov Kiryakov	5258015	5250686	1 BGN	5,258,015 BGN.	8.86%	8.90%
Georgi Parvanov Marinov	5257402	5250686	1 BGN	5,257,402 BGN.	8.86%	8.90%
Tsvetan Borisov Aleksiev	5252376	5250686	1 BGN	5,252,376 BGN.	8.85%	8.89%
Chavdar Velizarov Dimitrov Petar	5250786	5250686	1 BGN	5,250,786 BGN.	8.85%	8.88%
Borisov Stattev Yordan	100		1 BGN	100	0.00%	0.00%
Stoyanov Nedev Total	3433	0	1 BGN	BGN. 3,433	0.01%	0.01%
	21022112	3333 21006077		BGN 21,022,112 BGN.	35.41%	35.39%

EXECUTIVE DIRECTOR of Sirma Group Holding AD is TSVETAN BORISOV ALEKSIEV.

Remuneration of the members of the Board of Directors of Sirma Group Holding AD

Member of the Board of Directors	Amount as of 31.12.2016 (BGN)
Atanas Kostadinov Kiryakov	Company ENGVIEW SYSTEMS 600.00
	SOFIA AD 129225.79
	ONTOTEXT AD SIRMA ENTERPRISE 99.96
	SYSTEMS AD SIRMA GROUP 10200.00
	HOLDING AD SIRMA 6000.00
Georgi Parvanov Marinov	SOLUTIONS AD ENGVIEW 108571.60
	SYSTEMS SOFIA AD SIRMA BUSINESS 6000.00
	CONSULTING AD SIRMA 16330.00
Yordan Stoyanov Nedev	GROUP HOLDING AD SIRMA 30888.40
	GROUP HOLDING AD SIRMA 805.00
Petar Borisov Stattev	MEDICAL SYSTEMS SIRMA 10330.00
Sasha Konstantinova Bezuhanova	GROUP HOLDING AD SIRMA 9000.00
Tsvetan Borisov Aleksiev	GROUP 240.00
	HOLDING AD SIRMA GROUP 600.00
	HOLDING AD 6000.00
	DATICUM AD ENGVIEW SYSTEMS SOFIA 99.96
	AD ONTOTEXT AD SIRMA ENTERPRISE 12000.00
	SYSTEMS AD SIRMA BUSINESS 135000.00
	CONSULTING AD SIRMA 131710.60
Tsvetomir Angelov Daskov	GROUP HOLDING AD SIRMA SOLUTIONS 135811.92
	AD SIRMA BUSINESS 10200.00
Chavdar Velizarov Dimitrov	CONSULTING 240.00
	AD SIRMA GROUP HOLDING 51970.02
	AD DATICUM AD SIRMA GROUP 805.00
	HOLDING AD SIRMA MEDICAL SYSTEMS SIRMA SOLUTIONS AD 96685.00
Total	909413.25

INFORMATION ON THE CONTRACTS OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES WITH THE COMPANY PROVIDING TERMINATION BENEFITS

In the contracts of the members of the board of directors, both with the Company itself and with subsidiaries of the Company, where such contracts with these persons are

available, there are no benefits provided upon termination of their contracts.



INFORMATION ABOUT THE COMPANY'S AUDIT COMMITTEE OR REMUNERATION COMMITTEE, INCLUDING THE NAMES OF THE COMMITTEE MEMBERS AND A SUMMARY OF THE TERM UNDER WHICH THE COMMITTEE FUNCTIONS

At the meeting held on 14.06.2016. The General Meeting of Shareholders of the Company elected an Audit Committee (in accordance with the requirements of paragraph 1, item 11, b. "a" of the LFPA) composed of:

Angel Kraychev – Chairman

Alexander Todorov Kolev - member

Emilian Ivanov Petrov – member

The term of office of the Audit Committee is 3 (years).

STATEMENT ON WHETHER OR NOT THE COMPANY COMPLIES WITH THE CORPORATE GOVERNANCE REGIME(S)

In view of the fact that Sirma Group Holding AD is registered in the register under Art. 30, para. 1, item 3 of the Financial Supervision Act, led by the Financial Supervision Commission, the Company has implemented a program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of the POSA "Sirma"

Group Holding AD is obliged to and complies with the content of its financial statements with a program for the implementation of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.

5/OUR BUSINESS MODEL

Sirma Group helps companies achieve sustainable global growth by creating unique innovative software technologies, products and services. Our

innovative Software companies are transforming traditional corporations into market leaders, and their knowledge-based businesses are achieving global success.

Our vision and mission unlocks our ability to create positive economic, environmental and social effect

In playing this role, we must have the necessary capital. First, we rely on the financial capital provided by our investors. But what really increases our success is the intellectual and social capital - our employees. They are the door to our knowledge, experience and business relationships. For this reason, committed, highly qualified and flexible employees are at the heart of our business model and success. Our customer relationships, employees, in close collaboration with the support of sales and marketing specialists pave the way for our target industries. Our marketing efforts

cover state institutions, large enterprises, as well as small and medium-sized enterprises. We believe that our broad range of solutions and services enables us to meet the needs of customers of all sizes and different industries. Our broad ecosystem provides scalability to meet Sirma Group Holding's demand in

innovation.

We also apply our expertise in business processes across industries and direct our greatest innovations to address the world's challenges. Our goal is to create long-term value by providing solutions that address not only our customers' current challenges, but also those of the future. In this way, we see our role in creating new and effective solutions: We want

to fundamentally help change the way software is used in business and in personal life. At Sirma Group Holding and within our ecosystem, we create jobs for highly qualified workers to develop, sell, implement and improve our software solutions.



6/ SIRMA GROUP HOLDING IN 2016

6.1. Global economic trends

Global economic trends

Macro frame

At its monetary policy meeting on 8 December 2016, the Governing Council of the ECB made a thorough assessment of the economic and inflation outlook and the monetary policy stance, based on its regular economic and monetary analysis. The assessment confirmed the need to extend the duration of the asset purchase programme beyond March 2017 in order to maintain the sizeable amount of monetary support needed to ensure a sustained convergence of inflation rates to levels below, but close to, 2% in the medium term.

medium term plan.

Assessment of the state of the economy and finances as of the date of the Management Board meeting of December 8, 2016:

Global economic activity improved in the second half of the year and is expected to continue to strengthen, although it will remain below pre-crisis levels. The ongoing loose policy and the improvement in the labor market supported activity in the US, but uncertainty about the outlook for the country and the world as a whole increased after the US elections. In Japan, growth rates are expected to remain moderate, while the medium-term growth outlook in the United Kingdom is likely to be constrained by heightened uncertainty surrounding the country's future relationship with the EU. Moreover, while the ongoing gradual slowdown in China may be spilling over to other emerging market economies, the gradual easing of the severe recession in some of the major commodity-exporting countries is increasingly supporting global growth. Oil prices rose following the OPEC agreement of November 30, and the effects of previous price declines on overall global inflation are slowly diminishing. However, the still large amount of spare production capacity in the world is holding back core inflation.

The economic situation in the eurozone continues. In the third quarter of 2016 Eurozone real GDP grew by 0.3% on a quarterly basis, the same as in the second quarter. Incoming data, and especially survey results, indicate that growth will continue in the fourth quarter of 2016. Looking ahead, the Governing Council expects the economic recovery to continue at a

moderate but more stable pace. The pass-through of the ECB's monetary policy measures to the real economy is stimulating domestic demand and supporting corporate profitability. Better indebtedness and very favourable financing conditions the reduction of encourage a recovery in continue to investment. Moreover, sustained employment growth, also contributed by previous structural reforms, is supporting real household disposable income and private consumption.

According to the December 2016 Eurosystem staff macroeconomic projections for the euro area, real GDP is projected to grow by 1.7% annually in 2016 and 2017 and by 1.6% in 2018 and 2019. Compared to the ECB staff macroeconomic projections of September 2016, the forecast for real GDP growth remains broadly unchanged. Risks to euro area growth remain on the upside.

According to the World Economic Outlook semi-annual report, published on 04.10.2016, Bulgaria's gross domestic product (GDP) will grow by up to 3.0% in 2016 and 2.8% in 2017. The IMF's previous forecasts from April were for growth of 2.3% in both years. The main risks to the development of the Bulgarian economy, according to IMF experts, are the deteriorating demographic picture, as well as the large economic and social imbalances between the individual regions in the country.

On 06.12.2016 The Ministry of Finance has published an updated Autumn Macroeconomic Forecast*. (*Statistical data published up to October 28, 2016 were used in the preparation of the forecast, except as explicitly mentioned.) The update of the Ministry of Finance's autumn forecast was necessitated by the publication of revised data series for the Balance of Payments and National Accounts, on September 17 and October 11, 2016, respectively.

According to the updated autumn forecast of the Ministry of Finance, both the European and American economies are expected to slow down their growth rates this year. Favorable developments in emerging markets, as well as the acceleration of US GDP growth, will play a leading role in the dynamics of the global economy in 2017. At the same time,



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The development of the European economy is expected to remain depressed, as a result of increased uncertainty in the region related to geopolitical tensions, the migration flow to EU countries, the effect of the impending exit of the United Kingdom from the Union and the deteriorating economic and political environment in Turkey.

Revised investment data showed a larger increase in inventories, while fixed capital investment was almost at the same level, both in value and real growth. **Total investment grew by 7.7% in the first half of the year, but growth is expected to slow to 4.1% for the full year. This will be related to the expected weaker growth in inventories and private investment in the second half of the year, as well as the decline in government capital spending due to the transition to the new 2014 financial framework. - 2020 for financing the programs from EU funds.** Investment in fixed capital is expected to increase by 0.1%, which will be due to the private sector.

The real growth of the Bulgarian economy for 2016 is expected to reach 3.2%, compared to 2.6% in the autumn forecast. Domestic demand (consumption and investment) is again expected to be the main contributor to growth, but the contribution of net exports has also been increased, from 0.6 to 1 percentage point, due to revised import data.

In 2017, GDP growth will slow slightly to 2.9%, compared to 2.5% expected in the autumn forecast. The lower growth will be driven by weaker external demand from the European economy, which will result in a slowdown in export growth to 3.2%. With consumption and fixed capital investment strengthening, the growth of imports of goods and services is expected to be slightly higher than in 2016 and reach 2.7%. As a result, the contribution of net exports to GDP growth will be 0.4 percentage points, which is 0.6 percentage points lower than in 2016.

For the period 2018 - **A slight acceleration in GDP growth to 3% is expected in 2019. Domestic demand will be the leading driver, both in terms of consumption and investment.** The higher growth in domestic demand will be reflected in an accelerated increase in imports, as a result of which the contribution of net exports will continue to decline, and at the end of the forecast period an almost zero contribution to GDP growth is expected.

According to NSI data, in December 2016 the general business climate indicator remained at its level from the previous month. An improvement in the economic situation was registered in industry and construction, while a decrease was reported in retail trade and the service sector; Industrial production increased by 2.3 points compared to November, which is due to the improved assessments and expectations of industrial entrepreneurs for business

the state of the enterprises. At the same time, however, the security of production with orders is assessed as slightly reduced, which is also accompanied by lowered expectations for production activity over the next three months.

The uncertain economic environment continues to be the most serious problem, hindering the activities of 46.4% of enterprises.

Regarding sales prices in industry, most managers expect their level to remain the same over the next three months.

In December, the composite indicator "business climate in construction" increased by 1.2 points as a result of the favorable assessments and expectations of construction entrepreneurs about the business condition of enterprises. Their opinions on current construction activity, as well as their forecasts for the next three months, are also more moderate.

The main obstacles to business development remain related to the uncertain economic environment and competition in the industry.

The composite indicator "business climate in retail trade" fell by 5.2 points compared to the previous month, which is due to the deteriorated assessments and expectations of retailers about the business condition of enterprises. Their forecasts for sales volume and orders to suppliers over the next three months are also more reserved.

Competition in the industry, the uncertain economic environment and insufficient demand continue to be the most serious factors hindering the activities of enterprises.

Regarding selling prices, the prevailing expectations of traders are for them to remain at their current level over the next three months.

In December, the composite indicator "business climate in the services sector" decreased by 1.3 points mainly due to managers' less favorable expectations for the business situation of enterprises over the next six months. Their opinions regarding the current and expected demand for services are also more reserved.

The main obstacles to business development remain related to the uncertain economic environment and competition in the industry, although in the last month the survey recorded a decrease in their negative impact.

Regarding selling prices in the services sector, most managers expect them to remain unchanged over the next three months.



Фиг. 1. Бизнес климат - общо



ICT Sector

According to a Gartner study, revised in early 2017, 2016 is expected to be the last year of decline in the IT market. According to Gartner forecasts, global ICT spending in 2016 is expected to decline /CAGR or compound annual growth rate/ by 0.6%, reaching USD 3.375 billion at current prices.

and monitors the shift of IT spending from assets to services. According to Gartner Vice President John-David Lovelock, "most traditional IT now has a digital services twin –

Licensed IT has its cloud solutions or software as a service (SaaS), servers have infrastructure as a service (IaaS), etc. IT, which was previously purchased as an asset, is now used as a service. Accordingly, payment methods are changing, as instead of significant upfront payments, IT costs are shifting to significantly smaller recurring monthly payments. This means that the same levels of usage lead to a completely different cost structure."

Разходи за ИКТ в млрд.USD

глобални разходи по текущи цени

	2014	2015	2016	2017	2018	2019	2020	CAGR 2015-2020
Център за данни	166	171	170	175	176	178	181	1.1%
Бизнес софтуер	310	314	333	355	380	407	436	6.8%
Устойства	649	646	588	589	589	593	593	-1.7%
ИТ услуги	897	866	900	938	981	1029	1081	4.5%
ТЕЛКО	1541	1399	1384	1408	1426	1441	1462	0.9%
Общо ИКТ	3,564	3,395	3,375	3,464	3,553	3,648	3,752	2.0%

Източник: Gartner, Jan. 2017

The reasons for this decline are rooted in the general economic uncertainty, which in turn forces traditional ICT users to look for ways to optimize ICT spending. In parallel with the economic considerations, in 2016 Sirma Group Holding AD www.sirma.bg

Ръст на разходи за ИКТ в %

глобални разходи по текущи цени

	2014	2015	2016	2017	2018	2019	2020
Център за данни	2.9%	-0.6%	2.6%	1.0%	1.0%	1.4%	
Бизнес софтуер	1.1%	5.9%	6.8%	7.0%	7.0%	7.2%	
Устойства	-0.6%	-8.9%	0.1%	0.0%	0.6%	0.0%	
ИТ услуги	-3.4%	3.9%	4.2%	4.7%	4.9%	5.0%	
ТЕЛКО	-9.3%	-1.0%	1.7%	1.3%	1.0%	1.4%	
Общо ИКТ	-4.7%	-0.6%	2.7%	2.6%	2.6%	2.9%	

Източник: Gartner Jan. 2017



It is this change in the way expenses are incurred that is the reason for the relatively large increase /against the background of the general decline/ of the "Business Software" and "IT Services" sectors - growth of 5.9% and 3.9%, respectively, in 2016. These two sectors are also the reason why the overall decline in spending in 2016 was no higher than 0.6%, as all other sectors reported an annual decline. 2016 is expected to end with a dramatic decline (in current USD prices) in "Devices" spending of -8.9%, a moderate decline in "Communication Services" spending of -1%, and a slight decline of -0.6% in "Data Centers" spending. Thus, total IT spending in 2016 is expected to reach 3.375 billion. USD or a decrease of 0.6% for 2016.

Bulgaria and the local IT market

The IT market in Bulgaria continues to record double-digit growth in 2016. Unlike Gartner, which studies "IT spending", the data used by BASSCOM /Bulgarian Association of Software Companies/ studies "IT sales revenue", and it can be argued that these are the two sides of similar dimensions. Another feature of the BASCOM survey data is the strong focus on "software companies" and the non-inclusion of the "TELCO" sector, according to BASCOM methodology, i.e. we are looking at IT, not ICT.

BASCOM's study indicates an expected growth in IT revenues in 2016 of 13% on an annual basis.

Приходи от ИТ в млн.BGN

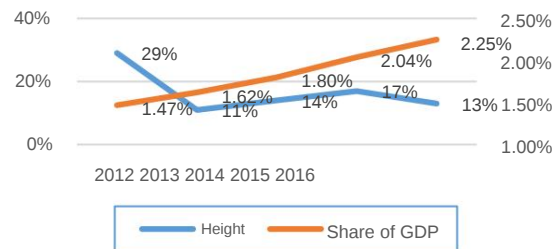
в България по текущи цени

	2011	2012	2013	2014	2015	2016/п/
Приходи	928	1197	1327	1508	1763	1995
Ръст		29%	11%	14%	17%	13%
Дял от БВП		1,47%	1,62%	1,80%	2,04%	2,25%

Източник: БАСКОМ 2016

About 70% of revenue is generated from export-oriented sales, with revenue permanently stabilizing at over \$1 billion in 2016. Accordingly, the global trends described above have a strong impact on the IT industry in Bulgaria. The strong growth in IT revenues is also leading to an increase in the share of GDP generated by the sector. In 2016, the IT sector in Bulgaria is expected to contribute 2.25% of GDP. In addition to the growing share of the IT industry in GDP, the increasing efficiency of the sector should also be noted. The variable growth of revenues does not reflect the sustainable trend of increasing shares in the country's GDP.

Growth vs. Share of GDP

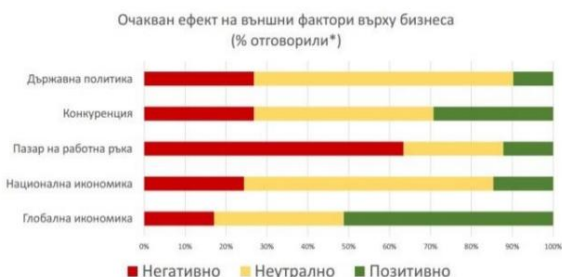


In addition to its direct contribution to GDP, the software industry contributes significantly to Bulgaria's economy through direct and indirect taxes paid. The number of people employed in the software sector in Bulgaria is expected to reach 20 thousand in 2016. The slight slowdown in the growth rate of the IT sector in Bulgaria is explained by the limited access to qualified personnel in the country. Accordingly, wages in the sector continue to increase throughout the year, with each job in the software sector generating approximately 15 thousand leva in taxes, which is about 50% more than the average values for the country /source BASCOM/.

Expectations for 2017 are also highly positive. Combined with global forecasts for next year, we will most likely once again witness double-digit growth in the industry and a continued increase in its share of GDP. The "Labor Market" remains the main constraint or danger for the industry /see BASCOM Barometer 2016/.

Влияние на външни фактори

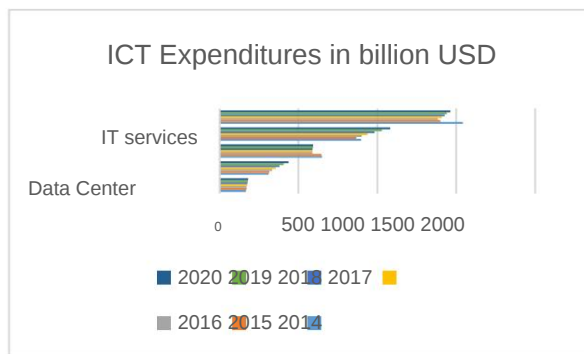
BASSCOM
Bulgarian Association
of Software Companies



Forecasts for the global ICT market 2017-2020

Gartner's expectations for the future are that the trend in ICT spending will be reversed in 2017. Forecasts indicate that the decline in current prices in USD by 0.6% /as expected for 2016/ will be overcome and 2017 will mark a growth of 2.7% in ICT spending.





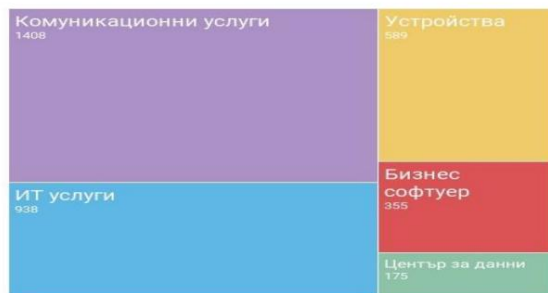
Source: Gartner 2017

In addition to deviations due to exchange rates, the updated forecast also contains changes in expectations for ICT spending by sector. For example, spending for the Devices sector has changed from an expected growth in 2017 to a future development direction and is now expected to decline by 0.1% next year. This decline is led by the personal computer segment,

whose prices are increasing (also due to the appreciation of the dollar) while demand is shrinking. The decline in spending on personal computers in 2016 is expected to reach 6.7%.

ИТ разходи през 2017

глобални разходи по текущи цени в млрд. USD



Източник: Gartner 2017

No change is expected in the costs of Communication Services and their costs remain around 1.4 billion.

USD in 2017, remaining the largest segment in ICT spending until 2020.

The dynamics are greatest in the "Business Software" segment. On the one hand, users are limiting their application development costs by turning to open source software (OSS). At the same time, costs in the same segment, but in other areas, are increasing – for example, for paying for a platform as a service (PaaS).

Due to the sustained growth in the IT Services and Business Software sectors, spending on them is expected to exceed the traditional ICT spending leader –

Telecommunications services in 2020. Then, the combined spending on "IT Services" and "Business Software" is expected to amount to USD 1.517 billion, while spending on telecommunications services is expected to be USD 1.462 billion.

Дял от световния ИКТ пазар през 2016



Източник: Statista 2017

IT spending remains highly diverse across geographic regions. In 2016 and 2017, North America remained the largest market with annual ICT spending at current prices of USD 1.19 trillion USD or 34.35% of the global market. Accordingly, the ICT market in the US alone accounts for over 28% of the global market. The expected growth of the ICT market in North and South America in 2017 is 2.5%, in the Asia-Pacific region it is around 4.5%, while in Europe and Japan the expected growth is below 2%.



6.4. BUSINESS

Sirma is not a conventional group. We do not intend to become like others. You cannot expect us to take less risks in areas that seem speculative or even strange compared to our previous expertise. Since its inception, Sirma has strived to do more, to do important and meaningful things with the resources it has at its disposal. Sirma was established in 1992 in Bulgaria. Over the years, we have created the largest software development center in the country, staffed by talented software specialists, engineers, and other highly qualified personnel. This makes us proud of our achievements and ensures the creation and implementation of superior quality products, sought after and sold worldwide.

Our research and innovations have made Sirma and the group companies recognizable on 4 continents. We believe that Sirma will remain an incredible place for creativity and innovation, helping our customers solve big problems thanks to our technical expertise. Our new developments will help them make significant progress in their industries, making their businesses successful in the long term.

We are proud of our company culture. We welcome collaboration and creativity and encourage the iteration of ideas to solve complex technical challenges. Despite our rapid growth, we still value our roots and the values behind the company's founding and the big ideas that motivate our employees.

We at Sirma are convinced that the future belongs to intelligent organizations, committed to a cause based on knowledge, innovative technologies and business models; dynamic and agile with empowered and happy teams; learning and growing in sustainable business ecosystems.

Sirma is committed to enabling our clients' business transition to the Intelligent Enterprise through advanced software, technologies, and solutions for a better world.

We help organizations become smarter by:

- We provide solutions to improve existing technologies and business models, flexible to meet the challenges of the new technological era;
- We support the automation and robotization of production and services and the replacement of routine work people with a machine gun;
- We solve cybersecurity problems for our clients;
- We facilitate the moderation of virtual communities;
- Our software solutions and products in the field of marketing and loyalty programs provide a 360° view on customers;
- We advise our clients in the field of information technology and solutions and outsource their critical projects;
- We provide comprehensive 360° access to data from various data sources (internal and external) and we turn into valuable information, connections and patterns
- We provide capabilities for automatically processing large volumes of text information to identify its meaning. We combine information derived from text and data for synergistic and proactive solutions and operations
- We adequately represent relationships and knowledge structures; we use machine learning and cognitive to improve human capabilities;
- We support collaboration between people, the Web and machines;
- We individualize the presence on the Web and virtual space;
- We create opportunities to explore social attitudes and sentiments

Sirma positions itself as a provider of advanced technology solutions (products and services) that help clients transform their organizations into intelligent enterprises.

The key values for the group are: Innovation, customer focus, integrity, honesty, learning and teamwork.



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The sectors we serve are: Financial sector, Publishing and media, cultural heritage, Manufacturing, Life sciences, public sector.

The client portfolio of the group of companies includes world-renowned companies such as Allianz, UniCredit, Raiffeisen Bank, the Canadian government, the Bulgarian government, BBC, Euromoney, Financial Times, Oxford University Press, Heidelberg, Zund, Quality Vision International, Cannon, the British Museum, the National Gallery of Art USA, the National Archives of Great Britain, Astra Zeneca, Coca Cola, QVI, etc.

Sirma Group Holding AD achieved remarkable results in 2016.

Revenue growth – 22.39% compared to the previous year, and sales revenue growth – 27.3%;

Gross profit growth – 48.28%.

Growth in operating profit – 52.07% compared to 2015.

Net profit growth – 65.64% compared to 2015.

Growth in the profit of the company's equity holders – 45.76% compared to 2015;

Growth of the group's assets by 6,232 thousand BGN or 5.5%

Equity growth – 4.44%;

EBITDA growth – 29.99%;

Normalized EBITDA growth – 55.28%

Growth in depreciation – 26.45%;

	31.12.2016 '000 BGN	31.12.2015 '000 BGN	Change `000 BGN	Amendment %
Revenue	41,583	33,977	7 606	22.39
Cost of goods and services sold	-27,913	-24,735	-3 178	12.85
Gross profit	13,670	9,242	4 428	47.91
Administrative expenses	-4,869	-3,746	-1 123	29.98
Selling expenses	-1,033	-386	-647	167.62
Rent	-780	-535	-245	45.79
Total Administrative and selling expenses	-6,682	-4,667	-2 015	43.18
Depreciation and amortization	-2,657	-1,727	-930	53.85
Operating profit	4,331	2,848	1 483	52.07
Financial income/expenses –	-138	-274	136	-49.64
net Taxes	-524	-359	-165	45.96
Net profit	3,669	2,215	1 454	65.64



Creating and managing growth

Sirma Group Holding is the largest Bulgarian software developer. The group is successfully positioned as a company incubating technological ideas and creating businesses that transform industries and business processes, and enable global growth.

Investments in expanding the capacity of key companies in the Group, the establishment of new companies and investments in the Group's R&D activities led to impressive results in 2016. Many mobile applications were developed for mobile operators and banks; one of EV's extremely revolutionary products reached V1; a chat bot for Viber was developed; Core Cyber Security for Applications, Next Gen Cloud Apps & Systems were developed by Sirma USA; the cloud-based Sirma Broker Platform and the "Online Insurance" product were launched on the market and the development of the products 'Core Insurance Platform', 'Solvency II' and 'Document Management Software' began; the development of the IRFS9, SCARDS, Omnichannel (weBank) solutions was deepened; the new version 2.0 of the Sirma Enterprise Platform product with an improved interface and architecture was completed; SEC developed the GoDigital application for electronic document management intended for the American market; a version of EngView Package & Display Designer Suite for MacOS was released, which is the first such software in the world for Mac; the data center, after investing in Flash storage, became the only Data Center in Bulgaria that offers this technology, which allows the RAM to operate at a speed of 1M IOPS to our business clients on the cloud platform; Daticum started offering two new services - Disaster recovery as a Service and Microsoft Navision ERP as a Service, pre-parameterized and calculated per customer's number of users; the data center opened a second geographic location of its cloud and backup platforms 400 km from Sofia; almost completed the development of the Loyax extension as a coalition platform; Ontotext successfully further developed its technology and moved to commercialization of the technology through cloud-based solutions for various verticals, and many others. All of this laid the foundation for a successful start in 2017.

The companies in the group of Sirma Group Holding AD have historically accumulated great expertise, both in the implementation of various technological projects related to software and hardware developments, and in business knowledge in numerous industries in which the companies have implemented client projects or

invested in development. Companies from the Sirma Group Holding AD group are developing and researching various new technologies and products in the fields of medicine, robotics, automatic image recognition, artificial intelligence and others, which are still at a conceptual level and have yet to be developed.

The above is not atypical for Sirma, as it is focused as a knowledge-based company. We combine our strong knowledge, products and technologies with our business solutions across the company's strategic business verticals. Sirma creates powerful software products in the cloud. Considering the three main market challenges - data, cloud and experience, Sirma is moving at an accelerated pace towards the new era of technology, namely PaaS and SaaS services. Our vertical products will reside in the cloud so that our customers can use them and benefit from their cognitive components,

which we will constantly improve.

Manufacturing & Services: cloud-based products in measurement, packaging, control and management quality.

Retail: In-Store Marketing Suite - combines computer algorithms for facial recognition, age, race, gender, facial identification with the powerful loyalty and consumer behavior platform with AI tools.

Publishing houses and media. Semantic Digital Asset Management Suite - provides text mining and information extraction algorithms, graphic and video analysis tools, a business process and document management platform for media and publishers.

