



Sirma Group

REPORT

about the activities of "Sirma Group Holding" AD
according to Annex No. 10 of Regulation 2,
to Art. 32, para. 1, item 2, Art. 35, para. 1, item 2, Art. 41, para. 1, item 2
for the period 01.01.2016 - 31.12.2016

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

This interim individual 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 9, 10 and Annex 11 to Article 32a, paragraph 2 of Regulation No. 2.

financial reporting (IFRS), namely IFRS 7 and the related statements in our Notes to the Financial Statements, our development prospects, as well as other forward-looking information that appears elsewhere in this report. Unless required by law, we do not undertake and have no

obligation to publicly update or revise forward-looking statements as a result of new information we obtain about conditions that existed when this report was issued, future events, or otherwise, unless we are required to do so by law.

The Board of Directors of the holding company confirms 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;

- no trends, demands, are known, commitments, events or unforeseen circumstances that there are reasons to expect may 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. 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.

This report includes statistics on the IT industry and global economic trends that come from information published by sources including International Data Corporation (IDC), a provider of market intelligence and advisory 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 Individual 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 the financial sustainability of Sirma Group Holding and the expected development of possible risks.

The financial information presented in the report of Sirma Group Holding AD includes our individual 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.

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",

"perspective", "plan", "project", "predict", "seek", "should", "strategy", "want", "will", "would" and other similar expressions are intended to identify these forward-looking statements. Such projections are, for example, those made in the Results of Operations section, with respect to our quantitative and qualitative disclosures about market risk, in accordance with International Accounting Standards.

Our interim individual financial statements have been prepared in accordance with IFRS. Internal control over financial reporting ensures the reliability of the information presented in the individual financial statements. Our Board of Directors confirmed the effectiveness of our internal controls over financial reporting.

The reporting period is the financial period ending on 31.12.2016. The report covers Sirma Group Holding AD.



2/ORGANIZATION AND METHOD OF PRESENTATION

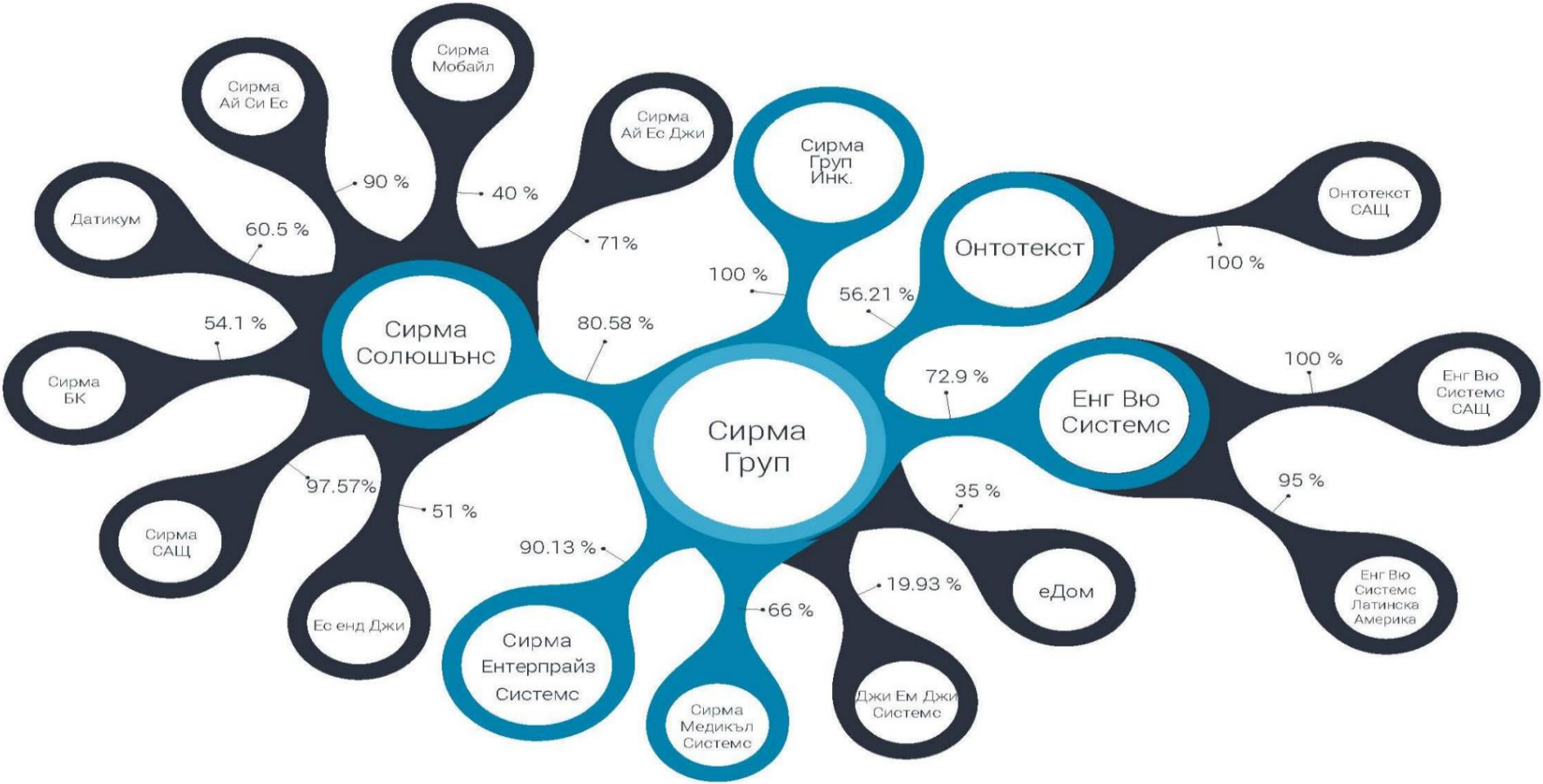
Sirma Group Holding AD is a holding company that invests in technology businesses, manages them strategically and operationally, and provides its subsidiaries with management, administrative, marketing and financial services.

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 holding's main priorities.

2.1.Organizational structure



HISTORY AND DEVELOPMENT OF THE COMPANY

"Sirma Group Holding" AD is registered in the Commercial Register registered with the Registry Agency on 25.04.2008 with a Unified Identification Code (UIC): 200101236 and has its registered office and management address: Sofia (capital) district, Stolichna municipality, town. 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 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, 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 Accountancy Act. The company may also carry out its own commercial activities that are not prohibited by law.

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

Changes in the scope of activity:

On 23.03.2009. The holding company 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 activity that is 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 scope of activity: 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; 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 of the enterprise has been made;
- there are no claims filed to initiate bankruptcy proceedings against the company;
- no tender offers have been made by third parties to the Company or by the Company to others companies;

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.

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**

TOTAL VALUE: 77,202,478 BGN.

Non-monetary contributions are:

1. **Software, representing 29 (twenty-nine) software VALUE: 61,555,838 BGN.** 2. **81,960 ordinary registered shares**

from the capital of "SIRMA GROUP" AD, the company registered in the Commercial Register with the Registry Agency UIC, 040529004 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 Sirma Group Holding AD
www.sirma.com

Non-monetary contributions are described in detail in Art. 7, para. 3 from the company's Articles of Association.



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period 01.01.2016. – 31.12.2016*

HISTORY OF SHARE CAPITAL

Through an initial public offering, in accordance with a decision of the General Meeting of Shareholders dated 04.12.2014, on 30.10.2015, an increase in the capital of Sirma Group Holding AD was registered, with which increase the capital increased to 59,360,518 BGN.

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 three 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 capital of the Company has been reduced pursuant to Art. 200, para. 2, in connection with Art. 187e, para. 1, item 2pts of the Trade Union.**

On 15.10.2008, 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 BGN 11,734,980:

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.

3/ PORTFOLIO OF SIRMA GROUP HOLDING AD

Subsidiaries of Sirma Group Holding AD

Enterprise	Investment value as of 31.12.2016 (in thousands of BGN)	Percentage of capital as of 31.12.2016	Value of the investment in 31.12.2015 (in thousands of BGN)	Percentage of capital as of 31.12.2015	Changes 2016 (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	3 471	100.00%		0.00%	3471
Sofia" AD Total	8 672	56.21%	0 0 8	56.21%	0
	50	72.90%		72.90%	0
	55414		672 50 50644		4770

Subsidiaries of Sirma Solutions AD

	31.12.2016 BGN '000	Relative share	31.12.2015 BGN '000	Relative share	Changes 2016 thousand BGN
"Sirma Business Consulting" AD "Daticum"	1 374	54.08%	1 374	54.08%	0
AD "Sirma" USA	1 394	60.50%	1 394	60.50%	0
S&G Technology	17 629	97.57%	17 629	97.57%	0
Services Ltd., UK "Sirma ISG" Ltd. "Sirma ICS"	117	51%	117	51%	0
AD Total	4	71%	4	71%	0
	270	90%			270
	20 787		20517		



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Subsidiaries of Ontotext AD

Enterprise	Investment value as of 30.12.2016 (in thousands of BGN)	Percentage of capital as of 30.12.2016	Value of investment as of 30.12.2015 (in thousands of BGN)	Percentage of capital as of 30.12.2015	Changes 2016 (in thousands of BGN)
Ontotext USA	30	100.00%	30	100.00%	-

Subsidiaries of EngView Systems Sofia 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)
EngView Systems Latin America, Brazil EngView USA Total	7	95.00%	7	95.00%	-
	9	100.00%	9	100.00%	-
	16		16		9

Associates of Sirma Group Holding 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)
GMG Systems (in liquidation)	214	19.93%	230	21.60%	-16
E-Dom Management Ltd.	7	35.00%	7	35.00%	0
Total	221		237		-16

Associates of Sirma Solutions AD

Enterprise	Value of the investment as of 31.12.2016	Percentage of capital as of 31.12.2016	Value of the investment as of 31.12.2015	Consolidated percentage of capital as of 31.12.2015	Changes
I-BIL INTERACTIVE Flash	20	34%	20	34.00%	0
Media AD "Sirma"	25	50%	25	50.00%	0
Mobile" AD Total,	20	40%	20	40.00%	0
thousand BGN	65		65		0

Description of the companies included in the portfolio - please see Appendix No. 1.

