



CONSOLIDATED MANAGEMENT REPORT OF SIRMA GROUP HOLDING AD FOR THE PERIOD ENDED 31.12.2015



SOFIA, 2016



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ADDRESS OF THE EXECUTIVE DIRECTOR OF SIRMA GROUP HOLDING AD TO THE SHAREHOLDERS

"Sales are the lifeblood of business." During war, there are only two things: making bullets and shooting bullets. There are only two things in business: buying a product or service and selling a product or service." Greg Gianforte –

founder of cloud-based customer relationship management software RightNow.



Dear investors of Sirma Group Holding AD,

The information technology industry is one of the most dynamic, rapidly changing and fiercely competitive industry in the world, characterized by relentless cycles of innovation and commoditization. We follow the model of high value and innovation.

Our commitment to this model forces us to continually rethink our business, grow organically and through acquisitions, and occasionally divest ourselves

of businesses that do not fit our profile.

In 2014, we asked ourselves, "Where now?" We had ambitious goals, excellent innovations, new ideas, and unique expertise in many areas of the economy. We had the ambition to be the first in the industry. We had products that were world leaders. We had the best talent in the industry. But we didn't have the momentum to aggressively enter the markets. We had exhausted our opportunities for organic growth and were slowing down our path to success. Then we decided to attract public funds to implement our strategy. And here we are at the end of 2015 with a successful IPO and opportunities for global growth and market expansion. I would like to thank the entire team responsible for the initial public offering, the investment intermediary Elana Trading and all the investors who believed in us and joined the family of shareholders of Sirma Group Holding AD.

Now I want to state to all shareholders that despite the industry decline of 5.5% (Gartner), the Sirma Group is reporting an extremely successful year. I will just mention some numbers:



209 NEW CUSTOMERS FOR 16.9 MILLION. REVENUE

Ръст на приходите	21.13%
Приходи	33 977 хил.лв.
Агрегирани приходи	40 656 хил.лв.
Ръст на инвестициите	6.91%
Печалба на оперативна дейност/Приходи	8.27%
EBITDA/Приходи	28.44%
Пазарна капитализация	71 233 хил.лв.
ROA	0.0229
ROE	0.0434
Debt/EBITDA Ratio	0.2527
Quick Ratio	1.7295
Брой акции в началото на периода в хил.	49 837
Брой акции в края на периода в хил.	59 361
Среднопретеглен брой акции в хил.	50 842
Цена/Печалба P/E	32.1595



Almost all companies in the group recorded growth, despite their serious investment policy. They are present on the market of more than 50 countries around the world.

In 2015, we focused our goals and detailed our projects. Sales and global expansion, investments in administrative and commercial capacity, became priority axes for the development of the group companies in the next year. The strengthening of vertical specialization, the applied function of products and services mark the programs of many companies.

I would like to thank the entire staff of Sirma Group Holding AD for the successful year that we report!

EXECUTIVE DIRECTOR

OF SIRMA GROUP HOLDING AD

TSVETAN ALEKSIEV



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

The present annual consolidated management report of "SIRMA GROUP HOLDING" AD covers the period ending on December 31, 2015 and has been prepared in accordance with the provisions of Art. 33 of the Accountancy Act and Art. 100o, para. 2 and 5 of the Public Offering of Securities Act (POSA), including the established events that occurred after the balance sheet date. The structure of this report is in accordance with Annex 10 to Article 32a, paragraph 2 of Regulation No. 2.

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

- there were no irregularities involving managers or employees who could be material to the consolidated financial statements;
- all material transactions have been duly accounted for and reflected in the annual consolidated financial statement as of December 31, 2015;
- there is no actual or potential violation of laws and (or) other regulatory provisions that would have a material impact on the consolidated financial statements or could serve as a basis for reporting a contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, demands, commitments, events or random circumstances for which there are reasons to expect that they 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.

The words "target", "anticipate", "assume", "believe", "in the future", "could", "count", "are confident", "estimate", "expect", "forecast", "tentative", "intend", "may", "might", "outlook", "plan", "project", "predict", "seek", "should", "strategy", "want", "will", "would" and other similar expressions are intended to identify these forward-looking statements. Such forecasts 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 Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the Financial Statements, Opportunity Report, our development outlook, as well as other forward-looking information that appears elsewhere in this report. Except as required by law, we undertake no obligation and have no obligation to publicly update or revise any forward-looking statements as a result of new information we obtain about conditions existing at the time this report is issued, future events, or otherwise, unless we are required to do so by law.

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 Consolidated Management Report, we analyze our business activities for the reporting financial period, as well as the current state of Sirma Group Holding. **Starting with a description of our business, economic environment and strategy, we present our financial system and explain in detail our results and operations, as well as our financial position and net assets.** We also report on the various aspects of 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 consolidated financial statements, our report of the Board of Directors, as well as certain financial dimensions obtained from our management reporting. The non-financial data presented in the report includes aspects of intellectual property rights, human and social relations derived from our materiality assessment.

Like the 2014 annual report, our report is aligned with the content elements proposed in the International Integrated Reporting Council (IIRC) International Integrated Reporting Framework.

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

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

The reporting period is the financial period ending on 31.12.2015. The report covers Sirma Group Holding AD and all subsidiaries of the group excluding Flash Media AD, EngView Latin America and EngView USA, excluded from consolidation due to immateriality.

2/ORGANIZATION AND METHOD OF PRESENTATION

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

Over the years, Sirma has created over 20 companies, investing enormous financial and human capital in them. Our strategy is to create businesses, incubate them, and develop them.

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

"Sirma Group Holding" AD was entered in the Commercial Register at the Registry Agency on 25.04.2008 with a Unified Identification Code (UIC): 200101236 and has its registered office and management address: Sofia District (capital), Stolichna Municipality, town of **Sofia 1784, Mladost District, Blvd. Tsarigradsko Shosse No. 135.** The name of the company was changed on 23.03.2009 from "SGH" AD to "Sirma Group Holding" AD, with the English equivalent "Sirma Group Holding" JSC. The company is not limited in its term of existence.

Sirma Group Holding AD is a public company within the meaning of the Public Offering of Securities Act.

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

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, organizing accounting and preparing financial statements in accordance with the Accountancy Act. The company may also carry out its own commercial activities that are not prohibited by law.

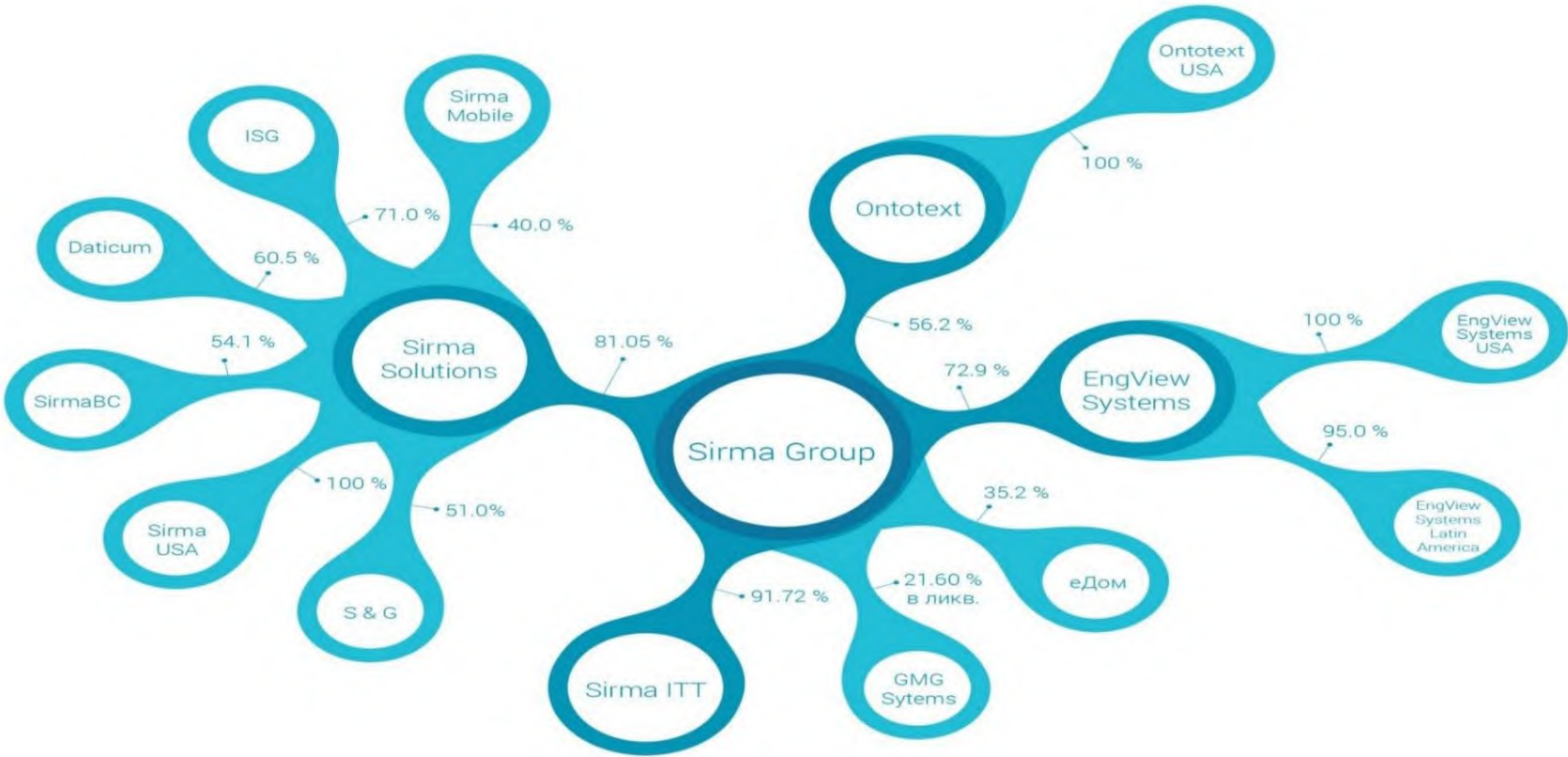
From the establishment of the company until the date of this Report, Sirma Group Holding AD:

- no transfer or pledge of the enterprise has been made;
- there are no claims filed to initiate bankruptcy proceedings against the company;



2.1.Organizational structure

GROUP STRUCTURE



The economic group of Sirma Group Holding AD includes the following subsidiaries:

- **"Sirma Solutions" AD**, city Sofia, UIC: 040529004, with registered office and management address: city of Sofia. Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, in which the Company owns 2,329,131 shares with a nominal value of BGN 10 each, which represents 81.05% of the capital of BGN 31,085,890, with the following activities: 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 and any other activity not prohibited by law.
- **"Ontotext" AD**, c. Sofia, UIC: 200356710, with registered office and management address: city of Sofia. Sofia 1784, Mladost district, Blvd. "Tsarigradsko Shose" No. 135, in which the Company owns 8,558,125 shares with a nominal value of 1 BGN each, representing 56.21% of the capital of 15,225,771 BGN, with the subject of activity: carrying out scientific research activities, developing technologies related to representation (KR) and computational linguistics (CL/NLP), delivery of knowledge management software (KM), Semantic Web and Web Services and any other activity permitted by the law.
- **"EngView Systems Sofia" AD**, city Sofia, UIC: 201277917, with registered office and management address: city Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, in which the Company owns 50,000 shares with a nominal value of 1 leva each, which represents 72.90% of the capital of 68,587 leva, with the subject of Activity: development, implementation and maintenance of software and hardware products and systems.
- **"Sirma ITT" AD**, city Sofia, UIC: 200421236, with registered office and management address: city of Sofia. Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, in which the Company owns 94.95% of the issued share capital of BGN 1,410,460. ("Sirma ITT" AD owns 9268 shares shares), with the subject of activity: development, implementation and maintenance of software products and systems, purchase of goods and merchandise for sale in original, processed or processed form, foreign economic and foreign trade activities, marketing, management, leasing activities, commercial representation and agency of Bulgarian and foreign individuals and legal entities, transport activity - domestic and international transportation of goods and passengers in the country and abroad tourism, hotel and restaurant business /subject to the established permit regime/, advertising, impresario, information and program activities, performance and organization of services permitted by law to Bulgarian and foreign individuals and legal entities, real estate transactions and rental relationships, construction, repair and design activities.

The economic group of Sirma Group Holding AD includes the following subsidiaries of Sirma Solutions AD:

- **"Sirma Business Consulting" AD**, city Sofia, UIC: 175445129, with registered office and address at management: city Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, in which "Sirma Solutions AD owns 1,373,548 shares with a nominal value of 1 BGN each, which represents 54.08% of capital of 2,539,768 BGN, with the purpose of activity: carrying out trade in the Republic of Bulgaria and in abroad, delivery and implementation of integrated software solutions, system integration of information systems, building connections and interfaces, design, development and maintenance of information systems, electronic registers and technical solutions, exchange of protocols, data and their transformation, design, development, implementation and maintenance of systems for creating reports, references and information necessary for the management, construction and maintenance of centers for data and service center for Oracle and Flex Cube with provision of backup and provisioning redundancy of operating systems, outsourcing of IT activities, IT consulting services and training, design, analysis, consulting, program development and project management and for Oracle and Flex Cube based products and systems, banking systems consulting and training, all of them based on Oracle with I-flex, as well as any other activity not prohibited by law.
- **"Datikum" JSC**, city Sofia, UIC: 200558943, with registered office and management address: city of Sofia. Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, in which "Sirma Solutions" AD owns 1,392,740 number of shares with a nominal value of 1 BGN each, which represents 60.50% of the capital of 2,302,049 BGN, with the subject of Activity: operating a data center. providing colocation, hosting, virtualization and server system consolidation, hardware rental, communication and network services, construction and operation of backup data centers, archiving and storage services information. Providing services for the construction and maintenance of hardware and software systems, building data centers, system integration, building test environments and any other activity not prohibited by law.
- **"Sirma ISG" Ltd.**, city Sofia, UIC: 201580558, with registered office and management address: city of Sofia. Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, where "Sirma Solutions" AD owns 2,550 shares with a nominal value of 1 BGN each, which represents 51.00% of the capital of 5,000 BGN, with subject of activity: development of information technologies in the field of financial and insurance sector, insurance management systems and related systems for document management and work, qualified information, financial information and management



transactions, system integration, construction of test and production environments, consultations in the field of insurance information systems, communication services, as well as performing any other activity not prohibited by law, after obtaining the necessary permits, in cases where such are provided for by the current legislation of the Republic of Bulgaria.

- Sirma USA , reg. number: 4757972, with registered office and management address: USA, state Delaware, 16192 Coastal Highway, city. Lewis, in which Sirma Solutions AD owns 100.00% with paid-up capital capital of 15,730,408 BGN, with the subject of activity: management of copyrights on software, management and marketing of software services and development and implementation of software products, provision of software services, etc.

After the merger of Panaton Software Inc., it also became specialized in software development, system integration and product design. The main verticals on which the company focuses are: systems for healthcare needs, business systems for the needs of car dealers, embedded software, mobile technologies, loyalty systems. The company, using teams from Sirma Solutions, has completed dozens of successful projects for numerous clients in the USA.

- **S&G Technology Services Limited**, registered under the laws of England and Wales, with registered office and management address in Wiltshire, 38-42 Newport Street, England, reg. number company 8165885, in which Sirma Solutions AD owns 51 shares, each with a nominal value of 1 GBP, which represents 51% of the capital of 100 GBP.

The following subsidiary of EngView Systems Sofia AD is included in the economic group of Sirma Group Holding AD:

- **"ENGVIEW LATIN AMERICA" (ENGVIEW SYSTEMS LATIN AMERICA - SISTEMA E SERVICOS LTDA)**, with registered office and management address: São Bernardo do Campo, State of São Paulo, Rua Joao Azabedo Marquez 215, office 13, in which EngView Systems Sofia AD owns 9,500 shares with a par value of R\$ 1 (one Brazilian real), which represents 95.00% of the capital of R\$ 10,000 BRL. Subject of activity: (a) trade, import and export of information products and services; (b) offering and carrying out information services, as well as intermediary activities, provision of similar activities and services related to the company's business activities, as well as (c) participation in other national or foreign companies.

- **"Engview USA"**

On March 30, 2015, a new subsidiary was registered with a 100% stake in the capital of EngView Systems Sofia AD.

The following subsidiary of Ontotext AD is included in the economic group of Sirma Group Holding AD:

- **"Ontotext USA"** - registered as a Delaware corporation, corporate number: 4888154, with Headquarters and management address: USA, State of Delaware, 16192 Coastal Highway, city. Lewis, in which "Ontotext" AD owns 100% of the capital in the amount of \$20,100. The company has registration for conducting business in the state of New York at: 116 W 23rd Street, Suite 500, New York, NY 10011.

The following associated companies are included in the economic group of Sirma Group Holding AD :

- **"GMG Systems" Inc.** - in liquidation, with headquarters and management address: city of USA, 14439 Catalina Street, 961,540 San Leandro, California 94577, in which Sirma Group Holding AD owns shares with a par value of USD 0.001 each, in liquidation process, which represents 24% of the capital of \$2,762. – in
- **"E-dom Management" Ltd.**, , city Sofia, UIC: 201657264, with registered office and management address: city Sofia 1000, Sredets district, ul. "6th September" No. 18, entrance. A, floor. 3, in which "Sirma Group Holding" AD owns 700 shares with a nominal value of 10 BGN each, which represents 35.00% of the capital of 20,000 BGN, with subject of activity: design, development, implementation, marketing, sales, training for use of software products, including complete real estate management solutions ownership, software project management, consulting services in the field of information technology technologies, accounting services, as well as performing any other activity not prohibited by law, after providing the necessary permits, in cases where such are provided for by the current legislation legislation of the Republic of Bulgaria.
- **"Sirma Mobile" JSC** , Sofia, UIC: 200558943, with registered office and management address: city of Sofia. Sofia 1784, Mladost District, Blvd. "Tsarigradsko Shose" No. 135, where "Sirma Solutions" AD owns 20,000 shares with a nominal value of 1 BGN each, which represents 40.00% of the registered capital of 50,000 BGN and the actual paid-in capital of 12,500 BGN, with the scope of activity: design, development,



sale and implementation of mobile technologies and software, management of mobile technologies, consulting services in the field of communication technologies, as well as any other activity that is not prohibited by law, in case any of the activities requires a permit or license after obtaining the same.

In addition, the following were established under the articles of association:

- **The Gravis-Sirma Consortium** was established with a Consortium Establishment Agreement dated 30.03.2012, concluded between "Sirma Solutions" AD and "Gravis Bulgaria" AD, UIC 121476570, with equal shares participation, for participation in an open procedure for awarding a public procurement contract "Completion of the single information system for combating crime as a national integrated database", announced by the Prosecutor's Office of the Republic of Bulgaria;
- A company under **the Civil Code "Sirma-Interconsult"** was established with a Consortium Establishment Agreement dated 23.12.2011 between "Sirma Solutions" AD and "Interconsult Bulgaria" OOD, UIC 121026857, with equal equity participation, for participation in the information technology announced by the Ministry of Transport and communications, order with the subject "Development of administrative services electronically";
- Company under **the "Sirma" LZD**, UIC 175549302, established with a Consortium Establishment Agreement dated 15.09.2008 between Sirma Solutions AD and Sirma ITT AD, with equal shareholding and for participation in an open procedure for awarding a public procurement contract with the subject: "Building a national system for comprehensive management of excise duties by the customs administration".
- Company under **the Civil Code "Sirma PI"**, UIC 176845090, established with an agreement for the establishment of Consortium from 24.03.2015 and with activity: Carrying out a complete reengineering of the administrative activities of the National Council on Prices and Reimbursement of Medicinal Products (NCPRLP) with the aim of, transition to performing administrative information processing activities entirely in electronic form. Delivery of AIS, creation and implementation of means for accessing the registers of NSCRLP, incl. PLS", assigned in implementation of the project "National Council on Prices and Reimbursement of medicinal products - efficient and modern administration

2.1. Group functioning

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

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



Corporate values



Mission

We deliver to our customers products and solutions that always exceed expectations. We build value for our investors, partners and clients, outperforming our competition through high professionalism, expertise and adaptability.

Corporate culture of a learning organization

Integrity and care for people, creativity and the ability to change, continuous improvement of qualifications, exchange of knowledge and new ideas, competence and effective teamwork - these are the most important characteristics of Sirma's culture.

Loyalty & Ethics

The development of our business depends on our reputation and good references from clients. We build trust, encourage good dialogue and communication, and demand the highest standards of personal and professional conduct from ourselves and our employees.

Expertise & Experience

We believe that our employees are our main corporate capital. We invest in the people of the company to maximize our growth potential. Sirma Solutions has assembled an excellent team of software specialists with proven technical and communication skills, with experience in working on large-scale and critical projects. Our employees have an average of over 10 years of programming experience, across a wide range of technologies, vertical markets, and platforms. Most of our employees hold master's or doctoral degrees in computer science, mathematics, and information technology.

technologies.

Training & Knowledge Transfer

We are committed to continuous training and development of our staff. Sirma Solutions has well-developed training, certification and career development programs. We encourage every team member to learn new things and expand their skills and experience. Our senior IT specialists provide training to younger team members. The continuous process allows our teams to always be at the forefront of the IT industry. Many of our specialists have Microsoft, Oracle, Sun, HP and many other certifications. Over 90% of our employees speak English very well.