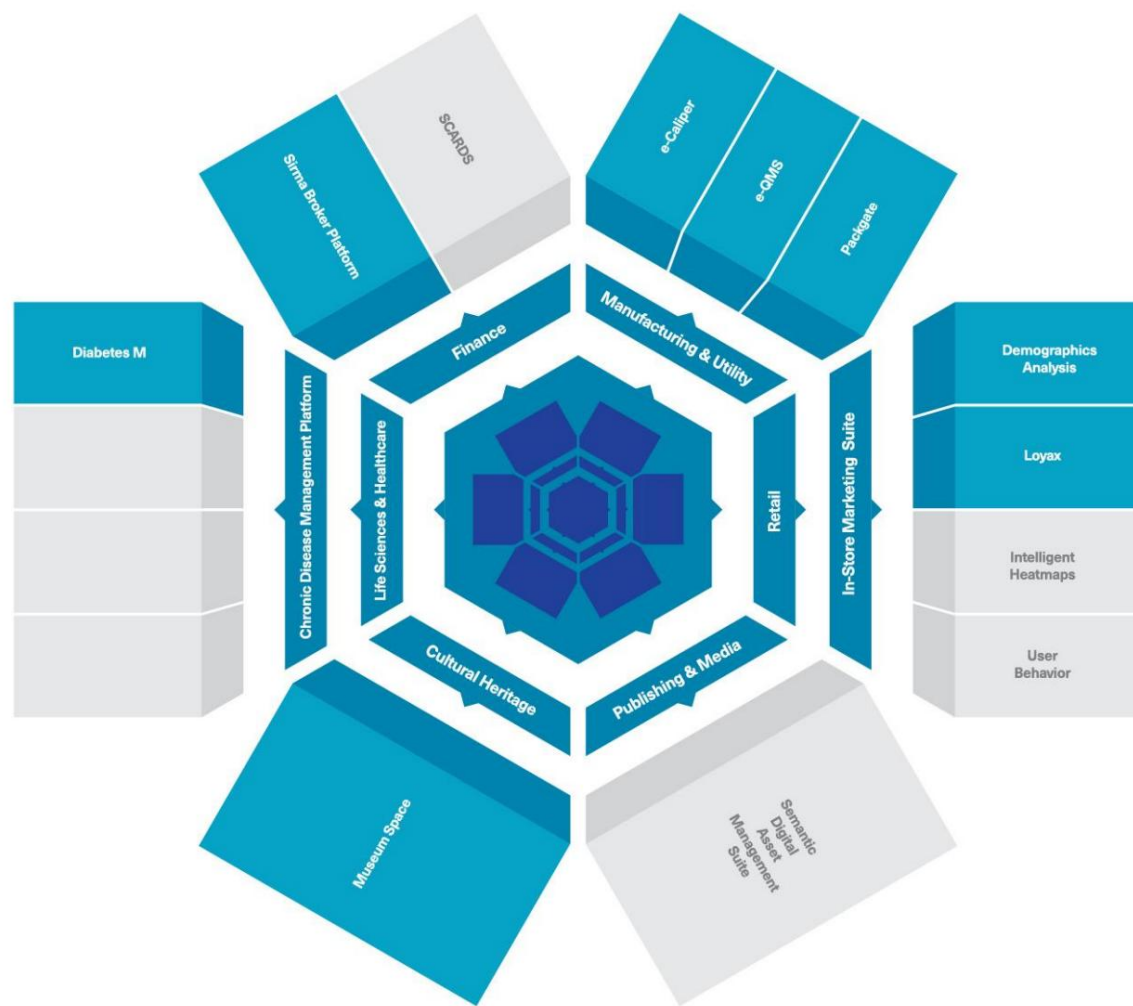
Cultural heritage. Museum Space - a collaboration platform for museums - curators, conservators

Life Science & Healthcare. Chronic disease management platform. **First service - Diabetes: M** - monitoring sugar levels, creating and monitoring dietary regimens, analyzing data, generating medical reports, etc.

Finance. Cloud-based products for banks and insurance companies

The graph below shows the vertical cloud services.





And all this is topped with proprietary high-tech solutions from the cognitive technologies that became popular in 2016:

Computer vision. Extract rich information from photos to categorize and process visual information

Data & News. Information for analysis and research, media monitoring, fact-checking

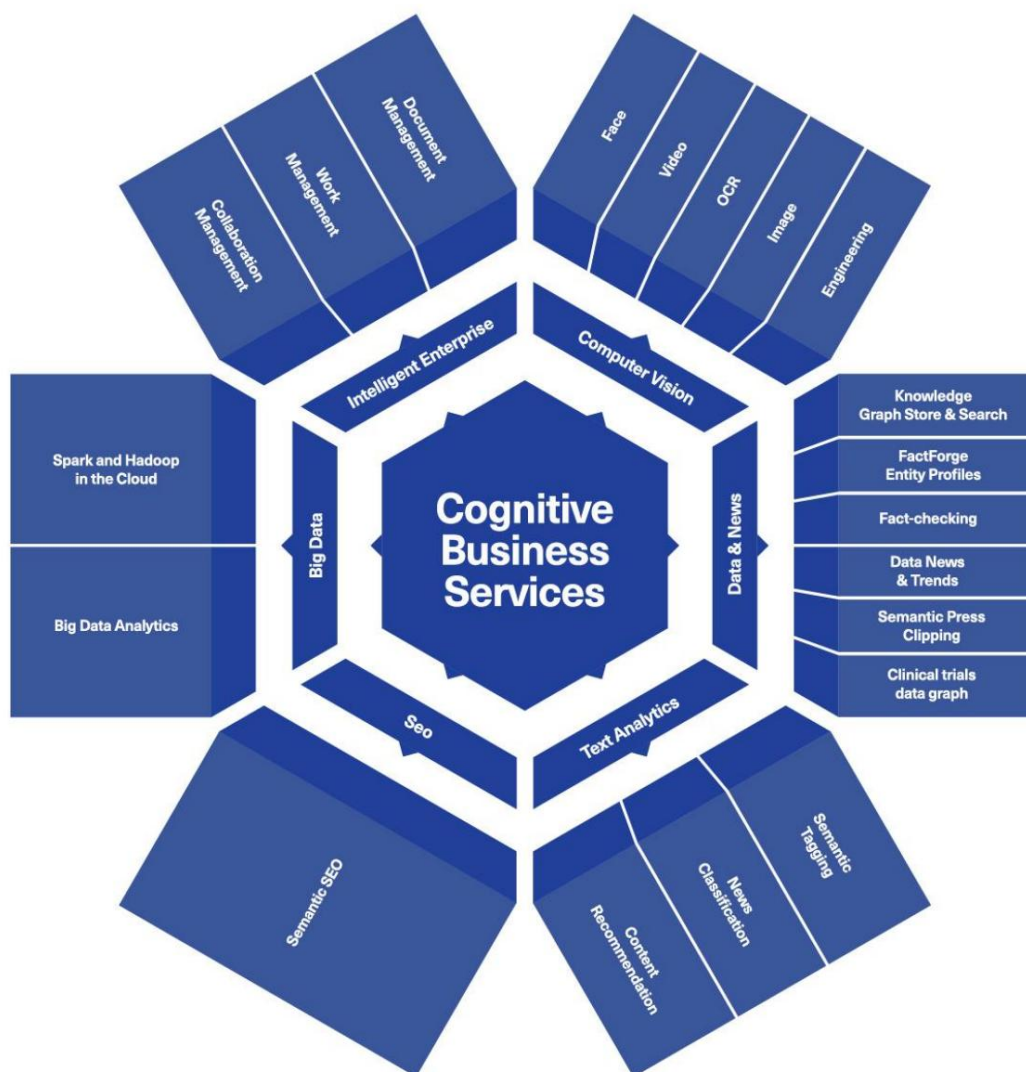
Text Analytics.

SEO. Automatically add structured metadata to web pages to improve their Google rankings

Big date. The capabilities of Hadoop and Spark delivered as secure, automated, high performance-oriented service that can be fully integrated with an existing enterprise

Intelligent Enterprise. Rapid implementation of complex cognitive enterprise solutions. **Document management, processes in a powerful collaborative environment**





In 2017, we will launch 7 new cloud-based business services in our strategic business verticals:

Production & Services: e-caliper, e-QMS, PackGate

Retail: Demographic Analysis, Loyax (cloud-based version) - the first two modules of the In-Store Marketing Suite

Cultural Heritage: Museum Space

Strategy update

Building an effective development strategy is of utmost importance for every organization. **Strategy is the guiding star of management.** The Board of Directors of SGH, headed by the Executive Director, has been developing the group strategy since the company's establishment and actively participating in

Life and Health Sciences: Diabetes-M - 1st Module in the Chronic Disease Management Platform

We will begin development of SCARDS in the cloud, Semantic Digital Asset Management Suite, the next 2 modules of the In-Store Marketing Suite to be released in 2018.

developing the strategies of the subsidiaries, effectively participating in their management.

In Greek, "strategy" means "to lead an army" from stratos – army and ego – I lead. **Strategy is a guiding principle in the activities of every organization.** It is an integrated management tool aimed at achieving



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organizational goals and tailored in each specific case to the specifics of the management object and the external and internal environment. **It directs the activities of organizations for a relatively long period of time.** The strategy is selective, sustainable over time, and ahead of the natural course of phenomena and processes in the organization and its environment.

spending, distribution and organization over time with a view to achieving the set goals. **The process of developing a strategy ends with the establishment of general directions, the movement along which ensures the fulfillment of the organization's mission. When formulating a strategy, not all possibilities can be foreseen.** It is created in conditions of a priori uncertainty.

Strategy development is an interactive process in which all components are specified in interaction. **It determines the priority goals among the organization's many goals.** The strategy shows the ways of managing resources, the guidelines for their provision,

Given all of the above, it was necessary to update the development strategy of the SGH and the companies from the Sirma economic group. The process began in the second half of 2016 and will be completed by the end of the first quarter of 2017, after which it will be presented at a special forum.

SEGMENTS

THE GROUP HAS DEFINED OPERATIONS IN SEVERAL SEGMENTS:

During the reporting period, the Group has reclassified its operating segments. For more information please see Appendix No. 6.

The Group delivers products, solutions and services in several operating segments, the definition of which is in line with our business program.

SEGMENT PRODUCTS, SOLUTIONS AND SERVICES FOR THE FINANCIAL INDUSTRY

Financial software solution providers enable the financial industry to use new technologies and prepare all forward-thinking players in this field for the digital transformation of their businesses. The underlying goal of this endeavor is to help banks and financial companies use

technologies to stay ahead of their competitors while delivering better services to their customers, reduce their costs and meet regulatory requirements.

Customers benefit from our significant experience in system integration and implementation of various solutions based on FlexCube and Temenos. **We have concentrated unique knowledge, experience and deep understanding of the needs of banks and financial companies to achieve intuitive work, fast connection between different financial and payment systems, processes, channels, products and services. On this basis, we also offer numerous proprietary software products that assist operations in banks, insurance companies, and other financial companies.** As a proven developer, we create, integrate and support leading financial products and services, while also offering customized software solutions.

2016 was a year mainly influenced by the ongoing economic recession in Europe. **Banks cautiously invested resources in their IT departments.** The planned mergers of Greek banks also had their impact on the Bulgarian financial sector.

market, namely the acquisition of the activities of the branch of "Alfa Bank" A. E. from Eurobank Bulgaria AD (Postal Bank), as well as the upcoming purchase of United Bulgarian Bank (UBB) by CIBANK AD /KBC/.

Despite the unstable financial environment, Sirma continued to traditionally follow its priority business activities, with the company's focus mainly on offering the new version of CBS Flexcube 12. **Purposeful investment is being made in building a team with knowledge and experience in implementing the core banking system. In this regard, the Flexcube team of SirmaBK has successfully certified in the implementation of the latest version of the system.** In 2016

The company successfully participated in several projects for the implementation of CBS Flexcube 12, with which the experts put the new knowledge into practice, and SirmaBK strengthened its position as a recognizable vendor in this area.

Over the past year, a priority was also the expansion of the functionalities of SirmaBK's own developments. Strategic partnerships and investments in the development of innovative products for the Bulgarian market were tasks of paramount importance.

BUSINESS IN THE BANKING INDUSTRY

1. Business assessment in 2016



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2. Sirma's competitive advantages in this sector include:

- Individual approach to customers and the requirements of their business;
- Extensive expertise in best practices in implementing CBS Flexcube and in implementing our own developments for banking and financial institutions.
- Many years of experience in developing software for the banking and financial sector.
- Specialized experts in building WEB and Apps satellite applications.
- Consulting services for conversions to business, technology and operations.
- Quality support, as in the course of commissioning, as well as when the client starts working independently with the applications.
- 24/7 Service Desk system for providing business and technical support, as well as providing IT services.
- Possibility of online communication with customers, which saves time and money, guarantees speed of service and independence from regional location.
- Provided training for the client's personnel after each implementation of a SirmaBK product.
- Constant development of our own products solutions in line with technological innovations and business dynamics.

The work in the company and the development of all SirmaBK products is carried out in accordance with international standards.

3. Larger projects completed

- Physical relocation of the Flexcube installation in Albania/Bulgaria for localization purposes of the system.
- Two implementations of the SirmaBC card system in large banks in Bulgaria.
- Implementing OmniChannel
- Upgrade from old (v.7.x) to new (v.12.x) version of CBS Flexcube - Trinidad and Tobago.

- Participation in the transformation program of large bank in Bulgaria

- The Temenos team successfully completed two integration projects with BIL (Luxembourg) and KBC (Belgium). **A new service for a bank in Kenya (CBA) has been successfully developed.** The service is related to the provision of a mobile wallet (mobile payments) since its launch and on the market by the end of 2016 managed to accumulate over 1M customers.

4. Product development, including R&D activity

Sirma continues to purposefully invest in building an expert team and acquiring additional knowledge and experience for implementing CBS

Flexcube – successful certification for implementation of the new version of the system.

Since 2016, in addition to services related to parameterization and implementation of CBS Flexcube, Sirma BC has expanded its activities and started offering services related to operational support and monitoring of the daily activities of the main banking system Flexcube.

In connection with expanding and supplementing the functionalities of SirmaBK's existing own products, work is being done in several directions:

- SCARDS Card System – expanding the functionality in the Acquiring module, Host-to-Host (H2H) Authorization and Fraud prevention;
- OmniBank electronic channels – new design of the solution and update of the functionality of mobile applications;
- RepXpress reporting system – creating a new validation rules framework, updating and expanding functionality with the addition of ALM, LCRDA reports and creating a new Minimum Requirements of Eligible Liabilities (MREL) report.
- Creation of a new version of the Central Credit Register (CCR) product.
- Development of a new product Deposit Register.

R&D activity:

- In 2016, SirmaBK created a chatbot for banking services, WitBank – an intelligent program that can communicate with bank customers through standard online messaging channels (Skype, Facebook, Viber, etc.), providing them with easy access to information and services. The bot is in a testing period, and SirmaBK's strategy also includes integration of



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WitBank with most of the company's products such as SCARDS (card management system) and WeBank (multichannel end-customer service system);

- R&D activities regarding IFRS9;

- Building strategic partnerships with CBS Flexcube supplier companies, namely: BluePoint Consulting Romania, Facilization Albania, Accenture Greece, GDS Link USA and OFSS.

5. Strategy and business execution report
the plan for 2016

The strategy and business plan for 2016 set at the end of 2015 have been implemented and include: (1) growth of the client base, (2) development of new products and services, and (3) implementation of the financial indicators set out in the annual business program. **Total revenues from the banking sector for 2016 increased by 35% while maintaining differentiation of revenues from the various business lines. Traditionally, the majority of revenues (60%-65%) are from the Bulgarian market, but revenues from abroad have also increased in absolute terms.** Positive financial trends include an increase in the average salary and investments in long-term tangible and intangible assets.

intangible assets of the company.

6. Development Strategy in 2017 and Financing for Strategy Implementation

The Group continues to adhere to the long-term strategy of developing its activities entirely with its own funds. **In both 2016 and 2017, we do not expect the need to raise additional funds from funds or financial investors.** In addition, it is provided for:

- Increase revenue by 20%;

- Increase profit by 15%;

- Increasing investment in own products and services by 25%, as well as increasing investment in courses and seminars for employees;

- Growth in the number of staff and increase in the average salary in the company by 5-8%;

- Creation of a new independent unit to operationally serve clients regarding CBS Flexcube "Operational Support";

- Creating new strategic partnerships with global leaders in the financial and IT sectors.

BUSINESS IN THE INSURANCE SECTOR

Sirma ICS was established in February 2016 as a new subsidiary of Sirma Solutions, with the main goal of concentrating Sirma Group's technological and business knowledge in the non-banking financial sector in Bulgaria, Europe and the USA.

In the past year 2016, Sirma ICS set itself the fulfilled the following strategic objectives:

- Building a strong positive reputation among companies from the financial sector in Bulgaria;
- Building a comprehensive product and commercial strategy;
- Completion of the product range in the insurance broker software and optimization of the product and its functionalities;
- Separation of electronic insurance into separate module;
- Focus on building new portals and mobile applications, including portals for insurance company and insurance broker clients.

During the year, the following major events in the area of business development took place:

1. Summary of key achievements

- Building a strong positive reputation of the company
- New modern website
- Completed comprehensive Catalog of products and services in the financial sector
- Increase brokerage software clients from 53 to 80+
- Completed new product – API and module "Online insurance"
- Numerous meetings held with all key customers and players in the insurance industry

2. Attracted larger clients:

- 13 general insurance companies
- 2 life insurance companies
- Mobile applications, end-to-end portals customers, insurance portals intermediaries and corporate websites for large insurance companies
- Over 10 insurance brokers with premium income over 5,000,000 leva.

3. Main tasks:

Building a strong positive reputation for the company;



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- Numerous meetings held with all key customers and players in the insurance industry

- Presentation of the company's new image to the leading insurance brokers in Bulgaria

- Participation in seminars of insurance broker associations

- New modern company website

Building a comprehensive product and sales network strategy:

- Comprehensive FinTech product catalog the industry
- Advertising brochures
- Promotion and sale of products
- Development of demo versions of the products from Fintech catalog.

4. Implementation of a product development plan:

Completion of the product range in the insurance broker software and optimization of the product and its functionalities:

- Insurance - Brokerage software is main strategically the priority for Company. A number of improvements and new functionalities were made, and a number of issues were fixed.
- Numerous product improvements – DB Normalization, new functionalities and products, improvements to administrative processes.
- New and modern design of the brokerage ICS Platform:

Separation of electronic insurance into a separate module

- Developed and successfully implemented with first clients API and ready graphical interface for online sales of "True Liability" insurance
- Promotion and sales
- Refinement of the product based on customer feedback. Stabilization of the product.

Focus on building new portals and mobile applications, including portals for insurance companies and brokers' clients.

- Sales to large and small customers

- Mobile applications, end-to-end portals clients, insurance intermediary portals and corporate websites for

large insurance companies

New solutions for insurance companies

- Software development has begun. of Solvency II

- Starts the development on Core insurance system

- Software for managing users, requests and administrative documents:

Development strategy in 2017

In 2017, we expect very good business development in the financial sector in Bulgaria.

The development strategy in 2017 includes:

- Increase insurance brokerage software customers from 80+ to 100+
- Sales of the new product – API and "Online Insurance" module to at least 20 the client.
- Continued successful software sales for managing processes, documents and requests.
- Continuation of the long-term projects that have been started strategic projects insurance companies. = big
- Increasing human resources in the company – programmers.
- Development of the core brokerage software - Creation of a new organization and planning in product development and implementation projects.

In order for the Company to successfully fulfill its goals, it is necessary to emphasize its competitive advantages:

- Experience in software development for the insurance market.
- An experienced team of business analysts with many years of experience in the insurance industry in Bulgaria.
- Absolute leader on software on in insurance brokerage in Bulgaria. - market in Built a strong positive reputation for the market;
- Development large-scale and large-scale projects for large, medium and small insurance companies.



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THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4

SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015	31.12.2016	Amendment	Amendment
		'000 BGN	'000 BGN	'000 BGN	%
Products and services for Finance	Revenue from services	3 876	4 839	963	24.85%
	Revenue from the sale of DA		17	17	
	Other income		17	17	
	Total revenue	3 876	4 873	997	25.72%
	Material costs	-49	-54	-5	10.16%
	External service costs	-90	-190	-100	111.11%
	Depreciation expenses	-443	-784	-341	76.98%
	Remuneration expenses	-2,335	-2,724	-389	16.66%
	Other expenses	-152	-187	-35	23.03%
	Capitalization	727	748	21	2.84%
	Total costs	-2,342	-3 191	-849	36.27%
	Gross profit	1 534	1 682	148	9.62%

The segment performed with excellent results for 2016. Revenue growth for the segment was 25.72%; gross profit growth was 9.62%.

Investments in the development of our own products amount to 340 thousand BGN.

SEGMENT PRODUCTS, SOLUTIONS AND SERVICES FOR PUBLISHING AND MEDIA

Publishing and media are perhaps the two economic sectors that were most strongly impacted by the digital revolution. Sometimes the influence was beneficial (easier and faster content search, production, and distribution), and sometimes the influence was

challenging (the emergence of new media channels that challenged traditional business models). In both cases, publishers and media outlets had to quickly take advantage of new technological solutions.

The companies in Sirma Group have a long history in supporting publishing companies and media and helping them to take advantage of new technologies.

Advantages of business in the segment:

- Unique combination of technologies: graph base data and text analysis.

- An exceptionally good set of recognizable reference clients. Most of them are among the largest international companies in providing additional sales opportunities to other units in the same businesses. the relevant sectors are

- Sirma's subsidiary Ontotext is a clearly recognizable leader in the field of semantic technologies with a good reputation and

a history of successful innovations.

- Access to relatively cheap technical staff in Bulgaria. Ontotext's main competitors are based in developed G7 countries.

- Access to services, expertise and resources in within Sirma Group

In 2016, work continued on further developing the Financial Times' content analysis and management platform. **The British Broadcasting Corporation (BBC) has purchased additional licenses to expand the capacity of its connected data management platform.** Work continued on several projects



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of Euromoney, related to analysis of investment and market information. Support for numerous existing customers on a subscription basis continued - revenues from this activity in 2016 were over 1 million leva.

In August, IET Publishing announced that it had selected Ontotext as a technology provider for a large project to index scientific publications. **The British Institute of Engineering and Technology (IET) is one of the most influential technical publishers in the world.** Ontotext has been working with IET since 2013, and the implementation of this particular large project began in 2016.

THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4

SEGMENT FINANCIAL RESULTS

		'000 BGN	'000 BGN	'000 BGN	%
Products and services for	Service revenue	2 767	2 345	-422	-15.25%
Publishing and media	Financing income		0	0	
	Other income	14	12	-2	-13.01%
	Total revenue	2 781	2 357	-424	-15.24%
	External service costs	-91	-20	71	-78.02%
	Depreciation expenses	-4	-5	-1	34.79%
	Remuneration expenses	-349	-319	30	-8.60%
	Other expenses	-44	-64	-20	45.45%
	Capitalized costs	11	4	-7	-63.64%
	Unfinished production		5		
	Total costs	-477	-399	78	-16.28%
	Profit	2 304	1 958	-346	-15.02%

The segment performed stably in 2016. Revenue growth is 7.02% compared to the previous period.

SEGMENT SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES FOR THE MANUFACTURING AND SERVICES SECTOR

The Industrial Revolution created many of today's manufacturing processes.

For a relatively long time they were almost unchanged. Today, the digital revolution is having a disruptive impact on all processes in production and services. Processes become more efficient and much faster, their costs

are decreasing, and these are just some of the upcoming changes.

Sirma uses his deep understanding of processes in production and services and combines this with its technological expertise to bring real value to all its customers in this

economic vertical.

The segment achieved the goals set at the end of 2015 - increased sales revenue, launched its operations on the American market through

its office in Rochester, USA, has increased its network of distributors and partners. **New OEM contracts were signed with the German cutting plotter manufacturer Aristo, as well as with the American MTC.** The company participated in the world's largest exhibition, Drupa, Düsseldorf, where the only one in

The world's specialized packaging design system for MAC, also participates in the largest PVC extrusion show in Germany.

The segment's advantages are related to the use of unique technologies, long-term experience in specialized fields and accumulated expertise, strategic partnership with big names in the industries, well-developed partner network of distributors worldwide, partnership relationships with universities and specialized training centers; stable sales and financial results in the last 10 years, opportunity to invest in new

applications and solutions for customers in various industries;



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As part of a larger group, the companies operating in the sector – EngView and Sirma Enterprise Systems – are very flexible, as they have the opportunity to use a larger resource.

An advantage for the segment is the well-developed network of its own offices and partners worldwide of the subsidiary EngView Systems-Sofia AD, through which it receives easy access to market innovations and has feedback with its customers, which also leads to the implementation of new competitive functionalities and solutions.

Product development, incl. R&D activity

EngView Systems is a company of the Sirma group with a main importance in the segment, which specializes in several areas – development of software products for the packaging industry, video measurement industry and aluminum extrusion.

In 2016, the development of core products for the packaging industry continued. EngView Package & Display Designer Suite – the system for designing displays and packaging made of cardboard and corrugated cardboard has also released a version for MAC; new functionalities were also added to the quality control system for the production of aluminum or PVC profiles by scanning and processing image data – ScanFit & Measure; software products were also developed for the strategic partner and manufacturer of high-quality video measuring machines QVI, USA. Optimizations were added to the Alex aluminum extrusion support tool database search and matching software.

During the year, the implementation of an innovative product based on integration with modules from The CAD/CAM system EngView Package & Display Designer Suite. The software is aimed at the broad market of packaging and display manufacturers, who will have the opportunity to implement it in their production and offer their end customers modern technology for online ordering and monitoring the entire order process until delivery.

The company also invests time and resources in research and the development of another new product for caliper measurement of various profiles and elements and generating reports from the downloaded data for them, with the implementation of the product itself being one of the main priorities for 2017.

Strategically, EngView is focusing its efforts, in addition to developing its current products, on cloud-based SaaS services that will expand both

opportunities for innovation as well as to increase sales revenue growth.

The other company operating in the segment is Sirma Enterprise Systems. In 2016, it developed an E-QMS (Quality Management System). The company uses the E-QMS application based on SEP to manage processes according to ISO9001. Preparations for ISO9001:2015 have begun, with actions taken to identify the differences between the new and old standards. A Contract Management application is also being developed – to be implemented at Huvepharma.

Competitive advantages and weaknesses

The advantages of the segment are related to the use of unique technologies, long-term experience in specialized areas and accumulated expertise, strategic partnerships with big names in the industries, a well-developed partner network of distributors worldwide, partnership relationships with universities and specialized training centers; stable sales and financial results in the last 10 years, opportunity to invest in new

applications and solutions for customers in various industries;

The weaknesses of the segment can be expressed in finding highly qualified personnel and C++ and Java developers.

Development strategy in 2017

In 2017, development will continue in the segment, both long-standing projects and products, and new ones launched in 2016 – PackGate web portal for ordering packaging and displays; software combined with a caliper for measuring elements and generating reports for them. Cooperation with strategic partner QVI also begins to develop software for shaft measurements, based on the ScanFit&Measure software.

Three new applications are also planned to be launched as SaaS (Software as a service) - an engineering documentation management application, a quality management application, and a contract management application.

THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4



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SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015	31.12.2016	Amendment	Amendment
		'000 BGN	'000 BGN	'000 BGN	%
Products and services for	Service revenue	3 682	6 730	3 048	82.78%
Production and services	Revenue from goods	70	30	-40	-57.14%
	Revenue from sale of materials	25	3	-22	-87.92%
	Revenue from the sale of DA	2		-2	-100.00%
	Other income	124	129	5	4.03%
	Financing income	7	10	3	42.86%
	Total revenue	3 910	6 902	2 992	76.50%
	Material costs	-65	-70	-5	7.69%
	External service costs	-1,215	-3 100	-1,885	155.14%
	Depreciation expenses	-24	-446	-422	1758.33%
	Remuneration expenses	-2,911	-4 206	-1,295	44.49%
	Other expenses	-174	-207	-33	18.97%
	Reporting value	-42	-14	28	-66.67%
	Capitalization	1 235	3 643	2 408	194.98%
	Unfinished production	-109	-17	92	-84.40%
	Total costs	-3,305	-4,417	-1 112	33.65%
	Gross profit	605	2 485	1 880	310.47%

The segment recorded a 76.5% revenue growth and a 310% gross profit growth compared to the previous year.

SEGMENT SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES FOR CULTURAL HERITAGE

Sirma's motto in this segment is "We use the future to enjoy the past"

At first glance, organizations working in the field of Cultural Heritage are focused on the past – on the preservation and conservation of tangible and intangible treasures of our history. Is it possible for these organizations to benefit from cutting-edge technological developments?

Absolutely. **Through the latest advances in technology, archives, libraries, galleries and museums around the world can digitize their exhibits. Curators and restorers can interact and work together. Technology can bring to light hidden valuable information that is hidden in vast silos of unstructured data.** In short, technology can help the most important function of the discipline of Cultural Heritage – to translate it into the future.

Sirma has a long and successful history of implementing the most innovative technological solutions for the benefit of

the organizations that preserve our Cultural Heritage, and thereby enrich future generations.

The "Conservation Space" application, developed for the National Gallery of Art in Washington and based on the "Sirma Enterprise Platform", was delivered at the end of 2016. Following delivery, tests are underway by the Gallery and formal acceptance of the project is expected to occur in the first quarter of 2017.

The "Conservation Space" application has begun to generate interest from other museums, showing significant potential for development. The project will generate another phase worth \$1.2 million to further develop and promote the app.

among the restorers.