PARTICIPATION INFORMATION

In addition to the Company's stated participations in the 7. ORGANIZATIONAL STRUCTURE above, there are no other interests that are likely to have a significant effect on the measurement 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 BGN '000	31.12.2015 BGN '000
Share capital Number of	59,361	59 361
shares (nominal value 1.00 leva) Total	59,360	59 360 518
number of registered shareholders		474
including legal entities		42
individuals Number		432
of shares owned by legal entities % of participation of legal	518,777	6 132 088
entities Number of shares owned by individuals	42,735	10.33%
% of participation of individuals Repurchased treasury shares	6,532,738	53 228 430
	11.01%	89.67%
	52,827,780 88.99%	261,400

Shareholders	Number of shares as of 31.12.2016	Number of shares as of 31.12.2015	Nominal Value	% in capital	Normalized % in capital
Atanas Kostadinov Kiryakov	5258015	5250686	1 BGN 5,258,015 BGN. 1	8.86%	8.90%
Vesselin Anchev Kirov	5250786	5250686	BGN 5,250,786 BGN. 1 BGN	8.85%	8.88%
Tsvetan Borisov Aleksiev Chavdar	5252376	5250686	5,252,376 BGN. 1 BGN	8.85%	8.89%
Velizarov Dimitrov Yavor Lyudmilov	5250786	5250686	5,250,786 BGN. 1 BGN	8.85%	8.88%
Dzhonev Georgi Parvanov	5250786	5250686	5,250,786 BGN. 1 BGN	8.85%	8.88%
Marinov Krasimir Nevelinov	5257402	5250686	5,257,402 BGN. 1 BGN	8.86%	8.90%
Bozhkov Ognyan Plamenov	4903530	5250686	4,903,530 BGN. 1 BGN	8.26%	8.30%
Chernokozhev Vladimir Ivanov	3729330	3727730	3,729,330 BGN. 1 BGN	6.28%	6.31%
Aleksiev Rosen Vassilev Varbanov	2177583	2177483	2,177,583 BGN. 1 BGN	3.67%	3.68%
Vasil Stanimirov Mirchev Petar	2156687	2156687	2,156,687 BGN. 1 BGN	3.63%	3.65%
Konyarov "NN Universal Pension Fund" UPF	837327	1601794	837,327 BGN. 1 BGN	1.41%	1.42%
"Doverie" AD UPF "DSK Rodina" AD Others Total	1298965	1549288	1,298,965 BGN. 1 BGN	2.19%	2.20%
	2084539	2081249	2,084,539 BGN. 1 BGN	3.51%	3.53%
	802126	802126	802,126 BGN. 1 BGN 747,036	1.35%	1.36%
	747036	747036	BGN 1 BGN 9,103,244 BGN.	1.26%	1.26%
	9 103 244	7 762 323	59,360,518 BGN.	15.34%	15.40%
	59360518	59360518		100%	100%

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

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



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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 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:

- 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 the operational level, as well as propose decisions to the Board of Directors the directors of the company:



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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)

committee not elected by the General Meeting of Shareholders) composed of:

Georgi Marinov – Chairman
Atanas Kiryakov - member
Tsvetomir Doskov – member
Petar Stattev – member
Yordan Nedev – member

3. **Disclosure Committee** in

composition:

Tsvetan Aleksiev – Chairman
Radka Peneva – member
Stanislav Tanushev – 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
- Special code of conduct for financial and accounting positions.

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

<http://www.sirma.com/bg/investor-relations/>

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 as of 31.12.2016	Normalized % in capital as of 31.12.2016
Atanas Kostadinov Kiryakov Georgi	5258015	5250686	1 BGN	5,258,015 BGN.	8.86%	8.90%
Parvanov Marinov Tsvetan Borisov	5257402	5250686	1 BGN	5,257,402 BGN.	8.86%	8.90%
Aleksiev Chavdar Velizarov	5252376	5250686	1 BGN	5,252,376 BGN.	8.85%	8.89%
Dimitrov Petar Borisov Stattev Yordan	5250786	5250686	1 BGN	5,250,786 BGN.	8.85%	8.88%
Stoyanov Nedev Total	100	0	1 BGN	100	0.00%	0.00%
	3433	3333	1 BGN	BGN. 3.433 BGN	0.01%	0.01%
	21022112	21006077		21,022,112 BGN.	35.41%	35.39%

EXECUTIVE DIRECTOR of Sirma Group Holding AD is Tsvetan Borisov Aleksiev.

The annual remuneration of the members of the Board of Directors of Sirma Group Holding AD

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



First name, Last name and Family name	Company	31.12.2016
		BGN
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING AD	135 000
Chavdar Velizarov Dimitrov	SIRMA GROUP HOLDING AD	9 000
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING AD	10 200
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING AD	10 200
Georgi Parvanov Marinov	SIRMA GROUP HOLDING AD	16 330
Sasha Konstantinova Bezukhanova	SIRMA GROUP HOLDING AD	9 000
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING AD	29 500
Petar Borisov Stattev	SIRMA GROUP HOLDING AD	10 330
Total		229 560

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 individuals are available, no compensation has been 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

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 encompass government institutions, large enterprises, as well as small and medium-sized businesses.

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

Global economic trends

Macro frame

At its monetary policy meeting on 8 December 2016, the Governing Council of the ECB carried out an in-depth assessment of the economic and inflation outlook and the monetary stance, based on its regular economic and monetary analysis.

politics. 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 towards

levels below, but close to 2% in the medium term.

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 prospects 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 future relationship of **Sirma Group Holding AD** www.sirma.com

the country 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 recovery in the euro area 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 transmission of the ECB's monetary policy measures to the real economy stimulates domestic demand and supports improved corporate profitability and very favorable

the reduction of indebtedness.



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Financing conditions continue to encourage investment recovery. 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 Fund's semi-annual report, published on October 4, 2016, the country'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 Balance of Payments and National Accounts, as of 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, the development of the European economy is expected to remain suppressed, as a result of increased uncertainty in the region related to geopolitical tensions, the migration flow to EU countries, the effect of the upcoming 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.** Higher growth in domestic demand

will be reflected in an accelerated growth 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; "Industry" increased by 2.3 points compared to November, which is due to the improved assessments and expectations of industrial entrepreneurs for the business condition of enterprises.** At the same time, however, the security of

Production with orders is estimated to have decreased slightly, 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.



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Regarding sales prices in construction, managers expect them to remain unchanged over the next three months.

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



IT 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 IT spending in 2016 is expected to decline /CAGR or compound annual growth rate/ by 0.6%, reaching USD 3.375 billion at current prices.



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, 2016 also saw a shift in 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 payments.

monthly payments. This means that the same levels of usage lead to a completely different cost structure."

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 sectors "Business Software" and "IT Services" - respectively, a growth of 5.9%

and 3.9% 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/н/
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%

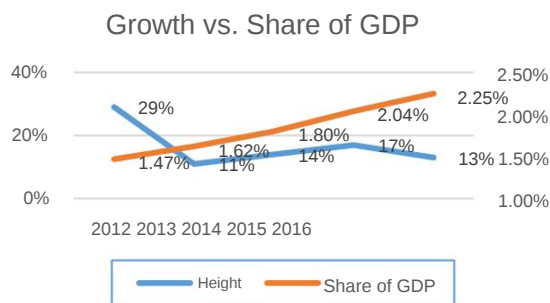
Източник: БАСКОМ 2016

About 70% of revenue is generated from export-oriented sales, with revenue permanently stabilizing above \$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 IT industry's growing share of GDP, the sector's efficiency should also be noted. The variable growth of revenues does not reflect the sustainable trend of increasing shares in the country's GDP.

the rising

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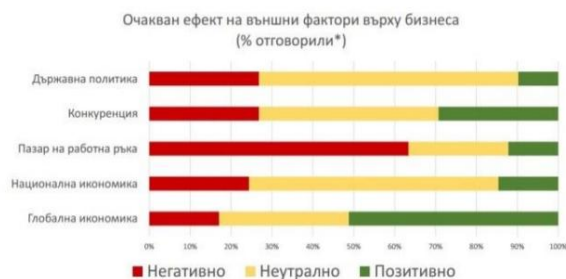


In addition to its direct contribution to GDP, the software industry contributes significantly to Bulgaria's economy through direct and indirect taxes paid. The number of people employed in the software sector in Bulgaria is expected to reach 20 thousand in 2016. The slight slowdown in the growth rate 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

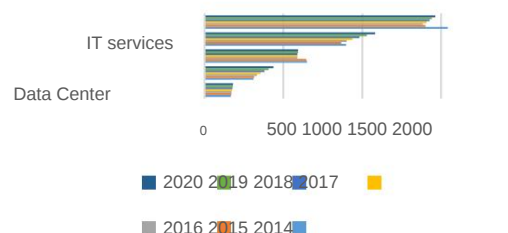
BASSCOM
Bulgarian Association
of Software Companies



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 USD prices by 0.6% /as expected for 2016/ will be overcome and 2017 will mark a growth of 2.7% in IT spending.

ICT Expenditures in billion USD



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



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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.

IT spending remains highly diverse across geographic regions. In 2016 and 2017, North America remained the largest market with annual IT 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%.