Excellent working environment

At Sirma Group Holding AD, we believe that every person has the right to feel comfortable at their workplace and to enjoy doing their job. We offer our employees a creative, professional and informal atmosphere, as we are convinced that ambitious, responsible and creative people will contribute to the success and stability of the company.

Our business model

Our vision and mission unlocks our ability to create a positive economic, environmental and social impact. When we help our clients tackle complex tasks and perform at their best, we contribute to job creation as well as unleashing the potential of their employees. As we help them become more efficient, they can mitigate their environmental impact. And as we help them run their businesses more simply, we free up space for innovation, creating opportunities for people and communities.

Through our customers, our ability to create value increases.



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. We believe that our broad range of solutions and services enables us to meet the needs of customers of all sizes and different industries.

Our broad ecosystem provides scalability to meet SGH's demand for innovation

We also apply our expertise in business processes across industries and direct our innovations to address the world's greatest 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 SGH and within our ecosystem, we create jobs for highly skilled workers to develop, sell, implement and improve our software solutions.

3/ SHAREHOLDER STRUCTURE AND MANAGEMENT BODIES

3.1. Shareholder structure

As of 31.12.2015, the distribution of the share capital of Sirma Group Holding AD is as follows:

	31.12.2015 BGN '000	31.12.2014 BGN '000
Share capital Number of	59 361	49 837
shares (nominal value 1.00 leva) Total	59 360 518	49 837 156
number of registered shareholders	474	24
including legal entities	42	1
individuals	432	23
Number of shares held by legal entities % of participation	6 132 088	3
by legal entities Number of shares held by	10.33%	0.00%
individuals % of participation by individuals	53 228 430	49 837 153
	89.67%	100.00%

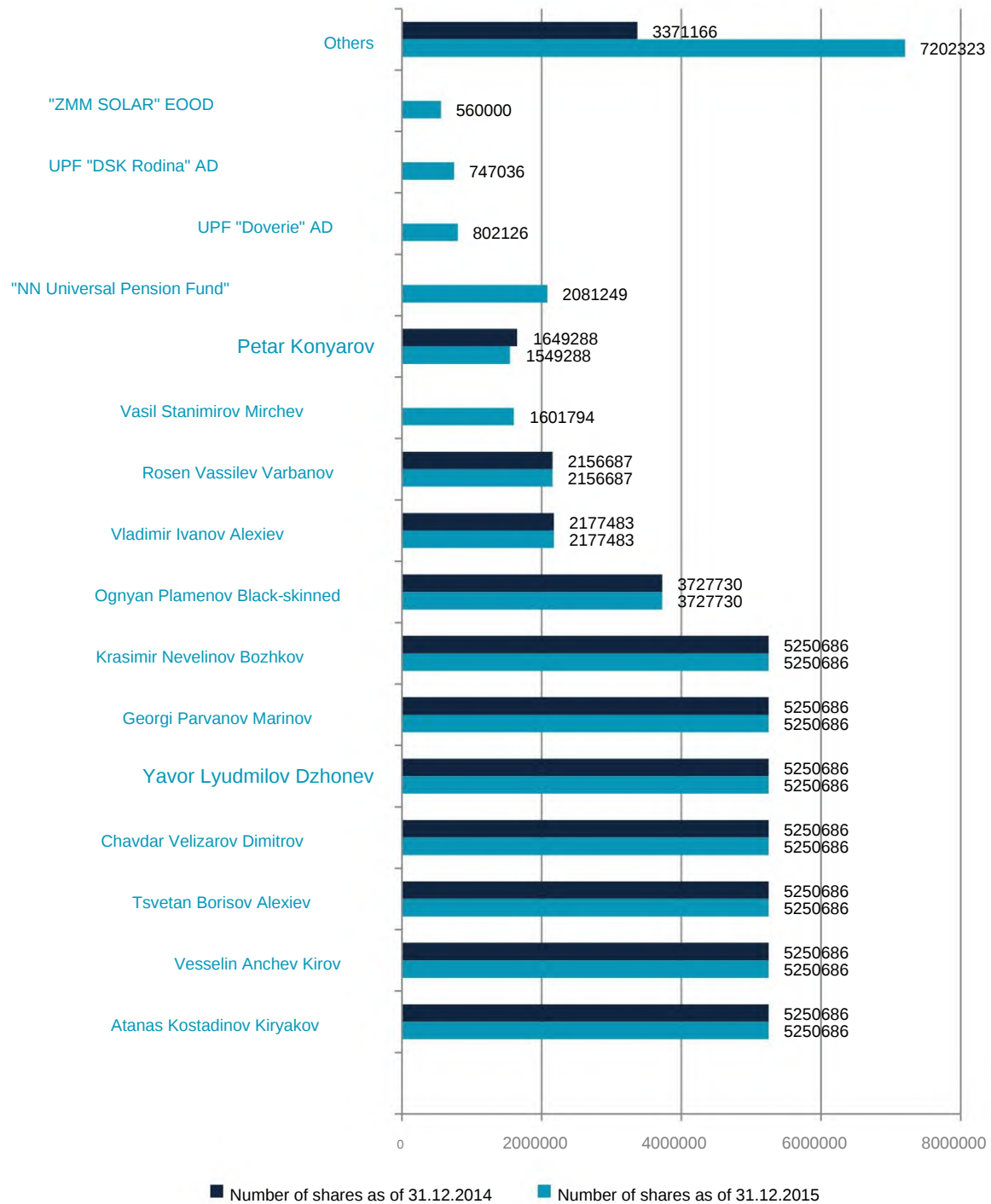


Number of shares	Number of shareholders	% of all shareholders	Number of shares held	% of all shares
0-100	32	6.75%	1,685 BGN	0.00%
101 - 1000	176	37.13%	103,604 BGN	0.17%
1001 - 10000	185	39.03%	697,397 BGN	1.17%
10001 - 100000	46	9.70%	1,746,584 BGN	2.94%
100001 - 500000	18	3.80%	4,134,296 BGN.	6.96%
500001 - 1000000	4	0.84%	2,627,919 BGN.	4.43%
1000001 - 5000000	6	1.27%	13,294,231 BGN. 1.48%	22.40%
Over 5000000	7		36,754,802 BGN. 100%	61.92%
Total	474	59360518		100%

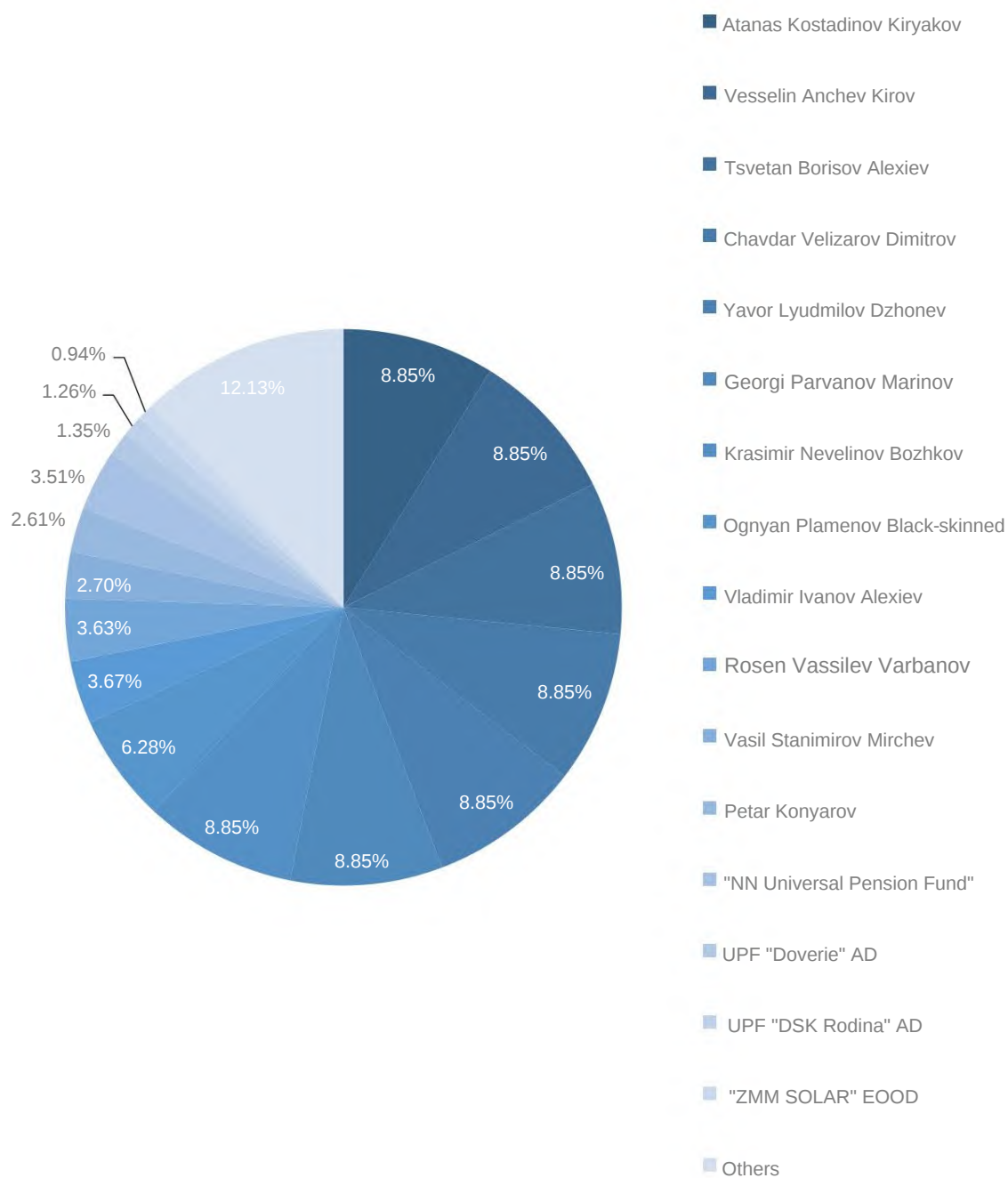
Shareholders	Number of shares as of 31.12.2015	Number of shares as of 31.12.2014	Nominal Value	% in capital
Atanas Kostadinov Kiryakov Vesselin	5250686	5250686	1 BGN 5,250,686 BGN.	8.85%
Anchev Kirov Tsvetan	5250686	5250686	1 BGN 5,250,686 BGN. 1	8.85%
Borisov Aleksiev Chavdar Velizarov	5250686	5250686	BGN 5,250,686 BGN. 1	8.85%
Dimitrov Yavor Lyudmilov Dzhonev			BGN 5,250,686 BGN.	8.85%
Georgi Parvanov Marinov	5250686	5250686	1 BGN 5,250,686 BGN. 1	8.85%
Krasimir Nevelinov Bozhkov	5250686		BGN 5,250,686 BGN. 1	8.85%
Ognyan Plamenov Chernokozhev	5250686	5250686	BGN 5,250,686 BGN.	8.85%
Vladimir Ivanov Aleksiev Rosen	3727730	3727730	1 BGN 3,727,730 BGN. 1	6.28%
Vassilev Varbanov Vasil Stanimirov	2177483	2156687	BGN 2,177,483 BGN 1	3.67%
Mirchev Petar Konyarov "NN			BGN 2,156,687 BGN.	3.63%
Universal Pension Fund" UPF	1601794	0	1 BGN 1,601,794 BGN 1	2.70%
"Doverie" AD UPF	1649288		BGN 1,549,288 BGN 1	2.61%
"DSK Rodina" AD "ZMM SOLAR" EOOD Others	2081249	0	BGN 2,081,249 BGN.	3.51%
Total	802126	0	1 BGN 802,126 BGN	1.35%
	747036	0	1 BGN 747,036 BGN	1.26%
	560000	0	1 BGN 560,000 BGN.	
	3371166		1 BGN 7,202,323 BGN. 12.13%	
	59 360 518	49 837 156	59,360,518 BGN.	100%



Share capital structure

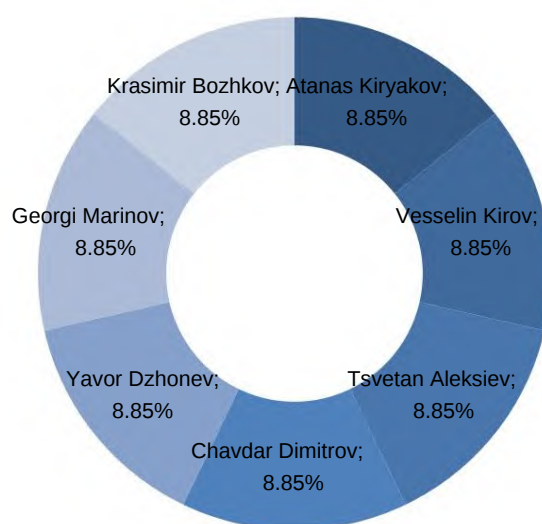


Shareholding as of 31.12.2015



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

Shareholders	Number of shares	% of capital
Atanas Kostadinov Kiryakov	5 250 686	8.85%
Vesselin Anchev Kirov	5 250 686	8.85%
Tsvetan Borisov Aleksiev	5 250 686	8.85%
Chavdar Velizarov Dimitrov Yavor	5 250 686	8.85%
Lyudmilov Dzhonev Georgi	5 250 686	8.85%
Parvanov Marinov Krasimir	5 250 686	8.85%
Nevelinov Bozhkov Ognyan	5 250 686	8.85%
Plamenov Chernokozhev	3 727 730	6.28%



3.2. Governing bodies

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

The Board of Directors as of 31.12.2015 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 term of office of the current Board of Directors is until December 10, 2016.

The members of the Board of Directors of SIRMA GROUP HOLDING AD:

Georgi Parvanov Marinov – Chairman of the Board of Directors, business address: town of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about all companies and partnerships in which Mr. Marinov has been a partner in the last five years:

- g. Does not participate in companies as an unlimited partner;
- h. Participates as a partner in the following companies:
 - "Sirma Group Holding" AD, UIC 200101236, address: town of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about all companies and partnerships in which Mr. Marinov has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Sirma Business Consulting" AD, UIC 175445129, address: Sofia, Blvd. "Tsarigradsko Shosse" No. 135
- "Sirma Group Holding" AD, UIC 200101236, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "Engview Systems Sofia" AD, UIC 201277917, address city: Sofia, 135 Tsarigradsko Shose Blvd.
- Engview Systems Corp., a corporation under the laws of Canada, with its registered office in Quebec, Canada, Montreal, 438 Isabey Street, Office 103;
- "Pirina Technologies" JSC., UIC 175149906, address: town. **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about any bankruptcy, receivership or liquidation with which Mr. Marinov has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Mr. Marinov has not been associated with bankruptcy, management by receivership or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Marinov declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Georgi Marinov is Chairman of the Board of Directors of Sirma Group Holding AD, Executive Director and Chairman of the Management Board of EngView Systems AD, as well as a member of the Management Board of Sirma Business Consulting AD and Pirina Technologies AD.

Mr. Marinov has worked at Sirma since its establishment in 1992. Over the years, he has held various positions within the company - software engineer, quality control, team manager, project manager, marketing and sales manager, and business development manager. Since 2003, Mr. Marinov has held the position of Executive Director of EngView Systems AD.

Mr. Marinov graduated from the Technical University of Sofia with a Master's degree in Computer Science and International Business.

Tsvetan Borisov Aleksiev – Member of the Board of Directors and Executive Director, business address: city of Sofia, 135 Tsarigradsko Shose Blvd.



Information about all companies and partnerships in which Mr. Aleksiev has been a partner in the last five years:

- c. Does not participate in companies as an unlimited partner;
- d. Participates as a partner in the following companies:
 - "Sirma Group Holding" AD, UIC 200101236, address: town of **Sofia, Blvd.** "Tsarigradsko Shosse" No. 135;
 - "Sirma Solutions" AD, UIC 040529004, address: town of **Sofia, Blvd.** "Tsarigradsko Shose" 135 - until 2014

Information about all companies and partnerships in which Mr. Aleksiev has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Sirma Business Consulting" AD, UIC 175445129, address: town of **Sofia, Blvd.** "Tsarigradsko Shosse" No. 135
- "Sirma Group Holding" AD, UIC 200101236, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "Sirma Solutions" AD, UIC 040529004, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "Sirma ITT" AD, UIC 200421236, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "Daticum" AD, UIC 200558943, address: Sofia, 135 Tsarigradsko Shose Blvd.;
- "Ontotext" AD, UIC 200356710, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "Panaton Software" JSC (USA), with registered office and management address: USA, Idaho 83707, st. North 9th, number 202;
- "Sirma USA", reg. number: 4757972, with headquarters and management address: USA, State of Delaware, 16192 Coastal Highway, city. Lewis.
- "Engview Systems Sofia" AD, UIC 201277917, address city. Sofia, 135 Tsarigradsko Shose Blvd.

Information about any bankruptcy, receivership or liquidation with which Mr. Aleksiev has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Mr. Aleksiev has not been associated with bankruptcy, management in the last five years from a bankruptcy trustee or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Aleksiev declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Tsvetan Aleksiev is Executive Director of Sirma Group Holding AD, Executive Director and Chairman of the Board of Directors of Sirma Solutions AD, Chairman of the Board of Directors of Sirma Business Consulting AD and member of the Boards of Directors of Ontotext AD, Daticum AD and Panaton Software JSC (USA).

Mr. Alexiev started working at Sirma as a software engineer in 1993. **He held various positions in the company - team leader, project manager, department head. Since 2002, he has been the Executive Director of Sirma Group Holding AD.** Mr. Alexiev initiated the restructuring of Sirma into a holding organization and the refocusing of the activity from a purely service-oriented company to a holding structure that manages investments in the group's various businesses, incubates and creates new businesses, attracts investments and acquires new companies.

Mr. Alexiev is responsible for the overall management of the holding structure and business development of the largest company in the group – Sirma Solutions AD.



Mr. Aleksiev graduated with a Master's degree in "Computer Systems" from the Technical University of Sofia.

Chavdar Velizarov Dimitrov – Member of the Board of Directors, business address: city of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135

Information about all companies and partnerships in which Mr. Dimitrov has been a partner in the last five years:

- a. Does not participate in companies as an unlimited partner;
- b. Participates as a partner in the following companies:
- "Sirma Group Holding" AD, UIC 200101236, address: town of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135

Information about all companies and partnerships in which Mr. Dimitrov has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Sirma Solutions" AD, UIC 040529004, address: town of Sofia, 135 Tsarigradsko Shose Blvd.
- "Daticum" AD, UIC 200558943, address: Sofia, 135 Tsarigradsko Shose Blvd.

Information about any bankruptcy, receivership or liquidation with which Mr. Dimitrov has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Mr. Dimitrov has not been associated with bankruptcy, management in the last five years from a bankruptcy trustee or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Dimitrov declares the absence of the legally defined circumstances, namely, that in the last five years he has not is:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Chavdar Dimitrov is the Executive Director of Sirma Solutions AD and a member of the Board of Directors of Sirma Group Holding AD and Daticum AD.

While still a student, he participated in the founding of the company in 1992 and has been working in Sirma ever since. Over the years, he has held various positions related to programming - programmer, team leader, project manager.

In 2005, he became Administrative Director and then Human Resources Director at Sirma Group Holding AD. **He held this position until August 2009.** Since February 2009, he has been serving as Executive Director of Sirma Solutions AD.

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

Atanas Kostadinov Kiryakov – member of the Board of Directors, business address: city of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about all companies and partnerships in which Mr. Kiryakov has been a partner in the last five years:

- e. Does not participate in companies as an unlimited partner;
- f. Participates as a partner in the following companies:
- "Sirma Group Holding" AD, UIC 200101236, address: town of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135



Information about all companies and partnerships in which Mr. Kiryakov was a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Sirma Solutions" AD, UIC 040529004, address: town of Sofia, 135 Tsarigradsko Shose Blvd.
- "Engview Systems Sofia" AD, UIC 201277917, address city. Sofia, 135 Tsarigradsko Shose Blvd.
- "Sirma ITT" AD, UIC 200421236, address: Sofia, 135 Tsarigradsko Shose Blvd.;
- "Ontotext" AD, UIC 200356710, address: Sofia, 135 Tsarigradsko Shose Blvd.

Information about any bankruptcy, receivership or liquidation with which Mr. Kiryakov has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Mr. Kiryakov has not been associated with bankruptcy, management by receivership or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Kiryakov declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

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

In the period 2001-2004, Mr. Kiryakov was a member of the Management Board of BASCOM. Member of the board of directors of Sirma Group Holding AD and three of the companies in the group, as well as of the Linked Data Benchmarking Council - an international organization for testing NoSQL databases.

Mr. Kiryakov began his career at Sirma as a software engineer in 1993 and a few years later became a partner and member of the Board of Directors. In 2000, he founded Ontotext, which in 2008 attracted an investment of 2.5 million euros from the venture capital investment fund NEVEQ. Ontotext has invested over 400 man-years in research and product development and has won a number of innovation awards: Pythagoras from the Ministry of Education and Science in 2010, BAIT in 2013, and Washington Post in 2014. (for the product OpenPolicy), Innovative Enterprise of the Year Award 2014.