The platform, "OpenPolicy™", developed jointly with our partner, the Ministry of Interior in Tyson's Corner, Virginia, created specifically for e-discovery can be used for any type of document and for integration into a variety of platforms. "OpenPolicy™" analysts can reduce the time spent searching for online documents and publications using semantic search. helps researchers and



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THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4

SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015 '000 BGN	31.12.2016 '000 BGN	Amendment '000 BGN	Amendment %
Products and services for	Revenue from services	343	1 061	718	209.42%
Cultural heritage	Other income	1	2	1	52.30%
	Total revenue	344	1 063	719	208.86%
	External service costs	-70		70	-100.00%
	Remuneration expenses	-63	-148	-85	135.64%
	Other expenses	-3	-9	-6	197.74%
	Total costs	-136	-157	-21	15.50%
	Profit	208	906	698	334.84%

The segment recorded a revenue growth of 208.86% compared to the previous year and a gross profit growth of 334.84%.

LIFE SCIENCES SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES SEGMENT

If there is anywhere technology can literally save lives, it would be in the field of Life Sciences. This is where technology helps research, global collaboration,

access to data and knowledge, all leading to shocking discoveries.

Sirma applies technology to benefit the needs of Life Sciences. Our products and services help across the spectrum – from research and development, to transforming data into knowledge, to

to telemedicine.

At Sirma, we truly work to make the world a better place.

In previous years, revenues in this area were generated from Ontotext products. In 2016, management separated this activity into a separate segment, despite the fact that it did not meet the criteria for a segment, given the plans for developing the Group's business activities.

We created the startup Sirma Medical Systems, which in 2016 primarily developed a diabetes management system. The goal was to release the entire

system system by the end of the year, but due to the later finding of developers, the launch was postponed to the first quarter of 2017. Discussions have been held about potential future collaboration with the chairman of the National Diabetes Association, but any development there can only be expected in mid-2017.

The first phase of development of the Diabetes:M diabetes management system is almost complete, which includes 2 mobile apps for iOS, a server and a web application. The iOS app is scheduled to be released on February 27, 2017, the updated Android app in mid-March and the web app in early April, completing Phase 1.

We are pleased to note that active users for the last quarter of 2016 reached 66,538 users.

Development strategy in 2017

After the products are launched on the market, it is planned to further develop lightweight versions of the mobile applications for children and the elderly, an application for monitoring the condition of diabetics by doctors and their relatives, as well as

a separate section for doctors where they can connect with their patients and an easy way to analyze their current condition. A system for more in-depth automatic analysis of user data and reports on events that may have led to deviations from the norms is also planned.

Talks are planned with some of the leading endocrinologists in Bulgaria in the public and private sectors to seek opportunities for joint research.

work at a higher level.



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THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4

SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015 '000 BGN	31.12.2016 '000 BGN	Amendment '000 BGN	Amendment %
Products and services for Life Sciences	Revenue from services	113	245	132	116.57%
	Total revenue	113	245	132	116.57%
	Material costs		-1	-1	
	External service costs	0	-18	-18	30116.68%
	Depreciation expenses		-10	-10	
	Remuneration expenses	-123	-174	-51	41.45%
	Other expenses	0	-1	-1	#DIV/0!
	Capitalization		90	90	
	Total costs	-123	-114	10	-7.77%
	Profit	-10	131	141	-1421.75%

Revenues in the segment increased by 116.57%; investments in own products for the period amounted to BGN 185 thousand.

PUBLIC SECTOR SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES SEGMENT

The segment's motto is "Better service for all of us"

The public sector represents a relatively large part of the economy that often remains unnoticed. **People are so used to the services of the sector that they are often taken for granted.** The public sector

provides services that each of us uses daily, such as education, transportation, infrastructure, taxes, healthcare and many others.

Like all sectors of today's economy, the public sector is also heavily influenced by the technology revolution. Internet, software,

Artificial intelligence, the management of huge data sets, and mobile applications can greatly increase the efficiency of processes in public sector organizations. Sirma unites more than 20

its years of experience in North America and Europe with its innovative approach and cutting-edge technologies to add value to the Public Sector and all citizens served by it.

2016 was an extremely bad year in the field of government projects. The reason for this was the almost complete lack of public procurement for software development or refinement, which within the year also led to an almost complete lack of projects performed by Sirma.

Solutions government projects. There are several factors, who contributed to this:

- A major factor was the end of the funding period for all European programs at the end of 2015 and the start of a new period in 2016. **A fact that led to a lack of European funding for the projects for almost the entire year.** The contracting authorities first had to prepare new projects and

apply with them to the governing bodies of the programs for the new period, to conclude contracts with them for financing the new projects and only then to announce public procurements for them.

- Meanwhile, funding for IT projects from the national budget was almost zero

- In addition, this period coincided with the entry into force (in April 2016) of the new, not very successful, Public Procurement Law (PPL), which further complicated and delayed contracting authorities.

Only in the last quarter of 2016 did new public procurements begin to be announced.

Due to the many problematic texts in the new Public Procurement Act and the facilitated conditions for appeal, appeals were initiated against most of them before the CPC shortly after their announcement, which did not allow most of them to reach the bid submission phase before the end of the

the year.



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Despite this extremely difficult situation, several tenders were won:

- MES: Ranking system of higher education institutions for 2016;

- MES / CDHR: Euroguidance.

The total amount of the concluded contracts for implementation was BGN 105 thousand excluding VAT.

During the period, maintenance contracts with improvements were also concluded for many of the systems developed in previous years, such as the IS of BDZ-TP; AIS of NSCRLP; RND of the Ministry of Education and Culture; ESPUP of IOO; SIS2 of the PRB; SWAP of MK,

Warranty support for the other systems also continued - such as the municipal EAU system.

The total amount of the concluded maintenance contracts amounted to 130 thousand BGN excluding VAT.

During the period, active work continued on consulting the Contracting Authorities in relation to their definition and application for European projects funded in the new period, and several additional consulting projects were also implemented, such as the one for DBank, etc. Negotiations with the EC on several projects continued.

The total amount of the concluded consulting contracts amounted to 43 thousand BGN excluding VAT.

As a result of all these problems, in 2016 the unit was operating with extremely reduced staff to compensate for the lack of projects.

There are indications that 2017 will be better in the area of state and European projects.

A major factor in this expectation is the fact that most of the Clients with whom Sirma Solutions traditionally works were able to prepare and submit European projects last year according to the requirements of the new

period, and some have even already signed contracts with the governing bodies for their financing. The big risk here is the unstable political situation, the lack of a regular government with a clear development strategy in the IT sector.

In this regard, if the company performs well in the application procedures, contracts for at least 4 new state projects are expected to be concluded. In parallel, it is planned to conclude new contracts for out-of-warranty support of IS developed by Sirma Solutions under previous government projects.

Active work on searching, applying for, and negotiating European projects directly with the institutions in Brussels will continue throughout the year.

Last year, two such potential projects were brought to the stage of direct negotiations and work is currently underway to finalize the procedure, with the hope that it will be completed successfully. The risk here is the constant disagreements between some of the leading European countries and the extremely cumbersome (multi-year) decision-making procedure by the European institutions.

THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4

SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015	31.12.2016	Amendment	Amendment
		'000 BGN	'000 BGN	'000 BGN	%
Products and services for the Public Sector	Revenue from services	1 387	173	-1,213	-87.50%
	Financing revenue Total revenue	39	39	0	0.00%
	Cost of materials Cost	1 425	212	-1,213	-85.13%
	of external services Depreciation	-6		6	-100.00%
	expense Remuneration expense	-186		186	-100.00%
	Other expenses Capitalization	-56	-52	4	-7.56%
	Work in progress Total expenses	-1,037	-639	398	-38.40%
	Gross profit	-22	-10	12	-55.62%
		40	13	-27	-67.50%
		46	59	13	27.90%
		-1 221	-628	593	-48.57%
		204	-416	-620	-303.74%



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MULTI-INDUSTRY SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES SEGMENT

Absolutely all industries need software for loyalty management to reward their loyal customers and increase their number. **All industries need to increase the effectiveness of their teams. All industries need to improve the management of their data and content. All industries need to raise the level of their cybersecurity.** ...and naturally we all move to the Cloud.

Sirma uses its business process knowledge, combining it with cutting-edge technologies, to provide multi-industry solutions that benefit organizations in

the entire spectrum of the economy.

2016 can be described as a very dynamic and successful year for the segment.

Sectors of activity – ontology and semantics, information security; intelligent management of enterprises; system security; loyalty systems; toolsets and chat bots; European IT consulting; system integration, data center, etc. were developed

extremely successful.

1. Ontology and semantics

The company operating in this sector is Ontotext AD.

In 2016, the Semantic Technologies market returned to growth, following the typical curve of excessive hopes and subsequent adjustment of expectations towards new technologies. The market has entered a more moderate growth mode, with clearer added value of technologies, better selected applications and

using already proven approaches for cost-effective use.

Overall, Ontotext has strengthened its position as a technological leader in the field of semantic technologies and managed to achieve revenue and profit growth. Revenue from products and related services for the second consecutive year exceeds revenue from consulting and professional services, which is a key indicator of Ontotext's positioning, as

Product revenue (support, subscription licenses, and cloud services) decreased slightly due to the expiration of two major contracts in the US.

Ontotext has gained a leading position in the market of information management technology for scientific publishers. In the third quarter, Springer-Nature and the publishing house Ontotext became clients.

Elsevier (RELX). Thus, 5 of the top 10 publishers in the world use GraphDB.

Strategic Partnerships - Ontotext and ImpelSys Announce Global Partnership to Create Integrated Technology Solutions for Publishing Ontotext Launched Technologically content. partnership with one of the world's leading corporate information providers; name cannot be disclosed at this stage.

The capacity of the sales team in the US is being strengthened through joint activities with the new Sirma Group office in Jersey City.

Ontotext managed to further develop its products and significantly expand the popularity of its main product - GraphDB. The good results of the new year are confirmed company's digital marketing strategy. Leads (contacts with new potential customers)

generated through such channels has increased threefold compared to 2015. In 2016, over 2,500 users downloaded a free or trial version of GraphDB, which also represents a threefold growth.

Significant progress was made in promoting Ontotext technologies and strengthening its public positioning through demonstrations of the capabilities of GraphDB and the S4 cloud platform. **Ontotext participated in 10 international conferences, held 23 public webinars, for which 4,264 people registered, and the company's website welcomed over 100,000 visitors.** Among the notable demonstrators and publications, two stand out:

- Processing Panama Leaks data sets - a successful demonstration of GraphDB's capabilities. **As part of a week-long demonstration project, data from the Panama Papers was analyzed and linked to news and information from other sources, such as Wikipedia.** This allowed for much more efficient work on queries such as "politicians involved in the Panama Papers" or retrieving news about organizations involved in the scandal;

- Analysis of Twitter activity and influence supporters and opponents of BREXIT. Unlike official polls, this analysis, published a week before the referendum, showed a clear preponderance of BREXIT supporters.

Competitive advantages and weaknesses of the organization

Advantages:



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- A unique combination of technologies: graph base data and text analysis.
- An exceptionally good set of recognizable reference clients. Most of them are among the most large international companies in the relevant sectors and provide additional sales opportunities to other units in the same businesses.
- A clearly recognizable leader in the field of semantic technologies with a good reputation and a history of successful innovations.
- Access to relatively cheap technical staff in Bulgaria. Ontotext's main competitors are based in developed G7 countries.
- Access to services, expertise and resources within Sirma Group - administrative services, data center, traders and technical experts in many fields.

Weaknesses:

- Relatively small size compared to competitors in the field of NoSQL databases.
- Relatively limited access to financing and to sales and marketing specialists worldwide level.
- Technology that is relatively expensive to implementation.
- Technology that is based on standards and trends that have lower popularity than some of its competitors.

Larger projects completed

In August, IET Publishing announced that it had selected Ontotext as a technology provider for a large project to index scientific publications. **The British Institute of Engineering and Technology (IET) is one of the most influential technical publishers in the world.** Ontotext has been working with IET since 2013, and the implementation of this particular large project began in 2015.

In 2015, work continued on further developing the Financial Times' content analysis and management platform. **The British Broadcasting Corporation (BBC) has purchased additional licenses to expand the capacity of its connected data management platform.** Work continued on several Euromoney projects related to **the analysis of investment and market information.** Support for numerous existing customers on a subscription basis continued - revenues from this activity in 2016 were over 1 million leva.

The successful implementation of several research projects funded by the European Commission continued: PHEME, proDataMarket, KConnect, EHRI2. The MultiSensor and Europeana Food and Drink projects were successfully completed.

Product development, including R&D activity

In 2016, Ontotext invested over 1 million BGN in further developing its core products, as well as tools and demonstrators related to them. **GraphDB versions 7 and 8 have been successfully launched.** Research continued on the use and

analysis of open data, as well as analysis of the veracity of information on social networks.

- Report on the implementation of the strategy and business plan for 2016

The 2016 strategy and business plan included the following goals:

- Increasing the number of GraphDB users. Achieved.
- Increase revenue from sales of GraphDB licenses and related services. Partially achieved - significant growth was made, but it is below planned.
- Better conversion of GraphDB free users into paying users. **Little progress. Revenue from new customers has increased, but less than expected.** Analysis shows that the main reason for the low percentage of Such converted customers need more materials to help developers get started.

• Strengthening sales of the DSP platform through OEM partners. **Unfulfilled.** The partnerships that were developed have not yet resulted in sales.

• Strengthening technological leadership and competitiveness. Achieved to a large extent. GraphDB is increasingly positioning itself against its competitors due to its good reliability, good support, and increasingly good user interfaces and complementary tools. This allowed Ontotext to close an important deal where GraphDB replaced

a competitive product in the production system of one of the largest scientific publishers in the world. In 2016, not enough efforts were made to strengthen Ontotext's position in text analysis.



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Development Strategy in 2017; Necessary funding for the implementation of the strategy.

The key activities and goals for 2017 are as follows:

- To make Ontotext technologies easier to learn and get started with. Experience shows that Ontotext often wins technology comparisons when the client has made sufficient effort to learn the technologies and set them up correctly. **On the other hand, many customers experience problems right in the first steps of working with Ontotext products. To achieve this general goal, the following activities are planned: offering sample databases and services for maintaining up-to-date databases (managed data services), especially with regard to the so-called POL data; completing Ontotext products with tools for ETL and editing data and tags; improving**

speed of initial data loading; improvement of visualization tools; improvement of cloud services; improvement of documentation.

- Strengthening technological leadership. The more specific goals are the following: proving ourselves as a leader in semantic databases (triplestores); proving the advantages of using large knowledge graphs for text analysis; enforcing the vision of global POL data for people, organizations and places; improving the speed and scalability of GraphDB and other Ontotext products; active technology marketing: blogs; comparative test data (benchmarking) and others.

- Increasingly high level of productization of Ontotext technologies. Including: overall improvement of product quality and reliability and facilitating the adaptation of

text analysis technologies to new projects.

- Improving the efficiency of operations through: improving product quality; improving solution development and delivery processes; improved complementary tools.

- Improving marketing and sales effectiveness by: presenting use cases with clear added value; creating good demonstration services; vertical applications.

- Strategic partnerships with major data, information, and document and database management software providers.

- Increase sales through: targeted attacks on customers of competitor databases; direct comparisons and the most recognizable service providers

for text analysis; improved processes for tracking and converting potential customers (leads).

The necessary funding to implement the activities set out in the business plan for 2017 is provided through a capital increase of nearly one million leva, which was approved at a general meeting on January 23, 2017.

- Analysis of successes and mistakes in 2016

Unlike other semantic technology providers, Ontotext is emerging stronger after a period of wavering confidence in these technologies in 2014 and 2015. The weaknesses can be summarized as follows: delayed provision of financing, planning and re-

organization of products and teams; insufficient focus on the popularization and democratization of Ontotext technologies; insufficiently active and effective sales.

2. Information Security (Cyber Security)

The companies operating in this sector are Sirma Solutions and Sirma USA.

We have developed an information security scanning platform that is installed in the Amazon AWS cloud and can scan

millions of servers on the Internet to detect risks to their security. We continued our work for the existing client in the field of information security. We have signed a new deal with an e-commerce fraud detection firm.

For the second time in the last 3 years, we have developed a finished consumer electronics product that won an award in the Best-Of-The best category at the annual Consumer Electronics Show in Las Vegas.

3. Intelligent enterprise management

Sirma Enterprise Systems mainly operates in this sector. **In 2016, we were able to release version 2 of the "Sirma Enterprise Platform" (SEP), on the basis of which new applications were developed. Version 2 of the platform is a powerful and flexible tool for developing business applications.** The main advantages of "Sirma Enterprise Platform" are:

- Semantic modeling

"Sirma Enterprise Platform" allows for fast and cheap development of applications in various fields, only by changing semantic models.

- Object recognition in text



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Applications based on "Sirma Enterprise Platform" significantly improve the decision-making process by providing information in context. Also

allow the accumulation and reuse of knowledge in companies.

- Scalability

Applications based on "Sirma Enterprise Platform" allow for quick and easy scaling that meets growing business needs.

Sirma Enterprise Systems developed and launched the document management application on the American market
Go Digital.

Based on the platform, applications for other segments were developed - E-QMS (Quality Management System) and Contract Management Application - both products for the Manufacturing and Services segment and the "Conservation Space" Application for the Cultural Heritage segment.

We have successfully launched an electronic services system based on the "Sirma Enterprise Platform".

In order to enter the American market, the company is rebranding.

We have successfully launched an electronic services system based on the "Sirma Enterprise Platform".

4. Loyalty systems

Sirma USA developed and launched Loyalty Platform – digitization of an existing voucher solution and coupons for a given local market (in the US there are multiple local providers of such a service – creating clusters of local businesses giving shopping discounts based on loyalty cards sold in advance to customers). The platform we developed has a large market

potential for projects in this market niche.

Sirma Solutions AD continued the development of the product LOYAX. In 2016, the development and implementation of the Loyax SaaS model began. 6 new versions of the product have been released consecutively, each containing significant improvements to the functionalities. Support is provided to the main clients: Mall Galeria Burgas, Mall Galeria Stara Zagora, Faure.GP, Guadeloupe, Quoodi, Nigeria. In 2016, five new customers were acquired in three countries: UAE, Singapore, Greece and several new customers of the Loyax SaaS version in Serbia and Thailand.

5. System integration



Sirma Group Holding AD
www.sirma.bg

Over the past year, the system integration unit at Sirma Solutions generated double-digit sales growth. Sirma Solutions is completely

recognizable company on the market as a systemic integrator and supplier of hardware and standard system software. The company has implemented numerous complex projects for building data centers, private cloud infrastructures, hybrid cloud infrastructures, VDI (Virtual Desktop Infrastructure). The company won 3 global contracts with large

laptop and workstation delivery organizations on 3 continents.

In 2016, Daticum successfully completed the construction of phase 2 of the IT project at Uni Hospital Panagyurishte, and there is undoubtedly no other medical facility in the country with such a modern level of IT support, which directly affects the improvement of treatment and patient stay.

6. Consulting and outsourcing

The European IT Consulting Division was structured in 2016. Despite its short existence, several new projects were launched, as well as continued support for some existing ones (VivaTeam, VivaBipper):

Chatbot

In 2016, the EU division managed to develop a collaboration with Viber and we developed a product that offers the opportunity to upgrade Viber's chat services with an automatic response. **Thanks to the joint efforts of Sirma and Viber, this solution was successfully implemented at Raiffeisen Bank and has been publicly available to the bank's clients since December 2016.** The system currently processes around 10,000 requests per month.

Outsourcing

The company's outsourcing activities have developed through the partners we work with and this has led to several projects during the year: EOS, IMS, VMWare. **The development of an innovative packaging portal product for EngView is underway, which will allow them to enter a new market segment using the technologies they currently have.** The product

first version launched successfully.

7. Data center

The company operating the Sirma data center is Daticum AD.

In 2016 Daticum has become part of one of the largest European Internet exchange networks, providing even better connectivity for our

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customers, and in particular our cloud services customers, who, as is known, for the seventh year in a row will use the internet to Bulgaria, Europe and the world absolutely free of charge as a user of this service.

Daticum was the only Bulgarian participant in the roundtable company held in the European Parliament to discuss and adopt a Code of Conduct for the protection of European cloud service providers.

Daticum became one of the first members of CISPE – the organization of European infrastructure-as-a-service providers. Members of the organization are Amazon Web Services (USA), OVH (France), Aruba (Italy), Hetzner Online (Germany), Ikkoula (France), UK Cloud (Great Britain), Outscale (France), United Internet (Germany) and others.

We invested in Flash storage that serves the public cloud platform. Even before this investment, Daticum had the fastest and largest cloud in the region, because we were the only ones who offered our customers pure SDD storage in the amount of tens of TB, now we are the only ones who also offer Flash storage to our customers, which works at the speed of RAM and allows a speed of 1M IOPS to our business customers on the cloud platform.

Daticum launches a new Disaster recovery as a Service service on its cloud platform, which can be used by all of its client companies.

extremely attractive price.

In partnership with one of the leading ERP providers on the market, we jointly launched an innovative service for the Bulgarian market – Microsoft Navision ERP as a Service, pre-parameterized and calculated per customer's number of users.

We have invested in new backup storage and are able to offer our clients a backup service of over 1PB of data space.

The company is in the process of building a second geographic location for its cloud and backup platforms 400 km from Sofia in order to provide geographically reserved services to our customers.

Daticum expanded its team by 20%.

DATIKUM 2017

It is an indisputable fact that the company has the most powerful, most secure and diverse cloud platform in the country, which is able to power and

powers the computing needs of large, medium and small businesses. Given the model we have developed,

migration to the cloud in real time without interruption of business services, which has been implemented completely successfully several times.

Given the economic feasibility of our cloud services, which has already been proven to dozens of IT, financial and executive directors, given

advantages over our competitors in terms of experience, technical support, partnerships with VMWare and Microsoft, in particular as a service provider, in 2017 we will focus mainly on the implementation of cloud services on the market.

We also rely on our specially developed models for securing ERP, CRM and DocMan systems in the cloud, where we expect strong demand for these services, given that the implementation of about 150 such systems will be supported with a grant from the European Union.

In 2017, the company faces modernization of the main technical assets of the data center ensuring uninterrupted

systems for power supply, air conditioning, steam generation and other systems have provided us with zero seconds of downtime for the operation of the facility for the past 7 and a half years.

We will complete the construction of our second geographic location of our cloud and backup platforms in order to cover various security standards of

our clients requiring data storage in different geographical locations.

We will continue our successful partnership with leading IT companies in our field, in order to improve and enrich our portfolio of services for clients.

US.

8. OTHERS

Call Center Solution – We have modernized our call center solution centers, which can now be used by more than 300 people. We replaced the old solution with a new cloud solution hosted on the Microsoft Azure cloud services platform.

Cloud Based ToolSet – for a large client, a hardware manufacturer - a public company in the USA, we created a process and software for migrating desktop software modules to cloud technology.

For the US market, we developed a new product based on cognitive technologies/ AI/computer vision for demographic analysis of store visitors. **With this product, we will target large retail chains in the US. Our plans for 2017 are 2 large contracts for this product of \$500 thousand each.** The product is a combination of a physical device that we developed and cloud technologies.



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We expect the first pilot implementations next month.
March, first big client – June, July.

At the same time, we are also focusing on software for end customers - demographic analysis systems and loyalty systems. We plan to make this one of our key verticals and generate many projects in the other three verticals in large retail organizations.

More for 2017

In 2017, we expect very good business development in the USA.

Marketing:

In terms of marketing, we chose a new approach: instead of targeting companies across America, we believe it would be more effective to target medium-sized businesses in a given vertical (healthcare, manufacturing, and retail) located in the states neighboring Idaho (where Panaton is headquartered). This approach will

would allow us more direct contact with potential clients and would minimize travel costs.

Business goals and opportunities in 2017:

Sirma USA has been approved as an official software provider by a multi-million dollar company to modernize their software applications.

We expect a new contract with a fraud detection company based in Boise, Idaho, as well as modernization of existing technologies.

We have held discussions with a global supplier of WAN network solutions for providing support of quality engineers

Further development and sales of solutions for loyalty

System integration

The unit's goals for 2017 are to build a minimum of 10 infrastructure projects with budgets of 0.5-2M BGN related to virtualization, cloud services and information security, which will generate for another

year-on-year growth in revenue, as well as in the expertise and human resources of the unit.

Attracting new clients, multinational companies with a presence in Bulgaria, for the purpose of supplying personal and mobile computers, servers, storage, communication and other IT equipment, where the unit can add both technical and economic value.

In 2016, we developed diverse expertise, partnerships, and certified specialists across multiple verticals and manufacturers, and in 2017,

some of the partnerships will be upgraded to a higher level: becoming an IBM Security partner of IBM Software, Silver Partner of HPE, Silver Partner of F5, Certified Partner of Huawei

European IT consulting

In 2017, the EU division will continue the development of the chat bot, with the goal of introducing AI functionalities that will significantly expand the scope of use. The interest in the field of AI chat bots is quite high and we expect to have at least two more in 2017.

implementations.

The unit's outsourcing activities will continue to develop, with the expectation that it will grow in 2017. Work will continue on supporting existing products (VivaBipper, VivaTeam)

Loyax

The product development strategy includes:

- Continuing the development of the SaaS model;

- Integrations with established systems on the market such as:

- POS (Microinvest)
- CRM (Zoho)
- BI (Pentaho BI)
- E-commerce (OpenCart)
- Digital Signage (Wantudu)
- Adserver

- The service is included in the portfolio of one of the major mobile operators in Bulgaria.

THE PRODUCTS, SOLUTIONS AND SERVICES PROVIDED BY THE SEGMENT CAN BE SEEN IN ANNEX 4



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SEGMENT FINANCIAL RESULTS

Segment	Indicator	31.12.2015	31.12.2016	Amendment	Amendment
		'000 BGN	'000 BGN	`000 BGN	%
Multi-industry solutions					
	Service revenue	9 561	15 205	5 644	59.03%
	Revenue from goods	7 349	9 920	2 571	34.98%
	Financing income	79	76	-3	-3.55%
	Revenue from the sale of DA	613	700	87	14.15%
	Other income		30	30	
	Total income	17 602	25 931	8 329	47.32%
	Material costs	-2,910	-4,390	-1,480	50.86%
	External service costs	-2,391	-2,204	187	-7.82%
	Depreciation expenses	-3,600	-5,805	-2,205	61.25%
	Remuneration expenses	-5,565	-6,958	-1,393	25.03%
	Other expenses	-162	-247	-85	52.47%
	Reporting value	-6,373	-9,589	-3 216	50.46%
	Capitalization	7 973	9 901	1 928	24.18%
	Unfinished work	561	60	-501	
	Total costs	-12,467	-19,232	-6,765	54.26%
	Gross profit	5 135	6 699	1 564	30.46%

Revenue from services in the segment increased from BGN 17,602 thousand in 2015 to BGN 25,931 thousand in 2016 or 47.32%. The segment's gross profit increased from BGN 5,135 thousand to BGN 6,699 thousand or by 30.46%.

SUBSIDIARIES AND THEIR INDIVIDUAL RESULTS

DATICUM AD <https://www.daticum.com/> - subsidiary of Sirma Solutions

Capital: BGN 2,302,049, distributed among 2,302,049 registered shares with a nominal value of BGN 1.

with voting rights, right to dividend and liquidation share according to the participation in the capital.

Sirma Solutions AD owns 1,392,740 shares or 60.5% of the capital.

Daticum is part of Sirma Group Holding, established in 2008 to meet the growing demand for world-class data centers. The company offers business solutions and services that aim to guarantee customers a high level of availability and reliability of sensitive information.

Daticum offers the full range of managed services – cloud servers, provision of leased hardware servers and equipment, colocation, building and maintaining private cloud systems in a modern and reliable data center. Daticum's IT clients dramatically reduce their infrastructure, equipment, maintenance and consumption costs

of energy.

At the heart of Daticum's concept of cloud services is infrastructure as a service (IaaS). IaaS **Sirma Group Holding AD** www.sirma.bg

Daticum's platform enables you to get the most out of your IT resources by leveraging an intelligent cloud infrastructure that provides a highly reliable and secure information environment with unrivaled scalability. **Daticum provides leased servers and hardware equipment to all its clients.** The company's customers use

equipment without worrying about ongoing maintenance and depreciation. This is a suitable option for all organizations looking for a short-term and effective solution.

"Colocation" is the physical placement of servers and equipment in Daticum's data center. This provides an optimal environment for the proper functioning of the client's hardware infrastructure, reducing all necessary systems, as well as constant monitoring and control.

The company differs from traditional data centers for providing additional professional solutions and services to its clients, especially in the process of building private and hybrid cloud infrastructures, consulting and auditing of the existing IT infrastructure, as well as monitoring and support.



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	2016	2015	Amendment BGN '000	Amendment %
Revenue	2850	4702	-1852.00	-39.39%
EBITDA	906	832	74.00	8.89%
Depreciation and amortization Net	(369)	(386)	17.00	-4.40%
profit EBITDA	474	368	106.00	28.80%
margin Net profit margin	31.79%	17.69%	0.14	79.66%
Sales / share Earnings /	16.63%	7.83%	0.09	112.50%
share ROE Total	1.2381	2.0426	-0.80	-39.39%
assets	0.2059	0.1599	0.05	28.80%
Intangible assets	0.1657	0.1352	0.03	22.50%
Goodwill Book value* Equity	3.308	3.168	140.00	4.42%
Total liabilities Interest-bearing	1.102	1.105	-3.00	-0.27%
debt D/E ROA	-	-	0.00	n/a
	2 206	2 063	143.00	6.93%
	2 861	2 721	140.00	5.15%
	447	447	0.00	0.00%
	-	-	0.00	n/a
	0.1562	0.1643	-0.01	-4.89%
	0.1433	0.1162	0.03	23.35%

The decrease in revenue is due to an incidental atypical project by Daticum in 2015.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Bulgaria	2501	4390	-1889.00	-43.03%
USA	185	194	-9.00	-4.64%
Others	164	118	46.00	38.98%
	2850	4702	-1852.00	-39.39%

SIRMA SOLUTIONS AD <http://www.sirmasolutions.com> – subsidiary of Sirma Group Holding AD

Capital: 32,319,700 BGN.