Дял от световния ИКТ пазар през 2016



Main indicators of the business environment

The main indicators of the business environment that influence the company's activities, for

the period 2014 - 2016 are presented in the table below:

Indicator	31.12.2016	31.12.2015	31.12.2014
GDP in million BGN	-	86 612	83 612
Real GDP growth	-	3.00%	1.60%
Inflation at the end of the year	0.6%	-0.4%	-0.9%
Average exchange rate of the US dollar for the period	1.7681	1.7644	1.4742
US dollar exchange rate at the end of the period	1.85545	1.7901	1.6084
Base interest rate at the end of the period	0.00%	0.01%	0.02%
Unemployment (at the end of the period)	7%	9.10%	10.60%

Data for 2016 is current.

Source: NSI – latest publications for December 2016; BNB;

BUSINESS DEVELOPMENT OF SIRMA GROUP HOLDING AD

The company is a holding company that invests in technology businesses, manages them strategically and operationally, and provides its subsidiaries with management, administrative, marketing and financial services. These services can be considered in the following areas:

- Strategic management;
- Financial management and administrative services;
- General operations management, including human resources management, marketing and branding management.

In addition to human and financial capital, the holding supports and incubates its own startups or separate units. To reduce the time from an innovative idea to a commercial product or solution, the structure provides companies with a wide range of business and administrative services, such as business planning, marketing and advertising, design, human resources, R&D, strategic development, etc.

The company also invests in the acquisition, evaluation and sale of patents and licenses essential for the strategic development of the group.

For the period 01.01.2016-31.12.2016, the efforts of the company's management were directed towards increasing the administrative capacity in the direction of



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assessing future investments and risks and assessing the condition of companies. Apart from this, efforts were made to position ourselves well among the investment community.

Preliminary costs were incurred for the establishment of the new companies, as well as PR costs.

Creating and managing growth

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 developments.

Research and development activities are concentrated in companies from the Sirma Group Holding AD group. They develop and research various other new technologies and products in the fields of medicine, robotics, image recognition, artificial intelligence and others, which are increasingly
the automatic on

are still at a conceptual level and are yet to be developed.

Created locally, but operating globally

Almost half of the sales of the Group companies come from international operations, in which the US market is the leading one, followed by the UK and Austria.

2016

In 2016 **SGH continued to carry out its main activities.** Despite the relatively small number of staff at the company, an enormous amount was accomplished in implementing the strategy and investment policy of the Holding and the Group.

The main model of work for the implementation of the tasks was the use of the staff of the SGH and the relevant specialists and experts of the subsidiaries by creating target groups on certain policies, tasks and problems.

DEVELOPMENT OF STRATEGIES FOR THE DEVELOPMENT OF THE GROUP COMPANIES AND THE GROUP AS A WHOLE

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 until today and has actively participated in the development of 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 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 environment.**

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 methods of managing resources, the guidelines for their provision, expenditure, 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.**

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 for Mac in the world; the data center, after an investment 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.**

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 **Sirma Group Holding AD**



www.sirma.com

The above is not atypical for Sirma, as it is focused as a knowledge-based company. We

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We combine our strong knowledge, products and technologies with our business solutions in 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 our customers can leverage and use enterprise and cognitive components that we will continually improve.

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

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.

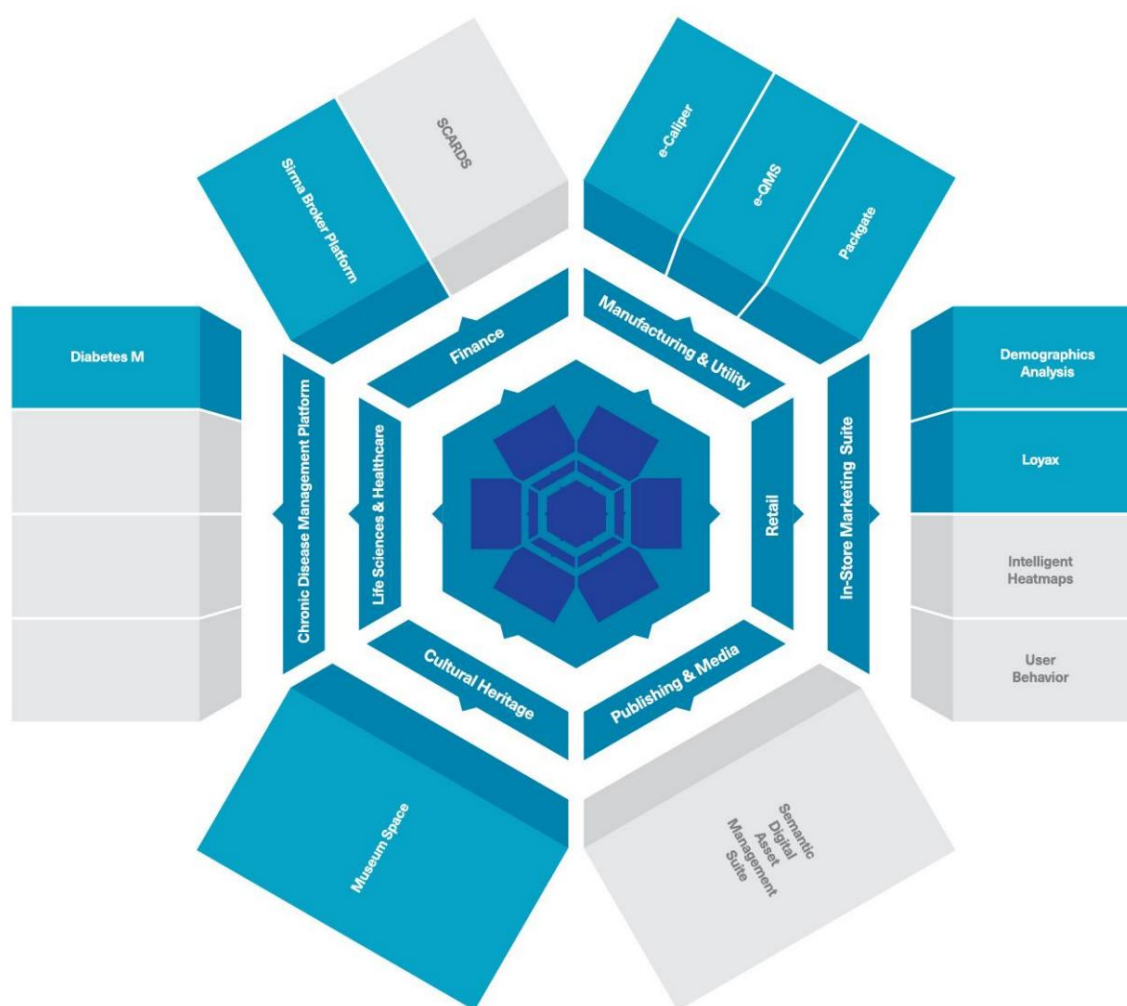
Publishing houses and media. Semantic Digital Asset Management Suite - provides text mining and information extraction algorithms, graphic and video analysis tools, a business process and document management platform for media and publishers.

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.



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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

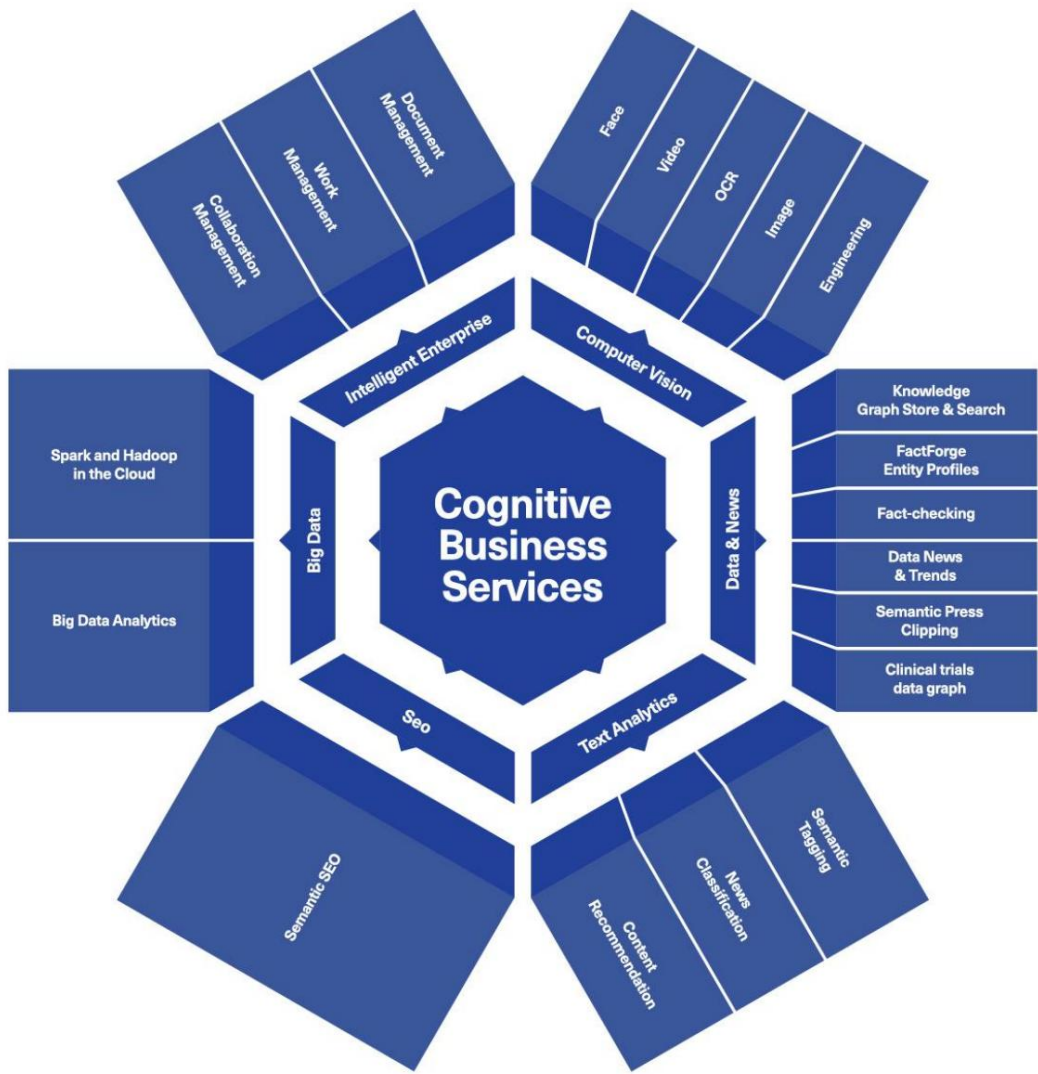
Data & News. Information for analysis and research, media monitoring, fact-checking

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 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**



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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

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.