Mr. Kiryakov completed his Master's degree in Computer Science at Sofia University "St. Kliment Ohridski". Today he is a leading expert in the field of semantic databases and the author of more than 20 scientific papers. publications with over 3000 citations..

Tsvetomir Angelov Doskov – member of the Board of Directors, business address: city of Sofia, Blvd. "Tsarigradsko Shosse" No. 135.

Information about all companies and partnerships in which Mr. Doskov has been a partner in the last five years:

- i. Does not participate in companies as an unlimited partner;
- j. Participates as a partner in the following companies:
 - "Sirma Business Consulting" AD, UIC 175445129, address: town of Sofia, Blvd. "Tsarigradsko Shosse"135
 - "ZVD SET" Ltd., UIC 175153438, address: town of Sofia, ul. Krum Kuliavkov No. 9



Information about all companies and partnerships in which Mr. Doskov was a member of an administrative, management or supervisory body and/or a senior manager during the last five years:

- "Sirma Business Consulting" AD, UIC 175445129, address: town of **Sofia, Blvd.** "Tsarigradsko Shosse" No. 135
- "Sirma Group Holding" AD, UIC 200101236, address: Sofia, 135 Tsarigradsko Shose Blvd.
- "ZVD SET" Ltd., UIC 175153438, address: town of **Sofia, ul.** Krum Kuliavkov No. 9

Information about any bankruptcy, receivership or liquidation with which Mr. Doskov has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Mr. Doskov has not been associated with bankruptcy, management by receivership or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Doskov declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Tsvetomir Doskov is the Executive Director of Sirma Business Consulting AD (SirmaBC) and a member of the Board of Directors of Sirma Group Holding AD.

Mr. Doskov has played a leading role in transforming SirmaBC into a trusted and preferred provider of software solutions for the banking sector in Bulgaria. **He has many years of experience in designing, developing and implementing strategic plans and business solutions for financial institutions. Before joining Sirma Business Consulting, Tsvetomir worked at some of the largest banks in Bulgaria, incl. Allianz Bank Bulgaria, UniCredit Bulbank, HVB Bank Biochim, Hebros Bank and Bulgarian National Bank.** Over the years, he has held various leadership positions, including Chief Operating Officer, Director of Operations, Head of Internal Audit, Chief Inspector, as well as Director of numerous projects.

Mr. Doskov holds a Bachelor's degree in Finance and a Master's degree in Banking and Insurance from the University of National and World Economy in Sofia, as well as a Master's degree as an Aikido instructor from the National Academy of Sports.

~~Sasha Konstantinova Bezuhanova~~ — member of the Board of Directors, business address: city of **Sofia, Blvd.** "Tsarigradsko Shosse" No. 135.

Information about all companies and partnerships in which Ms. Bezuhanova has been a partner in the last five years:

- k. Does not participate in companies as an unlimited partner;
- l. Does not participate as a partner in commercial companies.

Information about all companies and partnerships in which Ms. Bezuhanova has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- Hewlett-Packard - Director of Public Administration and Education for Emerging Markets (2011 – 2013)
- Hewlett-Packard - Director of the Public Administration and Education Department for Central and Eastern Europe (2008 – 2011)
- Chairman of the Board of the Mozhe BG Foundation (2013 – ongoing)
- Chairman of the Board of Junior Achievements (1999 – 2013)
- Chairman of the Board of the School of Politics (2012 – ongoing)



- Chairman of the Board of Trustees of the Technical University of Sofia (2009 – ongoing)
- Chair of the Bulgarian Center for Women in Technology (2012- ongoing)
- Member of the board of "Aid for Charity in Bulgaria" (2011- ongoing)
- Member of the Board of the Elizabeth Kostova Foundation (2007 - ongoing)
- Chair of the Board of the European Center for Women in Technology (2008 – ongoing)

Information about any bankruptcy, receivership or liquidation with which Ms. Bezuhanova has been involved in the last five years, acting in her capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior manager, Ms. Bezuhanova, has not been involved in bankruptcy in the last five years, receivership or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Ms. Bezuhanova declares the absence of the legally defined circumstances, namely, that in the last five years she has not is:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Sasha Bezuhanova is the initiator and founder of MoveBG. She is a long-time chairwoman of the board of Junior Achievement Bulgaria, and currently chairwoman of the boards of the School of Politics, Technical University of Sofia, the Bulgarian Center for Women in Technology, and chairwoman of the advisory board of the European Center for Women in Technology to the European Union.

Ms. Bezuhanova is the initiator and founder of MoveBG – a civic platform for debate and common action. Before dedicating herself to the cause that MoveBG is developing, Ms. Bezuhanova had a 20-year successful management career at Hewlett-Packard (HP), where she most recently led the Public Administration and Education division for emerging markets at a global level. Her previous position at the company was Director of Public Administration for Central and Eastern Europe. From 1998 to 2008, she was General Manager of HP Bulgaria, turning the company into a leader in the local information and communication technology market. Ms. Bezuhanova played a leading role in attracting Hewlett-Packard's strategic investment to build a Global Remote Services Center, which positioned Bulgaria on the global investment map and today provides employment for more than 5,000 highly qualified specialists.

Community service and philanthropy are an integral part of Ms. Bezuhanova's biography. She is a long-time Chair of the Board of Junior Achievement Bulgaria, Chair of the Board of the Bulgarian School of Politics "Dimitar Panitsa", co-founder and Chair of the High-Level Advisory Council to the European Center for Women and Technology and the Bulgarian Center for Women in Technology, member of the Board of Directors of the "Aid for Charity in Bulgaria" Foundation and Chair of the Board of Trustees of the Technical University-Sofia. She was a member of the Advisory Council to the Minister of Science and Education, of the Innovation Council to the Minister of Economy, chairwoman of the boards of BIBA and KRIB, and a member of the board of the Open Society Foundation.

In 2013, she was named "Digital Woman of Europe", in 2010 she received the international award for women leaders "LeaderSHE", and in 2011. Sasha Bezuhanova is recognized as one of the five most influential women in Bulgaria. In 2009, she was awarded one of Italy's highest state awards - the Order of the Star of Italian Solidarity for her contribution to the development of bilateral economic relations between Bulgaria and Italy.

Sasha Bezuhanova holds a Master's degree in Electronics from the Technical University of Sofia and has completed the Management program at INSEAD. She is the Honorary Consul of the Grand Duchy of Luxembourg to Bulgaria.



Petar Borisov Stattev – member of the Board of Directors, business address: city of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about all companies and partnerships in which Mr. Stattev has been a partner in the last five years:

- m. Does not participate in companies as an unlimited partner;
- n. Participates as a partner in the following companies:
 - "Smartcom Bulgaria" AD, registered address: Sofia 1421, ul. Lozenets 20; office address: Sofia 1784, Blvd. Tsarigradsko Shosse 133, BIC ISOT office 317, UIC: 130985811;
 - "Smartcom Turkey Telekomunikasyon Teknolojileri" ve Hizmetleri Limited Sirketi, address: Cemal Sahir Sk Polat Is Merkezi Ofis:21, Mecidiyeköy, Istanbul TR34387, Turkey; tax registration: 7720617839;
 - "Hemimond" AD; address: Sofia 1784, Blvd. "Tsarigradsko Shose" 133, BIC ISOT, floor 4, office 413b; UIC: 121901351;
 - "Sinvent Consulting" Ltd.; Sofia 1784, BIC ISOT office 622A, bul. Tsarigradsko Shosse 133; UIC 131084428 – share sold on 12.10.2009;
 - "Customer Care" Ltd.; address: Sofia 1164, ul. Krastyo Sarafov 1, ; UIC 131578302 – sold share on 02.05.2011;
 - "Digital Video Design" Ltd.; with address - Sofia 1784, Blvd. "Tsarigradsko Shose" 133, BIC IZOT, floor 4, office 413a; EIK: 175021130.

Information about all companies and partnerships in which Mr. Stattev has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Smartcom Bulgaria" AD, registered office: Sofia 1421, ul. Lozenets 20, office: Sofia 1784, Blvd. Tsarigradsko Shosse 133, BIC ISOT office 317, UIC: 130985811 – Chairman of the Board of Directors;
- "Smartcom Turkey Telekomunikasyon Teknolojileri" ve Hizmetleri Limited Sirketi, address: Cemal Sahir Sk Polat Is Merkezi Ofis:21, Mecidiyeköy, Istanbul TR34387, Turkey; tax registration: 7720617839 – Executive Director;
- "SmartLab" EOOD, address: Sofia 1784, Blvd. Tsarigradsko Shosse 133, BIC ISOT, office 328B; UIC: 202269091 – Manager;
- "Sinvent Consulting" Ltd.; Sofia 1784, BIC ISOT office 622A, bul. Tsarigradsko Shosse 133; UIC 131084428 – left the management on 12.10.2009.

Information about any bankruptcy, receivership or liquidation with which Mr. Stattev has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- in his capacity as a member of an administrative, management or supervisory body or a senior Manager Mr. Stattev has not been associated with bankruptcy, management by receivership or liquidation.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Stattev declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Petar Stattev is Chairman of the Management Board of the Smartcom Group of Companies, Vice President of the European Telecommunications Standards Institute /ETSI/ and Chairman of the Board of the Information and Communication Technologies (ICT) Cluster Foundation.



Petar Stattev was elected in 2013 as Vice President of the European Telecommunications Standards Institute /ETSI/ upon nomination by the European Association of Craftsmen, Small and Medium-sized Enterprises and supported by the Bulgarian Association of Software Companies (BASCOM) through the European Association of Small and Medium-sized Enterprises in the ICT Sector /PIN-SME/. **He is an entrepreneur in the field of ICT and Chairman of the Board of Directors of Smartcom Bulgaria AD - a company for development and integration of telecommunication systems - the most innovative Bulgarian enterprise according to the "Sixth Bulgarian National Innovation Forum 2010".** He is a co-founder of the "Microelectronics and Industrial Electronic Systems Cluster", "Bulgarian Telecommunications Cluster" and "Association of Business Clusters in Bulgaria", where he was also chairman in the period 2012 - 2013. **From 2004 to 2009.** Peter is the manager of Sinvest Consulting Ltd. – an ICT consulting company with clients including world-renowned telecom operators.

Petar Stattev holds a Master's degree in Telecommunications from the Technical University of Sofia, and has completed the Effective Management Program at the joint program of NBU and the Open University, London.

Yordan Stoyanov Nedev – member of the Board of Directors, business address: city of **Sofia, Blvd. "Tsarigradsko Shosse"** No. 135.

Information about all companies and partnerships in which Mr. Nedev has been a partner in the last five years:

- oh. Does not participate in companies as an unlimited partner;
- p. Participates as a partner in the following companies:
- "Suzana and Vesko - SV" Ltd. - village. Blacksmith.

Information about all companies and partnerships in which Mr. Nedev has been a member of an administrative, management or supervisory body and/or a senior manager in the last five years:

- "Bianor Services" EOOD - Manager - 2013-2014.
- "Holding BDZ" EAD - Executive Director - 2011-2012.
- "MMD Scale" Ltd. – Manager – 2007-2011.

Information about any bankruptcy, receivership or liquidation with which Mr. Nedev has been involved in the last five years, acting in his capacity as a member of an administrative, management or supervisory body or a senior manager:

- "MMD Scale" OOD, EIK 175399653, with address: Sofia, g.k. **White birches, bl. 2** – in liquidation, for deletion in the TR without bankruptcy or unsatisfied creditors. Mr. Nedev played the role of manager and liquidator.

By signing the declaration under Art. 81, para. 5 in connection with Art. 81, para. 3 of the POSA, Mr. Nedev declares the absence of the legally defined circumstances, namely, that in the last five years he has not:

- convicted of fraud;
- related to bankruptcy or receivership, in his capacity as a member of administrative, management or supervisory body or senior manager;
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies);
- deprived by the court of the right to be a member of the administrative, management or supervisory bodies of an issuer or from holding management positions or performing the activity of an issuer.

Yordan Nedev is a financier and expert with extensive management and consulting experience.

Yordan Nedev began his experience in the Bulgarian office of the German consulting firm Roland Berger, where he worked on the privatization of Bulgarian enterprises. **After returning to Bulgaria, Mr. Nedev worked as a financial consultant on the initial public offering of shares on the Bulgarian Stock Exchange of the company Investor.bg, after which he worked as its executive director. He was the manager of the licensed investment intermediary CEE Securities before joining the MMD Partners team in 2005, where he led the financial consulting practice.** In 2011, after two successful consulting projects in the field, he took over the management of Holding BDZ EAD, implementing a massive restructuring of the activity, increasing financial and operational control and



improves business practices. During the period April 2013 - September 2014, he was the manager of Bianor Services EOOD - a software solutions development company.

Yordan Nedev holds a Bachelor's degree in Economics from the Faculty of Economics, Sofia University "St. Kliment Ohridski", and in 2002 he obtained a Master of Finance at the London Business School, Great Britain.

According to the requirements of Art. 116a, para. 2 of the POSA, at least one third of the members of the board of directors or the supervisory board of the public company must be independent persons. The independent member of the council cannot be:

1. employee at Sirma Group Holding AD;
2. a shareholder who holds, directly or through related parties, at least 25 percent of the votes in the total meeting or is a person related to Sirma Group Holding AD;
3. a person who is in permanent commercial relations with Sirma Group Holding AD;
4. member of a management or control body, procurator or employee of a commercial company or other legal entity under 2 and 3;
5. a person related to another member of the management or control body of Sirma Group Holding AD.

The function of **independent members** in Sirma Group Holding AD is performed by Ms. Bezuhanova, Mr. Stattev and Mr. Nedev, who meet the independence requirements above. **This function is performed by the specified members of the Board of Directors of the Company from the date of their registration as such in the Commercial Register with the Registry Agency (see item 15 below).** As of the date of this prospectus, all three members serve as independent members.

The powers of the governing bodies

There are no approved special powers of attorney, outside the regulations of the Commerce Act and the Public Offering of Securities Act.

Company stock options

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

Bodies of the Board of Directors

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

1. Investment and Risk Committee composed of:

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

2. Remuneration Committee composed of:

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



Yordan Nedev – member

3. Disclosure Committee composed of:

Tsvetan Aleksiev – Chairman

Radka Peneva – member

Stefan Kiryakov – member

Chavdar Dimitrov – member

Atanas Kiryakov - member

In 2016, an audit committee is to be formed, which will be proposed to the General Meeting of the company.

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 holding
inside information; _____
- Policy on remuneration of members of the Board of Directors; _____
- 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 to 31.12.2015	Number of shares as of 31.12.2014	Nominal value	Value	% in capital
Atanas Kostadinov Kiryakov	5250686	5250686	1 BGN	5,250,686 BGN.	8.85%
Georgi Parvanov Marinov	5250686	5250686	1 BGN	5,250,686 BGN.	8.85%
Tsvetan Borisov Alexiev	5250686	5250686	1 BGN	5,250,686 BGN.	8.85%
Chavdar Velizarov Dimitrov	5250686	5250686	1 BGN	5,250,686 BGN.	8.85%
Yordan Stoyanov Nedev	3333	0	1 BGN	3,333 BGN	0.01%
Total	21006077	21002744		21,006,077 BGN.	35.39%

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



Annual remuneration of the members of the Board of Directors

First name, Last name and Family name	Company	31.12.2015 BGN
Atanas Kostadinov Kiryakov	ENGVIEW SYSTEMS SOFIA AD	600
	ONTOTEXT AD	123 704
	SIRMA AITTI AD SIRMA	100
	GROUP HOLDING AD SIRMA	22000
	SOLUTIONS AD	6000
Atanas Kostadinov Kiryakov Total Georgi		152404
Parvanov Marinov	ENGVIEW SYSTEMS SOFIA AD SIRMA	100365
	BUSINESS CONSULTING AD SIRMA	9875
	GROUP HOLDING AD	22000
Georgi Parvanov Marinov Total Yordan		132240
Stoyanov Nedev Yordan	SIRMA GROUP HOLDING AD	15000
Stoyanov Nedev Total Petar Borisov		15000
Stattev Petar Borisov Stattev	SIRMA GROUP HOLDING AD	15000
Total Sasha Konstantinova Bezuhanova		15 000
Sasha Konstantinova Bezuhanova Total	SIRMA GROUP HOLDING AD	15 000
Tsvetan Borisov Aleksiev		15 000
	DATIKUM AD	240
	ENGVIEW SYSTEMS SOFIA AD	600
	ONTOTEXT AD	6 000
	SIRMA ITTI AD SIRMA	100
	BUSINESS CONSULTING AD SIRMA	19 750
	GROUP HOLDING AD SIRMA	118 600
	SOLUTIONS AD	126 284
Tsvetan Borisov Aleksiev Total		271 574
Tsvetomir Angelov Dосkov	SIRMA BUSINESS CONSULTING AD	161 258
	SIRMA GROUP HOLDING AD	22 000
Tsvetomir Angelov Dосkov Total Chavdar		183 258
Velizarov Dimitrov	DATIKUM AD	240
	SIRMA GROUP HOLDING AD SIRMA	56 522
	SOLUTIONS AD	96 795
Chavdar Velizarov Dimitrov Total		153 557
Total remuneration of the members of the Board of Directors		938 034

Report on shares acquired by members of the board of directors for the period

During the reporting period, YORDAN STOYANOV NEDEV - member of the Board of Directors acquired 3333 shares of the company.



4/ PORTFOLIO OF SIRMA GROUP HOLDING AD

Subsidiaries of Sirma Group Holding AD

Enterprise	Value of investment as of 31.12.2015 (in thousands of BGN)	Percentage of capital as of 31.12.2015	Value of investment as of 31.12.2014 (in thousands of BGN)	Percentage of capital as of 31.12.2014	Changes 2015 (in thousands of BGN)
Sirma Solutions AD Sirma ITT	35028	81.05%	35028	81.44%	0
AD Ontotext AD EngView	6895	91.72%	6895	100.00%	0
Systems Sofia EAD	8672	56.21%	8672	56.21%	0
	50	72.90%	50	82.92%	0
Total	50645		50645		0

Subsidiaries of Sirma Solutions AD

Enterprise	Value of the investment as of 31.12.2014 thousand BGN	Percentage from capital to 31.12.2014	Value of the investment as of 31.12.2015 thousand BGN	Percentage from capital to 31.12.2015	Changes 2015 thousand BGN
"Sirma Business Consulting" AD "Daticum"	1256	0.5408	1256	54.08%	0
AD "Sirma" USA	1335	0.58	1394	60.50%	0
"Panaton Software"	15728	1	17629	100.00% 0 0.00%	1901
USA S&G Technology Services Ltd., UK "Sirma ISG" Ltd. Total, thousand	3 117	1 0.51	51.00% 117		-3 0
BGN		0.4535	4	0.71	1
	18442		20399		1898

Subsidiaries of Ontotext AD

Enterprise	Value of the investment as of 31.12.2014 thousand BGN	Percentage from capital to 31.12.2014	Value of the investment as of 31.12.2015 thousand BGN	Percentage from capital to 31.12.2015	Changes 2015 thousand BGN
Ontotext USA	30040	100%	30040	100%	-



Subsidiaries of EngView Systems Sofia EAD

Enterprise	Investment value as of 31.12.2014	Percentage from capital as of 31.12.2014	Investment value as of 31.12.2015	Percentage of capital as of 31.12.2015	Changes 2015
EngVue Systems Latin America, Brazil EngVue Systems USA	7	95%	7 9	95% 1	- 9
Total, thousand BGN	7		16		-

Due to immateriality, they are not included in the consolidation.

Associates of Sirma Group Holding AD

Enterprise	Value of the investment to 31.12.2015 (in thousands of BGN)	Percentage of capital to 31.12.2015	Value of the investment to 31.12.2014 (in thousands of BGN)	Percentage of capital to 31.12.2014	Changes 2015 (in thousands of BGN)
GMG Systems (in liquidation)	230	21.60%	365	34.20%	-135
E-Dom Management Ltd.	7	35.00%	7	35.00%	0
Total	237		372		-135

Associates and others of Sirma Solutions AD

Enterprise	Value on investment the path to 31.12.2014	Percentage of capital to 31.12.2014	Value of the investment and to 31.12.2015	Amendment	Consolidate n percent of the capital to 31.12.2015
"SEP Bulgaria" AD (other financial assets) "Sirma Mobile"	0	5.78%	469	469	5.29%
AD Cons. book value	20	0.4	20	0	0.3317
	20		489		



5/ CORPORATE VALUES



Our group for the period until 2020 aims at the following:

Mission

We deliver to our customers products and solutions that always exceed expectations. We build value for our investors, partners and clients, outperforming our competition through high professionalism, expertise and adaptability.

Corporate culture of a learning organization

Integrity and care for people, creativity and the ability to change, continuous improvement of qualifications, exchange of knowledge and new ideas, competence and effective teamwork - these are the most important characteristics of Sirma's culture.

Loyalty & Ethics

The development of our business depends on our reputation and good references from clients. We build trust, encourage good dialogue and communication, and demand the highest standards of personal and professional conduct from ourselves and our employees.