In-kind contribution: software - 13 software modules worth: 33,997,530 BGN.

Shares:

Type: regular, Number: 3,139,256, Denomination: 10 BGN. Rights: each ordinary share gives the right to one vote at the general meeting of shareholders, as well as the right to dividend and liquidation quota, commensurate with the nominal value of the share.

Type: Class A, Number: 15,000, Denomination: 10 BGN. Rights: Class A shares are non-voting preferred shares, entitled to a guaranteed dividend of 12% of the nominal value.

Type: Class B, Number: 77,714, Denomination: 10 BGN. Rights: Class B shares are redeemable and have the right to vote and a liquidation quota, commensurate with the nominal value of the share.

The share capital structure is:

The company owns 188,255 own shares with a nominal value of each share of BGN 10.

Sirma Solutions AD is a global company providing services in the field of information technology. The company has several subsidiaries,

which provide specialized services in various sectors of the economy. **Founded in 1992, Sirma Solutions is part of Sirma Group Holding - the largest software group in Bulgaria, listed on the Bulgarian Stock Exchange since the end of 2015. (SKK).**



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

FINANCIAL RESULTS FOR 2016

	2016	2015	Amendment BGN '000	Amendment %
Revenue	22571	15708	6863.00	43.69%
EBITDA	7,303	4,724	2579.00	54.59%
Depreciation Net	(4,841)	(3,460)	-1381.00	39.91%
profit EBITDA	2,411	1,363	1048.00	76.89%
margin Net profit	32.36%	30.07%	0.02	7.59%
margin Sales / shares	10.68%	8.68%	0.02	23.10%
Earnings / share ROE	6.9836	5.0524	1.93	38.22%
Total assets Intangible	0.7460	0.4384	0.31	70.16%
assets	0.0560	0.0344	0.02	63.01%
Goodwill Book	52,165	47,581	4584.00	9.63%
value* Equity Total liabilities	24,622	20,565	4057.00	19.73%
Interest-bearing debt D/E	-	-	0.00	n/a
ROA	34,608	31,559	3049.00	9.66%
	43,029	39,652	3377.00	8.52%
	9,136	7,929	1207.00	15.22%
	1,617	99	1518.00	1533.33%
	0.0376	0.0025	0.04	1405.15%
	0.0462	0.0286	0.02	61.35%

The company performed with exceptional results in 2016. Revenues increased from BGN 15,708 thousand to BGN 22,571 thousand or by 43.69%. EBITDA increased by 54.59% and net profit by 76.89%.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Bulgaria	16867	13012	3855.00	29.63%
Austria	1431		1424.00	20342.86%
Great Britain USA	845	7	589.00	230.08%
Others	3122	256	928.00	42.30%
	306	2194	66.00	27.50%
	22571	15709	6862.00	43.68%

SIRMA ENTERPRISE SYSTEMS AD <http://www.sirmaitt.com/> - subsidiary of Sirma Group Holding AD

Capital: 1,410,460 BGN.

Shares:

Ordinary shares, Number: 127,144, Nominal value: 10 BGN, available, with voting rights, dividend and liquidation share.

Class A, Number: 13,902, Denomination: 10 BGN. - own the company shares that can only be transferred to employees. Available, with voting and dividend rights.

As of September 30, 2016, the company owns 2,750 Class A shares with a nominal value of BGN 10.

Sirma Group Holding owns 125,120 shares, which represent 90.47% of the capital.

Sirma Enterprise Systems AD is a Bulgarian software company, established in 2008 as a joint-stock company. The majority owner is Sirma Group Holding AD, which holds 90.47% of the share capital.

capital, and the remaining shareholders are employees of



Sirma Group Holding AD
www.sirma.bg

the company. Sirma Enterprise Systems specializes in complex, large-scale projects and systems for electronic governance (customs, excise, tax, healthcare, etc.) Since 2013, Sirma Enterprise Systems is changing its focus and becoming a product-oriented company, developing an integration, collaboration, and management platform.

The platform is a powerful integrated set of servers with open source that operates under a service-oriented architecture (SOA). It provides the opportunity to consolidate all data from the organizations' existing IT infrastructure. The Platform's applications are designed to be provided as a cloud service intended for companies of various scales. The platform contains rich basic functionality for data integration

of enterprises, content creation, organization, collaboration, management and administration of information, knowledge, and business processes

Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

	2016	2015	Amendment BGN '000	Amendment %
Revenue	2256	1816	440.00	24.23%
EBITDA	1 042	999	43.00	4.30%
Depreciation and amortization Net	(687)	(583)	-104.00	17.84%
profit EBITDA	210	327	-117.00	-35.78%
margin Net profit margin	46.19%	55.01%	-0.09	-16.04%
Sales / share Earnings /	9.31%	18.01%	-0.09	-48.31%
share ROE Total	16.0000	12.8794	3.12	24.23%
assets	1.4894	2.3191	-0.83	-35.78%
Intangible assets	0.0959	0.1781	-0.08	-46.16%
Goodwill Book value* Equity	6 508	4,716	1792.00	38.00%
Total liabilities Interest-bearing	5 427	3,605	1822.00	50.54%
debt D/E ROA	-	-	0.00	n/a
	3,069	1,111	1958.00	176.24%
	2,190	1,836	354.00	19.28%
	4,318	2,880	1438.00	49.93%
	525	536	-11.00	-2.05%
	1,9717	1,5686	0.40	25.70%
	0.0323	0.0693	-0.04	-53.46%

In 2016, the company focused on R&D to develop and commercialize applications for the company's core product SEP. Therefore, despite revenue growth of 24.23%, EBITDA decreased by 4.30% and net profit decreased by 35.78% compared to the previous year.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Bulgaria	1195	1028	167.00	16.25%
Canada		250	-250.00	-100.00%
USA	0 1061	538	523.00	97.21%
	2256	1816	440.00	24.23%

ONTOTEXT <http://www.ontotext.com>– subsidiary of Sirma Group Holding AD

Capital: 15,225,771 BGN.

depending on its market capitalization and a different share of income when selling shares, etc.
economic rights.

Shares: 15,225,771 pcs.

Share classes:

ORDINARY, Number: 11 038 684, Denomination: 1 BGN-
registered shares, with voting rights, dividend,
liquidation share, right of first refusal, right of accession

CLASS A 1, Number: 4,187,087, Denomination: 1 BGN. - registered shares,
voting shares, dividend shares, various shares
economic rights including the right to a different liquidation share upon
dissolution of the company in

As of 31.12.2016, the distribution of share capital is as follows:
of the company is

Shareholders	Class shares	Number of shares as of 30.06.2016	Number of shares as of 30.06.2015	Nominal % in capital	
Sirma Group Holding AD Kiril	ordinary	8 558 125	8 558 125	1 BGN	56.21%
Simov Hamish	ordinary	220 778	220 778	1 BGN	1.45%
Cunningham Kalina	ordinary	255 901	255 901	1 BGN	1.68%
Boncheva Dieter	ordinary	255 901	255 901	1 BGN	1.68%
Fensel Marin Dimitrov	ordinary	307 082	307 082	1 BGN	2.02%
Borislav Popov Dimitar	ordinary	307 082	307 082	1 BGN	2.02%
Manov Damian	ordinary	311 006	311 006	1 BGN	2.04%
Ognyanov Zlatina	ordinary	307 082	307 082	1 BGN	2.02%
Marinova Vasil	ordinary	153 541	153 541	1 BGN	1.01%
Momchev Milena Yankova	ordinary	153 541	153 541	1 BGN	1.01%
Nevek Serl Total	ordinary	106 284	106 284	1 BGN	0.70%
	ordinary ordinary ordinary	102 361	102 361	1 BGN	0.67%
	class A1	4 187 087	4 187 087	1 BGN	27.50%
		15 225 771	15 225 771		100%

Option fund:



Sirma Group Holding AD
www.sirma.bg

Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

The holders of ordinary shares of capital of Ontotext AD, incl. "Sirma Group Holding" AD, agree to create an option fund of 1,210,215 (one million two hundred and ten thousand two hundred and fifteen) shares for a period until 31.03.2019, whereby they undertake to sell the shares included in the option fund to the option holders at a price per share equal to 1.17 BGN. The options from the option fund will

are 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 simple majority, but with the participation of at least one member of the Board of Directors nominated by the shareholders, who voted "FOR" the decision. The Board of Directors is authorized, for a period of 3 (three) years, starting from the announcement of this amendment to the articles of association in the Commercial Register, to manage the option fund, to determine the price of 1 (one) option for the acquisition of one share, which cannot be higher than three

euro cents, to determine the persons entitled to acquire options and to sell options from the option fund for the acquisition of shares from the capital of the Company.

The sale of ordinary shares, pursuant to the Option issuance scheme, will be carried out proportionally by all Shareholders holding Ordinary Shares included in the option fund.

Ontotext has a subsidiary - Ontotext USA with capital of 30 thousand BGN, 100% his property.

Ontotext is a leader and innovator in the areas of semantic databases (triplestores), linguistic analysis, semantic web and web services. The company solves problems in the areas of online publishing, pharmaceutical company research, web analytics, working with large databases, online recruitment, and many others.

Founded in 2000 as part of Sirma Group Holding, Ontotext is currently owned by its employees, Sirma Group Holding and the venture capital fund NEVEQ. The company has a number of subsidiaries and over 65 employees,

Those of them who are engaged in research have more than 100 publications in renowned international scientific journals. **Over the past ten years, Ontotext has also established itself as an important participant in a number of significant open source projects, such as GATE and Sesame.** Ontotext is the most successful participant from Bulgaria in research projects under Framework Programs 6 and 7 of the European Commission.

The unique, interdisciplinary expertise of the company provides a single point of access to all technologies that make the possibilities of semantics and linked data a reality. Ontotext's technology discovers relationships, hidden connections, and corresponding facts scattered across vast arrays of unstructured information.

FINANCIAL RESULTS

	2016	2015	Amendment BGN '000	Amendment %
Revenue	6484	5371	1113.00	20.72%
EBITDA	2 128	1,994	134.00	6.72%
Depreciation and amortization Net	(1 478)	(1,790)	312.00	-17.43%
profit EBITDA	484	148	336.00	227.03%
margin Net profit margin	32.82%	37.13%	-0.04	-11.60%
Sales / share Earnings /	7.46%	2.76%	0.05	170.89%
share ROE Total	0.4259	0.3528	0.07	20.72%
assets	0.0318	0.0097	0.02	227.03%
Intangible assets	0.0276	0.0085	0.02	224.21%
Goodwill Book value* Equity	22 395	20,369	2026.00	9.95%
Total liabilities Interest-bearing	19 299	18,264	1035.00	5.67%
debt D/E ROA	-	-	0.00	n/a
	3 096	2 105	991.00	47.08%
	17 511	17 360	151.00	0.87%
	4 884	3 009	1875.00	62.31%
	829	710	119.00	16.76%
	0.2789	0.1733	0.11	60.91%
	0.0216	0.0073	0.01	197.44%



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Austria	1354	1185	169.00	14.26%
Bulgaria	1596	660	936.00	141.82%
Germany	56	455	-399.00	-87.69%
Great Britain	2309	2371	-62.00	-2.61%
Netherlands	49	66	-17.00	-25.76%
Switzerland	128	30	98.00	326.67%
USA	782	317	465.00	146.69%
Others	206	287	-81.00	-28.22%
	6480	5371	1109.00	20.65%

ONTOTEXT USA

	2016	2015	Amendment BGN '000	Amendment %
Revenue	722	881	-159.00	-18.05%
EBITDA	(4)	(372)	368.00	-98.92%
Depreciation and amortization Net	-	-	-	n/a
profit EBITDA	(7)	(374)	(374)	-98.13%
margin Net profit margin	-0.55%	-42.22%	-231.45%	-98.69%
Sales / share Earnings /	-0.97%	-42.45%	235.22%	-97.72%
share ROE Total	24.0667	29.3667	-5.3000	-18.05%
assets	-0.2333	-12.4667	-12.4667	-98.13%
Intangible assets	-0.0729	-3.6667	-3.6667	-98.01%
Goodwill Book value* Equity	350	298	298	17.45%
Total liabilities Interest-bearing	-	-	-	n/a
debt D/E ROA	-	-	-	n/a
	350	298	298	17.45%
	96	102	102	-5.88%
	254	196	196	29.59%
	-	-	-	n/a
	2.6458	1.9216	1.9216	37.69%
	-0.0200	-1.2550	-1.2550	-98.41%

ENGVIEW SYSTEMS SOFIA AD [HTTP://WWW.ENGVIEW.COM](http://www.engview.com) – SUBSIDIARY OF SIRMA GROUP HOLDING

Capital: 68,587 BGN.

Sirma Group Holding AD owns 50,000 shares or 72.9% of the company's capital.

Shares: 68,587 ordinary registered shares with voting rights, dividend rights and liquidation share rights, proportional to the capital participation.

EngView Systems is a company that develops engineering software solutions for the video measurement and aluminum for the packaging, industries.

	2016	2015	Amendment BGN '000	Amendment %
Revenue	3197	2793	404.00	14.46%
EBITDA	610	597	13.00	2.18%
Depreciation and amortization Net	(103)	(18)	-85.00	472.22%
profit EBITDA	457	545	-88.00	-16.15%
margin Net profit margin	19.08%	21.37%	-0.02	-10.73%
Sales / share Earnings /	14.29%	19.51%	-0.05	-26.74%
share ROE Total	46.3333	40.4783	5.86	14.46%
assets	6.6232	7.8986	-1.28	-16.15%
Intangible assets	0.1986	0.2659	-0.07	-25.29%
Goodwill Book value* Equity	2 635	2 227	408.00	18.32%
Total liabilities Interest-bearing	629	402	227.00	56.47%
debt D/E ROA	-	-	0.00	n/a
	2 006	1,825	181.00	9.92%
	2 301	2,050	251.00	12.24%
	331	177	154.00	87.01%
			1.00	33.33%
	4 0.0013	3 0.0863	-0.09	-98.49%
	0.1734	0.2447	-0.07	-29.13%



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Austria	174	246	-72.00	-29.27%
Brazil	15	41	-26.00	-63.41%
Bulgaria	391	306	85.00	27.78%
Germany	711	417	294.00	70.50%
Italy	177	117	60.00	51.28%
Japan	102	60	42.00	70.00%
USA	1187	993	194.00	19.54%
Others	440	613	-173.00	-28.22%
	3197	2793	404.00	14.46%

SIRMA BS <https://sirmabc.com/> - subsidiary of Sirma Solutions

Capital: 2,539,768 BGN.

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

Share classes:

CLASS A: Issue: 1958 268, Denomination: 1 BGN. Rights: ORDINARY, WITH VOTING RIGHTS, right to dividend and liquidation share

CLASS B: Number: 581,500, Denomination: 1 BGN. - privileged, without the right to vote, with the right to guaranteed dividend

Sirma Solutions AD owns 1,077,048 class A shares and 296,500 class B shares or 54.08% of the company's capital and 55% of the voting shares.

Sirma Business Consulting (Sirma BC) was separated from Sirma Group Holding in 2007. The company was created with the aim of

to offer specialized IT solutions, products and consulting for the needs of the banking sector.

The company's services cover projects such as: implementation of core banking systems, retail banking systems, risk management systems, implementation of various types of satellite banking products and

consulting services.

The company specializes in providing high-quality business and IT solutions based on FlexCube or other core banking systems. Sirma Business Consulting offers solutions for online payment systems, bank card management systems (CMS), electronic banking services (weBank), customer data management and collection, receivables collection and much more.

	2016	2015	Amendment BGN '000	Amendment %
Revenue	3719	3175	544.00	17.13%
EBITDA	528	584	-56.00	-9.59%
Depreciation Net	(427)	(396)	-31.00	7.83%
profit EBITDA	112	173	-61.00	-35.26%
margin Net profit	14.20%	18.39%	-0.04	-22.81%
margin Sales / shares	3.01%	5.45%	-0.02	-44.73%
Earnings / share ROE	1.4642	1.2500	0.21	17.13%
Total assets Intangible	0.0441	0.0681	-0.02	-35.26%
assets	0.0400	0.0605	-0.02	-33.99%
Goodwill Book	4,071	3,920	151.00	3.85%
value* Equity Total liabilities	1,011	1,378	-367.00	-26.63%
Interest-bearing debt D/E	-	-	0.00	n/a
ROA	3 060	2 542	518.00	20.38%
	2 803	2 858	-55.00	-1.92%
	1 268	1 062	206.00	19.40%
	-	-	1.00	n/a
	1 0.0000	0.3716	-0.37	-100.00%
	0.0275	0.0441	-0.02	-37.66%



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

Revenue by country:

Country	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
Albania	225	498	-273.00	-54.82%
Bahamas	205	141	64.00	45.39%
Bulgaria	3207	2230	977.00	43.81%
Others	82	306	-224.00	-73.20%
Total	3719	3175	544.00	17.13%

SIRMA USA/DBA PANATON <http://panatonsoftware.com/>

Sirma USA/Panaton Software is a subsidiary of Sirma Solutions, operating in the United States. The company was created to develop the business and market Sirma Solutions' services in the American market. The company specializes in software development, system integration, cyber

security and product design. The foundation of the company's successful operations are its clients who return again and again and their excellent references for the projects they have completed. Therefore, the company strives for the highest standards of personal and professional

behavior and ethics.

FINANCIAL RESULTS

	2016	2015	Amendment BGN '000	Amendment %
Revenue	3550	3249	301.00	9.26%
EBITDA	914	230	684.00	297.39%
Depreciation Net	-	-	0.00	n/a
profit	910	172	738.00	429.07%
EBITDA margin	25.75%	7.08%	0.19	263.70%
Net margin, profit	25.63%	5.29%	0.20	384.21%
Sales / shares	0.2367	0.2166	0.02	9.26%
Earnings / share	0.0607	0.0115	0.05	429.07%

SIRMA IC S <http://sirmaics.com/> - subsidiary of Sirma Solutions

Sirma A.C.S. is one of the youngest companies in the group. It was created to mitigate the adverse consequences of disputes with the partner in Sirma ISG.

the financial sphere, with an initial focus on the insurance sector.

The company will grow by actively entering new markets and niches, by increasing financial literacy, knowledge about the benefits of insurance

Capital: 300,000 BGN, divided into 300,000 registered shares with a nominal value of 1 BGN per share, with voting rights, dividends and liquidation rights.

products, and the introduction of new digital solutions designed for customers and end users.

share.

Sirma Solutions owns 270,000 shares or 90% from capital.

Sirma ICS offers web-based solutions and a full range of software services for insurance companies, brokers, credit institutions, retailers, employers and many others. The company is focused on providing technological solutions and professional consulting services, with the aim of maintaining good long-term relationships.

Sirma Insurance Cloud Software develops software solutions for the insurance and other financial sectors. The company's goal is to introduce high-tech innovations into

with customers.



*Annual consolidated report of the management of Sirma Group Holding AD for the
period ending on 31.12.2016*

FINANCIAL RESULTS

	2016
Revenue	502
EBITDA	70
Depreciation and amortization Net	(9)
profit EBITDA	54
margin Net profit	13.94%
margin Net profit margin	10.76%
Sales / share Earnings /	0.2181
share ROE Total	0.0235
assets	0.1525
Intangible assets	568
Goodwill Book value* Equity	-
Total liabilities Interest-bearing	-
debt D/E ROA	568
	354
	177
	41
	0.5000
	0.0951

S&G TECHNOLOGY SERVICES <http://www.sngservices.co.uk/>

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

better understand the challenges customers face, identify areas where it can provide innovative solutions, and seamlessly integrate its specific solutions within a broader delivery program.

S&G Technology Services has accumulated vast expertise in the banking industry and developing technology solutions for some of the world's largest banks. This enables the company to understand

In 2016, the company generated revenues of BGN 739 thousand, which is 23.07% more compared to with the previous year.

The company's profit increased by 31.07%.

SIRMA GROUP HOLDING AD – INDIVIDUAL REPORT

	2016	2015	Amendment BGN '000	Amendment %
Revenue*	4171		2399.00	135.38%
EBITDA	2 165		1784.00	468.24%
Depreciation Net	(382)		-124.00	48.06%
profit EBITDA	1 643		1625.00	9027.78%
margin Net profit	51.91%	1,772,381	0.30	141.41%
margin Sales / shares	39.39%	(258)	0.38	3777.83%
Earnings / share ROE	0.0703	18	0.04	104.12%
Total assets Intangible	0.0277	21.50%	0.03	9027.78%
assets	0.0243	1.02%	0.02	8848.58%
Goodwill Book	72 434	0.0344	3799.00	5.54%
value* Equity Total liabilities	1 787	0.0003 0.0003 68,635,399	1388.00	347.87%
Interest-bearing debt D/E	-	-	0.00	n/a
ROA	70,647	68,236	2411.00	3.53%
	67,542	66,216	1326.00	2.00%
			2473.00	102.23%
			-269.00	-27.51%
			-0.02	-60.36%
	4,892,709 0.0145 0.02272,419,978 0.0365 0.0003		0.02	8549.05%

* ACCORDING TO THE INSTRUCTIONS OF THE FSC, DIVIDENDS INCOME ARE INCLUDED IN THE INCOME FROM THE MAIN ACTIVITY OF
SIRMA GROUP HOLDING AD



Annual consolidated report of the management of Sirma Group Holding AD for the period ending on 31.12.2016.

MARKETING

In operational terms, the annual marketing strategy and budget of the Bulgarian Agricultural Cooperative in 2016 ensured the planning, development and successful implementation of the following activities:

1. Creating, developing and maintaining general awareness of the Sirma brand through a set of activities that help with successful branding and corporate communications - public relations, investor relations, public institutions, company employees, general public. These included internet marketing, online meetings, assisting management and managers with marketing materials for their

investment tours, interviews in specialized press, TV, radio, participation in specialized and high-profile business events.

2. Building a strong employer brand and establishing the company as an attractive place to work, career development and implementing your own innovative ideas for creating new software products and solutions, working with the most advanced technologies, entering new market niches. A favorable environment has been created and the development of the innovation process in companies is regularly encouraged. Social media is actively used for more informal communication with employees, engagement with significant causes, information about upcoming events, company and product news. The team building event held at the end of the year was traditionally one of the most anticipated events, which gave people from different companies, cities, and offices the opportunity to communicate in an informal environment.

3. Increased brand presence on social media and communication management through digital channels. As part of marketing through social channels, a content marketing program was developed. It aims to:

- Improved performance on the global web through digital tools - significant increase in traffic to the websites of Sirma Group and its subsidiaries; improved discovery in the most popular search engines - SEO&SEM activities;
- raising awareness of external and internal audiences about corporate initiatives and key business events;
- informing the audience about new products and services created by our companies, the development of existing products and services, company achievements;
- public and transparent communication, for comprehensive presentation of the activities of Sirma Group.

In addition to the main activity of presenting the company's image and maintaining its prestige, the website should arouse both initial interest and subsequent action aimed at a more targeted search for information about our products or solutions. That is, the site is the beginning of our communication with potential investors and clients, with the potential to

develop and convert into sales.

The generation and conversion of leads through the sales funnel, however, is the direct responsibility of the marketing teams of individual companies, which, within the framework of their individual annual programs and budgets, implemented various initiatives - individual promotions, complete campaigns, creation of landing pages, release of demonstration prototypes and

etc.

4. Product marketing. In this direction, the marketing communications program was integrated with the efforts to develop new products -

preliminary sector studies, identification of business and technological niches, formulation of a concept for the development of new products/services, life cycle analysis and optimization of the existing product portfolio, etc. As part of the activity to increase awareness and recognition of the brand, products and business benefits, the marketing departments of the companies, independently or in collaboration with the marketing department of the holding, worked on creating attractive, informative and relevant marketing content - brochures, landing pages, presentations, videos, publishing specialized articles aimed at specific business audiences.

5. To support business development and sales activities, a strategy was developed for a mix of digital marketing programs and specialized business events. The first part focused on performance marketing - better return on investment, increasing inbound traffic, increasing the number of conversions on the existing websites of the individual companies in the holding, converting unqualified leads into quality ones, product demonstrations, and closing deals.

The second part of the activities had two directions - one related to the business part and sales - presentation of products and solutions of the holding companies at specialized business forums - in the fields of finance, insurance, retail, electronic services and the public sector. **The second activity had a strategic goal - participation of the company's executive management in targeted events, online discussions to attract investors, for ongoing communication regarding the company's development, its presentation on the Bulgarian Stock Exchange, and the announcement of the Investment and Growth program.** It also touched on the long-term development plans of the holding and related companies, the management's announced strategy for conducting further IPOs within the next 3 years, plans for future acquisitions, and the vision for ensuring sales synergy related to the introduction of business software solutions based on artificial intelligence technologies.

The holding's global growth ambitions also included a renewal of our corporate identity. The annual program included activities to develop a new overall corporate vision - for the holding and its subsidiaries.

As an element of the new corporate identity, and with a view to ensuring a coherent graphic vision, respectively synergy of all online and offline



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channels of the Sirma brand, tasks were set for a complete renovation of the holding's website. **This included a new concept, vision, architecture, content and interactivity.** Similar tasks were set and new modern websites were created for the key subsidiaries – Sirma Solutions, Sirma ICS, Sirma Enterprise Systems, Sirma Medical Systems, Loyax.

Constantly updating the sites and providing them with up-to-date information through interactive and

An impactful vision is an imperative for the modern information age. The sites are becoming an information hub for corporate events, documents, and the most up-to-date information related to the activities of organizations, their products, solutions, and initiatives.

The year ended with the organization of the traditional online meeting with current and potential shareholders, with the executive management of the holding, at which the financial results by quarter, key events and news from the past period are presented.

MANAGEMENT OF THE FINANCIAL ACTIVITIES OF THE HOLDING COMPANY AND THE GROUP

During the past period, the management of the financial activities of the SGH was carried out under the following conditions:

I. Goals

As a **strategic goal** of financial management, the SGH adopted the increase in the wealth of the owners, which can only be achieved by maximizing the market value of the company, based on the share price.

As a **tactical objective** of financial management, SGH adopted the maximization of revenue and profit.

As an **operational objective** of financial management, SGH has defined maintaining the solvency of the company and the companies in the Group as an opportunity to service all emerging undisputed payments.

II. Performance of functions.

1. Functions performed by the management of the SGH:

a) financial planning – plans were prepared for SGH and all companies in the Group for a one-year and medium-term period.

b) coordination of financial activities – the SGH coordinated the activities of all companies in the Group to implement the general objectives of financial activity management, as well as to implement uniform policies in this activity;

c) control – The financial team of SGH throughout the year carried out ongoing and periodic control over the financial activities of the companies in the group.

2. With regard to the financial activities of SGH and its subsidiaries, the Holding performed the following functions:

a) financing – related to the provision of financial resources and the structuring of capital necessary for the normal functioning of the enterprise.

This function is related to the liabilities of the company's balance sheet. It reflects the sources of capital that the enterprise has at its disposal to carry out its business activities.

b) investment – covers the capital provided in various assets in order to achieve the strategic goal

of the company. This function is related to the asset side of the balance sheet.

III. Completed tasks:

1. Ensuring a sufficient amount of financial resources in accordance with the strategy and tasks for the development of SGH and its subsidiaries during the relevant period.

2. Ensuring the most effective distribution and use of the formed volume of financial resources in the main areas of the Group's activity.

3. Cash flow optimization – synchronization of receipts and payments in terms of amount and time for the normal servicing of undisputed payments.

4. Ensuring maximum profit at given level of risk.

5. Ensuring financial balance of the SGH and subsidiaries in the process of their development.

In carrying out the task of financial equilibrium, we adhered to the golden balance rule, which requires that long-term assets be financed from long-term sources of capital, and short-term assets from short-term sources of capital.

6. Providing opportunities for rapid reinvestment of capital in the event of changes in external and internal conditions for carrying out business activities.

INVESTMENT ACTIVITY

The Board of Directors, assisted by the Investment and Risk Committee, is responsible for defining and implementing the investment policy of Sirma Group Holding. **The duties and responsibilities of the Committee are related to analyzing and proposing decisions by the Board of Directors on investment proposals (equity or financing/loan) in Sirma Group Holding's subsidiaries or in its own new companies (startups).** The EC must assist the Board of Directors in its duties to secure, structure, analyze and execute all mergers and acquisitions activity of Sirma Group Holding and its subsidiaries.



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subsidiaries, with its members participating in the management bodies of the acquired companies.

1. Investments / Financing

In 2016, The EC proposed, and the Board of Directors of SGH decided, to establish and invest a total of BGN 590 thousand in two new subsidiaries, which will develop products in the fields of healthcare and insurance, respectively -

key industries for SGH, taking into account the expertise accumulated over the years and the Mission of the group.

A subsidiary of SGH was established in the USA with a capital of 2 million US dollars, which opened sales offices in New York and New Jersey with the aim of developing a sales network and building a sales and management team for positioning and selling the products and services of the group companies on the American market.