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.

PARTICIPATION IN MANAGEMENT AND EXERCISE OF CONTROL OVER SUBSIDIARIES COMPANIES

In 2016, as in previous periods, the senior management of SGH actively participated in the management of the subsidiaries. **The high expertise and accumulated experience of the SGH managers assisted the companies in formulating their goals and development strategies, as well as in preparing their business and financial plans.** As a result, in

The past year has seen exceptional success from the companies in the group. At the same time, participating in the management bodies of the Group companies, they monitored compliance with the Group's overall goals, its development strategies, and financial discipline.

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. She

goals:

- 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 website is the beginning of our communication with potential investors and customers, with the potential to develop and turn into a sale.

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



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concept for developing 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 affected 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, 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 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 websites and providing them with up-to-date information through an interactive, impactful vision is 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.

FINANCIAL ACTIVITIES AND MANAGEMENT OF THE GROUP'S FINANCIAL RESOURCES

ASPECTS 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.



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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 – encompasses the capital provided in various assets in order to realize the company's strategic goal. 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 the 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 in terms of size and time and

- ACCOUNTING SERVICES

In 2016 Sirma Group Holding AD provided accounting services to 18 subsidiaries and associates companies and related entities, which is 4 companies more than the previous period. In addition to regular accounting services, management is presented with various BI reports, built as the Group's know-how. The SGH FSO achieved monthly reporting of results at the individual and group level. The department

payments 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.

It also managed the companies' relationships with the fiscal and social security systems. **During the period, 43 tax inspections and one inspection by the social security system were carried out.** The timely payment of taxes, the submission of timely information and the preparation of information under the POSA to the FSC and the Bulgarian Stock Exchange were accurate during the period.

performed

through

- LEGAL SERVICES

The Legal Department of Sirma Group Holding AD provides legal services to the companies in the Group, which includes preparation of corporate documents; assistance in the preparation and conduct of the General Meeting of Shareholders;

preparation of all kinds of commercial documents and contracts; settlement of commercial disputes; conducting legal proceedings
deeds.

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

key industries for SGH, taking into account the expertise accumulated over the years and the group's mission.

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.

Financing/loan projects of 4 of the main companies in the group and one for start-up were reviewed and approved, totaling 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.



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The capital of the largest company in the group – Sirma Solutions – was increased by BGN 1,234,000 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 for the increase in 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 which 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 the discrepancies; 3) Extremely fast response is provided 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 kept in digital form 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 drawn 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.

- 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.**

The table below provides information on the funds spent from the issue.



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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 Dzhonov and Atanas Kiriakov. Responsible for the company's operations are Tsvetan Aleksiev - Chairman of the Board of Directors and also responsible for financial operations, and Yavor Dzhonov - 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	3,000,000.00 BGN.		
	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	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
is at sirma.com				-184 108
Funds raised-expenses				11 243 926

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

analysis.

A streamlined system for the management of SGH has been established. the risks.

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 carry out 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, large or very large; Impact: catastrophic, critical, acceptable, insignificant.

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

- **risk avoidance** – a strategy that reduces the likelihood of a risk occurring;

- **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**

- **yes guarantees, that the activities by preventing or addressing risks are being implemented**

- **to determine which risk has caused the relevant problems**

- **to document information to be used in subsequent risk analysis**

- LOANS AND CREDIT LINES

During the past period, an overdraft of the SGH for BGN 1.2 million was renegotiated under significantly more favorable conditions, secured by a mortgage on an office on the 5th floor of the building on Blvd. Tsarigradsko Shosse 135 and 6 overdrafts of subsidiaries, for which the holding company is a guarantor for a total of BGN 4.523 million, secured by pledges of receivables. The APR on all overdrafts is below 3%.

In 2016 SGH continued the regular servicing of the two investment loans totaling BGN 0.8 million, secured by real estate mortgages. The interest rates on both loans average 4.5%. The terms of the loans are subject to renegotiation.

For more information about loans and overdrafts, see the table on page. 39

INVESTOR RELATIONS

The main goals and guidelines in investor relations work during the year were the guidelines of the POSA, the National Code of Corporate Governance, as well as

and the Good Corporate Governance Program of Sirma Group Holding AD.

Registers



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During the year, in accordance with the requirements of the regulatory framework, a Register of People with Access to Insider Information and a Register of Disclosed Information were maintained.

During the year, the DWI duly kept and stored minutes of the meetings of the Board of Directors, in accordance with the document management practice in the Holding.

Activity during the year

During the year, timely and effective communication was carried out between the company's corporate management and shareholders, potential investors, the Bulgarian Stock Exchange, the Financial Supervision Commission and the Central Depository.

For the needs of disclosing regulated information, during the year a contract was concluded with Service Financial Markets EOOD for the use of their electronic platform X3News, as well as contracts with the selected information partners Investor.bg and Profit.bg.

Again, for the needs of timely disclosure, as well as ensuring retrospective access to the necessary documents and in accordance with the recommendations of Article 34 of the National Corporate Governance Code, the investor relations section of the website www.sirma.bg was updated and expanded. An English translation of the main documents and financial data on www.sirma.com was also provided.

In order to ensure full transparency and easy access to relevant information, the "News" section of the company's website was also revised, with news now grouped by industry verticals of specialization, by companies, and by markets. During the year, the sharing of news from Sirma Group companies was concentrated on the Holding's central website, with care taken to ensure the timely sharing of current achievements and challenges of all subsidiaries.

In 2016, one General Shareholders' Meeting was held on 14.06.2016. The invitation for him was duly

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 CONTRACTS OR FROM NEW PRODUCTION PROCESSES

The company "Sirma Group Holding" AD, in the essence of its activity, is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as on new production processes.

published. The documents for the meeting were promptly disclosed to the shareholders. The decisions taken were also announced within the statutory deadlines, as well as published on the Holding's website.

Personalize investor relations

In addition to the electronic means of information disclosure listed above, special attention was paid during the year to personalized communication with investors and stakeholders.

- The results of each quarter were presented online, through the organization of webinars, recordings of which are also freely available on our website, as well as shared via the social networks Facebook, Youtube and Google+.

- All questions raised by investors and stakeholders were duly answered /a total of 132 during the year/, with the most interesting questions also being published in the "Questions and Answers" section of the Holding's website in order to ensure wider free access to the relevant information.

- Last but not least, 17 personal meetings were organized during the year between the management of Sirma Group Holding and current or interested investors in the company, at which presentations of the company's activities were made, as well as specific questions were answered.

Association

At the end of 2016, Sirma Group Holding's Investor Relations Department became a member of the Association of Investor Relations Directors, and we committed ourselves accordingly to complying with the Association's Investor Relations Code of Ethics. Sirma Group Holding's Investor Relations Department received the Association's 2016 New Initiatives Award for the successful implementation of all of the above-listed innovative investor relations approaches.

INFORMATION RELATING TO SIGNIFICANT FACTORS, INCLUDING UNUSUAL OR RARE EVENTS OR NEW DEVELOPMENTS AFFECTING SUBSTANTIAL INCOME FROM THE COMPANY'S ACTIVITIES

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

significantly the revenues from the Company's operations and future investments.



SIGNIFICANT CHANGES IN NET SALES OR REVENUES REPORTED IN ACCOUNTING REPORTS

During the period under review, there were significant changes in net sales or revenues, the disclosed

in the Company's financial statements detailed in section 7.1 of this Report.

INFORMATION RELATING TO 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, economic, tax, monetary or political factors that had a significant impact on the company's operations.

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

MAIN EVENTS IN 2016

The following significant events in the group occurred by the end of 2016:

Establishment of a new subsidiary of Sirma Solutions AD – 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.

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 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 provides for

the company, at the first stage of its development, to concentrate on increasing sales volumes in the American and nearby markets

the group companies by building a strong team from merchants with whom the group can confidently set foot on the east coast of the USA.

Establishment of Sirma Medical Systems AD

"Sirma Group" has created a new company - "Sirma Medical Systems", which will develop software for medical purposes and applications that provide 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.

Increase in the capital of Sirma Solutions AD

On 20.07.2016. Sirma Solutions AD increased its capital by BGN 1,233,810.

Acquisition of own shares by SGH

At the end of December, Sirma Group Holding AD acquired 261,400 shares at a market value of BGN 1.17.

Decision to increase the capital of Ontotext AD

In December, Sirma Group Holding AD decided to participate in the capital increase of Ontotext AD by purchasing 843,030 shares with a nominal value of 1 BGN at an issue price of 1.16 BGN.



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 to individuals 46 626 own class B shares.