Expertise & Experience

We believe that our employees are our main corporate capital. We invest in the people of the company to maximize our growth potential. Sirma Solutions has assembled an excellent team of software specialists with proven technical and communication skills, with experience in working on large-scale and critical projects. Our employees have an average of over 10 years of programming experience, across a wide range of technologies, vertical markets, and platforms. Most of our employees hold master's or doctoral degrees in computer science, mathematics, and information technology.

technologies.

Training & Knowledge Transfer

We are committed to continuous training and development of our staff. Sirma Solutions has well-developed training, certification and career development programs. We encourage every team member to learn new things and expand their skills and experience. Our senior IT specialists provide training to younger team members. The continuous process allows our teams to always be at the forefront of the IT industry. Many of our specialists have Microsoft, Oracle, Sun, HP and many other certifications. Over 90% of our employees speak English very well.

Excellent working environment

At Sirma Group Holding AD, we believe that every person has the right to feel comfortable at their workplace and to enjoy doing their job. We offer our employees a creative, professional and informal atmosphere, as we are convinced that ambitious, responsible and creative people will contribute to the success and stability of the company.

6/OUR BUSINESS MODEL

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

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 relationships with customers, 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. We believe,



that our wide range of solutions and services enables us to meet the needs of customers of all sizes and different industries. Our broad ecosystem provides scalability to meet SGH's demand for innovation

We also apply our expertise in business processes across industries and direct our innovations to address the world's greatest 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.



7/OUR

GOALS AND BUSINESS STRATEGY



The goal of Sirma Group Holding AD, like any company, is to be profitable and return money to its shareholders. The differences between the Holding and typical investment funds are:

- Controls more than a typical VC fund companies at an operational and strategic level
- Determines the strategies and policies of the group companies
- There is no lifespan like with typical VC funds. The aspiration has been constant over the years to increase equity regardless of the dividends that are distributed and the investments that are made performs. In this way, the value of the group is constantly increasing.
- Provides an ecosystem for group companies;
- Provides marketing services and consulting;
- Provides centralized administrative services to the group companies, as a result of which reduces their administrative costs; carries out constant control and ensures good and uniform reporting for each company individually and for the entire group.
- It helps companies in areas such as ensuring human potential for business development, facilitates and reduces the cost of transferring technologies and technical resources necessary for business
- It preserves the business and technological know-how accumulated over many years.
- Provides the group companies with business and technological expertise built over many years partnerships
- The relationships built over the years with investment funds will facilitate in the future the processes of attracting external investments in companies and the sales of shares and targets enterprises.

Sirma Group Holding AD is a company whose activity consists of managing the companies in the group and providing them with all kinds of services - administrative, marketing and strategic. For administrative services, the group companies pay a monthly administrative fee.

service, which is calculated based on the following principles:

- The annual expenditure part of Sirma Group Holding AD is budgeted
- Investment costs and costs related to investment activities are excluded.
- The remaining part of the expenses – administrative services, marketing and management – are distributed to be covered by the companies in the group in the form of a monthly fee for administrative service
- The fee for each company is calculated according to: the stage of development of the company, the size of the revenue, number of staff

Sirma distributes a dividend to its shareholders, the amount of the dividend being determined by the General Meeting of Shareholders, but ranging within the limits: 20% - 50% of net profit. The holding company's profit is generated by:

- Dividends that the holding company receives from its subsidiaries.
- Subsidiaries distribute dividends in the amount of 20%-50% of net profit depending on the company's business and plans.

The dividend-generating companies in the group are:

- Sirma Solutions
- Sirma Business Consulting
- EngView Systems
- Daticum
- Sirma ITT - in 1-2 years

Each of these companies, with the exception of Daticum and Sirma Business Consulting, reinvested significant part of their profits into business development.

Income from sale of shares in subsidiaries or entire companies

Some of the companies remain in the group, continue to grow and generate profit, which is used to invest in new business ideas and for dividends to shareholders. Other companies that we have determined are suitable for sale – we sell and the proceeds from the sale are used for new investments and dividends to shareholders.

The holding company's strategy is to sell companies in some of the following cases:

- There are agreements that require a company to be sold after some period of time or when certain conditions are reached
- The company has reached a stage where Sirma can no longer contribute to its development and requires either a very large investment, which is assessed as risky, or a strategic buyer/partner to help her move to the next stage of her development
- The company is risky, with little chance of development even with subsequent financing, and is it's good to find a way out of it
- Urgent sale – the company is in bad shape and should be sold urgently to the option to be closed



8/ SIRMA GROUP HOLDING IN 2015

8.1. GLOBAL ECONOMIC TRENDS

In its latest report, the European Central Bank (ECB) concludes that the global economy grew gradually and unevenly in 2015. The ECB believes that low oil prices, favorable financing conditions, and improving labor markets have helped advanced economies perform more efficiently than in previous years. However, growth in emerging markets and developing economies remains relatively weak, according to the ECB. She cited financial stagnation and falling prices as the causes.

For the Europe, Middle East and Africa (EMEA) region, the ECB report shows contradictory trends. According to its calculations, the Eurozone's gross domestic product grew by 1.5% in 2015. The ECB believes that this increase in the EMEA region is mainly due to the increase in domestic demand. The report states that the economies of Central and Eastern European countries are stable, while Russia is in a significant recession.

The economic performance of countries in the Americas region is also uneven. According to the ECB, the US economy stabilized in 2015 and weakened only slightly in the third quarter. However, a number of countries in Latin America fell into recession; most notably Brazil, where the decline was mainly due to political uncertainty.

In the Asia-Pacific region and Japan (APJ), the Japanese economy struggled to gain strength in 2015, showing a slight recovery in the third quarter and signs of growth at the end of the year, according to the ECB report. China reoriented its economy by easing monetary policy and introducing a new exchange rate regime in the summer. Political uncertainty in China has increased and economic growth has slowed. India's pro-business reforms led to increased investment and economic growth in the country in the second half of 2015.

8.2. IT INDUSTRY IN 2015

Global IT market growth began to slow in the second quarter of 2015, according to a report by **International Data Corporation (IDC)**, an American market research company. The report attributes this development to the decline in PC sales at the expense of servers and mobile devices, the encroachment of cloud and mobile services on traditional IT businesses, and the weak economic performance of countries such as Brazil, China, and Russia. IDC has lowered its forecast for IT market growth in 2015 and the global IT market is expected to have grown by 4.9% - significantly more than the economy as a whole.

However, according to IDC, IT spending by segment is not growing evenly. She points to strong growth in the cloud services market, Big Data, and increased investment in servers and data storage hardware. IDC points out that there is a slowdown in the expansion of the smartphone market due to saturation, which expanded extremely rapidly in the previous year. In 2015, the growth rate of the smartphone market was closer to that of the IT market as a whole. Even the tablet market is unable to make up for this loss of momentum, IDC notes.

According to IDC, the business software market grew by 6.8% in 2015. The share of investments in cloud, mobile and Big Data solutions continues to increase. This had an adverse effect on services, which grew by only 2.8%.

IDC reports that IT spending in Europe, the Middle East and Africa (EMEA) increased by 5% in 2015, significantly outpacing the overall economy's growth of 1.5%. For example, in Germany, the IT market is growing by 6%. Low oil prices, economic sanctions, and the depreciation of the ruble have had a significant negative impact on Russia. IDC expects the IT market in Russia to decline by 15% in 2015.

According to IDC, the market in the Americas region grew by 4.6%. In their opinion, this is mainly due to the US market remaining largely stable. It grew overall by 3%, slightly less than in the previous year, mainly due to the weakening of smartphone and tablet sales. On the other hand, the software services market in the US is



a remarkable 7% growth, according to IDC. In Brazil, IT investment increased by 11% in 2015, although this increase should be seen in the context of high inflation. The growth of the Mexican market is 13%.

In Asia Pacific and Japan (APJ), IDC reports that the IT market there grew by almost 6% in 2015. IT markets in individual countries performed very differently. In Japan, IT spending remains constant on an annual basis. In China, IT market growth slowed to 8% (2014: 12%). In India, however, IT spending grew by a remarkable 11%, according to IDC.

On January 18, 2016, **Gartner analysts** reported a record decline in the global IT industry. Reason – the high dollar exchange rate.

According to experts' assessment in 2015 **Global IT spending totaled \$3.52 trillion, down \$216 billion from the previous year.** The IT market has not seen such a large decline in dollar terms during the period Gartner has monitored it, analysts note.

Excluding currency fluctuations, the industry volume grew by 2.5%. Previously, experts predicted a 1.3% decline taking into account the strong dollar and a 3.1% growth excluding this factor.

As of January 5, 2015, the EURO-US dollar exchange rate fell to its lowest since 2006. The dollar also appreciated against other currencies, incl. The yen and the ruble.



The expensive dollar slowed the growth of the global IT market

Moreover, experts believe that the information technology industry will not be able to reach the volumes of 2014 by 2019, although growth of 0.6% is expected for 2016, which will bring IT spending to 3.54 trillion.





morganmckinley.com.sg

Gartner considers cloud technologies and enterprise software to be the main growth drivers in the IT industry.



The IT market fell to a record low due to the high dollar exchange rate

"The rising US dollar was the cause of the poor results in 2015." – said Gartner research vice president John – David Lovelock. The earnings of American multinational companies were experiencing currency problems. However, in 2016, these difficulties will disappear and companies will be able to count on 5% growth."



According to researchers, in 2015, total sales of computers, mobile phones, tablets and printers fell by 5.8% and reached \$653 billion. This market was negatively affected by the instability of the markets of Russia, Japan, Brazil and other countries, as well as the emphasis of mobile phone users in developing markets on cheaper devices and weak tablet sales, where the opposite situation was expected.

on in the regions,
Data centers turned out to be the only growing segment of the IT industry in 2015. Here, equipment spending reached \$170 billion, up 1.8% from the previous year, thanks to continued high demand for hyperscale server solutions.

In 2015, the volume of the enterprise software market fell by 1.4% to \$310 billion. Global spending on IT services fell by 4.5% to \$913 billion, and in 2016 it will return to growth, as analysts predict, due to widespread adoption of cloud computing.

technologies.
The Gartner report shows that in 2015 a total of \$1.47 trillion was spent on telecommunications services. **This market was also affected by the abolition of roaming payments in European Union countries and some regions of North America.** The decline is 7.2% compared to the previous year.

"We want to emphasize that this does not mean a market collapse. This false perception can be created by large fluctuations in the US dollar's exchange rate against other currencies, said John-David Lovelock. However, there are also side effects of a rising dollar. Manufacturers are required to raise prices to balance the profit from the revenues and costs of their products. Companies and consumers will have to make purchasing decisions with corrections in line with the new prices."

	2015 Spending	2015 Growth (%)	2016 Spending	2016 Growth (%)
Data Center Systems	170	1.8	175	3.0
Software	310	-1.4	326	5.3
Devices	653	-5.8	641	-1.9
IT Services	912	-4.5	940	3.1
Communications Services	1,472	-8.3	1,454	-1.2
Overall IT	3,517	-5.8	3,536	0.6

Source: Gartner (January 2016)

ICT in the financial sector



Financial institutions are increasingly aware of the connection between their digital strategies and risk management strategies, and innovation is seen as a critical condition for business sustainability and growth.

The analyst company International Data Corporation (IDC) has conducted an extensive study of the information technology market in the financial services sector.

According to this IDC study, in 2015, banks and other financial institutions spent about \$114 billion on mobile, cloud, and analytics technologies, as well as Big Data, which will lead to a \$455 billion IT market in the financial sector.



"The advent of the third platform and its components – mobile and cloud technologies, analytics and Big Data, as well as social networks – has led to a fundamental surge in the financial sector's investments in IT and applications," notes IDC Financial Insights Senior Analyst Karen Massey. According to IDC forecasts, by 2019, the financial market will spend about 30% of its IT budget on purchasing mobile, cloud and analytical technologies, as well as solutions for working with big data.

against 25% this year..

Source: DailyComm

"As financial institutions increasingly recognize the connection between their digital strategies and risk management strategies, and as new innovations emerge from 3rd platform technology providers (mobile, social and cloud solutions), traditional financial sector IT providers are challenged to demonstrate their ability to help add value to digital strategies. To meet this challenge, traditional IT providers for the financial sector must work to deeply understand corporate strategies, brand and product visions, unmet needs, and the priorities that most drive IT product and service purchases," commented Michael Versace, global research director at IDC Financial Insights.

Regardless of the above, in conditions of economic instability, banks' demand for information technologies is changing: credit institutions are looking for inexpensive solutions that give a quick effect. **The focus of attention is on technologies that allow for optimizing business processes and reducing costs. If until recently banks were primarily concerned with optimizing back offices, now the focus is on improving front office systems.** The short redemption horizon now sought by banks rather defines projects in the field of customer service and product portfolio renewal.

The enterprise software market

According to various estimates, in 2015 **the global market for ERP** systems will reach \$50-\$60 billion, with the highest growth rates to be recorded in developing markets, especially South America and Asia.

According to experts from Global Industry Analysts, sales of ERP systems in 2015 will be worth \$67.8 billion, and the positive dynamics in this market will be a prerequisite for increased competition in all sectors of the economy.

Forrester Research's forecast is more moderate. Analysts from this company predict that the ERP market volume in 2015 will reach \$50.3 billion.

Among the important new trends, research agencies note the growing popularity of cloud services. According to a Gartner report titled "Best Practices for Managing Integration in a Hybrid Cloud and On-Premises ERP World," cloud technologies will be a major direction for the ERP market development over the next 5 years.

Gartner's study found that 2% of organizations are already using cloud ERP, and 47% plan to move key ERP systems to the cloud in the next 5 years.

By the way, 30% of companies do not plan to move their ERP system to the cloud in the foreseeable future – these are mainly manufacturing enterprises.

By the way, recently more and more analysts support the prediction that traditional ERP packages will be reconstructed as a mix of applications and, accordingly, organizations will build their corporate information systems as a combination of on-premise and cloud solutions. This scenario really seems quite likely.

Customer relationship management

At the beginning of 2014, Gartner analysts published their latest forecast for the development of the CRM solutions market on a global scale. **The report said that CRM systems will remain the focus of attention for companies trying to move their customer relationships to a "digital" level.** Against this background, several segments will actively develop in the global market of customer relationship management systems: mobile and social CRM, web applications

analytics and e-commerce.

Gartner expects that in 2017 the global CRM systems market will be worth \$36.5 billion, with the segment's average annual growth rate until then being 15%.

CRM plus or CEM



Sirma Group Holding AD
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In recent years, the capabilities of CRM systems have visibly changed. Previously, these solutions allowed for customer segmentation, but now we are talking about personalization. The concept of "Customer Experience Management" (CEM) also appeared, denoting a set of processes for tracking, controlling and organizing every interaction between the user and the provider throughout the entire period in which the customer uses a given product or service. The main task of CEM is to optimize all elements of customer interaction in order to

increase their loyalty and minimize customer churn.

Customer experience management technologies are most actively applied in industries where competition is fiercest – telecommunications, retail, banking services. Many companies implement customer-oriented strategies, with greater or lesser success, based on loyalty programs or personalized offers. In this regard, banks and companies developing e-commerce are particularly active. In general, however, telecoms can boast the most developed CEM solutions, which is understandable - they have the most useful information about the customer's actions and events in their life.

Analysts note that the CEM segment is in a period of explosive growth. According to ABI Research forecasts, in the period 2012-2018, the market for CEM systems for mobile operators is increasing its volume by 60 times per year - in 2012 its volume was \$230 million, and the segment is expected to reach \$14 billion in 2018.

The new horizons of business analytics

Intelligent business analytics systems represent a fairly large segment of the enterprise software market, which, according to Gartner analysts, has been growing by about 8% annually since 2012 and will reach \$17.1 billion in 2016. Moreover, if we consider the BI market as a combination of analytics tools and data warehouses, its volume last year was \$81 billion, and in 2020 it will be \$136 billion, according to Gartner estimates.



Source: CIO

8.3. Bulgaria and the local IT market

The country is in a currency board arrangement, under which the Bulgarian lev is fixed to the euro at an exchange rate of 1.95583 leva. The economy registered a surprising acceleration in GDP growth of 2.4% in 2015. However, businesses remain cautious as the current government is set to undertake major structural reforms in the judiciary, energy and healthcare to unlock and accelerate economic growth.

However, public finance management is improving, thanks to better tax collection, which in turn should create the opportunity for fiscal stimulus.



The IT industry is one of the fastest growing sectors in Bulgaria, driven simultaneously by software outsourcing services, a boom in start-ups, and a favorable entrepreneurial environment, complemented by the availability of highly qualified software specialists. **Over the last decade, the contribution of the software industry has grown significantly, expressed as a share of GDP - up to three times to 1.8%, and revenues in the sector have increased fivefold to 1.4 billion leva or 18% CAGR.** The share of the ITO industry is expected to reach 2.5 billion leva by 2020, or a 9.4% CAGR, according to data from the Bulgarian Association of Software Companies (BASCOM), 60% of which comes from the export of services.

Local IT talent is a cost-effective resource, and in addition, the Bulgarian education system prepares specialists in the field of software engineering and technical specialties. **This access to highly skilled resources attracts many global IT players who have established service centers for their operations. Software companies such as Hewlett Packard outsource their services to Bulgaria, employing over 5,000 employees.** Among the significant investments are VMware's Global Delivery Center, located in Sofia, SAP Labs, IBM, Siemens, Experian, Luxoft, etc.

According to BASCOM research, jobs in the software industry have more than tripled - from under 5,000 to over 17,000 and are expected to grow to 32,000 by 2020. At the same time, the average salary level has doubled over the same period – it amounts to EUR 21,000 / year, but is still far below the EU and US average, which amounts to 5x lower than the US, and 3x lower than the EU 18 average.

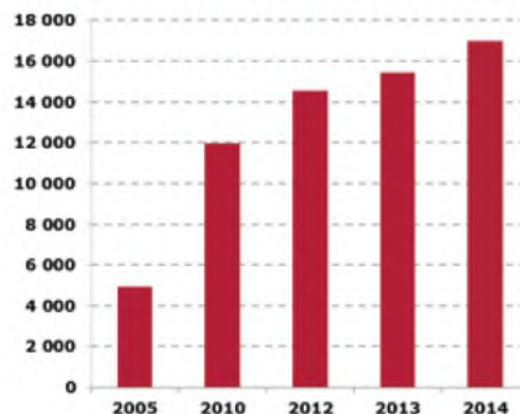
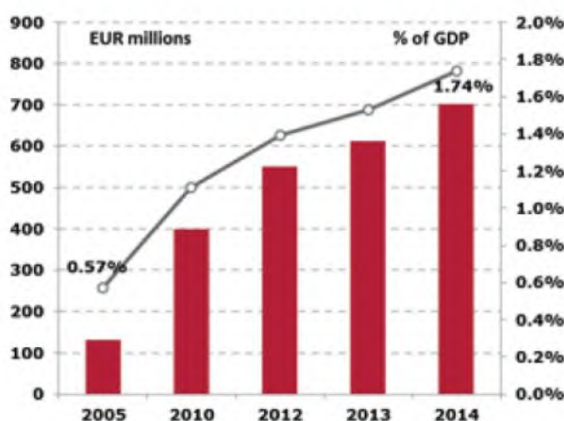
In addition, there are many local IT developers offering both their own products and outsourcing services that were created in Bulgaria and have successfully developed into companies with multi-million dollar turnover. **Some of them have already attracted private capital and strategic investors.** The latest and largest deal for Bulgaria is the joint sale of the company Telerik, founded by Bulgarians and Summer Partners, to the US company Progress Software (NASDAQ: PRGS) for USD 262 million, with the company being

valued at over 4.4x sales. This deal is among the 10 most successful in Europe in 2014. In 2015, British insurance services company Charles Taylor (LSE: CTR) and Riverside Co acquired a stake in a local insurance technology company, FADATA. The purchased share was valued at 40 million leva or 1.6 x sales, but the sale was made with a strategic investor.

Numerous small PE deals complement the market picture, thanks to the created ecosystem for starting a business, further supported by the attraction of resources from European funds supporting the development of the entrepreneurship ecosystem in Bulgaria. **For example, Flippis Media, a subsidiary of Bianor Holding (5BI BU), raised a \$2.4 million Series A round from Silicon Valley-based angel investor Tim Draper, and EU-based venture capital fund Early Bird and StorPool (created a solution for attracting IT Web investments, to global hosting service provider SiteGround).** Since 2012, EUR 21 million, part of European funds, has been invested through accelerators and venture capital funds in over 120+ start-ups, with expectations that their number will double in 2015-2020.

Bulgarian industry revenues up 5x in 10 years...

... with 3.4x more software jobs



8.4. IMPACT ON SIRMA

In 2015, once again, the growth of the global economy and the IT industry was slow and volatile. **This presented us with significant challenges. But our excellent results in 2015 confirmed our strategy of innovation and growth.** We have once again managed to expand our business many times over the levels reached in the global economy and the IT business in terms of revenue growth.

Our revenues increased by 21.3%. Revenue from regular customers reached 31%. 216 new customers trusted us.

In 2015, we once again demonstrated consistency in pursuing our innovation and growth strategy and proved that we are capable of generating revenue growth that other IT companies cannot match.