Projects were also approved, financing/loans were considered for 4 of companies in the group and one start-up for a total value of BGN 5,943 thousand. **The funding is for the further development of key products in the portfolio of the two companies, which are the cornerstones in the development of the overall product strategy of SGH and the establishment of the Sirma brand on the market as a quality technology provider.** The expectation is that 70% of the allocated funds will be converted into shares in the capital of the financed companies.

The capital of the largest company in the group – Sirma Solutions – was increased by BGN 1,234 thousand in order to increase its capacity by opening new offices in and outside Bulgaria and hiring new employees to take on new projects from the American market, as well as to increase the capital of the newly established subsidiary in the insurance sector – Sirma ICS AD.

specialization

The capital of Sirma USA was increased by 300 thousand US dollars for the development of new products in the field of cybersecurity.

A start-up was established to create software in the field of healthcare for the prevention and management of diabetes with the participation of the Bulgarian State Housing Corporation in the capital of 66 thousand BGN

The total amount of investments made in 2016 and financed by the State Housing Fund amounts to BGN 11,245 thousand.

Of the above amount, BGN 3,471 thousand are risky investments, the return on which depends solely on the market success of the financed ventures.

2. Risks associated with investments

Due to the relatively small scale of each of the product investments individually and the life cycle, in

where they are located, they do not represent a significant risk factor for the future business development of the group as a whole. In this regard, no specific preventive activities are foreseen and the strategy for dealing with this risk is "Accept".

With a medium level of risk, however, in terms of the strategic business development of Sirma Group, we could distinguish the investment in the sales organization in the USA. **This market is extremely important for Sirma, both for short-term sales growth and for the long-term strategy of financing the business and taking it to a higher international level in terms of recognition.** In this regard, we have taken several measures to manage this risk: 1) The head of the newly formed sales organization in the USA is the most experienced member of Sirma's management (and its founder) - Yavor Dzhonev; 2) Detailed plans and monthly reports are prepared for the activities performed and the results achieved, with an analysis of discrepancies; 3) We react extremely quickly if any of the appointed employees systematically does not meet the set standards; 4) Full communication and all work done on each potential client is stored digitally on a server; 5) Regular visits of the senior management team from Sirma are organized on site in the USA for the purpose of direct control and conversation with employees regarding the way of working, trends, opportunities and obstacles.

With the above and the fact that Sirma is a group of companies with long-standing traditions and established businesses that operate in an operationally low-risk environment, we believe that overall, the risk of SGH's investment activity is

low.

3. Acquisitions/partnerships

In 2016, based on numerous studies, meetings and conference calls, 6 non-binding offers were made to purchase a majority stake in the capital of 2 Bulgarian and 4 European companies, whose scope of activity and market presence are complementary to companies from the Sirma group in strategically important verticals for the holding. **None of these offers were accepted by the other party, mainly based on a discrepancy in expectations for the valuation of the target company. Only one of these 6 processes is not closed as of December 31, 2016 and its development is expected by the end of February 2017.** The main conclusion that must be made is that the approach to searching for a target company for acquisition must be changed, using a complex of M&A tools.

The Board of Directors, together with the Investment Committee, envisages the development of a new M&A strategy and tactical tasks.



INVESTMENTS BY COMPANY

For information on investments by company, please see Appendix No. 8.

REPORT ON THE EXPENDITURE OF FUNDS RAISED FROM THE 2015 IPO

OCTOBER 2015 BROADCAST

Closing date of the public offering – 21.10.2015.

Total number of shares offered for subscription – up to 18,491,858 (up to 16,000,000 New shares and up to 2,491,858 existing shares in cases of oversubscription).

Number of subscribed and paid shares from the capital increase – 9,523,362.

Amount received from the subscribed and paid shares in a savings account opened at UniCredit Bulbank AD – **11,428,034.40** leva.

Issue costs – 184,108 BGN.

Net value of the capital raised – **11,243,926 BGN**.



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Option	Raised capital Investment projects	Investment amount	Spending of the proceeds from the issue	Amount of expense
Minimum successful issue 9,600,000.00 BGN. 1. Establishing a subsidiary in the USA with two main areas of business activity:		3,500,000.00 BGN.		3 470 560
	1) Consulting activities in the main areas of realization of the company's products and services the group companies, vertical specialization in priority industries. Creating teams of sales managers, technical and business consultants, project managers and software engineers in order to increase the quality of services, competitiveness and efficiency of the group companies;		Establishment of Sirma Group Inc. in the USA Sirma Group Inc. was established, based in New York and headed by a Board of Directors consisting of: Tsvetan Alexiev, Yavor Dzhonev and Atanas Kiryakov. Responsible for the company's operations are Tsvetan Aleksiev - Chairman of the Board of Directors and also responsible for financial operations, and Yavor Dzhonev - Executive Director of the company, who is one of the co-founders and visionaries of Sirma since its inception in 1992 and has extensive international experience. The decision of the holding's board envisages that the company, at the first stage of its development, will concentrate on increasing the sales volume of the group's companies in the American and nearby markets by building a strong team of salespeople with whom the group can confidently step onto the east coast of the USA.	
	2) Attracting investment capital from the USA for the companies in the group and for new projects, management of the financial assets of "Sirma Group Holding" AD, including acquisitions and sales of companies, and financial management by forming a team of financial consultants.			
	2. Investments to increase the production capacity of the companies in the group with The aim is to increase their competitiveness, profitability and higher profiling of expertise by increasing the number of staff and their geographical dispersion in the region, and managing the risks associated with personnel selection.	1 100 000.00 BGN	Increase in the capital of Sirma Solutions AD On 20.07.2016, Sirma Solutions AD increased its capital by 1,233,810 BGN, of which 1,100,000 for increasing production capacity and 133,810 BGN for investments under the following item	1 100 000
	3. Investments in development and commercialization of current products of companies from the group in the field of CAD/CAM, loyalty systems, intelligent document management, semantic technologies, the financial and insurance sectors, etc. and building new sales and distribution channels for their implementation.	2 000 000.00 BGN	1. 133810 BGN from the item 2+ 136,190 BGN financing (loan) to Sirma Solutions for the establishment of Sirma ICS AD. On February 24, 2016, a newly established company "Sirma ICS" AD, UIC 203940550, was registered. The company's capital is 50,000 leva, divided into 45,000 (forty-five thousand) ordinary registered, outstanding shares with a nominal value of 1 (one) leva each and 5,000 (five thousand) class A registered, outstanding shares with a nominal value of 1 (one) leva each. Sirma Solutions AD has subscribed 45,000 ordinary registered shares. The remaining 5,000 shares were subscribed by three individuals. In June 2016, the capital was increased to 300,000 BGN. , divided into 250,000 ordinary registered shares and 50,000 BGN of class A shares. The company has the following scope of activity: Development, implementation and maintenance of software and hardware products and systems, IT consulting, commercial activity and any other activity not prohibited by law; and any other activity permitted by law. 2. Funding allocated to SEU for the development and commercialization of the intelligent document management platform in the amount of BGN 1,730,000. 1. Establishment of "Sirma Medical Systems" AD with capital of 100,000 BGN, of which 66,000 BGN are shares of SGH; "Sirma Group" established a new company - "Sirma Medical Systems", which will develop software for medical purposes and applications, ensuring accessibility to modern healthcare services. The new company is part of the Sirma holding. The company's ambitions are, building on the already developed platform, to develop more complex products for the diagnosis and prevention of other common diseases. Financing (loan) granted to the company in the amount of BGN 150,000.	2 000 000
	4. Investment in a new R&D unit, specialized in the development of high technologies in the field of artificial intelligence, robotics, remote medical care, computer vision, etc., with the aim of developing technologies and patents, and their subsequent sale, licensing and/or attracting additional investments for organizing production channels	3 000 000.00 BGN	2. Investments in R&D of Ontotext 780,000 BGN. 3. Financing of R&D of the CEC 230,000 BGN. 4. Investments of SGH in intangible assets for the implementation of the strategy for the development of technologies in the field of artificial intelligence (Sirma cognitive business services in the cloud) in the amount of 1,794,000 BGN.	3 020 000
Total 1		9,600,000.00 BGN.		9 590 560
19,200,000.00 BGN	5. Creation of new companies acting as sales representatives and centers for support of existing products and services in the group, with the aim of increasing 16 million shares at min. Price revenues and profits from them, in Germany, England and a selected location in Asia.	2,600,000.00 BGN.		
	6. Development of investments under item 4 of the previous section to the development of prototypes of final products.	2,000,000.00 BGN.	1. Investments in R&D of Sirma USA for cybersecurity - 521,000 BGN; 2. Funding of R&D for computer vision of the SS for 280,000 BGN; 3. Reimbursed funding of EV for R&D activities for 400,000 BGN. 4. Financing through deferral of CC obligations for 18 months for the development of Retail Marketing Suite - 600,000 BGN, of which 453,000 under the current investment plan and 147,000 BGN from own resources.	1 654 000
	7. Additional investments under 3 in order to increase the market shares of existing products of the group companies, investments in new products in the same market segments with aim to increase the total volume of sales through the already developed sales channels. 8. Investments in technology companies expanding the group's expertise and providing new sales channels for accelerated realization of current products and technologies, in order to increase their market share and, accordingly, their market valuation	3,000,000.00 BGN.		
		2,000,000.00 BGN.		
Total 2		9,600,000.00 BGN.		1 654 000
Total 1+2				11 244 560
Funds raised by the issue				11 428 034
Issue costs				-184 108
Funds raised-expenses				11 243 926



MAIN MARKETS

DESCRIPTION OF THE MAIN MARKETS FOR THE PERIOD 2015-2016

The consolidated revenues of Sirma Group Holding AD for the historical period under review have a different nature and geographical origin. Traditionally, revenues from services and goods have the highest share. At the same time, Europe, North America and the United Kingdom occupy the top positions in the geographical distribution of realized revenues. Revenues by region and country are presented in the following table.

Revenue by region and country:

Region	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment 69 40 29 428 172 256 19	Change %	Share of total revenue %
Australia Asia	19 0 29 455	22 855 6600	3 079 2 910	% 72.50%	0.17%
Africa	169 130 43 87 8403	7938 465	41583	148.68%	1.03%
Europe	33977 7606			-1.46%	0.05%
United Kingdom				28.88%	70.84%
South America				5.81%	7.40%
North America				202.33%	0.31%
Total				5.86%	20.21%
				22.38%	100.00%



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Countries	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Albania	498	498	0	0.06%
Argentina				0.00%
Australia	2	2	35	105.60%
Austria	68	33	1247	86.72%
Bahamas	2686		64	45.84%
Belgium			-54	-64.78%
Brazil		1438 141 83 41	-26	-63.60%
Bulgaria	205 29	19372	5412	27.94%
Canada	15	626	-433	-69.14%
China		0	2	n/a
Croatia (Hrvatska)		16	6	35.72%
Czech Republic		32	-26	-81.59%
Denmark		10	-5	-52.55%
Egypt		10	8	73.87%
Finland		2	-2	-100.00%
France		39	-15	-39.40%
Germany		897	-129	-14.41%
Great Britain (UK)	24784	2910	-51	-1.74%
Greece		60	3	4.44%
Guadeloupe		0	20	n/a
India		9	-3	-30.80%
Ireland		0	42	n/a
Israel		0	4	n/a
Italy	193	138	66	47.67%
Japan	2 21	61	41	67.94%
Korea (South)	6	28	11	41.21%
Lebanon		0		n/a
Lithuania	5	0	1	n/a
Macedonia	18	25		8.83%
Malaysia	0	18	10	-54.99%
Mauritius		3	2	-100.00%
Mexico		0		n/a
Netherlands	24	66	-10	-25.48%
New Zealand (Aotearoa)		7		-1.58%
Norway		3		42.86%
Paraguay		0	-3	n/a
Philippines		10	1	-45.79%
Poland		5		-100.00%
Portugal		11	-17	-100.00%
Qatar		0		n/a
Romania		85	0 1	-96.55%
Russian Federation		5		68.50%
Seychelles				43.40%
Singapore	767 2859 63 20 6 42 4 203 102 39 1 10 27 8 0 1 49 7 2616 6 0 0 1 3 9 1 156			5227.72%
Slovakia	4	3		56.67%
South Africa	0	2	-5	-100.00%
Spain	14	4	-5	-47.00%
Sweden	4			-18.14%
Switzerland	129	26		240.81%
Taiwan		4	-11	-86.91%
Thailand	1		1	145.28%
Trinidad and Tobago	13	38 6	-82 4	-89.83%
Turkey	16	5	0	181.20%
Ukraine				n/a
United Arab Emirates	72 1			1428.16%
United States	104	157 26	153 1	17.05%
Virgin Islands (British)		0	-4	n/a
Total	8210 54 41583	7 7014 0 33977	-12 -1 91 -5 8 -141 47 1 97 1196 5	22.89%

INFLUENCE OF EXCEPTIONAL FACTORS

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



SUMMARY INFORMATION RELATING TO THE EXTENT TO WHICH THE COMPANY DEPENDS ON PATENTS OR LICENSES, INDUSTRIAL, COMMERCIAL OR FINANCIAL AGREEMENTS OR FROM NEW PRODUCTION PROCESSES

The economic group of Sirma Group Holding AD currently has no activities dependent on foreign patents. In their product development, the companies Ontotext AD and Sirma Enterprise AD have integrated and further developed software components that are based on open source software, but they are under licensing regimes (LGPL - "GNU General Public License" of the Free Software Foundation, USA; BSD License - Berkeley Software Distribution Public License, USA; Apache License - Apache Software Public License

Foundation, USA), which do not restrict commercial use or otherwise limit their freedom to dispose of software

their complete solutions, including transferring copyrights to them.

For the workplaces of all employees in the Company's economic group, all companies have the relevant licenses for operating systems and application software for personal computers and servers, necessary for the usual workflow in each specific company.

INFORMATION RELATING TO SIGNIFICANT FACTORS, INCLUDING UNUSUAL OR RARE EVENTS OR NEW DEVELOPMENTS THAT SIGNIFICANTLY AFFECT OPERATING REVENUES OF THE COMPANY

There are no significant factors, unusual or rare events or new developments, including

which significantly affect the Company's operating income and future investments.

SIGNIFICANT CHANGES IN NET SALES OR REVENUE, DISCLOSED IN THE ACCOUNTING STATEMENTS

During the period under review, there were no significant changes in net sales or

revenues disclosed in the Company's financial statements, with the exception of those listed above.

INFORMATION RELATING TO THE GOVERNMENTAL, ECONOMIC, FISCAL, MONETARY POLICY OR POLITICAL COURSE OR FACTORS THAT HAVE SIGNIFICANTLY AFFECTED OR COULD SIGNIFICANTLY AFFECT, DIRECTLY OR INDIRECTLY THE COMPANY'S ACTIVITIES

During the period under review, there were no governmental, monetary or political factors that economic, tax, had a significant impact on the activities of the the company.

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



MAJOR EVENTS AND MAJOR BUSINESS NEWS IN 2016

Information about the events of significant importance in the group that occurred by the end of 2016 and about

main business news in 2016, can be found in Appendix No. 3.

BASIC LEGAL INFORMATION IN 2016

Share transactions for the period 01.01.2016 – 31.12.2016:

Sirma Enterprise Systems AD

The company has transferred 2,417 of its own class A shares to individuals.

Sirma Solutions AD

The company has transferred 46,626 of its own class B shares to individuals.

Sirma Group Holding AD

In December, the company acquired 261,400 own shares at a market value of BGN 1.17 per share.

Legal claims for the period 01.01.2016 – 31.12.2016:

Legal actions

Sirma ISG Ltd. vs. Insurance Software Retail Ltd.

Cost of claims: 158,283 BGN, of which:

- 100,000 BGN. - filed as a partial claim for damages from the total amount due in the amount of BGN 538,971.27, representing damages for failure to fulfill contractual obligations
- 58,283 BGN - cost of a declaratory action to establish the existence of a legal relationship under a licensing agreement from 01.06.2011 - **Grounds for the objectively joined claims: Art. 79 of the Labor Code, Art. 82 of the Civil Code**

"Sirma ISG" OOD vs. Tyanko Sashkov Latev

Cost of claims: 69,162.19 BGN, of which:

- 50,000 BGN. - filed as a partial claim for compensation for damages, expressed in expenses incurred from a total amount due of 311,524.08 BGN.
- 11,162.19 BGN. - representing compensation for damages, expressed in unaccounted material assets
- 8,000 BGN. - representing compensation for damages in the form of lost profits

Grounds for the claims: **Art. 45 of the Civil Procedure Act in connection with Art. 145 TC** , **Art. 36 of the Law on Civil Procedure and Art. 142 TC**

There were no legal claims filed against the companies in the group during the period.



7/ CONSOLIDATED FINANCIAL RESULTS

7.1. REVENUE

The consolidated operating income of the company is:

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Revenue from sales	40432	31 764	8668	27.29%
Revenue from revaluation and sale of DA Revenue	717	1 838	-1121	-60.99%
from financing Other revenue	179	184	-5	-2.72%
Total	255	191	64	33.51%
	41583	33977	7606	22.39%

Revenues are growing at a stable high rate of 22.39% or by BGN 7,606 thousand during the period under review, which in turn is in line with the upward trend in the Group's business sector. The increase in revenue is due to both the attraction of new customers and the increase in volumes from existing ones.

Revenues in 2016 include:

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Operating income from sale of materials	3	25	-22	-88.20%
Operating income from sale of goods	9951	8709	1242	14.26%
Income from sale of services	30478	23028	7450	32.35%
Income from revaluation and sale of fixed assets	717	1839	-1122	-61.01%
Financing income	179	184	-5	-2.72%
Operating income from other Total	255	191	64	33.51%
	41583	33977	7606	22.39%

The largest share in the increase in revenue was revenue from sales of services, which increased by BGN 7,450 thousand or 32.35% compared to the previous period, followed by revenue from sales of goods, which increased by BGN 1,242 thousand or 14.26% compared to 2015.



Revenue from sales of services by type (in thousands of BGN):

Type of service	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Backup services	65	32	33	103.12%
MAN connectivity	24	23	1	4.35%
Subscriptions	1976	1266	1 710	56.08%
Administrative, accounting services	23	105	-82	-77.78%
Out-of-warranty services			-6	-69.00%
Location	2	8		1.71%
Consulting Services	115	113	2 8	9.33%
Consumables	89	81		
Software License Rental Hardware	1697			76.54%
and License Rental Cabinet Rental		1846	-149	-22.55%
Rentals	179	182	-3	5.79%
Backup services		81	62	-94.00%
Cloud services	143	127	-29	99.20%
Training	98		10	-31.77%
License revenue Material	180 1	170		2.71%
sales revenue European projects revenue -	707 30 1553 3	20 355 44 1512 2519 352 -14 41 -22		-88.00%
IAS 20	1181	1185	-4	102.85%
Revenue from External Projects	865	0	865	-0.34%
Revenue related to MAN connectivity subcontractors	0	3117	-3117	n/a
System Integration Software	4255		4248	-100.00%
Services Technical	16976	7 12530	4446	24
Support Hosting	212	150	62	60685.71%
	104	49	55	23
Total	30478	23028	7450	32.35%

Subscriptions

A significant share in the increase in revenue from service sales was accounted for by revenue from software services, 1976 which increased by 4446 thousand BGN or 35.48% and revenues from system integration, which increased by 4248 thousand BGN.

1266

710

56.08%

Other operating income and losses:

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Administrative, accounting services				23
Revenue from sale of goods Carrying	9990	7419	2571	34.65%
amount of goods sold Profit from sale of goods	-9153	-6321	-2832	105
Revenue from sale of fixed assets Carrying	837	1098	-261	-82
amount of goods sold Non-warranty services	717	1838	-1121	-23.77%
				-60.99%
Non-current assets Profit/	-461	-1156	695	-60.12%
(loss) on sale of non-current assets Net gains/	256	682	-426	2
losses from exchange rate				8
differences on trade receivables and payables and current				-6
accounts	-65	-98	33	-31.67%
				-69.00%
Income from financing Other	179	184	-5	-2.72%
income Internet	255	191	64	33.51%
Total	1462	2057	-595	-28.93%

115

113

2

1.71%

Co-location



Sirma Group Holding AD
www.sirma.bg

62

89

81

8

9.33%

Consulting services

7.2. EXPENSES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000
Cost of materials <i>Change %</i>	-4998	-3167	-1831
Cost of external			57.81%
services <i>Change %</i> Personnel	-8619	-6910	-1709
costs <i>Change %</i>			24.73%
Depreciation and amortization of non-financial	-19101	-16369	-2732
			16.69%
assets <i>Change %</i> Cost of goods sold and other current assets	-8231	-6816	-1415
			20.76%
	-9613	-7475	-2138
<i>Change %</i>			28.60%
Changes in inventories of finished goods and work in progress <i>Change %</i>	107	499	-392
			-78.56%
Capitalized own costs <i>Change %</i> Other costs	14536	10099	4437
<i>Change %</i> Total			43.94%
costs <i>Change %</i>	-1333	-990	-343
			34.65%
	-37,252	-31 129	-6123
			19.67%

During the period under review, expenses gradually increased in line with the growing revenues from the Group's operations. Traditionally, the highest share in total expenses is staff costs (51.26%), which are the main asset of every company in the IT sector. Expenses for external services (23.14%) and those for depreciation and impairment (22.10%) are traditionally in the next places in terms of share in total expenses.

7.3. FINANCIAL INCOME/NET EXPENSES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Financial expenses		-693	211	-30.45%
Financial income	-482,344	419	-75	-17.90%
Financial income/expenses net	-138	-274	136	-49.64%

Financial expenses decreased by BGN 211 thousand or 30.45% during the period under review, mainly due to the decrease in interest expenses on loans and expenses on foreign exchange transactions. Financial revenues also decreased by BGN 75 thousand or 17.90%, mainly due to the decrease in revenues from financial transactions and revenues from foreign exchange operations.



7.4. ASSETS

Both revenue and assets grew by 6.88% during the period under review. Traditionally, the largest share of them, 39.65%, is occupied by intangible assets, including goodwill (16.28%), which is dictated by the Company's activities and its ownership of a significant number of software modules.

7.4.1. NON-CURRENT ASSETS

	31.12.2016	31.12.2015	Amendment	Amendment
	BGN '000	BGN '000	BGN '000	%
Non-current assets				
Intangible assets	47 571	36 800	10771	29.27%
Property, plant and equipment	3473	3594	-121	-3.37%
Investments in subsidiaries	7	40	-33	-82.50%
Investments in associates	242	276	-34	-12.32%
Deferred tax assets Costs for	201	200	1	0.50%
acquisition of fixed assets	18429	14988	3441	22.96%
assets				
Commercial Reputation Total	19540	19540	0	0.00%
	89463	75438	15029	18.59%

Non-current assets increased by BGN 15,029 thousand or 18.59% during the period under review, mainly due to an increase in the Group's intangible assets.

RESEARCH AND DEVELOPMENT ACTIVITIES, PATENTS AND LICENSES

Several of the companies belonging to the Holding group invest in research and development, patents and licenses. These companies are Ontotext AD, Sirma Solutions AD, EngView Systems Sofia AD and Sirma Enterprise Systems AD. They incurred the following expenses for the historical period under review:

	12/31/2016	12/31/2015	Amendment	Amendment
	BGN '000	BGN '000	BGN '000	%
Sirma Solutions AD Ontotext	932	859	73	8.50%
AD EngView	745	724	21	2.90%
Systems Sofia AD Sirma Enterprise	169	145	24	16.55%
Systems AD Total	173	158	15	9.49%
	2019	1886	133	7.05%

7.5.2. CURRENT ASSETS

	31.12.2016	31.12.2015	Amendment	Amendment
	BGN '000	BGN '000	BGN '000	%
Current assets				
Inventories Trade	766	892	-126	-14.13%
receivables Receivables	8 601	7 144	1457	20.39%
from related parties Tax receivables	2 270	1 633	637	39.01%
Other receivables Prepaid	311	128	183	142.97%
expenses Cash and	526	565	-39	-6.90%
cash equivalents Total	134	104	30	28.85%
	6 075	11 176	-5101	-45.64%
	18683	21642	-2959	-13.67%

Current assets decreased by BGN 2,959 thousand or 13.67% during the period under review.



7.6. EQUITY

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000
Capital / Share Capital Change	59361	59361	0 0.00%
Issue premiums	1932	1985	-53 -2.67%
Amendment			324 26.28%
Reserves	1557	1233	925 23.93%
Change			
Reserves from restated statements Change	4790	3865	925 23.93%
Retained			
earnings / (Accumulated loss) from previous years	8081	6364	1717 26.98%
Amendment			1454 65.64%
Current financial result Change incl. minority interest	3669	2215	566 72.01%
profit Change incl. minority interest loss Change	1352	786	144 -73.10%
incl. profit of			
the owners of the equity of the parent company	-53	-197	744 45.76%
Change			
	2370	1626	-7 -0.03%
Non-controlling interest Change	23 073	23 080	-262 n/a
Change as a			
result of treasury shares repurchased	-262	0	4098 4.18%
Amendment			
Total	102201	98103	
Change			

Equity during the period increased by BGN 4,098 thousand or by 4.18% compared to 2015.

7.7. LIABILITIES

Liabilities have increased, which can be seen in the following tables. Typically, the largest share in non-current liabilities is accounted for by deferred tax liabilities and liabilities to financial institutions. This role in current liabilities is fulfilled by trade and other payables. It should be noted that the Company operates under conditions of low indebtedness, with liabilities not exceeding 15% of the value of total assets (for the reporting period 14.79%).

7.7.1. NON-CURRENT LIABILITIES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Non-current liabilities				
Provisions	196	151	45	29.80%
Long-term loans Finance	437	510	-73	-14.31%
lease liabilities Participation liabilities	240	278	-38	-13.67%
Financing Payables to suppliers			-8	-100.00%
Deferred tax	0	8	70	78.65%
liabilities Total			35	n/a
	159 35 1124	89 0 1131	-7	-0.62%
	2191	2167	24	1.11%

Non-current liabilities increased by BGN 24 thousand or 1.11% during the period under review.



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Long-term and short-term bank loans

Loan recipient	At a bank	Credit type	Currency	Total size of the loan	Remaining liability as of 31.12.2016	Date of collection on the loan	Interest rate	Number of remaining installments	Size of monthly installment	Contract end date	Collateral
Loans under which the Issuer is a debtor											
Sirma Group Holding AD	Eurobank Bulgaria AD	Overdraft	BGN	1200000	0	21.7.2016	3M SOFIBOR; allowance 2.95			21.7.2017	Pledge of receivables under Business Incubator contract No. BG161PO003-2.2.0012-C0001/02.02.2012; Contractual mortgage on real estate located in Sofia, Mladost district, Blvd. Tsarigradsko Shosse 135, namely fl. 5 of the building.
Sirma Group Holding AD	Allianz Bank Bulgaria AD	Investment	EUR	123000	85920	18.12.2013	6m LIBOR EUR + 4.75%, but not more	83	1030	25.11.2023	Office No. 8 + pledge of receivables
Sirma Group Holding AD	Uni Credit Bulbank AD	Investment	EUR	300,000	174866	8.10.2013	low as 4.75% 3m. EURIBOR + 4.45%	84	2083	8.12.2023	Office #19; office #20; office #21 + bet on receivables
Loans for which the Issuer is a guarantor											
Sirma ISG AD		Overdraft	BGN	120000	107423	30.5.2015	1 m. SOFIBOR + 2.9%			30.5.2017	Office #19; office #20; office #21 + bet on receivables
Ontotext AD		Overdraft	EUR	460000	424007	30.5.2016	1 m. EURIBOR + 2.9%			30.5.2017	Ontotext - contracts for 391,041 GBP + 848,316 GBP;
Sirma Enterprise Systems AD		Overdraft	BGN	250000	214615	8.10.2013	1 m. SOFIBOR + 2.9%, but not more smaller than 2.9%			30.5.2017	Office No. 19; office No. 20; office No. 21 + pledge on receivables + contract EUR 400,000.
Sirma Solutions AD	Uni Credit Bulbank AD	Overdraft	EUR	810000	507924	30.5.2015	1 m. EURIBOR + 2.9%			30.5.2017	Floor. 3, office building Tsarigradsko Shosse 135, Sofia + pledge on receivables \$700,000/year from Sirma USA and all others receivables
Sirma Solutions AD		Overdraft	EUR	700000	0	30.5.2015	1 m. EURIBOR + 2.9%			30.5.2017	Another mortgage Et. 3, office building Tsarigradsko Shosse 135; Another mortgage Office No. 19; office No. 20; office No. 21, floor 4; Pledge under the Public Liability Act on receivables under Contracts concluded between Sirma Solutions AD and its clients, in the total amount of 9,210,022 BGN
Sirma Enterprise Systems AD		Overdraft	BGN	300000	299660	8.10.2013	1 m. SOFIBOR + 2.9%, but not more smaller than 2.9%			30.5.2017	pledge on receivables under contract 402,000 USD.



7.7.2. CURRENT LIABILITIES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment BGN '000	Amendment %
Current liabilities				
Provisions	711	698	13	1.86%
Pension and other liabilities to personnel Short-term loans	1 731	1 043	688	65.96%
Finance lease liabilities	2 966	1 588	1378	86.78%
Trade and other liabilities Short-term	42	66	-24	-36.36%
liabilities to related parties Tax liabilities	6 792	5 247	1545	29.45%
Liabilities for advances received Liabilities for participations		16	-15	-93.75%
Deferred income and	1	538	192	35.69%
financing Other liabilities Total current	730 1	1 892	-216	-11.42%
liabilities	676 0	0	0	n/a
	452	635	-183	-28.82%
	496	275	221	80.36%
	15 597	11 998	3586	30.00%

Current liabilities increased by BGN 3,586 thousand or 30% during the period under review.