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 are no legal claims filed against the company for the period.

MAJOR BUSINESS NEWS IN 2016

Bulgarian Stock Exchange and Forbes awarded Sirma Group Holding for achievements in 2015

January 13, 2016

At an official ceremony today at the headquarters of the Bulgarian Stock Exchange - Sofia, Sirma Group Holding received the BSE award for 2015. The award was presented by the Deputy Minister of Finance, Ms. Karina Karaivanova, for "Issuer with the most significant contribution to the development of the capital market in Bulgaria".

The prize was received by Georgi Marinov - Chairman of the Board of Directors of SGH, Executive Director and Chairman of the Management Board of EngView Systems AD. **"We are proud of the award, which is a recognition of the hard work and achievements of the largest Bulgarian software group over the past year."** "I hope our example will encourage other companies from the IT sector to seek opportunities to accelerate their business development by going public," shared Georgi Marinov.



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Sirma Group Holding with a market maker on the Bulgarian Stock Exchange-Sofia

January 25, 2016

Sirma Group Holding has signed a contract with ELANA Trading to act as a market maker for the share issue on the Bulgarian Stock Exchange-Sofia (BSE). **The investment intermediary was approved and registered by the Bulgarian Stock Exchange as a market maker on 25.01.2016.** As a result, ELANA Trading is currently the only intermediary on the market performing this function, and Sirma is the only issuer with a market maker in Bulgaria.

As a market maker, ELANA Trading has the obligation to provide minimum liquidity for the position of Sirma Group Holding through its own funds. **The intermediary must maintain "buy" and "sell" offers with minimum amounts of BGN 2,500 per quote.** The maximum spread of the market maker's quotes should be 5%, and the contract between Sirma Group Holding

and ELANA Trading comes into effect from February 1, 2016.

The practice of involving market makers in issues on stock markets is widespread in developed economies - their role ensures the availability of liquidity for issues. **In 2006 The Bulgarian Stock Exchange introduces for the first time rules for registration and operation as a market maker.** So far, only six intermediaries have performed this function, and none of them anymore has an ongoing contractual commitment.

Sirma Group Holding and Veliko Tarnovo Municipality announced a partnership program

February 26, 2016

Sirma Group Holding, represented by Tsvetan Aleksiev, CEO and Eng. **Daniel Panov - Mayor of Veliko Tarnovo Municipality, discussed opportunities for cooperation. The focus of the talks was on a partnership program between the company, the municipality and the St. Cyril and Methodius University of Applied Sciences. The company announced its intention to open a regional office in the city. Veliko Tarnovo.**

Sirma Group is developing its strategic program for partnerships with local authorities and higher education institutions, with the aim of providing young people with

Bulgarian software specialists not only have opportunities to work in the IT sector, but also to be part of the global IT business.

Municipal authorities, for their part, are making the necessary efforts to attract first-class companies by offering them the opportunity to open regional offices on their high-tech companies, territory, with a view to increasing the attractiveness and image of the region, retaining local talents and creating suitable, highly qualified jobs.

places.

"The choice of Veliko Tarnovo was also supported by the presence of the prestigious higher education institution VTU "St.St. Cyril and Methodius", where bachelors and masters in the professional field of Informatics and Computer Sciences are prepared. The Faculty of Mathematics and Informatics is proud of its teachers, curricula and results, and its

students have a level of preparation that helps them to quickly and successfully implement themselves in the labor market - at home and abroad," shared Tsvetan Aleksiev, Executive Director of Sirma Group Holding AD.

Sirma Group opens an office in New York and finalizes its first investments

March 31, 2016

Sirma Group Holding AD announced its first investments after the successful initial public offering (IPO) on the Bulgarian Stock Exchange. The Board of Directors of Sirma Group approved the first investments with the new funds raised.

According to the Offering Prospectus, a new company has been established in the USA with a capital of \$2 million – Sirma Group Inc. The company is key to the development of the holding, it was created with the main goal of developing sales in the American and nearby markets of all our companies, as well as to strengthen the synergies between them. A strong team of salespeople will be built, with whom Sirma can confidently step onto the east coast of the United States.

Sirma Group Inc. is based in New York and is governed 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.

Specific steps are planned to increase the sales of the companies Sirma Solutions, EngView Systems, Ontotext and Sirma ITT, which will strengthen their existing positions in this market. Among the group's notable clients in the region are the US National Gallery, the US Departments of Defense and Health, John Wiley &

Sons (a leading scientific publisher), Quality Vision International (a global leader in video measurement equipment), the Central Election Commission of in Canada, and the Ministry of Natural Resources Canada. Sales in the Western States will be managed by the current office in Idaho, which has been led for many years by Deyan Nenov.

Among Sirma's other investments are:

- increasing Sirma's production capacity
Solutions in Sofia and regional offices;

- separation of Loyax from Sirma Solutions as an independent company. **The platform is under further development, and in the future they will also offer consulting services in this area. Loyax has an established partner network in countries from Europe, Asia, Africa, the Middle East and Latin America, and the platform is also licensed for marketing agencies in Singapore, Nigeria, Qatar and Guadeloupe. The platform has been implemented in several shopping centers, casinos, and retail chains.** The total investment in Sirma Solutions is 1 million leva, of which 500 thousand leva are intended for Loyax;

- multiple smaller investments to achieve strong growth and increased capacity of current teams, increasing the volume of new business and turnover according to



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the plan. Among them are an investment of 500 thousand leva in Sirma ITT, for the development of the Sirma platform;

- funds are also provided for acquiring suitable companies with synergy to our current business verticals.

Sirma invests in software for monitoring and control of socially significant diseases

May 10, 2016

Sirma Group has created a new company – Sirma Medical Systems AD, which will create applications and platforms integrated into healthcare. **The company develops applications that software for provide citizens with access to modern healthcare services and the associated improvement of users' personal health status. The holding company's investment is in the strategic direction of e-Health and telemedicine.** The majority owner of Sirma Medical Systems AD is Sirma Group Holding AD, which holds 66% of the share capital, and the remaining 34% of the shares are owned by the long-time employee of the company - Rosen Varbanov, creator and developer of an application for monitoring, controlling and managing diabetes.

The company's founder - Rosen Varbanov, created a mobile application for managing diabetes conditions - Diabetes:M after many years of research into best practices, treatment methods, consultations with leading diabetologists, analysis of similar software solutions, and recommendations from thousands of users of the application. **This is just the first product in the new company's portfolio.** Sirma Medical Systems' ambitions are to develop new applications for the diagnosis and prevention of other mass socially significant diseases such as stroke, heart attack, cancer, etc., based on the created platform.

Despite the large number of competing mobile applications, Diabetes:M is currently among the most downloaded applications for Android OS, with over 160,000 installations and around 40,000 active users. **Unlike competing solutions, the application offers a set of analytical functions, visual and tabular provision of summarized information, comprehensive tracking of health status and all accompanying medical indicators on which successful compensation of diabetes depends, as well as recommendations for treatment and dietary regimens, which greatly facilitate diabetic patients in their daily therapy and diet. The application is actively used by both diabetics and recommended by healthcare professionals to their patients.** At a later stage, the system will be able to connect to specific measuring devices (after licensing) and thus acquire direct medical use.

By receiving additional funding, the team working on the project will have the opportunity to develop the product and create a comprehensive integrated solution for managing diabetes conditions, as well as

and for further successful commercialization and marketing activities.

The new solution will help millions of chronically ill people track their health status, as well as predict changes in their health status. **Diabetes monitoring, carried out by the integrated system, will cover almost all monitoring parameters needed by the patient and the doctor, will analyze and visualize data, and provide summarized information presented in an understandable and user-friendly form for diabetics themselves.** Thus, the improved version will be of interest to all people with type I and II diabetes, people in a pre-diabetic state, expectant mothers with gestational diabetes, parents of children with diabetes or assistants of elderly people with diabetes, treating specialists diabetologists, endocrinologists and nutritionists.

At the end of 2015, Sirma managed to raise 11.4 million leva in new capital after a successful listing on the Bulgarian Stock Exchange. **According to the holding's recently announced investment program, part of the funds raised from the initial public offering are intended for investment in new and/or promising projects created by company employees.** The newly established company and the proposed project for subsequent development have been approved for financing by the Investment Committee of the Holding.

Sirma Group Holding adopted a new Growth and Innovation Program

June 23, 2016

The Bulgarian software company Sirma Group Holding AD has adopted an aggressive Growth and Innovation Program in 2016 and the following years. **The program includes commercial expansion in the US market, investments in new products, and reaching sales revenues of \$100 million over the next five to seven years. The program was adopted at the group's annual General Shareholders' Meeting held on June 14, which was the first after its successful initial public offering (IPO) on the Bulgarian Stock Exchange (BSE-Sofia) at the end of 2015.** It was also reported that despite the global negative trends in the IT industry, Sirma Group recorded revenue growth of 21% for 2015 on an annual basis.

The newly adopted Development Program is expected to help prepare for a public offering of Sirma Group shares on a major global stock exchange in the next six to eight years. **In order to guarantee the program, the General Meeting (GM) adopted the three-pillar performance-oriented remuneration system for the company's management, proposed by the Remuneration Committee of the holding.** Through it, in accordance with good corporate governance practice, full alignment was achieved between the interests of the members of the Board of Directors and the strategic interests of the company.

The operational, strategic remuneration of managers becomes a direct function



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of the achieved results, revenue growth and market capitalization of the holding. To secure this scheme, the General Meeting adopted a limited share buyback.

In order to ensure transparent and independent control of the implementation of the objectives adopted by the General Assembly and in accordance with Art. 6.2 of the National Code of Corporate Governance /NCCG/, the General Meeting also approved the establishment of an Audit Committee of Sirma Group Holding, composed of independent, experienced, highly qualified experts.