8.5. THE GROUP AND THE COMPANIES IN IT

Creating and managing growth

Sirma Group Holding is the largest Bulgarian software developer, having achieved 24% CAGR over the last three years. The group is successfully positioned as a company incubating technological ideas and creating businesses that transform industries and business processes, and enable global growth.

The most successful drivers and catalysts of growth included in Sirma's portfolio are the projects in the field of e-government, respectively the developed key e-services, as well as the achievements in the field of semantic technologies developed by Ontotext. **In 2015, Sirma Group Holding went public on the Bulgarian Stock Exchange (BSE), and the SGH campaign is an example of a successfully conducted initial public offering (IPO) and capital raising.** This is another step in the holding's ambitious program aimed at global expansion and increasing innovation potential.

Creating technologies that change industries

The company supports the generation of ideas and the creation of businesses capable of changing industries and/or processes. The projects are provided with resources to allow for subsequent separation from the parent company and continued independent development as viable companies.

For example, one of the flagship companies in the holding has started its development following this model. **Today, Ontotext is an established technology leader, developed into a globally recognizable brand. Ontotext's flagship product changes and overturns the traditional approaches and processes used by corporations to find and manage information in large arrays of unstructured data.** Recognition for the quality of its products is provided by the company's clients - the BBC, the Financial Times, Euromoney, Astra Zeneca, the US government, etc.

Sirma is developing an innovative software application for mobile payments that can be used anywhere, even without a POS terminal available. In our product line of new developments, in an advanced phase is a challenging project changing the way devices and companies read and understand the information they see, using innovative image recognition technology.

Created locally, but operating globally

A dominant share (56%) of the group's sales come from international operations, with the US market leading (21% of revenues), followed by the UK and Germany. A significant share of Ontotext's sales (56%) are generated in the UK and USA.

One of the holding's subsidiaries - Daticum, is among the leading providers of cloud solutions in Bulgaria. **Her client is Fast Company, recognized among the leading sports companies in the top 10 ranking of Synergy Sports' NBA data.** Thanks to the successful partnership, millions of basketball fans have the opportunity to watch NBA games on video, in real time.

Preferred partner of government institutions for E-gov solutions and IT services



This sector provides about 1/3 of the group's sales, formed by high-tech services such as system integration, software development, business consulting, as well as hardware supply for government institutions and private organizations. **The shift to online commerce, online services and cloud solutions is a major factor in the reported growth.** The largest customers in this segment are the central government, government agencies, banks, large private companies, etc.

The largest IPO of a technology company in Bulgaria

Sirma's initial public offering and capital raising (IPO) campaign is considered the largest and most successful event since 2008. **In November 2015, the company raised additional capital of BGN 11.4 million by issuing 9.5 million new shares at a price of BGN 1.20/share.** The capital raised is intended for investments in expanding R&D activities, entering new markets and verticals, expanding commercial operations in the US, increasing sales and distribution, as well as strengthening marketing activities.

Sirma Group Holding AD is a holding company with over 23 years of history, and is among the largest software groups in Southeastern Europe. Established as a regional leader in one of the most promising sectors in the global economy, the company invests in and manages strategic and operational high-tech businesses.

Sirma employs over 300 experienced software specialists who have developed and implemented hundreds of successful projects on five continents. The implemented projects led to the accumulation of technological expertise and the creation of long-term relationships with clients in some of the most innovative areas of the software industry: semantic technologies, mobile applications, ERP (Enterprise Resource Planning), BI (Business Intelligence), financial, banking and payment services, e-government, data storage.

The companies in the group develop entirely new ideas in verticals of specialization, developing unique new products and services.

In addition to human and financial capital, the holding supports and incubates its own start-up companies 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.

SIRMA GROUP HOLDING

Sirma Group Holding (the Company, the Group, the Holding) is the largest and independent, local software company in Bulgaria. **Founded 23 years ago by a few student friends, it initially began its activities by developing software solutions in the field of artificial intelligence for Canadian public institutions.** Subsequently, the activity was transferred to Bulgarian projects in the beginning of 2000. Currently, the holding company manages a diverse group of subsidiaries specializing in software development, system integration, semantic technologies, big data, cloud services and solutions, mobile applications and technologies, e-government platforms and solutions, CAD/CAM solutions and colocation services. The holding's diverse high-tech expertise enables economies of scale and synergy between products and companies - one technology perfectly complements another solution/product created by a company of the Group.

The biggest contributor to the Group's product portfolio is Sirma Solutions, rightly called an "incubator of ideas and solutions for system integration". Sirma Solutions is a preferred local partner of leading global IT conglomerates such as IBM, HP, Oracle, etc. Regardless of the representative list of international clients, the company has also developed numerous software solutions for local companies (the ERP system DESSY, which automates a large part of the business processes in the leading Bulgarian courier company Speedy).

The leader of high-tech developments within the group is Ontotext - a provider of semantic technologies. **The company's flagship product, GraphDB, is based on a unique technology that allows companies to extract meaning and analytical information from huge arrays of unstructured data.** This unique solution is the reason for attracting clients, such as some of the leading media in Europe - BBC, Financial Times, Euromoney, the British Museum in the UK and the Gallery of Modern Art in the USA, as well as the governments of the USA and Canada.

In addition, the Holding manages one of the best data centers in Bulgaria - Daticum, enabling growth through scalable cloud solutions. Another subsidiary, EngView, develops



niche product CAD/CAM packaging software used by leading manufacturers around the world. The group also specializes in providing IT solutions for the financial industry, in the two main areas - banking and insurance sectors. Sirma is a preferred partner of local and central government institutions, especially in demand when digitizing the services provided by them. According to the strategy for introducing e-government and management, a phased elimination of traditional, paper-based operations and communication management begins. The e-government project, launched by the new Bulgarian government in 2015, is expected to make a significant contribution to the Group's revenues and financial results in the near future. The Sirma team is also developing a platform for intelligent document management called Sirma Platform.

From the perspective of the Group's revenues, an average of 56% is generated in Bulgaria from system integration services and corporate solutions performed by Sirma Solutions AD. The USA market is the second largest, generating 20% of consolidated revenues, with the trend being to increase its share, followed by markets such as the UK and Germany, where numerous niche products are being implemented and are about to be introduced.

In terms of profit contribution, the Group's niche products and solutions generate the largest share of planned sales volumes. In 2015, Sirma Solutions' sales had the largest share, followed by EngView Systems' CAD/CAM solutions, followed by sales of document management solutions offered by Sirma Solutions and Sirma ITT. However, there is untapped potential for stabilizing sales. The business development plans include achieving sustainable sales growth and commercialization of Ontotext products (semantic solutions) and the Sirma ITT document management platform.

As a pioneer on the Bulgarian technology scene, Sirma Group Holding presents a model for excellent corporate governance - ensuring transparency of processes and decision-making, stock options of employees, in order to retain valuable and valuable talents in the company, and minimize the number of leaving staff. The Group aims to be transparent in its policy towards minority shareholders, relying on dialogue and significant dividend distribution (20% - 40%).

The holding company is owned and managed by the founders, who are still involved in the daily and strategic management of operations. To further improve governance, the group has attracted experienced professional managers as independent members of the board of directors – such as Sasha Bezuhanova, who has led and managed Hewlett-Packard's operations in Bulgaria and Central and Eastern Europe for almost 20 years; Petar Stattev, an experienced entrepreneur, Vice-Chairman of the European Telecommunications Standards Institute (ETSI) General Assembly, and Chairman of the Board of the Bulgarian ICT Cluster Foundation; as well as Yordan Nedev, who started his career in the consulting firm Roland Berger, then CEO of Holding BDZ EAD, financial consultant, etc.

Business specialization

Currently, the holding has organically developed and/or acquired profitable businesses in the following areas:

Semantic technologies, content and process management, big data; dip

Ontotext

Sirma IT

Products and services in the financial sector

Sirma Business Consulting

Sirma ISG

S&G Technology Services

Cloud services

Daticum

Sirma Solutions

Mobile technologies and telecommunications

Sirma Mobile (Sirma Solutions)



Sirma Group Holding AD
www.sirma.com

Sirma USA (from the merged company Panaton Software Inc.)

EyeBill Interactive

E-government and public sector

Sirma Solutions

Sirma IT

Cad/cam, software and hardware for the packaging industry

EngView Systems

Image processing and recognition, video measurements, robotics

EngView Systems

Sirma Solutions

Business management products

Sirma Solutions

Sirma ITT

Sirma Business Consulting

Business Activity Verticals/Clients

E-government and public sector:

Clients in Bulgaria include the largest government institutions and agencies, as well as representatives of the non-governmental sector - local and international organizations. Among them are: Ministry of Transport, Information Technology and Communications (MTITC), Ministry of Defense, Ministry of Culture, Ministry of Health (Drugs Commission), Ministry of Finance (NAP), Ministry of Education, Ministry of Labor and Social Policy (LAP), Attorney General's Office, Government of Canada - National Electoral System; Food and Agriculture Organization of the United Nations (FAO).

Media: Financial TimesT, BBC, Press Association, Euromoney BTV, GARB, Subtext Media Ltd., Telegraph Media Group Ltd., etc.

Local and global business analysts: Bloomberg, Open Society Foundation;

Municipal sector: Sofia Water; BTC

Cultural and historical heritage: British Museum, National Gallery of the United States, National Art Gallery Sofia, National History Museum, Sofia.

Education: SU "St.St. Kliment Ohridski", UNWE, American University in Bulgaria, Varna Free University, Burgas Free University, Thracian University, Shumen University "Ep. K.Preslavski", Forestry University, etc.

Telecommunications and mobile technologies: Vivacom/Bulgarian Telecommunication Company EAD, Data Communications Ltd, NTT Communications Corporation, Beeper Communications AS, Nokia Corporation, etc.

Healthcare and pharmaceutical companies: Astra Zeneca, Municipal Hospital - Panagyurishte/Asarel Medet, city Huve Pharma, etc.

Engineering companies: QVI, Canon, Prinzhorn Holding, Serviform S.R.L., Heidelberg Druckmaschinen AG, Laserk Corporation, etc.

Transport and forwarding: Bulgarian State Railways, Bulgarian Railways, Speedy AD, Econt Express Ltd.

Trade: Globe Trade Centre Group (GTC) – operator of the "Galleria" shopping centre chain, Salesorder Ltd.

Financial technologies: Allianz Bank Bulgaria, Alfa Bank/Euro Bank/– Bulgaria branch, Alfa Bank AD – Skopje, Alfa Bank – Albania, Alfa Supporting Services, Bahamas Bank, Bluepoint Consulting, Borica -



Bankservice AD, Bulgarian-American Credit Bank AD, Eurolease Auto EAD, Unicredit Bulgaria, CCB, Erste Group Immorent Bulgaria EOOD, Ibis Systems AD, Colpoint New Europe AD, Credit Agricole Bulgaria EAD, MKB Unionbank AD, Oblog Consulting AD, Municipal Bank AD, Promobil Leasing OOD, First Investment Bank AD, Raiffeisenbank Bulgaria EAD, Sibank EAD, Societe Generale Expressbank AD, Tetsu Credit Union Cooperative Societies Limited, TBI Bank EAD, Tokuda Bank AD, Commercial Bank Victoria EAD, Hitachi Consulting Portugal, Temenos AG, Groupama Insurance EAD, DZI General Insurance, DSK Leasing, Levins Insurance, Euroins Insurance, Bulgaria Insurance AD, Victoria Insurance AD, over 90 insurance brokers, etc.

Enterprise Software – QVI, Telerig AD, HuvePharma, Europe-2000 AD, etc.

Consulting and Services - Electric Software Products - IHS Global Inc., Hicks 1 Technologies Inc., Axiom Education, Fadata AD, Bright Talk, Elevada LLS, Etach Inc., Insight HM LLS, Information Services AD, Recovery Planner.com, Open Society Institute Foundation; Fraport Twin Star Airport Management AD, York University.

Intellectual property

The group's portfolio contains high-tech products and solutions that are world leaders in their verticals and industries:

GraphDB™

GraphDB™ is a semantic graph database that helps organizations store, organize, and manage content in the form of semantically enriched smart data.

GraphDB establishes "Gold Standards" used for automatically extracting meaning from text and data, as well as storing, querying, and managing unstructured data.

Semantic Data and Services Management Platform

The dynamic content publishing platform consists of a set of databases, machine learning algorithms, APIs, and tools that are used to find, curate, and better manage already created content. **It is also applied to build news generation solutions.** The applications of the platform are in various aspects: educational institutions - scientific units, academic structures, media and other content publishers.

Media Publishing Solution

A semantic solution enabling document and content management in the fields of medicine, biology, pharmacy, healthcare and biotechnology.

Ontotext Life Sciences/ (LS-HC-Solution)

Cloud services leverage multiple applications of semantic products and solutions for data management and text analysis in the fields of medicine and life sciences.

S4 Self-Service

Self-Service Semantic Suite (S4) is a budget solution that provides an on-demand set of services. **It is used for text analytics and metadata management in the cloud.** The platform is reliable and adaptable, and enables users to build world-class semantic search and discovery applications (Semantic Enterprise integration).

EngView Package and Display Designer Suite

EngView Package Designer Suite is an integrated CAD/CAM environment for 2D packaging design made of cardboard, corrugated board and other sheet materials. It is structured as a set of functional modules that cover the entire process - from the conceptual design, through 2D and 3D modeling, optimal placement of packaging folds, preparation of sample samples and the production of dies for packaging and POP/POS displays.

Loyax

Loyax is an innovative loyalty program management platform that can be fully customized to the specific requirements of each business.

Image recognition



We develop innovative software for recognizing static images and videos. Similar solutions are widely used for industrial applications – robotics, computer vision, security, military applications, telemedicine, etc.

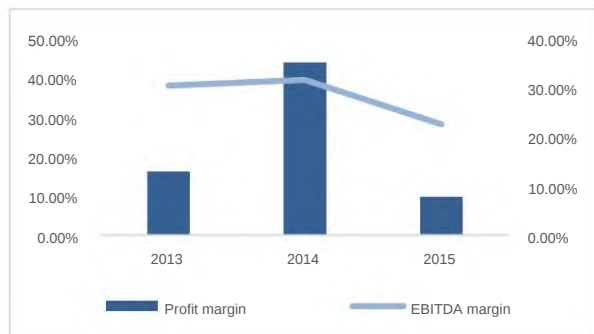
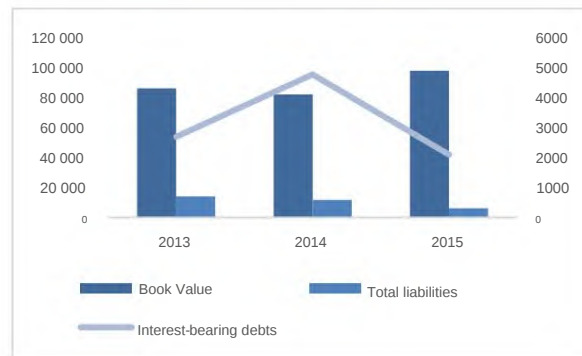
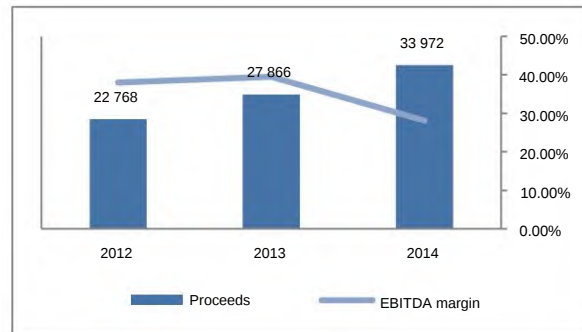
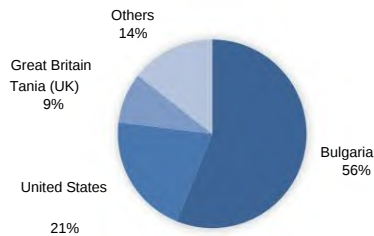
Sirma ICS

Flexible cloud platform, web-based solution for insurance brokers.

OVERVIEW OF THE GROUP'S FINANCIAL RESULTS

in thousand BGN, incl. ratios	2013	2014	2015		2013	2014	2015
Proceeds	22,768	27,866	33,972	Total assets	92461	94027	112268
EBITDA	8 644	11 001	9,556	Intangible assets	31692	29854	36800
Net profit	2 949	9 779	2 169	Commercial reputation	13744	19398	19540
EBITDA margin	37.97%	39.48%	28.13%	Book Value	86 333	82 329	98 103
Profit margin	35.09%	7.78%		Total liabilities	14165	11869	6194
ROE	3.42%	11.88%	2.21%	Interest-bearing debts	2702	4780	2098
EPS (BGN)	0.04	0.2	0.04	ROA	0.57		
SPS (BGN)	0.31	0.56					

SIRMA GROUP'S MARKETS IN 2015



More detailed financial information on the annual consolidated results follows in section 10.5.



SIRMA SOLUTIONS

GENERAL INFORMATION

Sirma Solutions AD is a global company providing services in the field of information technology. The company has several subsidiaries that provide specialized services in various sectors of the economy. Founded in 1992, Sirma Solutions is part of Sirma Group Holding - the largest software group in Bulgaria, listed on the Bulgarian Stock Exchange since the end of 2015. (SKK).

Sirma Solutions specializes in software production and development. The company is consistently present in the top 3 places in the ranking of Bulgarian software development companies.

We develop and implement complex IT systems for the banking sector. Our portfolio includes innovative solutions in the field of insurance and insurance brokers, where we hold a leading position in Bulgaria. Sirma Solutions is among the leading providers of complex solutions for the public sector and is a key player in the development of e-government. We are among the leading system integrators on the Bulgarian market.

The Sirma Solutions group of companies is successful in delivering products and solutions in the service and telecommunications sectors. The company's solutions and products work in the fields of mechanical engineering, healthcare, the aerospace industry, the transportation sector and logistics.

Our consulting business includes hundreds of successful projects in the USA, Western Europe and the Balkans. Sirma Solutions has accumulated experience and skills in the most advanced areas of the IT industry, as well as a proven project management methodology and deep knowledge of business processes in a number of key verticals.

The successful implementation of projects, regardless of the degree of complexity, is guaranteed by over 200 experienced and highly qualified specialists and associates. Depending on the scale and complexity of a given project, the company has access to an expanded pool of resources - over 500 people, whom we attract from other companies in the holding or through a network of partner subcontractors. A large portion of Sirma's software specialists hold certificates in various technological fields and in the field of project management.

Our main R&D offices are in Bulgaria (Sofia, Plovdiv, Varna, Ruse and Kazanlak). Sirma Solutions has sales offices, some of which are also consulting offices, in the USA, Canada, the UK and Brazil.

Sirma Solutions has extensive experience in the field of professional quality management of IT projects. The company has been ISO 9001:2008 certified since 2003. To meet the increased regulatory and contractual requirements regarding data security and privacy and IT management, the company implemented an information security management system according to the ISO 27001:2005 standard.

BUSINESS SPECIALIZATION

Sirma Solutions, together with its group of subsidiaries, operates in a wide range of business areas. In every business area, we have vast expertise in providing our own software and services, a long list of successful projects, and a large portfolio of clients.

FINANCIAL SECTOR

The financial sector is one of the key verticals in the activities of the Sirma Solutions group. Three subsidiary companies – Sirma Business Consulting (www.sirmabc.com), S&G Technology Services (www.sngservices.co.uk) and Sirma ICS (www.sirmaics.com) operate in the banking and insurance sectors. Our clients are more than half of Bulgarian banks, a large part of insurance companies and insurance brokers.

The products of Sirma Solutions companies - both their own and partner companies - cover every aspect of a modern financial institution. Our teams successfully implement the world's best-selling CORE banking systems – Oracle FLEXCUBE and Temenos. We have completed numerous projects in the Balkan Peninsula, Western Europe, the Caribbean, Africa and Asia.

PUBLIC SECTOR

In central public administration, we specialize in delivering solutions that cannot be implemented with standard means and tools, and require a great deal of creativity. We develop complex systems, processing huge volumes of data, that really work. Our



Clients are a large part of the ministries and state agencies - Ministry of Transport and Communications, Ministry of Finance, Council of Ministers, Ministry of Education and Science, Ministry of Defense, Customs Agency, National Revenue Agency, Employment Agency and many others. **We have implemented numerous projects in the fields of culture and education.** In addition to developing complex software solutions, our portfolio of successful projects includes technology audits, consulting projects, and project management.

For local public administrations, we provide solutions based on our platform, developed by Sirma ITT, which offers tools for flexible process and document management, teamwork, and the provision of modern electronic services to citizens.

Besides Bulgaria, Sirma's clients are public organizations such as: British Parliament, US Ministry of Defense, Elections Canada, Environment Canada, etc.

In the field of culture and education, our clients are: National History Museum, National Art Gallery, British Museum, Metropolitan Museum USA, many Bulgarian universities, hundreds of Bulgarian schools.

CLOUD SERVICES

Implementing complex projects for its clients, Sirma Solutions provides all aspects of an IT project - from design, through development, testing and implementation, to hosting, maintenance and operation. **To meet the high demands of its clients, Sirma Solutions built its own modern data center that meets the highest global standards, which is managed by its subsidiary Daticum.** In modern IT infrastructure, cloud technologies are gradually taking a leading position, providing the best possible combination of quality, price, flexibility and scalability.