7.8. CASH FLOWS

The company has no liquidity problems and operates with available resources, maintaining a low level of indebtedness for the period under review. Traditionally, the largest item in positive flows is receipts from customers, while payments to suppliers and payments for personnel and social security contributions play the role of a negative item.

	31.12.2016 '000 BGN	31.12.2015 '000 BGN
Operational activity		
Receipts from customers	43,674	34 369
Payments to suppliers Payments to	(23,532)	(13,748)
personnel and social security institutions Cash flows related to interest,	(14,029)	(11,994)
commissions, dividends and other similar payments Income tax payments Corporate tax	(40)	-
paid and	-	(15)
refunded Payments on profit distribution	-	(284)
Other receipts/(payments), net	(475)	-
	(1,272)	(1,134)
Net cash flow from operating activities	4 326	7 194
Investment activity		
Payments for acquisition of property, plant and equipment Proceeds from sale	(889)	(2,018)
of property, plant and equipment Sale of subsidiaries Acquisition/Sale of		621
intangible assets Loans, deposits Payments on	3	-
loans granted Payments on loans received Cash flows related	15 (9	(6,251)
to deposits for investments Interest	392) 55	-
payments on loans Other	(151)	-
	-	(120)
	(5)	2
	(25)	(16)
	(158)	(109)
Net cash flow from investing activities	(10,547)	(7,891)



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Financial activity		
Loans received or granted Payments on loans	1,667	528
received Cash flows from issuance and	(369)	(2,892)
repurchase of securities Income from interest, commissions, dividends and other similar	129	11 424
payments Payments under finance leases Interest payments Cash flows from positive	(84)	(125)
and negative exchange rate differences	(105)	(64)
	-	-
	(91)	7
Cash flows from additional contributions and their return to owners Other	-	-
	(27)	(8)
Net cash flow from financing activities	1 120	8 870
Net change in cash and cash equivalents	(5,101)	8 173
Cash and cash equivalents at the beginning of the year	11 176	3 003
Cash and cash equivalents at the end of the year	6 075	11 176

SUMMARY CASH FLOW

	31.12.2016	31.12.2015	Amendment	Amendment
	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities Net cash flow from investing activities Net	4 326	7 194	-2,868	-39.87%
cash flow from financing activities Net change in cash and cash	-10,547	-7,891	-2,656	33.66%
equivalents	1 120	8 870	-7,750	-87.37%
	-5 101	8 173	-13,274	-162.41%
Cash and cash equivalents at the beginning of the year	11 176	3 003	8 173	272.16%
Cash and cash equivalents at the end of the year	6 075	11 176	-5 101	-45.64%



7.9. INDICATORS AND COEFFICIENTS

During the past financial period, the group achieved the following financial results:

(The indicators and coefficients are calculated according to the instructions of the Bulgarian Stock Exchange)

Indicators in thousands of BGN	31.12.2016	31.12.2015 BGN '000	Amendment	Amendment
Operating income Cost of sales Gross	41 583	33 977	7606	22.39%
profit/loss Other operating expenses	(35,919)	(30,139)	-5780	19.18%
Profit/loss from operating	5,664	3,838	1826	47.58%
activities Financial income Financial	(1,333)	(990)	-343	34.65%
expenses Profit/loss before tax expenses Tax expenses	4,331	2,848	1483	52.07%
Net profit/loss Dividend	344	419	-75	-17.90%
Cash and cash equivalents	(482)	(693)	211	-30.45%
Inventories Current assets Total assets Current	4,193	2,574	1619	62.90%
liabilities Debt Liabilities	(524)	(359)	-165	45.96%
(borrowed funds) Equity	3 669	2 215	1454	65.64%
Working				n/a
capital Number of shares at the end of the period	0 6	0 11 176	0	-45.64%
(thousands) Minority	075	892	-5101	-14.13%
interest profit/loss Interest	766 18	21 642	-126	-13.88%
expense	638 119	112 268	-3004	6.88%
	989 15	11 998	7721	30.00%
	597 3	2 442	3599	50.90%
	685 17	14 165	1243	25.58%
	788 102	98 103	3623	4.18%
	201 3	9 644	4098	-68.47%
	041 59	59 361		0.00%
	361 1	589		120.54%
	299 208	245	-6603 0 710	-375.10%

Indicators	31.12.2016	31.12.2015	Amendment BGN '000	Amendment %
EBITDA	12,562	9,664	2898	29.99%
DEPRECIATION	(8,231)	(6,816)	-1415	20.76%
EBIT	4,331	2,819	1512	53.64%
FIN/INVEST NET	(138)	(274)	136	-49.64%
EBT	4,312	2,574	1738	67.52%
ROA	0.0198	0.0145	0.0053	36.38%
Debt/EBITDA Ratio	0.2933	0.2527	0.0407	16.09%
Quick Ratio	1.1459	1.7295	-0.5836	-33.74%
ROE	0.0359	0.0226	0.0133	59.00%
Debt/Equity Ratio	0.1740	0.1444	0.0297	20.54%



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Profitability ratios	31.12.2016	31.12.2015
Gross profit margin		
(3/1) Operating profit margin (5/1) Net	0.1362	0.1130
profit margin (10/1) Asset and liquidity ratios	0.1042	0.0838
	0.0882	0.0652
Asset turnover (1/15) Working capital	0.3494	0.3064
turnover (1/20) Current liquidity (14/16) Quick	13.6741	3.5231
liquidity ((14-13)/16) Absolute	1.1950	1.8038
(instant) liquidity (12/16) Ratios	1.1459	1.7295
per share	0.3895	0.9315
Sales Ratio per Share (1/21) Earnings Ratio per Share	0.7005	0.5724
(10/21) Book Value Ratio per Share (19/21) Dividend	0.0618	0.0373
Ratios	1.7217	1.6527
Dividend payout ratio (11/10) Earnings retention ratio	0.0000	0.0000
Dividend per share (11/21) Growth ratios	1.0000	1.0000
	0.0000	0.0000
Sales growth rate Gross profit growth	0.2239	0.2113
rate Asset growth rate Leverage ratios	0.4758	-0.3861
	0.0688	0.2780
Debt/Total Assets Ratio (17/15) Debt/Equity	0.0307	0.0218
Ratio (17/(17+19)) Debt/Equity Ratio (17/19)	0.0348	0.0243
Total Assets/Equity Ratio (15/19) Price/Earnings P/E	0.0361	0.0249
Market Capitalization of the Company	1.1740	1.1444
	19.2369	32.1595
	70580	71233



7.10 RELATED PARTY TRANSACTIONS

The types of connectivity are:

- 1 Subsidiaries
- 2 Companies under common indirect control through key management personnel
- 3 Major shareholder companies
- 4 Companies under common control
- 5 Major shareholder companies
- 6 Other related

Sales thousand BGN:
31.12.2016

Company	Connectivity	Transaction type 2	31.12.2016 (thousand BGN)
DATIKUM AD		Sale of services 2 Sale of	2.57
DATIKUM AD		services 4 Sale of services	49.33
DATIKUM AD		4 Sale of services 2 Sale of	2.46
DATIKUM AD		services 2 Sale of services	4.20
DATIKUM AD		3 Sale of goods 3 Sale of	17.38
DATIKUM AD		services 3 Income from	40.10
DATIKUM AD		foreign exchange	1.25
DATIKUM AD		operations 1 Interest	54.83
DATIKUM AD		income 3 Sale of services 3 Interest	0.19
ENGVIEW SYSTEMS SOFIA AD		income 4 Sale of	-24.39
ENGVIEW SYSTEMS SOFIA AD		services 1 Sale of services	175.00
ENGVIEW SYSTEMS SOFIA AD		1 Interest income 3	28.65
ENGVIEW SYSTEMS SOFIA AD		Interest income 4 Sale of	20.25
ONTOTEXT AD		services 3 Sale of services	423.57
ONTOTEXT AD		2 Sale of services 1 Sale of	6.63
ONTOTEXT AD		of services 1 Income	0.51
ONTOTEXT AD AD		from co-participations 1	313.86
SIRMA IC EU SIRMA		Sale of services 1 Interest	0.32
GROUP HOLDING AD SIRMA		income 1 Income from co-	68.98
GROUP HOLDING AD SIRMA		participations 2 Sale of	127.96
GROUP HOLDING AD SIRMA		services 2 Interest income 2	150.00
GROUP HOLDING AD SIRMA		Sale of services 2 Sale of	1,053.99
GROUP HOLDING AD SIRMA		services 2 Interest	8.99
GROUP HOLDING AD SIRMA		income 1 Sale of services 1	16.69
GROUP HOLDING AD SIRMA		Income from foreign	1.87
GROUP HOLDING AD SIRMA		exchange operations 1	5.76
GROUP HOLDING AD SIRMA		Sale of services 1 Interest	31.47
GROUP HOLDING AD AD SYRMA		income 1 Sale of services	82.08
GROUP HOLDING AD SIRMA		1 Interest income 1 Sale	0.01
GROUP HOLDING AD SIRMA		of services 1 Interest	149.06
GROUP HOLDING AD SIRMA		income 1 Sale of services 1 Interest	14.82
GROUP HOLDING AD SIRMA		income 1 Income from	223.98
GROUP HOLDING AD SIRMA		participations 4 Sale of	112.87
GROUP HOLDING AD SIRMA		services 4 Sale of services	53.57
GROUP HOLDING AD SIRMA		2 Sale of services 3 Sale	0.89
GROUP HOLDING AD SIRMA		of services 3 Interest	694.42
GROUP HOLDING AD SIRMA		income 4 Income from	139.95
ENTERPRISE SYSTEMS AD SIRMA		sales of fixed assets 4 Sale	600.00
ENTERPRISE SYSTEMS AD SIRMA ENTERPRISE		of services 1 Sale of goods	5.00
SYSTEMS AD SIRMA ENTERPRISE SYSTEMS		1 Sale of services 1 Income	3.00
AD SIRMA ENTERPRISE SYSTEMS AD SIRMA		from foreign exchange	11.50
ENTERPRISE SYSTEMS AD SIRMA ENTERPRISE		transactions 1 Income from	28.33
SYSTEMS AD SIRMA ENTERPRISE SYSTEMS		participations 4 Sale of	0.46
AD SIRMA SOLUTIONS AD SIRMA SOLUTIONS		goods 4 Sale of services 1 Other income 1 Sale of	0.82
AD SIRMA SOLUTIONS AD SIRMA SOLUTIONS		services 1 Income from	420.48
AD SIRMA SOLUTIONS AD		foreign exchange	502.70
SIRMA SOLUTIONS SIRMA		transactions 4 Sale of	50.42
SOLUTIONS AD SIRMA		goods 4 Sale of services 1 Income	0.01
SOLUTIONS AD SIRMA		from foreign exchange	198.86
SOLUTIONS AD SIRMA		transactions 1 Sale of	36.25
SOLUTIONS AD SIRMA		services 1 Income from	500.35
SOLUTIONS AD SIRMA		foreign exchange	72.67
SOLUTIONS AD SIRMA		transactions 1 Interest	231.76
SOLUTIONS AD SIRMA		income 1 Sale of goods 1 Sale of	121.90
SOLUTIONS AD SIRMA		goods 1 Income from	33.02
SOLUTIONS AD SIRMA		participations 3 Sale of	36.09
SOLUTIONS AD SIRMA		goods 3 Sale of services 3 Interest	10.61
SOLUTIONS AD SIRMA		income 4 Sale of goods 4	2,499.26
SOLUTIONS AD SIRMA		Sale of services 4 Sale of goods 2	13.03
SOLUTIONS AD SIRMA		Sale of services 2	0.36
SOLUTIONS AD SIRMA		Income from foreign	1.41
SOLUTIONS AD SIRMA		exchange operations	32.99
SOLUTIONS AD SIRMA			84.18
SOLUTIONS AD SIRMA			36.07
SOLUTIONS AD SIRMA			3.93
SOLUTIONS AD SIRMA			3.87
SOLUTIONS AD SIRMA			38.25
SOLUTIONS AD SIRMA			57.14
SOLUTIONS AD SIRMA			6.70
SOLUTIONS AD SIRMA			154.81
SOLUTIONS AD SIRMA SOLUTIONS AD SIRMA GROUP INC SIRMA GROUP INC			25.61



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31.12.2015

Company	type	type	Connectivity	description	BGN '000
DATIKUM AD	Sales Sales	services		2 Internet 2	2.16
DATIKUM AD		services		Electrical connectivity PDU	1.25
DATIKUM AD	Sales	services		2 Internet	4.69
DATIKUM AD	Sales	services		2 Consumables	26.79
DATIKUM AD	Sales	services		2 Network connectivity 1Gbps	0.47
DATIKUM AD	Sales Sales	services		2 Cabinet rental 4	19.64
DATIKUM AD		services		Electrical connection of sockets	0.16
DATIKUM AD	Sales Sales	services		4 Co-location	1.17
DATIKUM AD		services		4 Consumables	1.39
DATIKUM AD	Sales	services		4 Network connectivity 100 Mbps	0.31
DATIKUM AD	Sales Sales	services		4 Hardware rental and licenses	4.34
DATIKUM AD		services		2 MAN connectivity	0.16
DATIKUM AD	Sales Sales	services		2 Electrical connectivity PDU 2 Electrical	0.29
DATIKUM AD		services		connectivity sockets	0.49
DATIKUM AD	Sales	services		2 Internet	2.35
DATIKUM AD	Sales Sales	services		2 Co-location	0.27
DATIKUM AD		services		2 Consumables	3.81
DATIKUM AD	Sales	services		2 Network connectivity 100 Mbps	0.04
DATIKUM AD	Sales	services		2 Network connectivity 1Gbps	0.18
DATIKUM AD	Sales	services		2 Cabinet rental	11.62
DATIKUM AD	Sales Sales	services		2 Technical support	20.54
DATIKUM AD		services		4 MAN connectivity	2.04
DATIKUM AD	Sales Sales	services		4 Internet 3	2.16
DATIKUM AD		services		Administrative, accounting services	0.00
DATIKUM AD	Sales	services		3 PDU electrical connectivity	0.39
DATIKUM AD	Sales Sales	services		3 Internet 3	1.85
DATIKUM AD		services		Consumables	8.92
DATIKUM AD	Sales Sales	services		3 Cabinet rental	4.89
DATIKUM AD		services		3 Backup services	2.61
DATIKUM AD	Sales	services		3 MAN connectivity	0.25
DATIKUM AD	Sales Sales	services		3 PDU electrical connectivity	0.39
DATIKUM AD		services		3 Out-of-warranty services	0.41
DATIKUM AD	Sales	services		3 Internet	11.92
DATIKUM AD	Sales	services		3 Consumables	6.42
DATIKUM AD	Sales	services		3 Hardware rental and licenses	7.85
DATIKUM AD	Sales Sales	services		3 Cabinet rental 3	3.04
DATIKUM AD		services		Cloud services	32.72
DATIKUM AD	Sales Sales	services		3 System integration 3	48.30
DATIKUM AD		services		Technical Support	2.04
ENGVIEW SYSTEMS SOFIA AD	Sales	services		4 Software services	9.00
ENGVIEW SYSTEMS SOFIA AD	Sales Sales	services		4 Software services	200.00
ONTOTEXT AD		services		Consulting services	15.32
ONTOTEXT AD	Sales Sales	services		Revenue from the sale of licenses	136.14
ONTOTEXT AD		services		4 Subscriptions	32.04
ONTOTEXT AD	Sales	services		4 Revenue from the sale of licenses	100.14
ONTOTEXT AD	Sales Sales	services		4 Revenue from the sale of licenses 4	20.03
SIRMA AJ TI TI AD		services		Software services	780.65
SIRMA BUSINESS CONSULTING AD	Sales Sales	services		3 Software Services 3	6.00
SIRMA BUSINESS CONSULTING AD		services		Software Services	4.71
SIRMA GROUP HOLDING AD	Sales	services		2 Administrative, accounting services	49.54
SIRMA GROUP HOLDING AD	Sales Sales	services		2 Rentals	9.77
SIRMA GROUP HOLDING AD		services		2 Technical support	6.60
SIRMA GROUP HOLDING AD	Sales	services		2 Administrative, accounting services 2	0.30
SIRMA GROUP HOLDING AD	Sales	services		Administrative, accounting services	0.30
SIRMA GROUP HOLDING AD	Sales	services		2 Administrative, accounting services	7.20
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Administrative, accounting services	56.81
SIRMA GROUP HOLDING AD		services		Consumables	6.05
SIRMA GROUP HOLDING AD	Sales Sales	services		Rentals	50.31
SIRMA GROUP HOLDING AD		services		1 Technical support	6.60
SIRMA GROUP HOLDING AD	Sales	services		1 Subscriptions	15.48
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Administrative, accounting services	244.60
SIRMA GROUP HOLDING AD		services		Rentals	4.35
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Technical Support 1 Technical	6.60
SIRMA GROUP HOLDING AD		services		Support	1.80
SIRMA GROUP HOLDING AD	Sales	services		5 Administrative, accounting services	53.33
SIRMA GROUP HOLDING AD	Sales Sales	services		5 Subscriptions	-1.80
SIRMA GROUP HOLDING AD		services		5 Administrative, accounting services	1.80
SIRMA GROUP HOLDING AD	Sales Sales	services		2 Administrative, accounting services 2	15.24
SIRMA GROUP HOLDING AD		services		Consumables	0.55
SIRMA GROUP HOLDING AD	Sales	services		2 Rentals	5.66
SIRMA GROUP HOLDING AD	Sales Sales	services		2 Technical support	1.80
SIRMA GROUP HOLDING AD		services		2 Subscriptions	1.87
SIRMA GROUP HOLDING AD	Sales Sales	services		2 Administrative, accounting services	74.26
SIRMA GROUP HOLDING AD		services		2 Rentals	12.99
SIRMA GROUP HOLDING AD	Sales	services		1 Subscriptions	10.14
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Administrative, accounting services	72.60
SIRMA GROUP HOLDING AD		services		Rentals	22.75
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Technical support 2	6.60
SIRMA GROUP HOLDING AD		services		Administrative, accounting services	69.58
SIRMA GROUP HOLDING AD	Sales	services		2 Rentals	2.16
SIRMA GROUP HOLDING AD	Sales Sales	services		2 Technical support	6.60
SIRMA GROUP HOLDING AD		services		1 Subscriptions	42.30
SIRMA GROUP HOLDING AD	Sales Sales	services		1 Administrative, accounting services	417.83
SIRMA GROUP HOLDING AD		services		Consumables	5.43
SIRMA GROUP HOLDING AD	Sales	services		Marketing and advertising	110.00
SIRMA GROUP HOLDING AD	Sales Sales	services		Rentals	126.59
SIRMA GROUP HOLDING AD		services		1 Technical support	6.60
SIRMA GROUP HOLDING AD	Sales	services		5 Rentals	16.41



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SIRMA GROUP HOLDING AD	Sales	services	2 Subscriptions	-71.54
SIRMA SOLUTIONS AD	Sales Sales	goods	1 Revenue from sale of goods 5	1,169.77
SIRMA SOLUTIONS AD		goods	Revenue from sale of goods	35.59
SIRMA SOLUTIONS AD	Sales Sales	goods	4 Revenue from sale of goods Revenue	50.51
SIRMA SOLUTIONS AD		goods	1 from sale of goods	0.12
SIRMA SOLUTIONS AD	Sales	goods	4 Revenue from sale of goods	23.72
SIRMA SOLUTIONS AD	Sales	goods	1 Revenue from sale of goods	9.57
SIRMA SOLUTIONS AD	Sales	goods	3 Revenue from sale of goods	3.35
SIRMA SOLUTIONS AD	Sales Sales	services	1 Consumables	1.18
SIRMA SOLUTIONS AD		services	1 Rentals	0.03
SIRMA SOLUTIONS AD	Sales Sales	services	1 Software services	25.82
SIRMA SOLUTIONS AD		services	5 Subscriptions	4.15
SIRMA SOLUTIONS AD	Sales	services	1 Software services	369.78
SIRMA SOLUTIONS AD	Sales Sales	services	5 Software Services 1	314.22
SIRMA SOLUTIONS AD		services	Software Services	220.57
SIRMA SOLUTIONS AD	Sales	services	4 Subscriptions	0.00
SIRMA SOLUTIONS AD	Sales Sales	services	4 Consumables	1.87
SIRMA SOLUTIONS AD		services	4 Rentals	5.40
SIRMA SOLUTIONS AD	Sales Sales	services	4 Software services 1	174.80
SIRMA SOLUTIONS AD		services	Software services	0.00
SIRMA SOLUTIONS AD	Sales	services	1 Software services	1 151.59
SIRMA SOLUTIONS AD	Sales Sales	services	1 Consulting services	2.25
SIRMA SOLUTIONS AD		services	1 Consumables	0.30
SIRMA SOLUTIONS AD	Sales Sales	services	4 Subscriptions	0.00
SIRMA SOLUTIONS AD		services	4 Consumables	4.05
SIRMA SOLUTIONS AD	Sales	services	4 Rentals	12.42
SIRMA SOLUTIONS AD	Sales	services	4 Software services	10.01
SIRMA SOLUTIONS AD	Sales	services	3 Software services	0.00
SIRMA SOLUTIONS AD	Sales Sales	YES	4 Revenue from sales of fixed assets 3 Revenue from	0.75
SIRMA SOLUTIONS AD		YES	sales of fixed assets	0.00
SIRMA SOLUTIONS AD	Sales	Others	1 Other operating income 5 Income	22.81
DATIKUM AD	Sales	goods	from sale of goods	0.09
DATIKUM AD	Sales	services	5 Revenue from external projects	2.15
DATIKUM AD	Sales Sales	services	5 Revenue related to subcontractors 5 Internet	3 114.89
DATIKUM AD		services		0.11
ENGVIEW SYSTEMS SOFIA AD	Sales	goods	5 Revenue from sale of goods	5.37
ENGVIEW SYSTEMS SOFIA AD	Sales Sales	goods	5 Revenue from sale of goods	0.18
ENGVIEW SYSTEMS SOFIA AD		services	5 Software services	36.51
ENGVIEW SYSTEMS SOFIA AD	Sales Sales	services	5 Software Services 5	357.43
ENGVIEW SYSTEMS SOFIA AD		services	Software Services	14.31
SIRMA GROUP HOLDING AD	Sales	services	2 Administrative, accounting services	0.30
SIRMA GROUP HOLDING AD	Sales	services	5 Administrative, accounting services	0.52
SIRMA GROUP HOLDING AD	Sales	services	5 Rentals	0.52
SIRMA GROUP HOLDING AD	Sales Sales	services	5 Subscriptions	2.71
SIRMA GROUP HOLDING AD		services	5 Administrative, accounting services	8.57
SIRMA GROUP HOLDING AD	Sales Sales	services	2 Administrative, accounting services	0.30
SIRMA GROUP HOLDING AD		services	2 Rentals	0.30
SIRMA GROUP HOLDING AD	Sales	services	5 Subscriptions	0.85
SIRMA GROUP HOLDING AD	Sales Sales	services	5 Administrative, accounting services	8.60
SIRMA GROUP HOLDING AD		services	5 Rentals	1.10
SIRMA SOLUTIONS AD	Sales	goods	5 Revenue from sale of goods	682.87
SIRMA SOLUTIONS AD	Sales	goods	5 Revenue from sale of goods	0.48
SIRMA SOLUTIONS AD	Sales	services	5 Subscriptions	0.00
SIRMA SOLUTIONS AD	Sales Sales	services	5 System Integration 5	0.27
SIRMA SOLUTIONS AD		services	Software Services	
SIRMA SOLUTIONS AD	Sales	services	5 Software services	85.71
SIRMA ISG LTD.	Sales	services	3 Software services	490.00
SIRMA SOLUTIONS AD	Sales	services	5 Software services	72.87

Purchases in thousands of BGN:



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31.12.2016

Company	Connectivity 2 3	Type of transaction	31.12.2016 (thousand BGN)
DATIKUM AD	2	Purchase of materials	-0.98
DATIKUM AD	3	Purchase of materials	-146.99
DATICUM AD	3	Purchase of services	-74.42
DATICUM AD	3	Purchase of services	-73.25
DATICUM AD		Payments on foreign exchange transactions Purchase of	-0.32
ENGVIEW SYSTEMS SOFIA AD		materials Purchase of	-6.60
DATICUM AD	4	materials Purchase of	-7.55
ENGVIEW SYSTEMS SOFIA AD 2	2	materials Purchase of	-2.57
ENGVIEW SYSTEMS SOFIA AD	3	of services Purchase of	-127.48
ENGVIEW SYSTEMS SOFIA AD	4	of services Purchase of	-5.00
ENGVIEW SYSTEMS SOFIA AD	4	of services Purchase of	-501.89
ENGVIEW SYSTEMS SOFIA AD	3	of services Purchase of services	-0.04
ONTOTEXT AD	2	Purchase of services	-23.28
ONTOTEXT AD	4	Other financial payments	-3.38
ONTOTEXT AD 3	2	Purchase of materials	-26.05
ONTOTEXT AD	3	Purchase of materials	-197.18
ONTOTEXT AD	4	Purchase of services	-3.00
ONTOTEXT AD	4	Purchase of services	-146.99
ONTOTEXT AD	3	Purchase of services	-8.99
ONTOTEXT AD	3	Purchase of services Interest	-0.11
SIRMA AI ES G SIRMA	2	payments Other financial	-0.07
AI ES G DATICUM AD	4	payments Purchase of	-2.46
SIRMA ISG 2	2	of materials Purchase of	-1.93
SIRMA ISG Purchase of services	2	of services Purchase of	-4.00
SIRMA I.S.G. SIRMA	3	of services Purchase of	-0.01
I.S.S SIRMA I.S.S	2	of services Purchase of	-74.42
SIRMA I.S.S SIRMA	3	services Purchase of	-0.71
I.S.S DATIKUM AD	2	services Purchase of	-0.15
	2	of services Purchase of	-35.42
	3	of services Purchase of	-11.50
SIRMA BUSINESS CONSULTING AD	3	of services Purchase of	-18.13
SIRMA BUSINESS CONSULTING AD	4	services Purchase of	-2.66
SIRMA BUSINESS CONSULTING AD	2	of services Purchase of	-4.20
SIRMA BUSINESS CONSULTING AD	3	of services Other	-73.25
SIRMA BUSINESS CONSULTING AD	2	financial payments Purchase of	-0.08
SIRMA GROUP HOLDING AD	2	materials Purchase of	-0.04
SIRMA GROUP HOLDING AD		materials Purchase of	-8.61
SIRMA GROUP HOLDING AD 3	1	services services	-0.83
SIRMA GROUP HOLDING AD		Purchase of services	-8.78
SIRMA GROUP HOLDING AD		Other purchases	-176.07
SIRMA GROUP HOLDING AD	2	Interest payments	-0.99
SIRMA GROUP HOLDING AD	1121	Other financial	-0.32
SIRMA GROUP HOLDING AD	1	payments Other	-29.05
SIRMA GROUP HOLDING AD	2	financial payments	-4.22
SIRMA GROUP HOLDING AD 3	1	Purchase of materials	-0.36
SIRMA GROUP HOLDING AD	1	Purchase of materials	-1.02
SIRMA GROUP HOLDING AD	1	Purchase of services	-0.51
SIRMA GROUP HOLDING AD	1	Interest payments	-0.83
SIRMA GROUP HOLDING AD		Other financial payments Purchase of	-5.60
SIRMA GROUP HOLDING AD	1	of materials Purchase of services	-9.46
SIRMA GROUP HOLDING AD		Purchase of services Interest payments	-0.01
SIRMA GROUP HOLDING AD		of services Interest payments	-0.09
SIRMA ENTERPRISE SYSTEMS AD	1	Payments on foreign exchange operations	-0.02
SIRMA ENTERPRISE SYSTEMS AD	2	Payments on foreign exchange operations	-0.35
SIRMA ENTERPRISE SYSTEMS AD	1	Payments on foreign exchange operations	-0.83
SIRMA ENTERPRISE SYSTEMS AD	23424	Payments on foreign exchange operations	-17.55
SIRMA ENTERPRISE SYSTEMS AD	3	Other financial	-39.74
ENGVIEW SYSTEMS SOFIA AD	4	payments Other	-20.25
SIRMA ENTERPRISE SYSTEMS AD 2	3	financial payments	-234.88
SIRMA ENTERPRISE SYSTEMS AD	3	Other financial payments Other	-57.22
SIRMA ENTERPRISE SYSTEMS AD	4	financial payments Other	-0.12
SIRMA ENTERPRISE SYSTEMS AD	3	financial payments Other	-83.70
SIRMA ENTERPRISE SYSTEMS AD	4	financial payments Other	-0.44
SIRMA MEDICAL SYSTEMS	3	financial payments Other	-0.05
SIRMA MEDICAL SYSTEMS	4	financial payments	-0.19
SIRMA MEDICAL SYSTEMS	3	Purchase of materials	-1.13
SIRMA MEDICAL SYSTEMS AD	3	Purchase of services	-8.82
SIRMA MEDICAL SYSTEMS	3	Purchase of services Interest	-0.89
SIRMA SOLUTIONS AD	3	payments Purchase of	-0.02
SIRMA SOLUTIONS AD	1	services Purchase of	-37.85
SIRMA SOLUTIONS AD	3	of services	-126.48
SIRMA SOLUTIONS AD	4		-722.88
SIRMA SOLUTIONS AD	3		-420.48
SIRMA SOLUTIONS AD	1		-84.53
SIRMA SOLUTIONS AD	1		-2.58
SIRMA SOLUTIONS AD	1		-81.16
SIRMA SOLUTIONS AD	1		-10.07
SIRMA SOLUTIONS AD	1		-0.00
SIRMA SOLUTIONS AD	1		-0.06
SIRMA SOLUTIONS AD	4		0.00
SIRMA SOLUTIONS AD	1		-0.46
SIRMA SOLUTIONS AD	1		-0.10
ENGVIEW SYSTEMS SOFIA AD	3		-0.10
SIRMA USA	3		-1.79
SIRMA USA	3		-2,458.38
ONTOTEXT USA	3		-501.09
ONTOTEXT USA	3		-6.32
SIRMA GROUP INC	2		-42.52
SIRMA GROUP INC	3		-161.43
ENGVIEW SYSTEMS SOFIA AD			