In fulfillment of its mission to "create products and solutions that always exceed expectations" and to protect the rights of shareholders, in accordance with the NCCU, the innovative electronic voting system developed by Sirma employees - EVA / Electronic Voting App/ was used during the General Meeting. During the General Assembly, it ensured flexible and easy voting on all agenda items, as well as on

the discussions that arose. **In parallel with the voting, EVA generated real-time minutes and graphs of each vote, which were projected to shareholders.** The holding company plans to continue its work on EVA, in the future providing remote presence and voting access to all shareholders in it - again an undertaking that complies with the requirements of the NCCU.

All documents from the meeting have been duly published on the company's website www.sirma.com, as well as on the platform www.x3news.com. 78.84% of the company's capital was represented at the meeting, with all major shareholders of the holding company present in person or by proxy.

Sirma Group again in the top 10 of the ranking for BG system integrators

08 July 2016

For another year, Sirma Group Holding is present in the prestigious ranking of Computerworld Bulgaria.

The ranking presents the largest and most complex IT project integrators in Bulgaria. The companies from the holding that completed various technical challenges projects in the field of system integration in 2015 are:

ON systemic in
by complexity and

Daticum, which built the entire IT infrastructure of the Uni Hospital in Panagyurishte, with the project client Asarel Panagyurishte Health. The project included the design, delivery and construction of a data center, server and desktop virtualization, private cloud infrastructure, communication system, wireless network, network connectivity, end user devices, medical call system, video surveillance system and access control system for a modern medical complex (over 20 separate IT systems in total).

The largest company in the holding - Sirma Solutions, won and implemented a project for the delivery, assembly, installation and commissioning of an IBM data storage solution, with the client being the Central Cooperative Bank.

Third company from the holding – Sirma Enterprise

Systems has signed a contract with Huvepharma to provide contract management and document management applications as a cloud service (SaaS).

Sirma Group honored by the Association of Investment and Investment Companies for its communication with investors

December 12, 2016

The Association of Investor Relations Directors in Bulgaria presented its annual IR awards on December 9, 2016, in the city of **Sofia**. The prestigious event brought together financial analysts, institutional investors and other participants in the capital market in Bulgaria.

The experts gave their ratings and selected the best investor relations directors for the past 2016. **The selection and subsequent ranking are based on a survey of investors, investment consultants, financial analysts, portfolio managers, brokers and other participants in the capital market in Bulgaria.** The collected results are summarized by a five-member jury, represented by the main market associations and the Bulgarian Stock Exchange.

Sirma Group Holding AD, represented by Stanislav Tanushev, Director of Investor Relations at the holding, received an award in the category "Best IR Initiatives". During the current year, the company held regular online discussions with its investors and all stakeholders, and also enriched and expanded the channels of communication with them. The "Investor Relations" section of the Sirma Group corporate website was expanded with new sections, market information, stock exchange information, event calendar

etc.



7/ INDIVIDUAL FINANCIAL RESULTS

7.1. REVENUE

The company's revenues include:

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Sales revenue	3 030	1 538	1 492	97.01%
Interest income	309	86	223	259.30%
Income from co-participations	777	0	777	n/a
Financing income	55	148	-93	-62.72%
Total income	4 171	1 772	2 399	135.44%

Revenue from core activities in the reporting period also includes income from interest and participations, since the activity of acquiring enterprises and parts thereof, as well as the provision of loans and acceptance of deposits is the core activity of the holding company. The previous period is presented in the same way.

For the reporting period, the total revenues of Sirma Group Holding AD increased by BGN 2,399 thousand or by 135.44% compared to the previous year. Major share in

The increase in revenue was due to sales revenue, which increased by 1,492 thousand BGN or 97.01% compared to the previous period, revenue from participations, which increased by 777 thousand BGN compared to the previous period, and interest revenue, which increased by 223 thousand BGN compared to the previous period, as a result of financing granted according to mainly the program for spending the funds from the 2015 IPO. As of 31.12.2016, financing revenues decreased by BGN 93 thousand or -62.72% compared to 31.12.2015.

Sales revenue includes:

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Investment property rentals Software	260	257		1.2%
services Administrative	731	59	3	1138.98%
services License sales Other Total	1026	1100	672	-6.73%
	868		-74	n/a
	145	0		18.85%
	3030	122 1538	868 23 1492	97.01%

A significant share in the increase in sales revenue is accounted for by revenue from the sale of software services provided through subcontractors, which increased by BGN 672 thousand or 1,138.98%, and revenue from the sale of licenses for acquired intangible assets from the SGH, which amounted to BGN 868 thousand.

The policy of imposing the Sirma brand in the future will lead to an increase in the volume of the above two types of revenue. It is possible that in the future some of the contracts will be concluded by the SGH and implemented by the small companies in the group.



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The total revenues from transactions with the company's largest clients are as follows:

	31.12.2016 BGN '000	Relative share	31.12.2015 BGN '000	Relative share
Customer	1151	27.96%	749	46.12%
1 Customer	866	21.04%	263	16.19%
2 Customer 3	518	12.59%	161	9.91%

7.2. EXPENSES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Material costs	(70)	(38)	(32)	84.21%
External service costs	(654)	(464)	(190)	40.95%
Personnel costs	(1,155)	(935)	(220)	23.53%
Depreciation and impairment charges on non-financial assets	(382)	(258)	(124)	48.06%
Capitalized own costs	42	113	(71)	-62.83%
Interest expenses	(6)	(27)	21	-77.78%
Other expenses	(163)	(40)	(123)	307.50%
Total expenses	(2,338)	(1,649)	(739)	44.82%

For the reporting period, the expenses of Sirma Group Holding AD increased by BGN 739 thousand or by 44.82% compared to the previous year. The main share in the expenses is occupied by personnel expenses, which increased by 220 thousand BGN or 23.53% compared to the previous period, and expenses for external services, which increased by 190 thousand BGN compared to the previous period. As of 31.12.2016, interest expenses decreased by BGN 21 thousand compared to 31.12.2015.

7.3. FINANCIAL INCOME/NET EXPENSES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Financial expenses	(64)	(110)	46	-42%
Financial income	17	4	13	325%
Financial income/expenses net	(47)	(106)	59	-56%

7.4. ASSETS

Assets	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Non-current assets				
Intangible assets Property,	1 787	286	1,501	524.83%
plant and equipment	550	656	(106)	-16.16%
Investments in subsidiaries	55 414	50 644	4 770	9.42%
Investments in associates	214	236	(22)	-9.32%
Investment properties	5 301	5 347	(46)	-0.86%
Investments in joint ventures Deferred tax	7	-	7	
assets Costs for acquisition of fixed	11	27	(16)	-59.26%
assets	0	113	(113)	-100.00%
			0	
Non-current assets	63 284	57 309	5 975	10.43%



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Current assets				
Inventories Trade	0		(2)	-100.00%
receivables Receivables	7	2	(249)	-97.27
from related parties Tax receivables	7 604	256 4	3,483	82.53%
Other receivables	-		(1)	-100.00%
Prepaid expenses	91		101	550.00%
Cash and cash equivalents			4	50.00%
	9 1 439	166 1 14 6 6 881	(5,442)	-79.09%
Current assets	9 150	11 326	(2,176)	-19.21%
Total assets	72 434	68 635	3 799	5.54%

The amount of assets of Sirma Group Holding AD at the end of 2016 was BGN 3,799 thousand. (5.54%) higher than their value at the end of 2015. The change in the Intangible assets position compared to the previous year by BGN 1,501 thousand or 525% is mainly due to

the purchase of licenses, including those with source code for incorporation into future products of companies from the Group for the new strategic line for development of SGH in the field of cognitive technologies. Investments in subsidiaries increased by 9.42% or BGN 4,770 thousand compared to 2015, which increase is explained in detail in the report on the expenditure of funds from the 2015 IPO. Investments in associates

enterprises decreased by 9.32% due to the payment of amounts from the liquidation of GMG – USA. The costs of acquiring intangible assets decreased by BGN 113 thousand due to the introduction of the developed asset into operation. At the same time, the value of the item Cash and cash equivalents decreased by BGN 5,442 thousand compared to 2015 due to the investments and financing made. As of December 31, SGH has no term deposits in banks.

The value of receivables from related parties increased by BGN 3,438 thousand or 82.53% compared to the previous year due to the implemented investment policy announced in the Prospectus of the public issue.

7.5. EQUITY

	31.12.2016	31.12.2015	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Equity and liabilities	BGN '000	BGN '000		
Equity				
Main / Share capital	59 361	59361	0	0.00%
Own shares repurchased	-262	0	-262	n/a
Issue premiums	5 483	5524	-41	-0.74%
Reserves	147	145	2	1.38%
Retained earnings / (Accumulated loss) from previous years	1 170	1168	2	0.17%
Current financial result	1 643	18	1 625	9027.78%

For the reporting period, the share capital remains unchanged compared to the previous year. In implementation of the decisions of the regular General Meeting of Shareholders held on June 14, 2016 to authorize the Board of Directors to purchase up to 300,000 shares within the parameters specified in the resolution, the Board of Directors decided and purchased 261,400 shares at a price of BGN 1.17 per share.

The Board of Directors believes in the development of SGH and the increase in the market value of the shares in the future, which is why it decided to purchase these shares at a relatively low price. This led to an adjustment (reduction) of the reserve for share premiums by -41 thousand BGN.

The current result for 2016 increased over 90 times compared to 2015 or by 1625 thousand BGN.