At the very foundation of cloud services is the concept of Infrastructure as a Service (IaaS). **A cloud data center that allows companies to deploy their applications quickly and with less maintenance, providing flexible and easy configuration of IT resources (such as servers, storage, and network resources) to meet ever-changing business needs.** Daticum's IaaS platform provides the opportunity to get the most out of IT resources through intelligent cloud infrastructure, providing a highly reliable, stable and secure IT environment.

We offer cloud servers, private virtual cloud solutions (Virtual Private Clouds), as well as specialized services for building private cloud solutions (Private Clouds and Hybrid Clouds) and desktop virtualization solutions (VDI).

In software development, we specialize in Amazon Web Services and Microsoft Azure. **Our team of specialists has vast know-how in the full spectrum of services offered by both cloud platforms. We design and develop complete solutions optimized for working in a cloud environment, as well as consult our clients when they need to move part of their infrastructure to a cloud environment.** We operate and maintain business-critical information systems and servers located in the cloud.

INDUSTRIAL APPLICATIONS

Sirma Solutions is a developer of a large number of software projects and products in various industries. We have many years of experience in developing software for business-critical systems in production processes, technological innovations in products and services, global supply chain management, customer loyalty management systems, and brand equity.

Our product Loyax is among the world leaders in the field of loyalty systems, providing high-tech tools for building customer loyalty - creating flexible and effective loyalty programs, CRM, multi-platform communication, mobile technologies, LBS (Location Based Services), analytical reports, behavioral profiles, etc.

The company also specializes in Product Lifecycle Management systems. **Combined, these expertises aim to help manufacturers identify and implement best practices for managing supply chains (value chains).** Among our clients in this area are companies such as the American QVI - a global leader in the field of video measurements and Huvefarma - a large Bulgarian pharmaceutical company.

Our solutions work in almost all gas stations in Bulgaria, providing real-time connection with the Customs Agency.



We have extensive experience in developing embedded software. We have developed software systems for devices manufactured by solar panel installers in the US; software embedded in an innovative contactless charging system for mobile devices, with which we won 2 awards at the Consumer Electronics Show (CES); embedded software for a cyber security device, a complete fuel volume measurement system, numerous versions of POS software.

Together with EngView Systems, a Sirma Group company that develops CAD/CAM software, we have completed many integration projects in packaging manufacturing companies around the world.

HEALTH CARE

In partnership with Ontotext, a company from the Sirma Group, we develop cutting-edge technologies for the pharmaceutical industry related to information extraction and structuring in the drug manufacturing process. **We develop solutions in the field of electronic health records (EMR), compatible with HL7, ICD-9, ICD-10 and CDR standards.** We develop systems in the field of process management and document management in healthcare facilities, patient mobile applications.

In 2015, our systems integration teams built the entire infrastructure – software and hardware – of the most modern hospital in Bulgaria.

Our expert team of professionals knows the needs of the medical sector well and is ready to deliver any type of software solutions to meet client requirements.

Our R&D center works on the creation of new high-tech products, such as telemedicine robots, specialized graphics algorithms, and innovative communication solutions for the needs of the medical sector.

UTILITIES AND TELECOMMUNICATIONS

Sirma Solutions AD is a leading provider of software services for the telecommunications sector. We have proven experience in a wide range of technologies that serve the business needs of telecom operators, in this number:

- Billing systems through the company EyeBill Interactive Solutions
- **Storage and processing of large volumes of data (Data warehousing)**
- Network Operations Management Systems
- Short Message Servers (SMS Gateways)
- Customer relationship management solutions (CRM solutions)
- Internet telephony (VoIP Telephony Services)
- Mobile Payments
- Provisioning Systems & Portals

In our projects, we combine the deep business expertise of our specialists with established global project management practices. **We have provided solutions that manage to provide low-cost, high-quality telecommunications services based on Internet telephony (VoIP) for business and end customers.** We also have long-term experience in developing billing and billing management systems for telecoms (Billing Support Systems) based on Internet telephony.

Sirma Solutions has expertise in developing various solutions for utility companies. We developed a mobile water meter reading system for Shumen Water and Sewerage, the Daticum data center is used by Sofia Water and Sewerage, we implemented a large project for an energy company in the US – SolarBridge, acquired by SunPower, including real-time energy usage monitoring, monitoring of energy generated by solar mini-stations, financial analyses, etc.

We successfully completed a project for Vatillum, San Francisco, CA (cloud-based software system for project management in the utilities sector – pilot client was Pacific Gas and Electric);

INFORMATION SECURITY

Sirma Solutions has extensive experience in the design and development of systems that help organizations specialize in external monitoring of Internet and mobile networks, and analysis of the risks of compromising them. We have successfully integrated solutions with security systems such as Tenable (Nessus), IBM Security AppScan, Burp Suite, Rapid7 (Nexpose & Metasploit) and test result management for potential security breaches.

Many companies offer cybersecurity solutions – software platforms, various tools, pentest services, GRC, IDS/IPS, and SEIM implementations. In contrast, instead of focusing on detecting and reporting



various potential breaches, Sirma Solutions uses techniques in software development to proactively limit breaches at the code level.

We provide our clients with various software solutions in advance to automatically scan and remediate potential security issues, working with the client's engineering teams to ensure timely delivery of the software solution, which is not delayed for release in a real environment due to potential security issues.

With more than 20 years of experience in software development in major programming languages such as C, C++, Java, and .NET, we analyze software security at the architectural design level and implement the necessary software components to improve security.

One of the hallmarks of our skills is proven expertise in the development of multiple projects on embedded system software and Internet-of-Things software for many well-known manufacturers such as NXP, Freescale, Odroid, TI, Ricoh, Konica-Minolta and Fujitsu.

IT CONSULTING

Sirma Solutions uses an innovative approach and highly qualified experts capable of transforming processes in large organizations, ensuring sustainable business growth through the design, implementation and support of high-tech solutions. This reputation and excellent references are the reason why we are one of the preferred IT consultants for technology audits in organizations such as the National Revenue Agency,

Ministry of Internal Affairs, Customs Agency, and many private clients.

A large part of our projects in the US are for clients for whom we have developed the overall concept, architecture, implementation, launch in a production environment, and support of key software systems for their business. Some of our major American clients are: Instill Corporation, X1, SolarBridge, Energon, Inofile, Fortress and many others.

In our projects, we follow a very strict methodology throughout the entire project, which allows us to deliver exceptional quality software, on time and on budget. Adherence to the software methodology, our capacity of experts at an extremely high world level - project managers, business analysts, software developers, testers and system integrators - allows us to gain the trust and loyalty of our clients (we have clients who have been working with us for more than 10 years), to have a reputation as a company that delivers quality and on time.

Main markets

Leading markets of Sirma Solutions AD are Bulgaria and the USA, which represent over 96% of the company's total revenues. In Bulgaria, in addition to providing services as a system integrator in the public sector, Sirma Solutions AD has a highly developed hardware supply division in the private sector, where it generates stable annual revenues on a daily basis.

Traditionally, a strong market for the company's software services is the USA, which for the period under review represents 59.70% of total service revenues. Sirma Solutions AD is represented on the local market through its wholly owned subsidiary Panaton Software, and the company already has a good history of successful software development projects for many American companies.

Through its UK subsidiary, S&G Technology Services Ltd., the company develops new market positions in the UK with a primary focus on software development and integration in the financial sector (FinTech).

Traditionally, the company works with clients from the Scandinavian countries on various smaller projects, where it provides software development services.

The new product of the Loyax company currently has several local sales in Bulgaria, but its marketing strategy envisages it being positioned globally (with first steps towards the markets in North and South America, Europe, Asia), and is expected to realize its first international sales in 2015.

Main customers

The company's main clients are medium and large enterprises in the USA and Bulgaria, as well as the public sector in Bulgaria, which can be grouped as follows:



- **Public sector in Bulgaria** – Ministry of Transport, Information Technology and Communications, National Revenue Agency, Ministry of Education and Science, Prosecutor's Office of the Republic of Bulgaria, Agency Customs, Ministry of Ecology, Ministry of Culture, Sofia Municipality and many others ministries, departments, agencies.
- **Education** – many dozens of schools are customers of Sirma Solutions and its hardware and software products for the electronicization of secondary education, through the Ministry of Education and science – the company's software solutions reach almost all secondary and higher education institutions in the country
- **Business organizations in Bulgaria** – Skril, BDZ, Asarel Medet AD, BIA, IBM Bulgaria, VIP Capital, BG Service, malls Galeria, Vivacom, Europe, etc.
- **International business organizations** – X1 Corporation (USA), BrightTalk (UK), Inofile (USA), Temenos (UK), Energous (USA), Axiom Education (USA), ComCom (Norway), etc.

Main competitors

The company has several main competitors in the field of developing solutions for the public sector and delivering e-government services to the Republic of Bulgaria, but it is nevertheless well positioned in this area and shows stable revenues from these activities.

In developing software for its international clients, Sirma Solutions operates under strong price pressure from companies from Asia (India, Pakistan, Vietnam) and Eastern Europe (Ukraine, Belarus, the Baltic Republics), but due to the high quality of services provided, strong local presence and good history of successful projects, it manages to win key clients in North America and Central Europe.

The Loyax product has several strong local competitors - Belly, Punchtab, etc. in the US and Mall-connect in Europe, but the company's strategy is to provide an innovative solution that will give the product a functional advantage.

Main objectives of the company for 2015 and their achievement for the period

The company's main business goals for 2015 are:

- Strengthening the company's position as a system integrator on the Bulgarian market

The company is very well positioned on the Bulgarian market as a provider of software solutions, hardware and system integration. **In 2015, revenue from hardware sales and system integration increased significantly.** However, the political and financial instability of the country led to a contraction of the market for software solutions in the public and financial sectors, and accordingly to a decrease in revenue from services for them in Bulgaria.

- Strengthening the company's position as a provider of software solutions in the market United Kingdom

In early 2014, Sirma Solutions acquired a controlling stake in the English company S&G Technology Services Ltd. in order to strengthen its position in the local market. For the first nine months of 2015, the subsidiary did not have significant revenues, but many marketing and business development activities were carried out, which led to the generation of a significant number of potential deals.

- R&D activity aimed at developing new high-tech products

The company won funding under an EU program to develop technology for semantic annotation and search in large image arrays and develop algorithms for graphic image recognition. **Significant research activity was carried out in 2014, which led to quite good preliminary results.** The company's expectations are that as a result of this project, a highly innovative high-tech product will be defined that will upgrade the company's portfolio in 2015 and 2016.

The company's main business model(s)

Sirma Solutions AD focuses on the needs of its clients and market trends, with the main goal of management being to create added value for them through innovative, high-quality and user-oriented system solutions. Full consultation and



The company's customer service, starting from the project planning stage, is an important part of our improved sales activities. The essence of the activities under the strategy of Sirma Solutions AD is to secure and develop leading positions in all markets in which it operates.

The company's revenue and profit are generated from:

- Implementation of comprehensive IT projects for the private sector - software development, system integration, delivery of software licenses and hardware;
- Providing software development services – outsourcing projects;
- Implementation of system integration projects in the public sector;
- Sale of licenses for own products;
- Sale of computer hardware.

Resource security of the company

The company has over 100 staff and is experiencing a chronic shortage of new highly qualified personnel. In order to be more successful in the labor market, numerous additional measures are being taken, such as:

- Internal and external PR to more easily attract new staff and retain old ones;
- A stock option program has been developed to retain key employees and further motivating everyone working in the company;
- Building a network of subcontractors to improve resource efficiency collateral for new projects.

The company has a EUR 1,400 thousand operating credit line and a EUR 210 thousand credit line for bank guarantees for participation and guaranteeing large projects in the public sector.

Analysis of trends in the development of the company

The main trend is to reduce the share of outsourcing projects at the expense of development and sales of own products and specialized IT services with higher added value. A strategic goal is to increase the share of scientific and research activities in order to create increasingly technological and innovative products and technologies.

The company is investing its own funds in expanding its marketing and sales department in its key markets - Bulgaria and the USA. Investing in securing a stronger presence in the UK market by acquiring a majority stake in the UK company S&G Technology Services Ltd.

Capital management policies – capital increases, option pools, treasury shares and etc.

The company created a reserve of its own shares with developed option schemes for managers and employees. The company will work to attract external capital to develop new products and services, finance the development and marketing of existing products, and increase its presence in international markets.

Business activity of Sirma Solutions AD in 2015

At the end of 2014 and the beginning of 2015, several Sirma Solutions engagements in the American market were simultaneously completed. The sudden termination of the contracts was not related to dissatisfaction with the company's services, but a pure coincidence of various reasons and interests related to our clients – e.g. strategic decisions to change product portfolio, financial problems, pressure from investors to transfer development to the client's internal resources, etc.

This naturally had an adverse effect on the company's normal processes. **The Board of Directors immediately took adequate measures to reduce costs and at the same time put pressure on all company structures responsible for sales. As a result of the measures taken, the company successfully weathered the temporary difficulties.** Five new contracts for relatively large projects were signed with American companies, we again reached full staff density, and in the second quarter Sirma Solutions began to actively hire people again.



On the Bulgarian market, it has won and already implemented two projects related to e-government. The company is very well positioned to win and execute several more major projects related to e-government in the public sector in 2015.

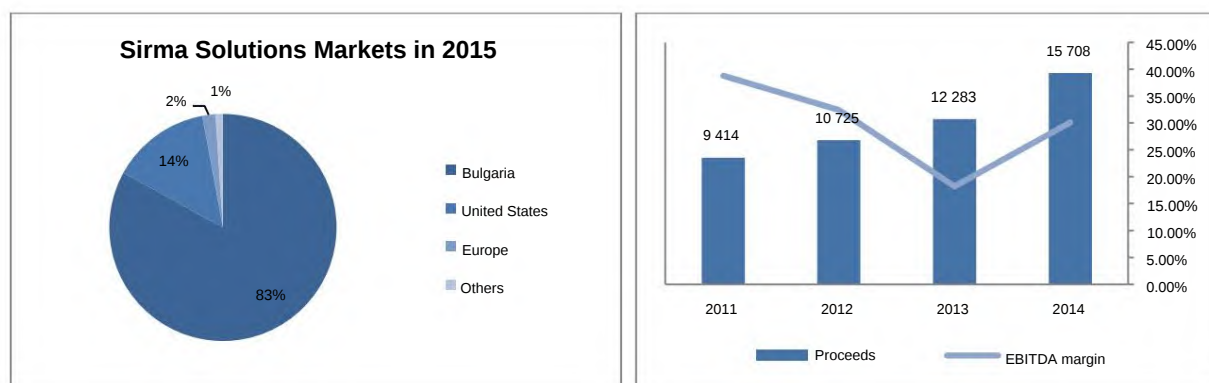
The unit working in the field of system integration and hardware sales was developing very well. In the first quarter, a very large contract was also signed for services related to the supply of equipment and system integration for one of the large Bulgarian banks, which was implemented in the second quarter. In the third quarter, another large contract was signed for the supply of equipment and system integration for a hospital.

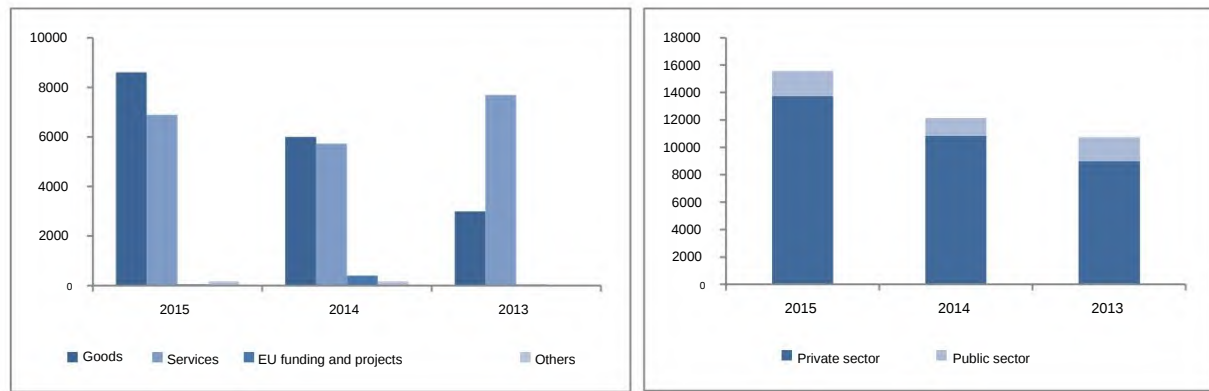
The Loyax product, which the company has been developing for 2-3 years, has begun to enter a phase in which there is already increased interest in it. Our continuous marketing efforts, which began in early 2014, have begun to yield results. We have signed new agreements to sell licenses for the product and there are many interesting opportunities for future sales.

In the first quarter of 2015, we successfully completed a research project in the field of semantic image and video recognition, funded by the EC. Even after the project is completed, we continue to invest in this area, with the aim of developing a high-tech product with which the company can enter this technological niche.

Despite the difficulties the company went through at the beginning of the year, it ended the fourth quarter of 2015 with nearly 32.1% revenue growth compared to the same period in 2015.

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015
Proceeds	9 414	10 725	12 283	15 708		Total amount of the assets	39	39	47
EBITDA	3 653	3 475	2 236	4 724		Intangibles assets	066	972	42 493
Net profit	537	670	5 620	1363		Commercial reputation	14	12	
EBITDA margin	38.80%	32.40%	18.20%	30.1%	Book Value	589	367	4 674	6 206
Net profit margin	5.70%	6.30%	45.80%	8.7%	Total liabilities Interest-bearing debts	0	0	0	0
Sales per share	0.303	0.345	0.395	0.51	D/E	35	946	36	517
EPS	0.017	0.022	0.181	0.044				38	126
ROE	1.50%	1.80%	14.70%	3.4%	ROA	1	086	1	283
								1	706
								0.03	0.04
								0.04	0.04
								1.4%	1.7%
								13.2%	2.9%





The subsidiaries of Sirma Solutions AD have the following specialization:

Sirma Business Consulting AD

SirmaBC AD (SirmaBC) is a subsidiary of Sirma Group Holding, which is highly specialized in providing universal banking solutions (UBS) based on FlexCube (Oracle platform). This is a complete banking solution that has received worldwide recognition as one of the most preferred systems in the banking and financial industries.

The range of services provided by the company covers core banking, retail and wholesale banking, regulatory compliance and risk management, as well as the full spectrum of implementation and consulting services. SirmaBC is the third largest company in the holding and contributes about 20% of revenue.

SirmaBC was established as a separate entity in 2007 and has since become one of the leading technology players in the financial sector. The company is established not only in the local market, but at the same time continues to strive to increase its presence in international markets, especially in Europe, North and South America, Asia and the Caribbean. SirmaBC has a team of highly specialized professionals with complementary expertise in the financial field. This helps to develop a wide range of products designed to meet the growing demand and evolving trends in the sector, tailored to the specification of the banking and financial industries both locally and globally.

The company is virtually debt-free, and performs stably, with strong financial results, achieving an average EBITDA margin of over 25% over the last 3 years.

Products and services:

1. ORACLE iFLEX PRODUCTS

1.1. FlexCube - basic banking system

1.2. Flexbranch - a web-based front-end application for customer service in bank branches

1.3. Direct Banking – an internet and mobile banking solution that allows financial institutions to work with a scalable banking suite of web and mobile applications

1.4. BUSINESS INTELLIGENCE – provides an extremely powerful set of reporting, ad hoc queries and analysis, OLAP, spreadsheets and a system of indicators, with rich functionalities, convenient for use by the end user

1.5. E-BUSINESS SUITE - a comprehensive set of integrated, global business applications that enable organizations to make better decisions, reduce costs and increase productivity



1.6. BUSINESS PROCESS MANAGEMENT - A complete set of tools for creating, executing and optimizing business processes

1.7. REVENUE AND BILLING MANAGEMENT – Fully integrated pricing application, invoicing, company receivables management and customer care

1.8. ORACLE DB – a new multi-point access architecture that allows for easy and fast consolidation of a large number of databases, as well as for them to be easily managed as a service in the cloud

2. REPORTING SYSTEM /Reporting systems

2.1. Central Credit Registry - a web-based solution for automating the process of information management and processing, created for the purposes of the Central Credit Registry (CCR)

2.2. REPXPRESS - a system for centralized data storage and processing for regulatory reporting purposes

2.3. DQARS – data storage, quality control and reporting system

3. SCARDS - a system for managing all types of bank cards

3.1. Fees and loyalty programs

3.2. Front-end module

3.3. Credit module

4. UBX PAYMENT PORTAL - a system for information exchange, processing and making payments via: direct debit, credit transfer, credit transfer refund, seizure. Management of logical and physical interfaces with SEPA, BISERA6, BISERA7, RINGS, SWIFT, SEBRA, TARGET 2.