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31.12.2015

Company	type	type	connectivity	description	BGN '000
SG TECHNOLOGY SERVICES LTD	purchase	services	3	Software services	221
		Financial expenses			
DATIKUM AD	purchase	(-) external services	5	Foreign exchange transaction costs Other	-48
ENGVIEW SYSTEMS SOFIA AD ENGVIEW	purchase	external services external	5	consulting services Consulting	-3
SYSTEMS SOFIA AD ENGVIEW SYSTEMS	purchase	services Financial	5	services Other	-8
SOFIA AD	purchase	expenses (-) Financial	5		-280
		expenses (-)			
ENGVIEW SYSTEMS SOFIA AD	purchase	external services	5	Foreign exchange transaction costs	0
		external services			
ENGVIEW SYSTEMS SOFIA AD SIRMA	purchase	external services	5	Foreign exchange transaction costs	-1
ISG SIRMA GROUP	buy buy	interest on loans	5	Consulting services	-23
HOLDING AD SIRMA GROUP	buy buy		5	Consulting services Other	-90
HOLDING AD SIRMA GROUP	buy buy		5	Interest	-7
HOLDING AD SIRMA USA SIRMA	buy buy		5	expenses on deposits Consulting services	0
SOLUTIONS AD		external services	5	Consulting services	-7
SIRMA SOLUTIONS AD DATIKUM		external services	5	Advertising Water Office	-58
AD		external services	5	maintenance	-2
		materials	3	and	-1
				repair materials Heating	
DATIKUM AD	purchase	materials	3		0
DATIKUM AD	purchase	materials	3		-1
				Embedded equipment projects by	
DATIKUM AD	purchase	materials	3		-830
DATIKUM AD	purchase	materials	3	Computer components Computer	-24
DATIKUM AD	purchase	materials	3	supplies Office maintenance and	-4
				repair materials Seminars and training	
DATIKUM AD	buy buy	materials	3	Software services	0
DATIKUM AD	buy buy	external services	3	Subscriptions Other Other	0
DATIKUM AD	buy buy	external services	3	Landline phones Software	-22
DATIKUM AD	buy buy	external services	3	license rental	-1
DATIKUM AD	buy buy	external services	3	Rentals	-1
DATIKUM AD	buy buy	external services	3	Security	-9
DATIKUM AD	buy buy	external services	3	Office maintenance and repair	0
DATIKUM AD	buy buy	external services	3	Software license rental Rentals	-5
DATIKUM AD	buy buy	external services	3		-10
DATIKUM AD	buy buy	external services	3		-1
DATIKUM AD	buy buy	external services	3		-1
DATIKUM AD		external services	3		-1
DATIKUM AD		external services	3		0
DATIKUM AD		external services	3	Office maintenance and repair Computer	-2
DATIKUM AD		external services	3	and office equipment repair Administrative	-2
DATIKUM AD		external services	3	services Software services Rentals	-53
DZZD SIRMA-PI DZZD		external services	3		-370
SIRMA-PI DZZD SIRMA-		external services	3		-2
PI ENGVIEW SYSTEMS		external services	3	Administrative services Inventory	-5
SOFIA AD ENGVIEW SYSTEMS SOFIA		external	5		
AD		services external services external services external services external services		materials materials	-5
				Office maintenance and repair materials	
ENGVIEW SYSTEMS SOFIA AD ENGVIEW	purchase	materials	3	Office supplies	-1
SYSTEMS SOFIA AD ENGVIEW SYSTEMS	purchase	materials	3	Computer components	-4
SOFIA AD	purchase	materials	4	Computer components for	-4
				scanner EV Computer supplies Toner	
ENGVIEW SYSTEMS SOFIA AD ENGVIEW	buy buy	materials	4	Seminars and	0
SYSTEMS SOFIA AD ENGVIEW SYSTEMS	buy buy	materials	4	training Software services Other	-1
SOFIA AD ENGVIEW SYSTEMS SOFIA	buy buy	materials	4	Internet	0
AD ENGVIEW SYSTEMS SOFIA AD	buy buy	external services	3	Rentals Office maintenance	-4
ENGVIEW SYSTEMS SOFIA AD ENGVIEW	buy buy	external services	4	and repair Repair of	-314
SYSTEMS SOFIA AD ENGVIEW SYSTEMS	buy buy	external services	4		-1
SOFIA AD ENGVIEW SYSTEMS SOFIA	buy buy	external services	2	computers	-2
AD ENGVIEW SYSTEMS SOFIA AD	buy buy	external services	3	and	-55
ENGVIEW SYSTEMS SOFIA AD ENGVIEW	buy buy	external services	3	office equipment Administrative services	-1
SYSTEMS SOFIA AD ENGVIEW SYSTEMS	buy buy	external services	4	Electricity	0
SOFIA AD ENGVIEW SYSTEMS SOFIA	buy buy	external services	3		-74
AD ENGVIEW	buy buy	external	3		
SYSTEMS SOFIA AD	buy	services	2	Electricity	-26
ENGVIEW SYSTEMS		external	4	Computer components Computer	-5
SOFIA AD ONTOTEXT		services	4	supplies Computer components	0
AD ONTOTEXT		materials	3	Computer supplies Seminars and	0
ONTOTEXT AD		materials	3	training Software services Internet	0
ONTOTEXT AD		materials materials	3	Hosting Hosting	-4
ONTOTEXT AD		materials external	4		-175
ONTOTEXT AD		services	2		-1
ONTOTEXT AD			2		-25
ONTOTEXT AD			3		0
ONTOTEXT AD			3	Software license rental Rentals Rentals	-81
ONTOTEXT AD			3		-5
ONTOTEXT AD			4		-7
ONTOTEXT AD ONTOTEXT AD ONTOTEXT AD ONTOTEXT AD			3	Administrative services Penalties for commercial contracts interest expenses on loans	-200
ONTOTEXT AD	purchase	Miscellaneous	3		0
ONTOTEXT AD	purchase	interest on loans Financial	3		-2
		expenses (-)			
ONTOTEXT AD	purchase	external services		Foreign exchange transaction costs	-14
ONTOTEXT USA SYRMA	buy buy	materials materials	1	Consulting services Inventory	-150
AJ TI TI EAD SYRMA AJ TI TI	buy buy	materials materials	3	Advertising	-1
EAD SYRMA AJ TI TI EAD	buy buy	materials	4		
SYRMA AJ TI TI EAD SYRMA			3 2	Electricity Water	-3
AJ TI TI EAD			3	Heating	0
			3		-1



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SIRMA AI TI TI AD SIRMA	buy buy	materials	4	Computer components Computer	-6
AI TI TI AD SIRMA AI TI TI	buy buy	materials	4	supplies Office supplies Seminars	0
AD SIRMA AI TI TI AD	buy buy	materials	4	and training Software	0
SIRMA AI TI TI AD SIRMA	buy buy	external services	3	services Software services	-4
AI TI TI AD SIRMA AI TI TI	buy buy		4	Software services	-9
AD SIRMA AI TI TI AD	buy buy		4	Subscriptions	-100
SIRMA AI TI TI AD SIRMA	buy buy		4	Subscriptions Internet	-10
AI TI TI AD SIRMA AI TI	buy buy		4	Hosting Office	-30
YOU AD SIRMA AAY YOU	buy buy		4	maintenance	0
YOU AD SIRMA AAY YOU	buy		2	and repair	-7
YOU AD SIRMA AAY YOU			2	Rents	-29
YOU AD SIRMA AAY YOU			2	Security Office maintenance and repair	-1
YOU AD SIRMA AAY YOU			3	Rents	-26
YOU AD SIRMA AAY YOU			3	Office	-1
YOU AD SIRMA AAY YOU			3	maintenance and repair Administrative services	-1
YOU AD SIRMA AY ES JI			4		-12
			4	Interest expenses on loans Water Office	-4
			3	maintenance and repair materials	-92
		interest on loans	3	Consulting services Hosting	-34
		materials	3		0
SIRMA ISG SIRMA ISG	buy buy	materials	3		0
SIRMA ISG SIRMA ISG	buy buy	external services	3		-2
SIRMA ISG SIRMA ISG	buy buy	external services	4		-7
SIRMA ISG SIRMA ISG	buy buy	external services	3	Mobile Phones Rentals	0
SIRMA ISG SIRMA	buy buy	external services	3		-14
BUSINESS CONSULTING	buy buy	external services	3	Security	0
AD SIRMA BUSINESS	buy buy	external services	3	Office maintenance and repairs	0
CONSULTING AD SIRMA	buy buy	external services	3	Administrative services Interest expenses	-10
BUSINESS CONSULTING	buy buy	interest on loans	3	on loans Advertising materials	-1
AD SIRMA BUSINESS CONSULTING AD	buy buy	materials	3		
SIRMA BUSINESS CONSULTING AD SIRMA	buy buy	materials	3	Computer components Seminars	-1
BUSINESS CONSULTING AD SIRMA	buy buy	external services	3	and training Other Internet	-5
BUSINESS CONSULTING AD SIRMA	buy buy	external services	3	Landline	-2
BUSINESS CONSULTING AD SIRMA	buy buy	external services	4	phones	-4
BUSINESS CONSULTING AD SIRMA	buy buy	external services	3	Internet Rentals	0
BUSINESS CONSULTING AD SIRMA GROUP	buy buy	external services	3		0
HOLDING AD SIRMA GROUP HOLDING AD	buy buy	external services	3		-2
SIRMA GROUP HOLDING AD SIRMA GROUP	buy	external services	3	Administrative services Other Inventory	-89
HOLDING AD SIRMA GROUP		external			0
HOLDING AD SIRMA GROUP		services		Electricity	0
HOLDING AD SIRMA GROUP		materials	1	Office supplies	-7
HOLDING AD SIRMA GROUP		materials	1	Computer supplies Office	-2
HOLDING AD SIRMA GROUP		materials	2 2 1	supplies Toner Software services	0
HOLDING AD SIRMA GROUP		materials		Subscriptions	0
HOLDING AD SIRMA GROUP		materials			-3
HOLDING AD SIRMA GROUP		materials external	1		-2
HOLDING AD SIRMA GROUP		services external	1		-2
HOLDING AD SIRMA GROUP		services external	2	Other	-2
HOLDING AD SIRMA GROUP		services external		Commissions and fees	0
HOLDING AD SIRMA GROUP		services external	2	Internet	-6
HOLDING AD SIRMA GROUP		services external	2	Hosting	-1
HOLDING AD SIRMA GROUP		services external		Advertising	0
HOLDING AD		services interest on loans	1	Interest expenses on deposits Interest	0
		interest on loans	2	expenses on loans Interest expenses	0
		interest on loans		on deposits Interest expenses on loans	-2
		interest on loans	2 1 2 2 1 1	Interest expenses - NRA (insurance, taxes) Interest expenses on deposits	-24
SIRMA GROUP HOLDING AD	buy buy	interest on loans	1	Interest expenses	0
SIRMA GROUP HOLDING AD	buy buy	interest on loans	1	on loans Interest expenses on deposits	-1
SIRMA GROUP HOLDING AD	buy buy	interest on loans	1	Interest expenses on loans Interest	0
SIRMA GROUP HOLDING AD	buy	interest on loans	1	expenses on deposits Interest expenses	-1
SIRMA GROUP HOLDING AD		interest on loans	2	on deposits	-3
SIRMA GROUP HOLDING AD		interest on loans	1		-20
SIRMA GROUP HOLDING AD		interest on loans	1		-2
SIRMA GROUP HOLDING AD		Financial			
SIRMA GROUP HOLDING AD	purchase	expenses (-)		Other financial expenses Software	0
SIRMA USA	purchase	external services	1	services Advertising	-1282
SIRMA SOLUTIONS AD SIRMA	purchase	materials	3 3	materials Electricity Office	0
SOLUTIONS AD	purchase	materials	3	maintenance	-37
SIRMA SOLUTIONS AD SIRMA	buy buy	materials	3	and repair materials Seminars and training	
SOLUTIONS AD SIRMA	buy buy	external services	3	Software services	-1
SOLUTIONS AD SIRMA	buy buy	external services	3	Software services Sound	-8
SOLUTIONS AD SIRMA	buy buy	external services	1	recording services	-48
SOLUTIONS AD SIRMA	buy buy	external services	1	Consulting services	-781
SOLUTIONS AD SIRMA	buy buy	external services	4	Subscriptions Internet	0
SOLUTIONS AD SIRMA	buy buy	external services	3	Hosting Rents Office	-110
SOLUTIONS AD SIRMA		external services	3	maintenance	-20
SOLUTIONS AD SIRMA		external services		and repair	-10
SOLUTIONS AD SIRMA		external services			-51
SOLUTIONS AD SIRMA		external services	4		-127
SOLUTIONS AD SIRMA		external services	1	Administrative services Impairment of	-26
SOLUTIONS AD SIRMA		external services	1	receivables	-466
SOLUTIONS AD SIRMA SOLUTIONS AD SIRMA SOLUTIONS AD		external services Miscellaneous			-53
SIRMA SOLUTIONS AD SIRMA	purchase	interest on loans		Interest expense on loans Interest	-5
SOLUTIONS AD SIRMA	purchase	interest on loans	1	expense on loans Interest expense	-18
SOLUTIONS AD	purchase	interest on loans	3 3	on deposits	0
		Financial			
SIRMA SOLUTIONS AD	purchase	expenses (-)	1	Foreign exchange transaction costs	-9
		Financial			
SIRMA SOLUTIONS AD	purchase	expenses (-)	1	Foreign exchange transaction costs	-5



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Loans and deposits

31.12.2016

Company	Type	Connectivity	thousand BGN	
Ontotech AD Sirma	deposits			301
Solutions AD Sirma Enterprise	deposits		1	155
Systems AD EngView Systems Sofia AD Daticum	deposits		3	37
AD EngView Systems Sofia AD Sirma	deposits		3	72
Group Holding AD	deposits loan		3	14
Sirma Group Holding AD EngView			2	315
Systems Sofia AD Sirma Group	loan			415
Holding AD Sirma Group Holding AD	loan			2635
Sirma Group Holding AD Sirma Group Inc.	loan		3	196
	loan			150
	loan		1 1 3 1 2	113
	loan			764
	loan		1 2	174

Company	Type	Connectivity	thousand BGN	
Ontotech AD Sirma	deposits		1	301
Solutions AD Sirma Enterprise	deposits		3	155
Systems AD EngView Systems Sofia AD Daticum	deposits		3	37
AD EngView Systems Sofia AD Sirma	deposits		3	72
Group Holding AD	deposits		2	14
Sirma Group Holding AD EngView	loan		3	315
Systems Sofia AD Sirma Group	loan			415
Holding AD Sirma Group Holding AD	loan			2635
Sirma Group Holding AD Sirma Group Inc.	loan		1	196
	loan			150
	loan		1	113
	loan		3 1 2 1 2	174

31.12.2015

Company		Partner - connectivity	Taking in beginning about the the period	Obliged is at the beginning of the period	Provided and during the period cash	Received and during the period cash	Taken is at the end on period a	Obliged is at the end of the period
SIRMA SOLUTIONS AD SIRMA	loans received loans	3	0	0	0	1803	0	1803
SOLUTIONS AD SIRMA SOLUTIONS	received loans received	1	0	0	375	0	0	0
AD	deposits provided	1	0	0	170	170	0	0
SIRMA SOLUTIONS AD		5	0	5	5	0	0	0
SIRMA SOLUTIONS AD SIRMA	loans provided loans provided	5	190	0	5	0	194	0
SOLUTIONS AD SIRMA SOLUTIONS	loans provided loans provided	5	21	0	0	0	21	0
AD SIRMA SOLUTIONS AD SIRMA	loans provided loans provided	5	3	0	0	0	3	0
SOLUTIONS AD SIRMA SOLUTIONS	loans	3	75	0	1449 0	1369 0	155	0
AD SIRMA BUSINESS CONSULTING			0	0		0	0	0
AD SIRMA BUSINESS CONSULTING		1 5	0	0	61		61	0
AD SIRMA BUSINESS CONSULTING								
	loans provided	3	0	0	170	170	0	0
	loans provided	5	18	0	0	18	0	0
AD	loans provided	3	0	0	50	50	0	0
SIRMA BUSINESS CONSULTING AD SIRMA AJ								
TI	loans granted loans received	5	46	0	0	0	46	0
TI AD SIRMA AJ TI TI AD SIRMA	loans granted deposits	3	0	322	122	1005 0	0	1205
AJ TI TI AD	granted deposits	5	34	0	0		34	0
		3	0	0	37	0	37	0
SIRMA AY TI TI AD		3	37	0	-37	0	0	0
SIRMA AY TI TI AD SYRMA AY	loans granted loans received	5	18	0	0	0	18	0
ES JI SIRMA AY ES JI	loans received deposits	3	0	11	0	47	0	58
	granted deposits	3	0	0	0	0	0	0
	granted							
ENGVIEW SYSTEMS SOFIA AD		3	0	0	112	40	72	0
ENGVIEW SYSTEMS SOFIA AD		3	112	0	0	112	0	0
ENGVIEW SYSTEMS SOFIA AD ONTOTEXT	loans granted loans received	3	509	0	197	292	414	0
AD	deposits granted	3	0	75	175	100	0	0
ONTOTEXT AD		3	51	0	0	0	51	0
ONTOTEXT AD	deposits provided							
ONTOTEXT AD	loans	3	0	0	130	130	0	0
ONTOTEXT AD	provided deposits provided	1	0	0	126	0	126	0
DATICUM AD		3	14	0	0	0	14	0
DATICUM AD	loans granted loans granted	3	0	0	375	375	0	0
DATICUM AD SIRMA	loans received loans received	3	0	0	100	100	0	0
GROUP HOLDING AD SIRMA GROUP	loans received loans		0	20	97	197	0	120
HOLDING AD SIRMA GROUP HOLDING	received deposits	1	0	0	100	100	0	0
AD SIRMA GROUP HOLDING AD SIRMA	received deposits	2 2	0	0	50	50	0	0
GROUP HOLDING AD SIRMA GROUP		1	0	489	195	0	0	294
HOLDING AD		1	0	75	1371	1449	0	153
		1	0	51	130	130	0	51



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SIRMA GROUP HOLDING AD SIRMA GROUP	received deposits	1	0	37	0	0	0	37
HOLDING AD SIRMA GROUP HOLDING AD	received deposits	1	0	112	40	0	0	72
SIRMA GROUP HOLDING AD SIRMA GROUP	received deposits	2	0	14	0	0	0	14
HOLDING AD SIRMA GROUP HOLDING AD	received deposits granted	5	0		0	0	0	1
SIRMA GROUP HOLDING AD SIRMA GROUP	loans granted loans granted	5	13	1	0	0	13	0
HOLDING AD SIRMA GROUP HOLDING AD	loans granted loans granted		0	0	1805 13	0	1805 13	0
SIRMA GROUP HOLDING AD SIRMA UPGR	loans granted loans granted	1	0	0	100	0	0	0
HOLDING AD SIRMA GROUP HOLDING AD	loans granted loans granted		75	0	1005	175		0
SIRMA GROUP HOLDING AD	loans granted loans		322	0	163 47	122 0	1205	0
		5	405	0	0 8	0	569	0
		1	11	0		0	58	0
		1	19	0		0	19	0
		5 2 5 5	0	0 0			8	0
			1975	1213	8746	8380	4938	3810

8/ STAFF

The company believes that its employees play a key role in the development of its business and the achievement of overall corporate goals and therefore pays special attention to the overall development strategy and policies regarding human resources management. The Group's policies in this regard are aimed at stimulating responsibility and motivation.

The company and the enterprises in the group apply certain criteria for personnel selection and believe that they have an ambitious team of professionals capable of pursuing the set strategic and operational goals. Sirma Group Holding AD invests in various training programs for its employees

and provides its employees with opportunities for professional development.

of the staff for the performance of their assigned tasks tasks and goals.

The personnel structure in the group of "Sirma Group Holding" AD has the following dynamics:

31.12.2016

Company	TD	DUC	Total
ISG LTD SIRMA ICS AD	0	0	0
DATIKUM AD ENGVIEW SYSTEMS	13		14
SOFIA AD SIRMA	10	1	16
ENTERPRISE SYSTEMS AD SIRMA BUSINESS	30	6	35
CONSULTING AD SIRMA GROUP HOLDING AD SIRMA	54	5	57
MEDICAL SYSTEMS AD SIRMA SOLUTIONS AD	46	3	51
SIRMA USA Sirma Group Inc.	25	5	33
	4	8	7
	102	3	108
	4		5
	5		2
S&G UK			1
ONTOTEXT AD	64	6	67
ONTOTEXT USA Total	3	11 13 1	4
	360	44	400

31.12.2015

Company	TD	DUC	Total
AI ES G OOD DATIKUM	7		8
AD ENGVIEW	9	1	15
SYSTEMS SOFIA AD	30	6	35
SIRMA ENTERPRISE SYSTEMS AD SIRMA BUSINESS	52	5	55
CONSULTING AD SIRMA GROUP HOLDING AD	41	3	46
SIRMA SOLUTIONS AD SIRMA USA	25	5	33
	90	8	96
	5	6	7
S&G UK			1
ONTOTEXT AD	61	2	64
ONTOTEXT USA Total	3	13 1	4
	323	41	364



DESCRIPTION OF ANY ARRANGEMENTS FOR THE PARTICIPATION OF EMPLOYEES IN THE CAPITAL OF THE COMPANY.

There are no arrangements for employee participation in the capital of Sirma Group Holding AD. **With regard to some of the subsidiaries of Sirma Group Holding AD, there are options for key employees to participate in the capital of the respective companies. As mentioned above in point 7, the following subsidiaries have taken concrete steps in this direction:**

- * Sirma Enterprise Systems AD has repurchased 13,902 registered voting shares (representing 10% of all shares) for the purpose of subsequent sale to key employees of Sirma Enterprise Systems AD (remaining as of 31.12.2016). **2,220 pcs.** For this purpose, by Decision of the sole owner of the capital dated 15.09.2014, the repurchased shares were converted into a new class.

A.

- * Sirma Solutions AD has repurchased 248,687 registered shares owned by the shareholder Sirma Group Holding AD, constituting 7.7% of the capital of Sirma Solutions AD. **Purpose of the buyback – the shares will be sold to key employees. For this purpose, by decision of the General Meeting of Shareholders dated 09.03.2015, part of the treasury shares were converted and two new classes of shares were created - class A and class B. To**

As of the date of this document, the remaining treasury shares are: 188,255 shares.

- * With amendments to the Articles of Association of Ontotext AD, an option fund was created by the holders of ordinary shares, who agreed to create an option fund of 1,210,215 shares for a period until March 31, 2019, thereby committing to sell the shares included in the option fund to the holders of options at a price per share equal to BGN 1.17. **The options from the option fund will 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.** The sale of ordinary shares, pursuant to the Option issuance scheme, will be carried out proportionally by all Shareholders holding Ordinary Shares included in the option fund.

There are no other options and/or arrangements for employee participation in the capital of any of the companies in the Company's group.

9/ RISK FACTORS

THE WORDS "EXPECTS", "BELIEVES", "INTENDS" AND OTHER SIMILAR WORDS USED IN THE REPORT INDICATE STATEMENTS THAT ARE FORWARD-LOOKING IN NATURE AND/OR RELATE TO FUTURE UNCERTAIN EVENTS AND CONDITIONS THAT MAY HAVE AN IMPACT ON THE COMPANY'S FUTURE BUSINESS AND FINANCIAL PLANS, THE RESULTS OF ITS OPERATIONS AND ITS FINANCIAL POSITION. INVESTORS ARE CAUTIONED THAT THE ABOVE STATEMENTS ARE NOT A GUARANTEE OF THE FUTURE RESULTS OF THE COMPANY'S OPERATIONS AND ARE THEMSELVES SUBJECT TO RISKS AND UNCERTAINTIES.

ACTUAL FUTURE RESULTS OF THE COMPANY'S OPERATIONS MAY DIFFER MATERIALLY FROM THE FORECASTS AND EXPECTATIONS AS A RESULT OF A NUMBER OF FACTORS, INCLUDING THE RISK FACTORS SET FORTH BELOW.

(THE CONSISTENCY IN THE PRESENTATION OF RISK FACTORS REFLECTS THE VIEW OF THE BOARD OF DIRECTORS REGARDING THEIR SPECIFIC SIGNIFICANCE AT THE CURRENT MOMENT FOR THE COMPANY'S BUSINESS.)

THE RISKS TO WHICH INVESTORS IN SECURITIES MAY BE EXPOSED CAN BE DIVISIONAL ACCORDING TO DIFFERENT CRITERIA DEPENDING ON THEIR NATURE, MANIFESTATION, CHARACTERISTICS OF THE COMPANY, CHANGES IN THE COMPANY'S CAPITAL AND THE POSSIBILITY OF THE RISK BEING ELIMINATED OR NOT. THEY CAN BE DIVISIONED INTO TWO GROUPS: SYSTEMATIC AND NON-SYSTEMATIC RISKS.

CONSIDERING THE FACT THAT THIS REPORT IS FOR INTERIM RESULTS OF THE ACTIVITY, THE RISK FACTORS THAT WE CONSIDER TO BE PARTICULARLY MATERIAL ARE INDICATED BELOW, BUT THEY SHOULD BE READ TOGETHER WITH THE RISKS INDICATED IN THE ANNUAL REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS OF "SIRMA GROUP HOLDING" AD FOR 2015.

RISK MANAGEMENT

The management of the risks of the SGH is the responsibility of the Board of Directors. **In its activities, it is assisted by the Investment and Risk Committee.** The holding company also supports its subsidiaries in risk management.

In its essence, risk management is the ability to anticipate threats to the company's operations, including individual projects, and to minimize their adverse consequences. **The process is iterative.** He starts with

identification of possible risks, goes through risk analysis and planning of their management, after which a process of monitoring and regular return to the process begins.

analysis.

A robust risk management system has been established at SGH.



Risk management in the SGH includes:

- **Risk Identification** – This is an ongoing process in which potential threats are discovered. In order to identify expected and foreseeable risks, various methods are applied: questionnaires (questionnaires), interviews, brainstorming, document analysis, a list of expected and foreseeable risks (checklist analysis), created based on previous experience.

- **Qualitative and quantitative risk analysis** – Once the possible risks have been identified, it is necessary to perform a qualitative and quantitative analysis of each of them. The probability of occurrence and impact are assessed using predefined scales, for example, Probability: very small, small, medium, Impact: catastrophic, critical, acceptable, insignificant.
big Or very large;

A risk table is prepared with the data. It organizes risks into categories, lists their probability of occurrence and impact, as well as sample scenarios that are implemented in the event that the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, above which risks will be managed. The risk table is reviewed and reassessed regularly, as there is a possibility that risks may be eliminated, new ones added, or their assessments may change.

- **Planning actions to overcome the risk**

The next step in risk management is planning. This is the process of documenting the measures that will be implemented in the management of

each of the identified key risks. 3 management strategies are used:

- **risk avoidance** – a strategy in which reduces the likelihood of the risk coming true;
- **minimizing the effect of risk realization** – a strategy that reduces the consequences of risk realization;
- **contingency plans** – a strategy in which the organization accepts the risk and is ready to deal with it if it comes true;

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

- **Risk monitoring and control** – This is the final activity of risk management. This process has several main tasks:
 - to confirm the occurrence of a risk
 - risks are implemented that activities to ensure, prevent or address
 - to determine which risk has caused the relevant problems
 - to document information to be used in subsequent risk analysis

RISKS

9.1 Systematic risks

General risks arise from possible changes in the overall economic system and, more specifically, changes in financial market conditions. They cannot be diversified, as all economic entities in the country are exposed to them.

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

In Bulgaria, like in most transition countries, there is a trade deficit and a current account deficit. Our country is an importer of crude oil and energy resources. In this regard, increases in the prices of oil and energy resources reduce the competitiveness of the Bulgarian economy and, in addition, its dependence on the import of oil and energy resources further exposes the economy to currency risk from adverse changes in the exchange rate of the US dollar against the lev. Capital income

from privatization is expected to gradually decrease with the completion of the privatization program.

Political risk

Political risk is the probability of a change of government, or a sudden change in its policy, of the occurrence of internal political turmoil and adverse changes in business legislation, as a result of which the environment in which local business entities operate will change negatively, and investors will suffer losses.