7.6. LIABILITIES

7.6.1. NON-CURRENT LIABILITIES

	31.12.2016 BGN '000	31.12.2015 BGN '000	Change	Change %
Non-current liabilities				
Provisions	13	10		30.00%
Long-term loans Finance	437	510	3	-14.31%
lease liabilities Trade payables Financing	158	206	(73)	-23.30%
Long-term liabilities to related parties	-	-		-100.00%
	136	8 190	(48) (8) (54)	-28.42%
	316	294	22	7.48%
Deferred tax liabilities Non-current	66	77	(11)	-14.29%
liabilities	1 126	1 295	-169	-13.05%

During the past period, non-current liabilities decreased by BGN 169 thousand or -13.05% compared to the previous period, the decrease being mainly due to the decrease in long-term loans by BGN 73 thousand or 14.31% and financial leasing liabilities by BGN 48 thousand or 23.3%.



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Long-term and short-term bank loans

Loan recipient	At a bank	Credit type	Currency	Total loan amount	Remaining liability as of 31.12.2016	Date of taking the loan	Interest rate percentage	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 2.9			21.7.2017	Pledge of receivables; 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 low from 4.75%	83	1030	25.11.2023	Office No. 8 + bet on receivables
Sirma Group Holding AD	Uni Credit Bulbank AD	Investment	EUR	300000	174866	8.10.2013	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 Solutions AD		Overdraft	BGN	120000	107423	30.5.2016	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 GBP 391,041 + GBP 848,316;
Sirma Enterprise Systems AD		Overdraft	BGN	250000	214615	8.10.2016	1 m. SOFIBOR + 2.9%, but not 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	30.5.2016	1 m. EURIBOR + 2.9%			30.5.2017	Floor. 3, office building Tsarigradsko shose 135, Sofia + bet on receivables \$700,000/year from Sirma USA and all other receivables
Sirma Solutions AD		Overdraft	EUR	700000	0	30.5.2016	1 m. EURIBOR + 2.9%			30.5.2017	Another mortgage Et. 3, office building Tsarigradsko shose 135; Regular mortgage Office y19; office y20; office y21, 4th floor; Pledge under the Law on Insurance Claims on
Sirma Enterprise Systems AD		Overdraft	BGN	300000	299660	8.10.2016	1 m. SOFIBOR + 2.9%, but not smaller than 2.9%			30.5.2017	Contracts concluded between Sirma Solutions AD and its clients, in a total amount of 9,210,022 BGN pledge on receivables under contract 402,000 USD.

As can be seen from the table above, the price of the attracted resource of the SGH has significantly decreased during the reporting period.



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7.6.2. CURRENT LIABILITIES

Current liabilities	31.12.2016 BGN '000	31.12.2015 BGN '000	Change	Change %
Provisions	36	57	(21)	-36.84%
Pension and other obligations to personnel	97	23	74	321.74%
Short-term loans Finance	73	223	(150)	-67.26%
lease liabilities Trade and other payables	41	39	2	5.13%
Short-term payables to related parties	1 064	118	2,946	801.69%
	2 292	518	1 774	342.47%
Tax liabilities Liabilities for	96	45	51	113.33%
advances received Deferred income and	-	34	(34)	-100.00%
financing Other liabilities Non-current liabilities	55	54	1	1.85%
	12	13	1	-7.69%
	3 766	1 124	(1) 2 642	235.05%

During the period under review, current liabilities increased by BGN 2,642 thousand or 235.05% compared to the previous period, the increase being mainly due to the increase in short-term liabilities to related parties – by 342.47% and trade and other liabilities by 801.69%. The majority of the increased indebtedness in short-term liabilities is due to transactions at the end of the period and was reduced in January 2017.

7.7. CASH FLOWS

	31.12.2016 BGN '000	31.12.2015 BGN '000	Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Net cash flow from operating activities Net cash flow from	(410)	(847)	437	-51.6%
investing activities Net cash flow from financing activities Net	(4,843)	(3,551)	(1,292)	36.4%
change in cash and cash equivalents Cash and cash	(189)	11,215	(11,404)	-101.7%
equivalents at the beginning of	(5,442)	6,818	(12,260)	-179.8%
the year	6 881	63	6 818	10821.6%
Cash and cash equivalents at the end of the year	1 439	6 881	(5,442)	-79.1%
Cash and cash equivalents at year-end excluding those in the disposal group	1 439	6 881	(5,442)	-79.1%

The company has no liquidity problems and operates with available resources, maintaining a low level of indebtedness for the period under review. Traditionally the most

A large 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.



7.8. INDICATORS AND COEFFICIENTS

During the past financial period, the company 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		Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
Operating income Cost of sales Gross	4 171	1,772	2,399	135%	4 171
profit/loss Other operating expenses	(2 225)	(1,609)	(616)	38%	(2,225)
Profit/loss from operating	1 946	163	1,783	1094%	1 946
activities Financial income Financial	(163)	(40)	(123)	308%	(163)
expenses Profit/loss before tax expenses Tax expenses	1 783	123	1,660	1350%	1 783
Net profit/loss Dividend	17	4	13	325%	17
Cash and cash equivalents	(64)	(110)	46	-42%	(64)
Inventories Current assets Total assets Current liabilities	1 736	17	1,719	10112%	1 736
Debt Liabilities (borrowed	(93)		(94)	-9400%	(93)
funds) Equity Working capital	1 643	1	1,625	9028%	1 643
Number of			-	n/a	0
shares at the end of the period (thousands)	0 1	18 0	(5,442)	-79%	1 439
			(2)	-100%	0
	439 0	6,881 2	(2,176)	-19%	9 150
	9 150 72	11,326	3,799	6%	72 434
	434 3	68,635	2,642	235%	3 766
	766		(269)	-28%	709
	709 4		2,473	102%	4 892
	892 67	1,124,978	1,326	2%	67 542
	542 5	2,419	(4,818)	-47%	5 384
	384 59 361	66,216 10,202 59,361	-	0%	59 361

Indicators	31.12.2016	31.12.2015		Amendment in 2016 (in thousands of BGN)	Amendment in 2016 (%)
	BGN '000	BGN '000			
EBITDA	2 165	381	1784.00	468%	2,165
DEPRECIATION	(382)	(258)	-124.00	48%	(382)
EBIT	1 822	211	1611.00	764%	1 822
FIN/INVEST NET	(47)	(106)	59.00	-56%	(47)
EBT	1 643	18	1625.46	9266%	1 643
ROA	0.0227	0.0003	0.02	8549%	0.0227
Debt/EBITDA Ratio	0.3275	2.5669	-2.24	-87%	0.3275
Quick Ratio	2.4296	10.0747	-7.65	-76%	2.4296
ROE	0.0243	0.0003	0.02	8849%	0.0243
Debt/Equity Ratio	0.0724	0.0365	0.04	98%	0.0724
Profitability ratios					
Gross profit margin (3/1) Operating profit	0.4666	0.0920	0.37	407%	0.4666
margin (5/1) Net profit margin (10/1) Asset and liquidity ratios	0.4275	0.0694	0.36	516%	0.4275
	0.3939	0.0102	0.38	3778%	0.3939
Asset turnover (1/15) Working capital					
	0.0578	0.0259	0.03	123%	0.0578
turnover (1/20) Current liquidity (14/16) Quick liquidity	0.7747	0.1737	0.60	346%	0.7747
((14-13)/16) Absolute (instant)	2.4296	10.0765	-7.65	-76%	2.4296
liquidity (12/16) Ratios per share	2.4296	10.0747	-7.65	-76%	2.4296
	0.3821	6.1219	-5.74	-94%	0.3821
Sales Ratio per Share (1/21) Earnings Ratio per Share					
	0.0703	0.0299	0.04	135%	0.0703
(10/21) Book Value Ratio per Share (19/21) Dividend	0.0277	0.0003	0.03	9028%	0.0277
Ratios	1.1378	1.1155	0.02	2%	1.1378
Dividend payout ratio (11/10) Earnings retention ratio					
	0.0000	0.0000	0.00	n/a	0.0000
Dividend per share (11/21) Growth ratios	1.0000	1.0000	0.00	0%	1.0000
	0.0000	0.0000	0.00	n/a	0.0000
Sales growth rate Gross profit growth					
	1.3538	-0.0067	1.36	-20227%	1.3538
rate Asset growth rate Leverage ratios	10.9387	-0.9086	11.85	-1304%	10.9387
	0.0554	17.0666	-17.01	-100%	0.0554
Debt/Total Assets Ratio (17/15) Debt/Equity Ratio					
	0.0098	0.0142 0.00 0.0146		-31%	0.0098
(17/(17+19)) Debt/Equity Ratio (17/19) Total Assets/	0.0104	0.00 0.0148 0.00		-29%	0.0104
Equity Ratio (15/19) Price/Earnings P/E Market	0.0105	1.0365 0.04 3297.83		-29%	0.0105
Capitalization of the Company	1.0724	-3259.72 59361		3%	1.0724
	38.12	3264.86		-99%	38.12
	62626			5%	62626



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7.9 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