5. E-CHANNELS – A standardized solution for working with a full range of integrated electronic connectors and modules.

5.1. WEBANK – internet banking system

5.2. mBANK – a combined comprehensive mobile banking platform

5.3. UTILITY PAYMENTS - Utility payments - electronic payment system for utility services - invoices for payment and bill presentation

5.4. STATEMENTS /Reports - creation and delivery of statements on client accounts, through various channels - at a bank office, postal address, e-mail, web portal;

5.5. NOTIFICATIONS - subscription for real-time notification via SMS and/or email messages about account status or account movement, card transaction, upcoming loan installment, utility payment, amount due, etc.

5.6. **Personal Finance Manager - a system for increasing the financial awareness of bank clients through a visual representation of the management of their finances.** By using PFM, clients can manage their expenses and revenues and create revenue forecasts.

5.7. ceGate - a standardized portal for establishing a connection with electronic registers, which facilitates and unifies the receipt of information from end users.

6. UBX AUTHORITY - a system for online authorization of card transactions.

7. UBX DISTRRAINTS - web-based software applications for automation of the distraint process orders and inquiries;

8. UBX LAWSUITS - web-based software applications for automation of the management process of classified cases.

9. UBX DIRECT - online customer notification system via email and/or SMS for account transactions

10. STREAMLINE - ITIL web-based process automation application for IT management services and centralized business process management.

SirmaBC offers a wide variety of additional services that help clients adapt their activities to the highly dynamic technological introductions in the financial industry:



- Program and project management
- Business process design and implementation solutions
- Business and IT Strategic Consulting
- Software design and architecture
- Conversion, migration and optimization
- Quality and risk management
- Customer training and support

Implementation and integration of out-of-house products/services

- Business Intelligence
- ERP

Market presence

SirmaBC offers its services to clients in Europe, North and South America, Asia and the Caribbean. Over the past five years, SirmaBC has worked with clients from over 14 countries located on 4 continents. Both one-off projects have been implemented, as well as ongoing services provided under contracts with existing clients. The company's main clients are from the banking sector. Additional opportunities and projects are being commissioned by insurance and other financial (non-banking) institutions.

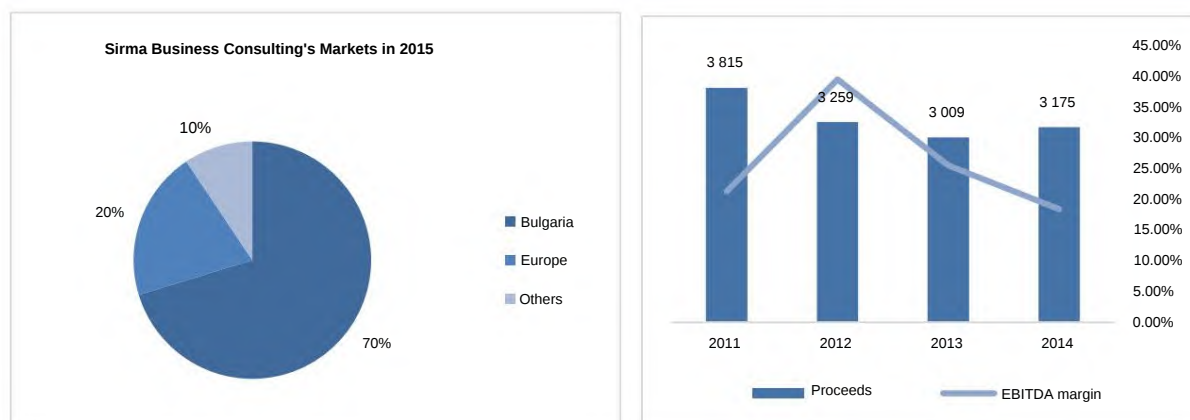
SirmaBC provides services to almost all banking institutions present on the Bulgarian market, as well as to some larger multinational clients such as Bank Espirito Santo from Portugal (now Novo Banco), and the Scandinavian banking group DnBNord.

Historically, outside of Bulgaria, SirmaBC has worked closely with clients from the USA, India, Romania, Albania, Portugal, Trinidad and Tobago, Jamaica and the Bahamas.

In view of the company's rapid growth, in terms of clients and reputation, international clients occupy a significant share of the client portfolio. For this reason, they occupy a central place in the focus for the company's future development, as another source of revenue generation. SirmaBC plans to increase its marketing activities in Europe and the Caribbean, focusing on attracting new customers as well as retaining existing customers, respectively. associations from the banking sector.

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015	
Proceeds		3 259	3 009	3 175	Total amount of the assets	2 694	3 302	3 525	3 920	
EBITDA		1 287	766	584	Intangible assets	375	173	Goodwill	945	859
Net profit		413				0				0
EBITDA margin	3,815,814,298	29.90%	25.50%	18.4%	Book Value	2 446	2 644	3 040	2 858	
Net profit margin	7.8%	12.7%	12.5%	5.4%	Total liabilities	248	658	485	1 062	
Sales per share	1.74	1.48	1.18	1.25	Interest-bearing debts	0	0	0	0	
EPS	0.136	0.188	0.148	1 D/E		0.10	0.25	0.16	0.37	11.1%
ROE	12.2%	15.6%	12.3%	6.1%	ROA	12.5%	10.6%	4.4%		





Daticum AD

Main specialization of the company:

Data center operation. Provision of services for colocation, hosting, virtualization and consolidation of server systems, equipment rental, communication and network services, construction and operation of backup data centers, archiving and storage services information. Providing services for the construction and maintenance of hardware and software systems, construction of data centers, system integration.

Main markets:

Bulgaria, North and South America, Europe

Main clients:

B-Process, SafariBooksOnline, Synergy SportsTech, VIP Capital Ltd., IBM Bulgaria Ltd., Cashwave Ltd., ZK Lev Ins AD, Ontotext AD, Sofiyska Voda AD, Sirma ITT, Sirma Solutions AD, Scale Focus AD, Speedy AD, Finite Software Systems EOOD, LACO NV, ET Teodoro Babarov-Clio Commerce, Tinkin Ltd., Hydraulic Elements and Systems /HES/ AD, Asarel, etc.

Main competitors:

Neterra OOD, Evolink AD, Telepoint OOD, 3DC EAD and international companies providing cloud services such as Amazon, Rackspace, Microsoft, IBM and others.

State of the industry in which the company operates.

The industry has been growing at double-digit rates in each of the last 3 years and this growth is expected to continue for the next 2-3 years. There is a strong growth in demand and supply of cloud services, exceeding the growth of the industry as a whole.

State of the customer industry and markets.

The country's industry and markets are stable, but lag behind global development rates. The company's main customer sales are realized in international markets, which are expected to continue to grow next year. This gives reason to expect continued demand and an increase in sales volume for the company's services.



Strengths and weaknesses of the company.

Strengths:

- The company offers up-to-date quality services and has qualified staff.
- Still small scale and great growth potential
- The services are innovative
- It is expected and historically proven that the average global growth of these services is 20% per year

Weaknesses:

- The data center is not located in its own building, which does not allow for independent management of all suppliers.
- The company does not have software that allows self-service by its customers. the cloud services offered.
- The company is not neutral in the market, as it is majority owned by a systemic integrator and all other system integrators on the market avoid using services from the direct you are a competitor.

The company's main business model(s).

The company's main business model is to build an infrastructure to provide computing resources for processing and storing data and to provide these resources for use against payment to many and different clients who cannot afford the construction and maintenance of such infrastructure or have a temporary need for these resources.

Resource security of the company.

The company has the necessary resources and is able to invest in the development of its business without using borrowed capital.

New products, new businesses or business models for the period.

No new products, businesses, or business models have been developed in the last year. The company is focusing on deploying its IaaS cloud services.

Analysis of trends in the development of the company.

The company's development trends are to continue to increase its sales on both the local and international markets by about 20% annually over the next 3 years. **The staff is growing in line with the increase in the volume of activity by 10-15% annually.** We predict that the current facility will reach capacity within 3 years, after which we will continue with innovations that increase density.

of filling.

Since its establishment in 2009, the company has achieved sustainable growth in revenue and profits with a trend of calming the rate of revenue growth.

The current trend and the state of the global economy give reason to expect an average annual revenue growth of 20% over the next 3 years.

HR policy.

Retaining current staff. Maintaining and increasing his qualifications through training, courses and participation in partnership programs.

Selective increase in staff, following the requirements arising from the increase in the volume of activity.

Forecasts for the market in which the company operates and the company's development over the next 3 years

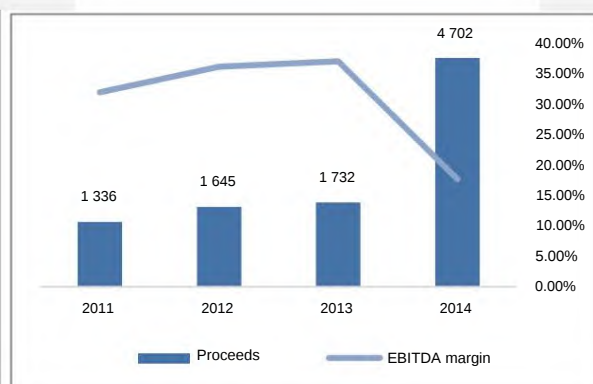
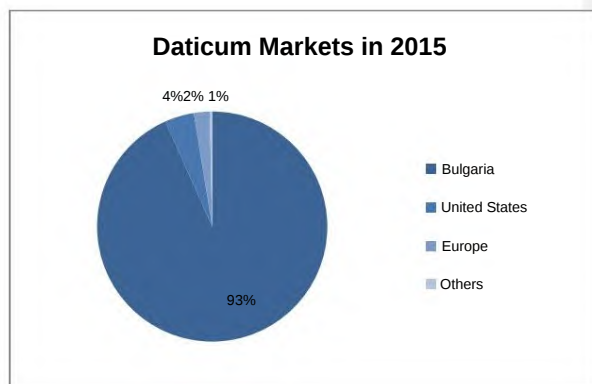


The forecast for the development of the market in which the company operates is to maintain double-digit annual growth rates worldwide.

The company forecasts its turnover to grow by 20% annually over the next 3 years.

Financial review

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015	
Proceeds	1 336	1 645	1 732	4 702		Total amount of the assets	2 405	2 531	2 644	3 168
EBITDA	427	596	642	832	Intangible assets 368	Goodwill	32	28	17	6
Net profit	24	152	208				0	0	0	0
EBITDA margin	32.00%	36.20%	37.10%	17.7%	Book Value		2 209	2 361	2 544	2 721
Net profit margin	1.8%	9.2%	12.0%	7.8%	Total liabilities		196	170	100	447
Sales per share	0.58	0.71	0.75	2.04	Interest-bearing debts		0	0	0	0
EPS	0.01	0.07	0.09	0.16	D/E		0.09	0.07	0.04	0.16
ROE	1.1%	6.4%	8.2%	16.0%	ROA		1.0%	6.0%	7.9%	11.6%



Sirma ISG Ltd.

Main specialization of the company.

Sirma ISG Ltd. offers web-based solutions and business services in the field of insurance. **The company is a leading software developer for the insurance industry in Bulgaria.** Sirma ISG's products are based on innovative information technologies and are preferred by users because of their intuitive and easy-to-use interface.

- Software

Design, development, implementation and maintenance of integrated solutions for insurance companies and insurance brokers, based on the open architecture of DHTMLX, MySQL and Oracle databases. The company specializes in building portals (extranets), customer relationship management systems (CRM), connections to external systems (web services), and adaptation of software on mobile devices using DHTMLX Touch.

- Hardware security and Internet connectivity

Our servers are located in a modern, tier-four data storage center – Daticum, which is part of Sirma Group Holding AD. **The center was created and operates according to the most modern criteria for data security and control. Its overall construction complies with all data and equipment safety requirements.** The technical team servicing the center is available 24 x 7 x 365.

- Consultations



Sirma ISG has accumulated experience and expertise regarding business processes and the necessary infrastructure in the field of insurance. **Consulting with us will give you useful and practical knowledge on how to properly build your IT strategies.** We assess your needs and offer an individual solution tailored to the specifics of your business.

- Training

Our certified specialists can plan and organize adequate training on site or in our specialized centers. Our insurance solutions have built-in online training and a Help module.

- Support

Sirma ISG offers its customers warranty and out-of-warranty service and maintenance. Our support is based on high international standards, developed our own methodology and accumulated expertise. We have created a web support portal (<https://support.sirmaisg.com>) where every customer can log in, maintain and document their service requests. All communication with customers is carried out through this portal. Users register and track all issues, defects, change requests, and have the opportunity to update their products to the latest versions.

Main markets

The company's main market is the domestic market.

Main customers

a. Insurance brokers – offers an insurance platform that allows the insurance broker to administer and issue insurance related to its activities.

i. Network brokers

ii. Corporate brokers

iii. Online brokers

Small and medium-sized brokers

b. Insurance companies – we integrate and electronicize every product that the insurance company wishes to sell through the insurance platform

i. Companies with foreign participation

ii. Mid-sized portfolio companies

c. Training and qualification of future or new employees of insurance brokers

Main competitors.

d. Free insurance company portals

e. Software companies that have so far integrated some of the companies only for Civil liability with scope 7 brokers out of 365

State of the industry in which the company operates.

For the time being, there are no other good comprehensive solutions on the domestic market, apart from Sirma ISG, which is trying to fully electronicize the insurance market.

Insurance companies have only managed to electronicize Civil Liability, Casco, Property and Travel Assistance. All other products they offer remain to be electronicized, as well as the processes of electronicizing the reporting of insurance brokers and the collection of premiums for each insurance policy concluded.



Business model

The company sublicensees a joint product of the two partners to insurance brokers, as well as provides software services for insurance companies.

The company's main goals for 2015 and their achievement for the period.

- to deliver services at a high professional level in order to build long-term relationships with the customers
- To electronicize more insurance company products
- To automate insurance intermediary reporting and payment processes between them and the insurance companies
- To offer an online insurance platform to clients and partners
- To raise the level of electronicization in the insurance sector

Resource security of the company.

The company is currently resourced, both with highly qualified personnel and technically - in the Group's data center.

HR policy.

The company was created to meet the growing needs for specialized software for the insurance market in Bulgaria. Its mission is to offer competitive, innovative and customer-oriented products and services, creating long-lasting and fruitful relationships with customers, employees and partners.

As one of the fastest growing companies in Sirma Group Holding, Sirma ISG has a constant need for employees in the following positions:

- Software development;
- Customer service;
- Quality control.
- Trainers
- Vertical software solution vendors

Forecasts for the market in which the company operates and the company's development over the next 3 years

The insurance market is changing quite dynamically, and the changes imposed by the regulatory authority require the electronicization of all services in the insurance sector. In this way, the goal is to impose control over the issuance, payment, and reporting of insurance in real time.

These trends require the establishment of a single insurance platform to which all insurers should connect their insurance products and related services via web services.

In reality, connecting 15 insurance companies with the main products they offer requires about 150 integrations, with an average cost of 7,000 euros per type of service.

There are currently 90 insurance brokers connected to the Sirma ISG insurance platform, with an average of 25 brokers becoming clients of the platform annually.

Short-term Goal - to launch a platform for financial, utility and courier services in early 2016.



This platform is suitable for use by partners with a large retail network such as gas stations, retail outlets, and utility customer service points, etc. Here, revenue is based on a percentage of the commission that partners receive for each service offered through the platform.

Launching a new service to customers and partners. This service consists of conducting training for their employees on the following topics:

- Training on working with the Sirma ISG platform Expected revenues in a 3-year plan 600 000 euros
- Preparation for exams related to the issuance of a certificate that allows the candidate employee to work in the ZB or ZK - expected income of about 100,000 euros in a 3-year plan

S&G Technology Services Ltd.

S & G Technology Services Ltd. is a subsidiary of Sirma Solutions, operating in the United Kingdom. **Negotiations to acquire a stake in the company began in 2013 and the acquisition was completed in March 2014.** The company provides technology services in the areas of software integration, data integration and mobile technologies for the financial services sector.

S & G Technology Services has extensive experience in delivering technology to the banking industry, including major global banks. This enables us to understand our customers' challenges, identify areas where we can provide innovative value-optimizing solutions, and seamlessly integrate our specific solutions into existing systems.

In addition, using the experience of other companies from Sirma Group, we offer some specific solutions for:

Regulatory Controls and Reporting - with over 10 years of successful data integration and reporting for banks and insurance companies, we have helped large clients meet the challenges of Basel II and III Solvency.

New channels and security - with Sirma Mobile, we offer advice on changing the architecture of the Korban system to achieve new business goals for financial institutions and reduce costs and risks in achieving these goals.

Preventing financial fraud and abuse - with Ontotext, we can integrate innovative technical intelligence solutions through ontology intelligence gathering solutions from the internet, proprietary databases and data feeds.

Panaton Software Inc. & Sirma USA

The two companies were established respectively: the first as a commercial company for the American market and the second – as the holder of some IP of Sirma Solutions AD. In early 2015, the two companies merged into one company – Sirma USA.

Sirma Solutions is investing financial resources in strengthening the company's marketing, sales and technical staff as it refocuses from a primarily trading company to a consulting company. By the end of 2015, the first stage of the company's refocusing was completed.

Sirma Mobile AD

Sirma Mobile AD was established in early 2013 as an associated company of Sirma Solutions AD.

Sirma Mobile AD uses the long-standing experience of Sirma Solutions AD in the field of mobile technologies and the creation of mobile applications for highly scalable MNO / MVNO services for Android; iPhone; Windows Phone; Symbian; Bada (Samsung); Blackberry / RIM; Java 2 Micro Edition



(J2MEE); SIMToolkit (STK). The expertise covers location-based services (LBS); mobile payments and mobile banking; NFC (near field communication) - a standard for establishing a radio connection between two electronic devices with a built-in RFID chip with an operating frequency of 13.56 MHz with great potential for use in advertising, payments, loyalty systems, tourism systems, etc.; mobile marketing; security of mobile communications, etc.

Ontotext AD and Ontotext USA

Main specialization of the company

The main activity of Ontotext AD consists of (i) conducting scientific research; (ii) developing technologies related to knowledge representation (KR) and computational linguistics (CL/NLP); (iii) providing software for knowledge management (KM), semantic web (Semantic Web) and web services.

(Web Services). The company is a provider of content solutions to improve results in scientific research, education and professional practice with online tools, journals, books, databases, reference books and laboratory protocols.

Ontotext began its activities as a technology laboratory within Sirma in 2000 and by 2008 had invested over 200 man-years in research and product development in the field of semantic technologies. This allows the company to develop database management and content analysis technology that is more than 3 years ahead of similar competitors.

technologies.

In 2008, Ontotext attracted an investment of 1.5 million euros from NEVEQ and changed its focus from research to production and monetization of the technology. The company was established as an independent legal entity on 10.09.2008.

Main markets

Ontotext is recognized as a global technology leader in several areas, including semantic databases and semantic content publishing. **As a result, incoming inquiries for product purchases or invitations to participate in auctions are often received. This leads to single-digit sales in all developed countries, from the US to Estonia and from Canada to Japan, Korea, Singapore and New Zealand.** As can be seen from the graph, the volume of sales outside of Europe and the USA is currently small.

Ontotext's largest market is the United Kingdom, where about 40% of commercial revenue came from in 2015. **Next in importance is the US market, which also has the greatest growth potential in 2016.** There is also constant revenue from clients within the European Union (except the UK): Bulgaria, Belgium (EC) and others.

Main customers

Ontotext's main clients are large organizations, which can be grouped by sectors as follows:

- Media, publishers, news agencies and others whose main business is production and content distribution: news, scientific and educational literature, and others. Iconic clients in this segment are: BBC, Euromoney, Financial Times, John Wiley and Sons, IET, Dorling Kindersley, Oxford University Press.
- Pharmaceutical and biotechnology companies, healthcare organizations. Typical A client in this field is one of the largest pharmaceutical companies, AstraZeneca.
- Museums, galleries, archives and libraries. Important clients of Ontotext in this sector are: The British Museum, Getty Trust, The National Gallery of Art (USA).
- Public and government organizations: UK Parliament, Natural Resources Canada (Ministry of Natural Resources), Department of Human and Health Services (Ministry of Health and the Department of Defense. In ministries in the US, Ontotext sells through a partnership with the Logistics Management Institute, based in Washington, DC.

Historically, Ontotext has also been active in other industries that did not contribute significant revenue to the company in 2014, but have the potential to generate business in the future. One such example is the recruitment industry.



State of the industry in which the company operates

Ontotext is a software developer in the field of semantic technologies. Ontotext's main products and markets are in the areas of NoSQL databases and systems for data analysis and management and information content. In a broader sense, these are projects and technologies related to the so-called Big Data.

The company's main business model(s)

Ontotext's revenues are generated through the following business models:

- Sale of licenses and subscriptions for support of the company's products;
- Consulting services, most often related to product implementation, integration and upgrade of the company;
- Implementing comprehensive business solutions, such as those for content management issued or for analysis of clinical studies in pharmaceutical companies;
- Provision of cloud services;
- Customer training

Resource security of the company

As of 31.12.2015 Ontotext has a staff of 60 employees (full-time equivalent employees, FTPE). Access to working capital in the form of a credit line with Unicredit Bulbank is adequate to the current state of the business. Additional financial resources would facilitate more active business development and the associated capital increase.