Nationally, on November 14, 2016, Prime Minister Boyko Borissov submitted the government's resignation to the National Assembly. After the acceptance of the resignation by the parliament on November 16, 2016, the three unsuccessful attempts to form a new government within the framework of the current parliament, and the refusal of the President to appoint a caretaker government, the political risk for Bulgaria is associated with the possibility of internal destabilization of the state during the period of organizing and holding early parliamentary elections.

The political risks for Bulgaria internationally are related to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increasing social stability and limiting inefficient spending, on the one hand, as well as to the strong destabilization of the countries of the Middle East, the increasing threats of terrorist attacks in



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Europe, refugee waves and instability of key countries in close proximity to Bulgaria.

The main conclusion of a report on Bulgaria by the Economist Intelligence Unit (EIU) is that despite fiscal improvements in the period January-August following progress in consolidation in 2015, there are some risks to Bulgaria's budget in 2016-17, stemming from problems in the energy sector. **The reason, despite the reduction in the sector's deficit following reforms in 2015, is the fact that in June an international arbitration court ruled that NEK must pay 550 million euros to Russia's Atomstroyexport over Bulgaria's decision to abandon the Belene nuclear power plant project. Although the compensation is only half of what Russia is asking for, it is a significant sum for the financially struggling NEK and will likely require financing from public funds.** The Economist Intelligence Unit (EIU)'s main forecast is that fiscal consolidation will continue to exceed the government's targets in the medium term.

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

Following the European Council meeting in Bratislava on 16.09.2016, **European Commission President Jean-Claude Juncker announced that the European Union will provide 160 million euros to Bulgaria for border management and overcoming the migration crisis. The aid to our country is expected to be paid in two tranches.** The European Council has decided that 108 million euros will be allocated initially for Bulgaria's needs, with the goal of this amount reaching 160 million euros, as requested by the Bulgarian Prime Minister.

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

9.1.1. Economic growth

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

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

The slowed economic growth, not only in Bulgaria, but also in the other countries where the Company sells its products, means reduced activity on the part of economic entities from

where there is a reduced level of investment in general and in software solutions in particular. In this regard, lower economic growth adversely affects the Company's activities and would prevent the implementation of future plans according to previously set parameters.

9.1.2. Political risk

This is the risk arising from the political processes in the country – the risk of political destabilization, changes in the principles of governance, in

legislation and economic policy. Political risk is directly related to the likelihood of adverse changes in the government's long-term policy, resulting in a risk of negative changes in the business climate.

The political situation in Bulgaria has been influenced by the early elections for the National Assembly in October 2014. **A record number of parties passed the minimum threshold of 4% to enter parliament.** The stability of the formed coalition government depends on the actions of the parties represented in it.

Possible destabilization or adverse changes in management principles, or in legislation and economic policy, would worsen the environment in which the Company operates and realizes its results. This, in turn, would reduce the possibility of a normal business existence and would negatively affect its future results.

9.1.3. Credit risk The country's

credit risk is related to the state's ability to repay its obligations regularly. **In this regard, Bulgaria is constantly improving its positions on international debt markets, which facilitates access for the state and economic agents to financing from external sources. The most important effect of improving the credit rating is a decrease in risk premiums on loans, which leads to more favorable interest rates (other things being equal). For this reason, a potential increase in the country's credit rating would have a favorable impact on the Company's activities and more specifically on its financing. On the other hand, a downgrade of Bulgaria's credit rating would have a negative impact on the Company's cost of financing, unless its loan agreements are at fixed interest rates. The determination and measurement of this risk is carried out by specialized international credit agencies.**

As of the date of this document, the credit rating of R. Bulgaria is as follows:

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

Bulgaria continues to finance its needs under relatively good credit conditions, considering the downgraded long-term ratings. The European Central Bank's policy of providing quantitative easing implies maintaining historically low interest rates in Europe, which would stimulate the attraction of credit resources from all economic entities, including the Company.

9.1.4. Currency risk

Exposure to currency risk represents the dependence and effects of changes in exchange rates. Systematic currency risk is the probability of a possible change in the country's exchange rate regime.



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(currency board), which would lead either to a depreciation of the lev or to an appreciation of the lev against foreign currencies.

Currency risk will have an impact on companies with market shares whose payments are made in a currency other than the lev and the euro. Since, according to the current legislation in the country, the Bulgarian lev is fixed to the euro at the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of depreciation of the lev against the European currency is minimal and consists in the possible early abolition of the currency board in the country. At this stage, this seems unlikely, as the expectations are that the currency board will be abolished upon the adoption of the euro in Bulgaria as the official payment unit.

Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Monetary Mechanism (EMR II). This is a regime in which the country must maintain the exchange rate against the euro within $\pm 15\%$ of central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly smaller than the allowed $\pm 15\%$.

The fixed exchange rate of the lev to the euro does not eliminate the risk of adverse movements in the exchange rate of the euro against the other major currencies (US dollar, British pound, Swiss franc) on the international financial markets for the Bulgarian currency, but at present the company does not believe that such a risk would be material to its operations. The company may be affected by currency risk depending on the type of currency of the cash receipts and the type of currency of the company's potential loans.

9.1.5. Interest rate risk

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

On 08.10.2016. The Governing Council of the ECB decided to leave the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.40% respectively and continues to expect them to remain at their current or lower levels for an extended period of time and well after the end of the Eurosystem's net asset purchases. The Governing Council confirmed that monthly asset purchases of €80 billion are planned to be carried out until the end of March 2017, and if necessary beyond that, but in any case until a durable adjustment in the inflation path is established, consistent with the ECB Governing Council's inflation aim.

At its monetary policy meeting held on 8 December 2016, with a view to achieving its price stability objective, the Governing Council of the ECB took the following decisions:

• As regards non-standard monetary policy measures, the Eurosystem will continue to conduct purchases under the asset purchase programme (APP) at the current pace of €80 billion per month until the end of March 2017. From April 2017, net asset purchases are planned to continue at a monthly volume of €60 billion until the end of December.

2017, and if necessary thereafter, but in any case until the Governing Council has identified a sustained adjustment in the path of inflation consistent with its inflation aim. If, in the meantime, the outlook turns unfavorable or financial conditions are not consistent with further progress towards a sustained adjustment in the inflation ^{become} ^{more} trajectory, the Governing Council intends to increase the size and/or duration of the programme.

• In order to ensure the continued smooth implementation of the Eurosystem's asset purchases, the Governing Council decided to adjust the parameters of the APP from January 2017 as follows: First, the maturity range of the public sector purchase programme will be widened, with the minimum remaining maturity of eligible securities being reduced from two years to one year. Second, purchases of securities under the APP whose yield to maturity is lower than the ECB's deposit facility rate will be permitted for as long as necessary.

• The Governing Council decided to leave the key ECB interest rates unchanged and continues to expects them to remain at current or lower levels for an extended period of time, and well after the end of net asset purchases.

The main interest rates set by the BNB for the period

01.01.2016 – 31.12.2016 are:

Table No. 2

Month	Prime interest rate
January 2016	0.01%
February 2016	0.00 %
March 2016	0.00 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	0.00 %
July 2016	0.00 %
August 2016	0.00 %
September 2016	0.00 %
October 2016	0.00 %
November 2016	0.00 %
December 2016	0.00 %

*Source: BNB

Interest rates in Bulgaria, and around the world, are at historically low levels in order to stimulate investment and consumption. **Their possible promotion would be linked to achieving these goals.** This increase would have an unpleasant impact on the Company in terms of increased interest expenses, but also a favorable impact due to increased economic activity among its clients.

9.1.6. Inflation risk

Inflation risk represents a general increase in prices, in which money depreciates and there is a possibility of households and companies incurring losses.

According to NSI data, the consumer price index for October 2016 compared to September 2016 is 100.2%, i.e. the monthly inflation is 0.2%. Inflation since the beginning of the year (October 2016 compared to



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December 2015) is minus 0.4%, and the annual inflation for October 2016 compared to October 2015 is minus 0.6%. The average annual inflation for the period November 2015 - October 2016 compared to the period November 2014 - October 2015 is minus 0.8%.

The Harmonized Index of Consumer Prices for October 2016 compared to September 2016 is 99.9%, i.e. monthly inflation is minus 0.1%. Inflation since the beginning of the year (October 2016 compared to December 2015) is minus 1.1%, and annual inflation for October 2016 compared to October 2015 is minus 1.0%. The average annual inflation for the period November 2015 - October 2016 compared to the period November 2014 - October 2015 is minus 1.4%.

The consumer price index for November 2016 compared to October 2016 is 100.0%, i.e. the monthly inflation is 0.0%. The inflation since the beginning of the year (November 2016 compared to December 2015) is minus 0.5%, and the annual inflation for November 2016 compared to November 2015 is minus 0.5%. The average annual inflation for the period December 2015 - November 2016 compared to the period December 2014 - November 2015 is minus 0.8%.

The Harmonized Index of Consumer Prices for November 2016 compared to October 2016 is 99.9%, i.e. monthly inflation is minus 0.1%. Inflation since the beginning of the year (November 2016 compared to December 2015) is minus 1.2%, and annual inflation for November 2016 compared to November 2015 is minus 0.8%. The average annual inflation for the period December 2015 - November 2016 compared to the period December 2014 - November 2015 is minus 1.4%.

The consumer price index for December 2016 compared to November 2016 is 100.6%, i.e. monthly inflation is 0.6%. The annual inflation for December 2016 compared to December 2015 is 0.1%. Average annual inflation for the period January -

December 2016 compared to the period January - December 2015 is minus 0.8%.

The Harmonized Index of Consumer Prices for December 2016 compared to November 2016 is 100.8%, i.e. the monthly inflation is 0.8%. The annual inflation for December 2016 compared to December 2015 is minus 0.5%. The average annual inflation for the period January - December 2016 compared to the period January -

December 2015 is minus 1.3%.

The different scope of the CPI and HICP and the correspondingly different structure of consumption are the reason for the different values of the two indices.

According to the updated autumn forecast of the Ministry of Finance, published on 06.12.2016, in 2016 the annual inflation rate remains negative, with some acceleration in the first half of the year, mainly due to the decline in the prices of energy goods and food and the reduction in the price of communication services. During the summer months, however, deflation in the country slowed down significantly and remained at a level of 1.1% on an annual basis in the period July-September.

The current dynamics and expectations for international commodity prices give reason to expect that negative inflation in the country will continue to slow down to -0.2% at the end of 2016. On average for the year, the overall HICP is expected to decline by 1.2%, given the high deflation in the period April-May 2016.

Cumulative inflation at the end of 2017 will accelerate to 1.2%, with a negative contribution expected

solely through the continued, albeit slower, decline in the price of durable consumer goods. **The remaining main components of the HICP will appreciate on the assumption of higher international prices of oil and non-energy commodities and an increase in domestic demand.** The average annual increase in the overall index in 2017 is expected to be 1.1%, and in the period 2018-2019 inflation will accelerate to 1.5-

1.7%.

Inflation for the period 01.01.2016 – 31.12.2016 is as follows

Table No. 3

Month % inflation	
January 2016	0.00 %
February 2016	- 0.3 %
March 2016	- 0.7 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	-0.1 %
July 2016	1.00 %
August 2016	0.00 %
September 2016	-0.5 %
October 2016	0.2%
November 2016	0.00 %
December 2016	0.6%

**Source: NSI*

According to Eurostat's flash estimate, annual HICP inflation in the euro area increased to 0.6% in November 2016, up from 0.5% in October and 0.4% in September, largely reflecting an increase in annual energy inflation, although there are still no signs of a marked upward trend in core inflation.

Looking ahead, based on current oil futures prices, headline inflation is likely to increase significantly in December 2016. – January 2017, to a level above 1%, mainly due to base effects in the annual change in energy prices.

According to the December 2016 Eurosystem staff macroeconomic projections for the euro area, annual HICP inflation is projected to be 0.2% in 2016, **1.3% in 2017, 1.5% in 2018 and 1.7% in 2019**. The forecast for HICP inflation is unchanged from the ECB staff macroeconomic projections from September 2016.

in common lines

Under these conditions, the Company's products and services and, accordingly, its revenues in real terms would not suffer from the general level of inflation.

9.1.7. Risk of adverse changes in tax and other laws

Taxes paid by Bulgarian business entities include withholding taxes, local taxes and fees, corporate profit tax, value added tax, excise duties, export and import duties, and property taxes. The taxation system in Bulgaria is still developing, as a result of which contradictory tax practices may arise at both the state and local levels.

Investors should also note that the value of an investment in shares may be adversely affected by changes in



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current tax legislation, including its interpretation and application. **In addition, tax legislation is not the only one that may undergo change, with this change negatively affecting the Company's operations. Although most of Bulgarian legislation has already been harmonized with EU legislation, the implementation of the law has been criticized by Bulgaria's European partners.** Judicial and administrative practice remain problematic: Bulgarian courts are unable to effectively resolve disputes regarding property rights, violations of legal and contractual obligations, and others, as a result of which the systematic regulatory risk is relatively high.

Adverse changes in tax and other laws could lead to a deterioration in the general conditions in which the Company operates, which could lead to a deterioration in its future results. In particular, the increase in corporate income tax and other taxes and fees would reduce the final available result for new investments and/or for distributing dividends to its shareholders.

9.1.8. Risk of force majeure circumstances

Force majeure events such as natural disasters, sabotage, outbreaks of war and terrorist acts, as well as others, may lead to an unpredictable change in investor attitude and interest in relation to the market of any shares, as well as, more specifically, the shares of "Sirma Group Holding" AD. Some force majeure events do not provide for the possibility of insurance.

Force majeure events could seriously affect the Company's results by reducing its ability to conduct normal business activities and resulting in an increase in expense items.

9.2. Unsystematic risks

Unsystematic risks are associated with the general investment risk specific to the firm itself and the industry. Unsystematic risks can be divided into two types: industry risk, concerning the uncertainty in the development of the industry as a whole, and company-wide risk, arising from the specifics of the particular company.

9.2.1. Industry risk

The activities of the Company and the Group companies are exposed to various risks, including: 1) risks typical of the information and communication technologies (ICT) industry; and 2) risks specific to the Company itself. **The Company's revenues and profits may be adversely affected by numerous factors: the state of the financial market and the information and communication technology market; the Company's ability to ensure effective management, assessment of various risks and the economic feasibility of individual transactions, the economic climate in the country, and others.** 9.2.2. Specific company risk

Corporate risk is related to the nature of the Company's activities, and for every company it is important that the return on invested funds and resources corresponds to the risk associated with the investment.

The main company risk for Sirma Group Holding AD is related to the possibility of a decrease in the solvent demand for the products and services offered by the Group, as well as a change in the terms of sale of these products and services. The company

risk may impact the growth of contracts for services in the development and provision of software solutions. **Uncertainty can be measured by the variability of income received over time.** This means that the more variable and unstable a company's revenues are, the greater the uncertainty that the company will realize a positive financial result, i.e. the risk for investors and creditors will be higher.

9.2.3. Operational risk

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

- making wrong decisions about the current management of the company's investments and liquidity by the management team;
- the inability of the management team to launch the implementation of planned projects or lack of suitable personnel for this;
- departure of key employees and inability to hire new ones;
- risk of excessive increase in management and administration costs, leading to a decrease in the company's overall profitability.

Various mechanisms will be used to optimize and manage risk, which include the following main areas:

- reasonable investment policy;
- optimizing the structure, quality and the return on assets of the Company;
- unfriendly from unfavorable protection, external factors and attacks, etc. 9.2.4. Intellectual property protection

The preservation and protection of the Group's intellectual property is crucial to its success. **It uses a variety of means to identify and control potential risks and protect its intellectual property.** These measures include applying for patents, trademarks, and registering other marks and copyrights to prevent copyright and trademark infringement. Despite these efforts, the Group may not be able to prevent third parties from using or selling without authorization what it considers to be its proprietary technology. All of these measures provide only limited protection and her rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third parties may independently develop technologies that are substantially equivalent or

better than the Company's technologies. **In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers its own.** In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or use by a third party, which could have an adverse effect on its competitive and financial position and lead to a decline in sales. In addition, the laws and courts of some countries may not offer an effective means of protecting intellectual property rights.

9.2.5. Risk of entering into transactions with related parties at prices other than market prices

The company is part of an economic group. The risk of conducting transactions with the Group companies, 84



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whose conditions differ from the market conditions at the time of the transaction is eliminated to the extent that the Company strives to maintain a transparent policy regarding its relations and treatment of related companies. To the extent that transactions exist within the economic group, they are concluded under standard market conditions at the time and do not benefit any of the parties.

9.2.6. Risk of impairment of the company's assets

The risk of asset impairment is associated with the possibility of a decrease in the carrying amount of the Company's assets. **Any impairment of tangible and/or intangible assets would result in the need to record an impairment loss. This, in turn, may worsen the Company's future financial results and lead to the realization of a final negative financial result for a given annual period.** This in turn leads to a risk of inability to distribute a dividend to existing shareholders at this future point in time, as well as a possible decrease in the market price of the Company's share due to the deteriorated financial situation.

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9.3. RISK FACTORS CHARACTERISTIC OF EXCHANGE-TRADE SHARES

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

The main risk and uncertainty for the shareholders of Sirma Group Holding AD is the likelihood that their investment in the company's shares will not retain its value, as well as not generate the return they expect due to a decrease in the price of the shares or a lack of other income (dividends) from them.

Sirma Group Holding AD informs potential investors that investing in shares is associated with certain risks and that they must carefully read and understand the associated with risks. Investors risks investing in shares from this issue before making an investment decision.

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

The above makes the company resistant to external negative shocks, but nevertheless, in its activities it encounters significant risks that may negatively affect the company's results.

9.3.1. PRICE RISK

Changes in the share price of Sirma Group Holding AD can be caused by both the fundamental condition of the Company -

current and expected operating results and financial results, as well as economic and market conditions in Bulgaria and market and economic conditions in the global economy.

Shareholders should keep in mind that events may occur that cause sharp fluctuations in the market prices of the shares, as have previously occurred on the Bulgarian capital market and on the international financial markets, as well as

that such fluctuations are likely to adversely affect the shares of Sirma Group Holding AD.

The market value of the shares will be determined based on supply and demand, and the price of the shares may increase or decrease. **These price "fluctuations" can cause a security to be worth much less at a given time than the value at which it was purchased.** This price dynamic is particularly characteristic of the market for common shares, whose stock prices may be subject to sharp fluctuations as a result of publicly disclosed information about the Company's financial results, changes in legislation and other significant events.

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A significant number of sales of Sirma Group Holding AD shares over a certain period of time may have an adverse impact on maintaining the achieved price level. **Such an event would be the result of a significant excess of sellers of these stocks over buyers in that period.** At present, the Issuer or a third party is not committed to maintaining a specific price level and a significant number of sales may

lead to a decrease in this level.

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

9.3.2. LIQUIDITY RISK

Liquidity risk is directly related to the liquidity of the securities market itself and expresses the potential opportunity to buy or sell given securities in short periods of time and in usual volumes on the secondary market. **The liquidity of the issue depends on the number of investors who will show interest in investing in the issue.** The liquidity risk of shares will also depend on the development of the equity securities market in terms of the volume and diversity of instruments offered, the financial condition of the issuer, the ability of the local capital market to attract new investors, etc.

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

9.3.3. INFLATION RISK

The manifestation of inflation risk for the shareholders of Sirma Group Holding AD would occur in cases where the income from the shares (price increase and/or dividends received) is less than the inflation rate for the investment period. Inflationary processes lead to a decrease in the real return that investors receive.

Although in the long term, the return on shares usually outpaces inflation processes in Bulgaria and other countries with developed market economies, there are no guarantees for investors in shares of Sirma Group Holding AD that their investment in



shares of the Company will represent a real protection against inflation.

9.3.4. RISK OF DILUTION OF THE VALUE OF THE SHARES ON

According to the Company's Articles of Association, no restrictions are provided regarding the maximum amount of future share issues. **For this reason, the amount of shareholders' participation may be reduced as a result of a public offering if they do not exercise their rights and do not subscribe for a proportional share of the new shares.** In the event that, as a result of a future public offering, the number of issued shares of the Company increases at a faster rate than the amount of its assets, it is possible that the value of the Company's assets per share may decrease.

9.3.5. CURRENCY RISK

The current issue is denominated in leva. **Currency risk from the investment exists for investors whose funds are in US dollars or another currency other than leva and euro due to the constant movements in exchange rates.** Investors who take on currency risk when purchasing this issue would increase or decrease the effective yield.

from their investment as a result of the strengthening or weakening of the lev/euro exchange rate against the currency in which the investor's funds are denominated.

The stability and high confidence in the reliability of the currency board in the country, as well as the relatively stable positions of the euro in international currency markets, reduce the presence of currency risk to minimal levels.

9.3.6. LACK OF GUARANTEE FOR PAYMENT OF ANNUAL DIVIDENDS

The company's financial performance depends on many factors, including the skill and professionalism of the management team, the development of the market in which the company operates, the economic development of investors due to the country and the region, etc. There is a risk for the lack of a guarantee of annual dividend payments.

9.3.7. RISK OF CHANGES IN TAXATION OF INVESTMENTS IN SECURITIES

The risk of changes in taxation of investment in securities is associated with change the current taxation regime for this type of instrument. **It can be considered favorable in the sense of the presence of tax-free capital gains.** Change to capital gains taxation, as well as other potential changes in the taxation of

Investments in securities may have a negative impact on the final net result realized by an investor.

9.3.8. RISK FACTORS INCLUDED IN THE REGISTRATION DOCUMENT

The specific risks related to the main activity of Sirma Group Holding AD, as well as the general risks that may have an impact on its activities, are described in detail on pages in the Registration Document, Section Risk Factors.

For more information on the risks to which the SGH is exposed, see Appendix No. 7.

10/ INFORMATION ABOUT EVENTS AND INDICATORS WITH UNUSUAL FOR THE COMPANY NATURE HAVING A SIGNIFICANT IMPACT ON ITS ACTIVITIES, AND THE INCOME REALIZED BY IT AND EXPENSES INCURRED; ASSESSMENT OF THEIR IMPACT ON THE RESULTS IN THE CURRENT YEAR.

There are no events and indicators of an unusual nature for the company that have a significant impact on its activities, and the results achieved by

revenues and expenses incurred; assessment of their impact on the results in the current year.



11/ INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS

- NATURE AND BUSINESS PURPOSE, INDICATING THE FINANCIAL IMPACT OF THE TRANSACTIONS ON THE ACTIVITY, IF THE RISK AND BENEFITS FROM THESE TRANSACTIONS ARE MATERIAL TO THE COMPANY AND IF THE DISCLOSURE OF THIS INFORMATION IS MATERIAL FOR THE ASSESSMENT OF THE COMPANY'S FINANCIAL POSITION.

There are no off-balance sheet transactions.

12/ ANALYSIS AND EVALUATION OF THE POLICY REGARDING MANAGEMENT OF FINANCIAL RESOURCES WITH AN INDICATION OF THE POSSIBILITIES FOR SERVING THE LIABILITIES, POSSIBLE THREATS AND MEASURES THAT THE COMPANY HAS TAKEN OR IS ABOUT TO TAKE WITH A VIEW TO ELIMINATING THEM.

The company successfully manages its financial resources and normally and promptly serves its obligations.

13/ ASSESSMENT OF THE POSSIBILITIES FOR IMPLEMENTING THE INVESTMENT INTENTIONS, INDICATING THE AMOUNT OF AVAILABLE FUNDS AND REFLECTING POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING THIS ACTIVITY.

Management estimates that the realization of the investment intentions declared in the initial public offering prospectus is possible.



14/ INFORMATION ON CHANGES THAT OCCURRED DURING THE REPORTING PERIOD IN THE BASIC MANAGEMENT PRINCIPLES OF THE COMPANY AND ITS ECONOMIC GROUP.

There were no changes during the reporting period in the basic principles for management of the company and its economic group.

15/ INFORMATION FOR THE MAIN CHARACTERISTICS OF THE APPLICATIONS USED BY THE COMPANY IN THE PROCESS OF PREPARING FINANCIAL STATEMENTS, INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM.

According to legislation, the Company should prepare an interim report on the activities, as well as a financial statement for each quarterly period, which should give a true and fair view of the financial position of the Company as of the end of the year, the financial results of the activities and the cash flows in accordance with the applicable accounting management responsibility also includes the implementation of an internal control system to prevent, detect and correct errors and misstatements resulting from the actions of the accounting system. In this regard, the management adheres to the following basic principles in its activities:

frame.

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

- carrying out all operations in accordance with the laws and regulations, recording all events and acts; **During the reporting period, there were no changes in the basic principles of management of SIRMA GROUP HOLDING AD and its economic group.**

transactions in a timely manner, with accurate amounts in the appropriate

- accounts and for the relevant reporting period, so that to allow the preparation of financial statements in accordance with the specifically specified accounting framework;

- compliance with the principle of prudence in the valuation of assets, liabilities, income and expenses;

- detection and cessation of fraud and errors;

- completeness and accuracy of accounting information;

- preparation of reliable financial information;

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



16/ INFORMATION ON CHANGES IN THE MANAGEMENT AND SUPERVISORY BODIES DURING THE REPORTING FINANCIAL YEAR.

At the meeting held on 14.06.2016. The General Meeting of Shareholders of the Company elected an Audit Committee (in accordance with the requirements of paragraph 1, item 11, b. "a" of the LFPA) composed of:

Angel Kraychev – Chairman

Alexander Todorov Kolev - member

Emilian Ivanov Petrov – member

The term of office of the Audit Committee is 3 (years).

17/ INVESTOR RELATIONS DIRECTOR'S DETAILS, INCLUDING PHONE NUMBER AND CORRESPONDENCE ADDRESS.

Stanislav Tanushev

Blvd. "Tsarigradsko Shose" 135, floor. 3

Sofia 1784

ir@sirma.com

Contact phone: +359 2 976 8310



18/ CHANGES IN THE PRICE OF THE COMPANY'S SHARES.

Share price and market capitalization – 70,579,655 BGN.

Сирма Груп Холдинг АД (SKK / SKK)



5d 1m 3m 6m YTD 1yr 3yr 5yr Max

От: 01.01.2016 До: 31.12.2016 Зареди

Ценова статистика От 01.01.2016 До 31.12.2016

Последна цена	Промяна	Промяна проценти	Обем (лева)	Последна сделка
1.189 лв.	↓0.011	↓0.92%	1 287 877	30 Декември 2016 16:53

в абсолютна стойност / в проценти

-	Цена	Към дата	Начална	Минимална	Максимална	Средна	Последна
Начална	1.204	05.01.2016	-	▲41.65%	▼3.68%	▲6.93%	▲1.26%
Минимална	0.850	08.11.2016	▼29.40%	-	▼32.00%	▼24.51%	▼28.51%
Максимална	1.250	11.05.2016	▲3.82%	▲47.06%	-	▲11.01%	▲5.13%
Средна	1.126	-	▼6.48%	▲32.47%	▼9.92%	-	▼5.30%
Последна	1.189	30.12.2016	▼1.25%	▲39.88%	▼4.88%	▲5.60%	-

Исторически данни

Месечно

Дата	Отваряне	Мин.	Макс.	Затваряне	Δ	Δ%	Обем(лота)	Обем(лева)
12/2016	0.991	0.970	1.189	1.189	▲0.239	▲25.16 %	434 195	498 873
11/2016	1.043	0.850	1.043	0.950	▼0.080	▼7.77 %	165 128	156 003
10/2016	1.050	1.000	1.065	1.030	▼0.025	▼2.37 %	47 342	48 535
09/2016	1.099	1.051	1.131	1.055	▼0.005	▼0.47 %	36 747	39 274
08/2016	1.130	1.060	1.131	1.060	▼0.070	▼6.19 %	7 181	7 911
07/2016	1.065	1.025	1.150	1.130	▲0.063	▲5.90 %	37 914	39 690
06/2016	1.130	1.067	1.168	1.067	▼0.093	▼8.02 %	32 465	36 689
05/2016	1.033	1.033	1.250	1.160	▲0.122	▲11.75 %	267 535	329 639
04/2016	1.116	1.038	1.122	1.038	▼0.100	▼8.79 %	16 983	18 381
03/2016	1.160	1.120	1.160	1.138	▼0.022	▼1.90 %	36 090	40 856
02/2016	1.166	1.151	1.178	1.160	0.000	0.00 %	8 753	10 248
01/2016	1.204	1.120	1.204	1.160	▼0.040	▼3.33 %	53 372	61 777



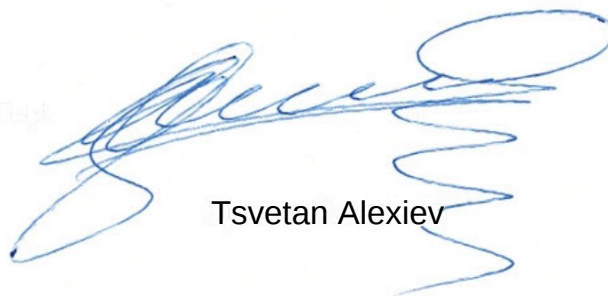
19/ EVENTS AFTER THE END OF THE REPORTING PERIOD

preliminary the following real estate aimed for sale was concluded on 7.12.2017. According to the Sirma Group Holding AD of 710,000 200,000 office building renovation and office space of 55, at a price euros has been provided by UniCredit Bulbank and an additional

with December, Sirma Group Holding AD decided to participate in the capital increase of Ontotext AD by purchasing 843,030 shares

City of Sofia

Executive Director:



Tsvetan Alexiev