Purchases

Company	Type	Type	Connectivity	Description	31.12.2016	31.12.2015
					BGN '000	BGN '000
SIRMA GROUP HOLDING AD Purchase SIRMA		Materials		2 Electricity 1	7.79	6.56
GROUP HOLDING AD Purchase SIRMA GROUP		Materials		Inventory 1	0.66	0.47
HOLDING AD Purchase SIRMA GROUP HOLDING		Materials		Computer components 2 Office	0.88	0.43
AD Purchase SIRMA GROUP HOLDING AD		Materials		supplies 1 Office supplies 1	0.82	2.36
Purchase SIRMA GROUP HOLDING AD Purchase		Materials		Toner 1 Other 1 Other 1 Other	0.75	0.13
SIRMA GROUP HOLDING AD Purchase SIRMA		Materials		2 Other 2	2.08	2.52
GROUP HOLDING AD Purchase SIRMA GROUP		External services		Subscriptions	6.98	0.00
HOLDING AD Purchase SIRMA GROUP HOLDING		External services		2 Internet 1	0.31	0.00
AD Purchase SIRMA GROUP HOLDING AD		External services		Consulting	3.85	0.00
Purchase SIRMA GROUP HOLDING AD Purchase		External services		services 1	0.00	2.00
SIRMA GROUP HOLDING AD Purchase SIRMA		External services		Repair of computers	0.00	2.00
GROUP HOLDING AD Purchase SIRMA GROUP		External services		and office	8.78	5.81
HOLDING AD Purchase SIRMA GROUP HOLDING		External services		equipment 1 Software services 1	168.00	0.00
AD Purchase SIRMA GROUP HOLDING AD		External services		Software services 2 Software services 1 Hosting	0.29	0.00
Purchase SIRMA GROUP HOLDING AD Purchase		External services		2 Hosting 1 Advertising	175.00	0.00
SIRMA GROUP HOLDING AD Purchase SIRMA		External services			28.74	0.00
GROUP HOLDING AD Purchase SIRMA GROUP		External services			0.00	2.00
HOLDING AD Purchase SIRMA GROUP HOLDING		External services			0.08	0.00
AD Purchase SIRMA GROUP HOLDING AD		External services			0.00	1.32
Purchase SIRMA GROUP HOLDING AD Purchase		Interest on deposits			0.00	0.45
SIRMA GROUP HOLDING AD Purchase SIRMA		Interest on loans Interest		1 Interest expense on deposits 1 Interest	0.00	18.55
GROUP HOLDING AD Purchase SIRMA GROUP		on loans Interest on		expense on loans 1 Interest expense	1.97	22.92
HOLDING AD Purchase SIRMA GROUP HOLDING		loans		on loans to individuals 2 Interest expense on	4.69	
AD Purchase SIRMA GROUP HOLDING AD Purchase SIRMA GROUP HOLDING AD Purchase				loans		0.39

Sales

Company Type SIRMA GROType HOLDING AD Sales	Connectivity	Description	31.12.2016	31.12.2015
			BGN '000	BGN '000
Services GROUP HOLDING AD Sales Services SIRMA	1 Subscriptions 2		10.66	
GROUP HOLDING AD Sales Services SIRMA GROUP	Subscriptions 1		6.84	
HOLDING AD Sales Services SIRMA GROUP HOLDING AD	Subscriptions 1		9.08	10.14
Sales Services SIRMA GROUP HOLDING AD Sales Services	Subscriptions 2		0.00	15.48
SIRMA GROUP HOLDING AD Sales Services SIRMA GROUP	Subscriptions 1		0.00	1.87
HOLDING AD Sales Services SIRMA GROUP HOLDING AD	Subscriptions 2		0.00	42.30
Sales Services SIRMA GROUP HOLDING AD Sales Services	Administrative, accounting services 1 Administrative,		51.19	49.54
SIRMA GROUP HOLDING AD Sales Services SIRMA GROUP	accounting services 1 Administrative, accounting		54.34	56.81
HOLDING AD Sales Services SIRMA GROUP HOLDING AD	services 2 Administrative, accounting services 2		173.84	244.60
Sales Services SIRMA GROUP HOLDING AD Sales Services	Administrative, accounting services 1 Administrative,		0.69	75.91
SIRMA GROUP HOLDING AD Sales Co-ownership SIRMA	accounting services 1 Administrative, accounting		66.56	69.58
GROUP HOLDING AD Sales Co-ownership SIRMA GROUP	services 1 Consumables 1 Consumables 1 Software		187.45	72.60
HOLDING AD Sales Interest on loans SIRMA GROUP	license rental 1 Marketing and advertising 2 Rentals 1		550.94	417.83
HOLDING AD Sales Interest on loans SIRMA GROUP	Rentals 1 Rentals 2		6.05	6.05
HOLDING AD Sales Interest on loans SIRMA GROUP	Rentals 2 Rentals 1		1.36	5.43
HOLDING AD Sales Interest on loans SIRMA GROUP	Rentals 1 Rentals 2 Technical support 1		868.20	
HOLDING AD Sales Interest on loans	Technical support 1 Technical		0.00	110.00
	support 2		10.66	9.77
	Technical		50.31	50.31
	support 1		4.74	4.35
	Technical		1.18	12.99
	support 1		2.16	2.16
	Technical		20.86	22.75
	support 1		138.10	126.59
	Dividend income 1 Dividend income		7.20	6.60
	1 Interest income on loans -		6.60	6.60
	investment activity 2 Interest income		7.20	6.60
	on loans - investment activity 1		6.60	6.60
	Interest income on loans - investment		6.60	6.60
	activity 1 Income from interest on		7.20	6.60
	loans - investment activity 1 Income		150.00	
	from interest on loans - investment		600.00	
	activity		7.11	2.88
				1.11
			112.86	23.69
			0.89	
			139.95	18.15



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. Sirma Group Holding's policies in this regard are aimed at stimulating responsibility and

the motivation of the staff for the implementation of the
its assigned tasks and objectives.

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.

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

Sirma Group Holding AD	31.12.2016	31.12.2015	31.12.2014
	Number employees 27	Number of employees	Number of employees
TD	8	25	24
DUKE		8	5
TOTAL	35	33	29

Employees under employment contracts:

	31.12.2016	31.12.2015	relative share 2016 in %
Number of employees	27	30	100.00%
Higher education	23	24	85.19%
Secondary education	2	2	7.41%
Secondary education	2	4	7.41%
Employees under 30 years old	4	4	14.81%
Employees 31 - 40 years old	13	11	48.15%
Employees 41 - 50 years old	9	10	33.33%
Employees 51 - 60 years old	1	5	3.70%
Women	12	18	44.44%
Men	15	12	55.56%

The reduction in the number of personnel is mainly due to the outsourcing of maintenance and cleaning activities of the building stock. In the Marketing department

We have an increase in staff by 1 person, an increase in staff in the administrative department by 1 person and in the HR department by one person. The staff in the rest departments is unchanged from the previous year.

During the reporting period, a licensed actuary prepared actuarial report on calculating the present value of future costs for providing income to personnel upon termination of employment, which can be found in Appendix No. 3 to this report of

the management.

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

There are no arrangements for employee participation in the Company's capital.



9/ RISK FACTORS

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 revenues from privatization are expected to gradually decline 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.** Following 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 Europe, refugee waves and instability of key countries in the immediate vicinity of Bulgaria.

The main conclusion in the Economist report on Bulgaria Intelligence Unit (EIU) is that despite fiscal improvements in the period January - August after

Despite the 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 everywhere and a reduced level of investments in general and in

especially in software solutions. 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



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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 parliamentary elections of October 2014. **A record number of parties passed the minimum threshold of 4% to enter parliament.** The stability of a formed coalition government depends on the actions of the parties represented in it.

Possible destabilization of the country, 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 fixed interest rate. **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 quantitative Company. economic entities, including the

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.

(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 +/-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.



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2017, and if necessary thereafter, but in any case until the Governing Council has identified a durable 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 trajectory, ^{become} ^{more} 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. monthly inflation is 0.2%. Inflation since the beginning of the year (October 2016 compared to December 2015) is minus 0.4%, and annual inflation for October 2016 compared to October 2015 is minus 0.6%. 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.



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Cumulative inflation at the end of 2017 will accelerate to 1.2%, with a negative contribution expected only from the continuing, albeit more moderate,

low rate, lower prices for 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 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 reduction in



*Individual report of the management of Sirma Group Holding AD for the
period 01.01.2016 – 31.12.2016*

the effective demand for the products and services offered by the Group, as well as in changing the conditions for sale of these products and services. **Corporate risk may impact the growth of contracts for software development and delivery services. 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;
- protection from unfavorable and against hostile 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 to or superior to 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 entering into transactions with Group companies whose terms differ from the market ones 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 related to risks. Investors should carefully read and risks associated with investing in shares of 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.



*Individual report of the management of Sirma Group Holding AD for the
period 01.01.2016 – 31.12.2016*

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, and 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 the ability to buy or sell the given securities on the secondary market in short terms and in usual volumes. **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 real protection against inflation.

9.3.4. RISK FROM 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 the taxation of investments in securities is associated with changes in the current taxation regime of this type of instrument. **It can be considered favorable in the sense of the presence of tax-free capital gains.** A 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.



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, having a significant impact on its activities, and its realized revenues and incurred expenses; 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 Bulgarian law, management 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 at the end of the year, the financial results of the activities and the cash flows in accordance with the applicable

accounting framework. Management's responsibility also includes implementing a system of internal control to prevent, detect and correct errors and misstatements resulting from the operations of the accounting system. In this regard, the management adheres to the following basic principles in its activities:

- adherence to certain management and accounting policies disclosed in the financial statements;

- carrying out all operations in accordance with the laws and regulations; recording all events and operations in a timely manner, with accurate amounts in the appropriate

- accounts for the relevant reporting period, so as 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.

During the reporting period, there were no changes in the basic management principles of SIRMA GROUP HOLDING AD.



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	Изменение спрямо	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 PERIOD

A preliminary contract for the purchase and sale of real estate was concluded on 09.01.2017. According to it, Sirma Group Holding AD agrees to acquire the following real estate - nine office premises located in an office building on Blvd. "Tsarigradsko Shose" 135, at a price of 781,268 euros. For this purpose, an investment loan of 710,000 euros has been provided by UniCredit Bulbank and an additional 200,000 euros for the renovation of the office premises.

City of Sofia

Executive Director:



Tsvetan Alexiev