New products, new businesses or business models for the period

Regarding product development, the main highlights in 2015 are as follows:

- Extending GraphDB Semantic Database with Workbench User Console and Adapters for integrating FTS and NoSQL servers;
- Completion and announcement of Ontotext Media and Publishing business solution;
- Development of technology for recommending related information content based on analysis of user profiles, user behavior and the meaning of content;
- Further development of the Ontotext Life Sciences business solution;
- Developing a High-availability Cluster Architecture for GraphDB.

Analysis of trends in the development of the company

Ontotext is in a phase of its development where its technologies are sufficiently mature and proven, but are still considered innovative and have a relatively low penetration rate. To realize the expansion potential, the following steps are necessary:

- Further development of the management structure, accountability and manageability of processes.
- Further development of marketing and sales functions.
- Securing the next round of financing.

Capital management policies – capital increases, option pools, treasury shares, etc.

In 2014, Ontotext established an option pool of 8% of the company's shares to be used to incentivize managers and key employees during the period from 2014 to 2016.

Activities of Ontotext AD for the period ending on 31.12.2015

Following the cyclical nature of business in recent years, the main activities in 2015 were related to:

- delivery of products and services sold or contracted in the last quarter of 2014 year;



- detailing and refining business plans, including product development plans, marketing and sales.

Major clients and projects for the period ending 31.12.2015

- Financial Times – GraphDB was delivered in 6.4.4, which covers all tests for performance and fault tolerance, as well as components building on Ontotext Dynamic Semantic Publishing platform.
- OffNews – the order for a semantic recommendation system was completed and delivered content in the media forum;
- GraphDB Deliveries in the US – GraphDB license and support deals were signed for about 1 million dollars. Clients include leading global business information delivery agencies, as well as global companies providing solutions to improve research results, education through online tools that cannot be named due to privacy clauses confidentiality.

Marketing and product development for the period ending 31.12.2015

Based on an analysis of the results for 2014, a new strategy for selling technologies related to text analysis was developed and implemented in the first quarter. In 2014, Ontotext offered two platforms in this area that allowed the development of a wide range of solutions. Many of the opportunities and projects related to these platforms required a long phase of requirements analysis, design and pricing of solutions, as well as other activities that require a long sales cycle, involving top-level technical experts and architects. The new strategy envisages defining, positioning and active sales of specific business solutions based on these platforms. This improves sales efficiency and opens up opportunities for their increase, because they now require less involvement from specialists. Another effect of these strategies is that the share of products over services increases, as well as recurring revenue over one-time consultations. The specific vertical solutions that were defined and published are the following:

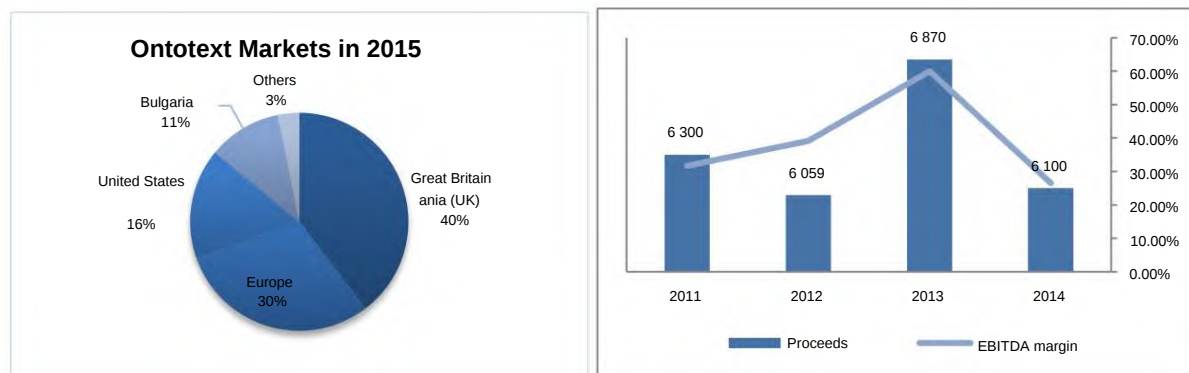
- For the Dynamic Semantic Publishing platform: Semantic News Publishing, Scientific Publishing and Personalized Learning.
- For the Insights platform: Pharma Insights and Patient Insights.

In 2015, numerous improvements and marketing activities related to S4 (Self Service Semantic Suite) – Ontotext's cloud services platform – were implemented. Improvements include: document processing in standard office formats; addition of a news classification service; integration with the UIMA platform. Marketing activities include: blog posts, webinar, S4 Developer Challenge.

Financial review

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015	
Proceeds	6 300	6 059	6 870	6 100	Total amount of the assets	17 523	18 527	21 133	20 490	
EBITDA	1 998	2 371	4 123	1 618	Intangible assets	1 645	-229	Goodwill	6 194	8 835
Net profit	988	417							6 470	4 492
EBITDA margin	31.70%	39.10%	60.00%	26.5%	Book Value	15 898	16 291	17 619	17 410	
Net profit margin	15.7%	6.9%	23.9%	-3.8%	Total liabilities	1 625	2 236	3 514		3 080
Sales per share	0.41	0.40	0.45	0.40	Interest-bearing debts	0	0	785		710
EPS	0.06	0.03	0.11	0.00	D/E	0.10	0.14	0.20		0.18
ROE	6.2%	2.6%	9.3%	-1.3%	ROA	5.6%	2.3%	7.8%	-1.1%	





EngView Systems Sofia AD and its subsidiaries in Brazil and the USA

Main specialization of the company

EngView Systems is a product company that develops several specialized, high-tech software products for various industries and niche markets. **Separate units and professional teams with expertise in the relevant fields have been established.** The development of the business during the year can be viewed in several parallel directions, which are the main focus of management.

1. Products:

a. CAD/CAM system for two-dimensional structural drawing, 3D modeling and product manufacturing from sheet materials

i. EngView Package&Display Designer Suite – 2015 was very important as it was released the long-awaited new major version of the product. In addition to the packaging industry, the company also launched specialized functionalities for designers and manufacturers of POP/POS displays, separated into predefined configurations. A main emphasis in the new version is the development of a product for Apple/MAC, which none of the competitors on the market have yet.

b. ScanFit&Measure is a combination of software and a scanner, based on which measurements are scanned and perform measurements of profiles (aluminum, PVC, etc.), looking for deviation from the nominal value (the standard) so that the quality of production can be monitored.

i. In 2015, the product was developed in two main directions:

1. The European standard for sizing in the aluminum industry EN-12020 was implemented.

2. Automatic recognition of measured profiles has been added, which allows the system itself will find the drawings needed for the measurement. Through this functionality, the system saves users' time and puts the system ahead of other players on the market.

c. Alex – a product aimed entirely at manufacturers of aluminum profiles who stock the tools used for extrusion.

i. Updated version, more modern interface and support for the latest Windows versions.

MeasureX products have entered QVI's official product line for the next 10 years.

The new functionalities are related to:

Automatic detection of details and automatic generation of their measurements.

Own library, which is included in all core QVI products, entirely EV development. It contains all of EV's intellectual rights, and we are expected to receive royalties for its use. We are jointly developing new technology for faster and easier part measurement. The goal is to take a leading position in low-price products after completing this functionality.

Main markets



The company's main markets are niche and highly specialized. However, the products are marketed worldwide with a well-developed network of distributors, business partners, and manufacturers of specific equipment. The company has offices in Canada and Brazil.

Main customers

The main customers for CAD/CAM systems for the packaging industry are printers, advertising agencies and manufacturers of cardboard and corrugated packaging, manufacturers of die-cut molds and tools for packaging production, manufacturers of POP/POS displays, stands, etc.

The company's clients are also manufacturers of aluminum and PVC profiles, medical tubes, machine fittings, etc.

Main competitors

The main competitors in CAD/CAM systems for the packaging industry are several companies: Esko Graphics (Artios CAD), Arden Software (Impact) and ERPA (Verpack). **Esko Graphics is the main one.** The company is much larger and offers complete solutions for the printing and packaging industry, with ArtoisCAD being a direct competitor to EngView Package Designer.

State of the customer industry and markets

The packaging industry is very stable, and even during the financial crisis it saw slight growth. The measurement and aluminum industries are also in a growth phase, although still weaker.

EngView's customers are located all over the world, from Japan and Australia through Europe to North and South America, which reduces the risk of local economic changes.

The company's main goals for 2015 and their achievement for the period.

The company faces numerous new projects and partnerships that require time and resources to bring success and growth. Among the company's goals are the development of new markets and finding new specialized partners for systems for the measurement industry.

The company's main business model(s)

The company is a product company. The products are sold through a trained and certified network of distributors. Strategic business partnerships are developed and maintained with leading global companies in the relevant fields. We also work on OEM solutions with machine manufacturers.

Resource security of the company

The company maintains a good financial stability policy. Engview has sufficient financial reserves to ensure the smooth functioning of the company, while at the same time providing the opportunity to invest in product and market development. The company's team should be increased according to business growth.

New products, new businesses or business models for the period.

In 2015, a change was implemented in the sales model for measurement products. The change is a focus on vertical niches and markets (aluminum and PVC extrusion) instead of targeting the general purpose measurement systems market. This change was not long in pleasing us with positive results in the first nine months of 2015.

A new business model was also developed for the distribution of CAD/CAM software for the packaging industry in North and South America. The existing network of certified distributors will be expanded with another level of lower-qualified intermediary agents.

Analysis of trends in the development of the company

The company operates in saturated and highly competitive markets. Greater growth can be achieved in new and developing markets such as China, South America, etc. Strategic partnerships with large and established companies in the relevant industries lead to a faster increase in market share, as well as more successful brand development.

HR policy

A fundamental principle in Engview's HR policy is the understanding that the company's experienced and effective team is the most important asset in the software business. The company provides a full working environment and conditions



to stimulate employee creativity and motivation. Good pay, fair evaluation and additional social benefits contribute to high engagement in the company's activities.
the company.

Capital management policies – capital increases, option pools, treasury shares, etc.

Business activities in 2015

In 2013 and 2014, several successful projects with packaging solutions were launched, which continued into 2015. These are the contract for integration with the CPMS system of the Austrian holding Prinzhorn, which owns factories for the production of corrugated cardboard and its products throughout Europe. The software update of the factories in Romania, Germany, Croatia, and Bulgaria has already been completed. In 2015, this also happened in Hungary, Austria, and Turkey. The successful partnership with Heidelberg, Germany, continues, for which EngView is developing both an integrated solution with their printing software and complementing their portfolio with software rebranded for them, but fully owned by EngView. The development of new partnerships and the signing of distribution contracts with new partners in Denmark, India, Mexico, Portugal and the opening of new opportunities for distributing the CAD system in the USA, through EngView's participation in the annual meeting and training of all dealers from around the world of the partner Multicam in Dallas, determine the stability and priorities in the development of CAD software and the business development of this area.

In March 2015, the new version of the product for the aluminum industry Alex was demonstrated to the management of the SAPA group of factories in the USA. The first results of the efforts to implement the product are expected by the end of 2015.

The development of modern and competitive functionality in the ScanFit solution, based on scanners for scanning and automatic measurement of profiles for aluminum and PVC extruders, was demonstrated at a specialized exhibition in Germany, generating strong interest. In the third quarter of 2015, the product will also be exhibited at one of the largest exhibitions in the field in China.

The stability of the company is determined by the continuation of the product development contract owned by QVI Inc., as well as by the many business contacts, representations and partnerships, and by the accumulated reserve from previous years. EngView has the cash to ensure the development of new applications, the search for new partnerships, and the marketing of its products.

world level. In addition to its network of distributors and its two offices in Sofia and São Paulo, the company also focused its efforts on the American market. The opening of the American company EngView Systems USA is already a fact, and it is expected that by the end of the year it will hire its employees and begin operations in the several areas in which it will specialize.

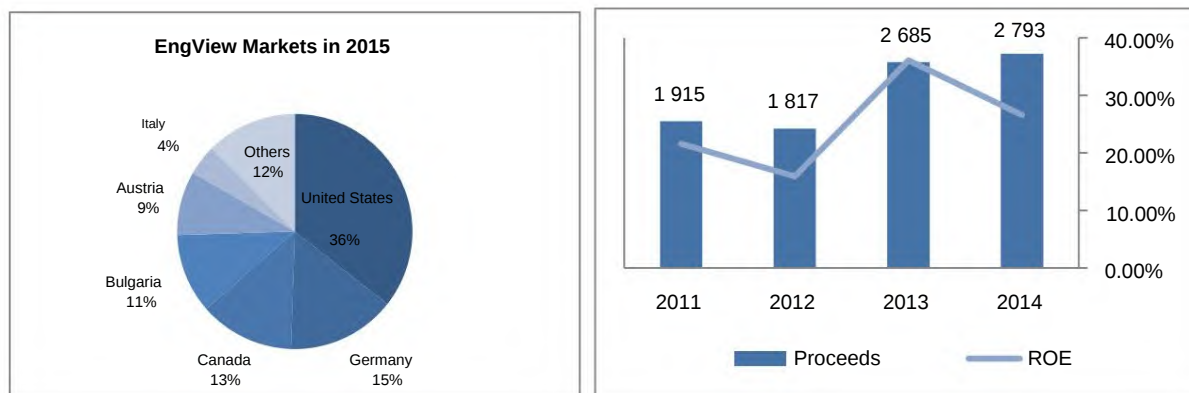
In 2015, EngVue reports a slight decline in sales compared to the same period in 2014. This is mainly due to delayed sales by distributors who are waiting for the release of the new version 6 of the EngView Package Designer Suite CAD system. Thus, operating income is lower, but growth is still expected at the end of the year. The company's expenses remain unchanged compared to 2014.

EngView Latin America is a trading company of EngView Systems Sofia AD for the South American market with minimal sales volume, therefore it does not participate in consolidation.

EngView USA did not start operations in 2015.

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015	
Proceeds	1 915	1 817	2 685	2 793	Total assets	1 285	1 315	1 640	2 219	
EBITDA	207	172	584	597	Intangible assets	545	Goodwill	3	2	2
Net profit	204	167	537					0	0	0
EBITDA margin	10.80%	9.50%	21.80%	21.4%	Book Value	10.70%	9.20%	20.00%		
Net profit margin	19.5%	Total Liabilities						339	263	151
Sales per share	38.3	26.49	38.91	40.48	Interest-bearing debts			0	0	0
EPS	0.06	0.03	0.11	0.27	D/E	0.36	0.25	0.10	0.09	15.9
ROE	21.60%	15.90%	36.10%	26.6%	ROA	%	%	%	%	24.6





Sirma ITT AD

Expert in the development and deployment of Enterprise-grade software systems with Service-Oriented Architecture (SOA)

Main specialization of the company

Sirma ITT is a product company that develops an enterprise semantic integration platform for work, content, and collaboration management. The applications that are built on the platform through models, integrations, and customizations are aimed at mid-sized enterprises around the world. Semantic models and technologies, along with integrated open source servers, provide unique power and flexibility that has not previously been available to mid-sized enterprises. Ready-made template applications in specific areas allow customization and implementation in a shorter time and with greater efficiency. The platform's openness and service-oriented architecture allow for value-added building on an enterprise's existing infrastructure and systems, rather than displacing them. Partnering with management companies that help clients implement working solutions with our applications and platform provides a sales network, quality local customer service, and delivers core business value – a leap in the organization's execution capabilities and increased behavioral intelligence.

Sirma ITT's main products are Sirma Platform and the applications based on this platform.

Sirma ITT Platform and its applications help business organizations function intelligently

These products are aimed at manufacturing enterprises, as well as those in the service sector, with a complex structure and processes. The aim is to satisfy customer needs by:

- Fast and accurate decision making
- Intelligent organization and collaboration
- Modeling and using complex information, data and knowledge
- Rapid implementation in the client organization
- Integration of as many data and available software systems as possible
- Reducing the total cost during the software product life cycle
- Solutions that evolve with the organization

The Sirma platform and its applications achieve these goals by delivering a comprehensive solution unique to the market through the use of:

- Open World Model Ontologies
- Recognizing concepts in text
- Semantic data integration



- Semantic/graph databases
- Managed (supported) open source software
- Model-based application behavior
- Smart documents
- SOA (Service Oriented Architecture) Standards and Open Standards

The result is a complete software environment containing the following functional modules:

- Company content management
- Collaboration
- Data integration
- Business process management
- Reports and reports

Main markets

The main markets in which Sirma ITT currently operates are the USA and Bulgaria. The company has successfully completed projects in the UK.

The company focuses mainly on the following sectors: LAM (Museums and Libraries) due to our experience with the National Gallery of the United States, Logistics and Trade, Complex Mechanical Engineering (based on our experience with QVI, a leading manufacturer of unique optical metrology measurement equipment).

Main customers

Sirma's current clients are:

- National Gallery of Art Washington
- Quality Vision International USA
- Customs Agency
- Chronicle Ltd.

Potential clients of Sirma ITT are all companies that possess the following 2 main characteristics:

1. Striving to become intelligent
2. Having complex processes, as well as complex data and information, located across multiple locations
3. Having complex collaborative decision-making processes

Key customer needs that Sirma's products solve include:

- Increasing productivity and efficiency by automating company business processes processes.
- Improving collaboration between departments, as well as with external partners, by using of semantics.
- Improving company documentation management through smart documents, semantic technologies and a modern information security and access control system information.
- Facilitate and improve the decision-making process by providing an integrated, complete, relevant and up-to-date information.
- Fuller utilization of IT investments through integration and reuse of existing systems.
- Providing real company knowledge created by business experts, not IT specialists, since it is model-based.



- Growing with the company and seamlessly adapting to its needs by maintaining a model of the "open world" versus the standard closed world model.
- Providing an accurate overview invaluable to senior management

Main competitors

Sirma ITT is the only one offering software that includes all of the mentioned categories:

1. Company content management
2. Document management
3. Data integration
4. Collaboration
5. Business process management
6. Reporting and reports

In categories 1 to 4, Sirma ITT is still considered to have low performance due to the need for a larger development department as well as a business development department.

Competitors in the respective categories are:

1. Company content management:
 - a. Slightly lower performance: Alfresco, Xerox
 - b. With higher performance: OpenText, IBM FileNet, Oracle Documentum
2. Document management – mainly Alfresco, integrated into Sirma ITT Platform and its applications.
3. Data integration:
 - a. Action, Cisco with low performance capability;
 - b. SAS, SAP, Oracle, IBM, Informatica with high performance capability;
4. Collaboration:
 - a. Companies Sirma ITT is targeting: Zimbra (integrated into Sirma ITT Platform), Google, SAP.
 - b. Future competitors: Microsoft Sharepoint, Salesforce, Jive, IBM.

In category 5 – business processes, Sirma ITT is defined as a player that simply uses open source components and integrates them, which is considered strategically sufficient.

In category 6, Sirma ITT is still developing and investing in R&D. **This software is something the company should offer, but it is not available to the extent needed, so there is no clear view of the competition at the moment.** SAP and Microsoft can serve as a basis for comparison.

State of the customer industry and markets

Key market trends in Sirma's target markets are:

- Trend towards SaaS (software as a service) cloud services
- Need for integration of huge amount of data in enterprises due to the growth of complexity
- Trend in organizational management towards transformation into self-managing teams
- Increased flexibility of organizations
- Creating mixed (from different departments) teams to break down functional barriers and such as between departments
- IT focuses more on people
- A steady trend towards productivity growth



- Trend towards moving towards service-oriented architecture (SOA)

The company's main goals for 2015 and their achievement for the period.

Successful completion of ongoing major projects – CS1, QVI2

Successful continuation with new phases of major projects – CS2, QVI3.

Establishing standard and effective processes for analysis, modeling, and customization to quickly build working applications.

Completion of the template applications for Quality Management and Product Data Integration.

In pursuit of the objectives:

- Sirma ITT has successfully completed its recertification under ISO 9001:2008.

- Quality issues were successfully overcome. Improvements in the software process and especially design and testing procedures led to customer-noticeable improvements in deliveries and systems stability.

- An amendment to the contract with QVI for Phase 2.5 with delivery in Q2 2015 for BGN 397 thousand was successfully negotiated.

- A new contract was successfully concluded with the US National Gallery for Phase 2 of the Conservation project Space with deliveries in 2015 and 2016 for 1,795,000 BGN.

The company's main business model(s)

A product-oriented company striving to sell its main product - Sirma Platform, the applications based on it and accompanying services in business analysis, customizations, data migrations, implementation, support and upgrades.

Analysis of the company's business during the period

Sirma ITT is focusing in 2015 on its current strategic clients and projects and their successful completion. The focus is on the quality of development.

New products, new businesses or business models for the period.

The main IT capabilities that the company will use in the coming year include:

1. Cloud application development
2. Development of smart documents
3. Implementing concept recognition in text
4. Implementation of reporting and reporting functionality

2015 for Sirma ITT AD

Almost the entire capacity of the company is engaged in the implementation of current contracts and development of the Platform:

New business, marketing and sales:

Preparation of marketing materials and demonstration environments for quality management applications, engineering documentation and others for participation in procedures under the new operational programs to increase the competitiveness of the Bulgarian economy.

Technical development:

1. Approval of quality improvement measures.

Automate testing. First statistical results confirming successful improvement.

2. **Significant architectural improvements and redesign of the user interface layer.** Getting started of research and planning.

Critical task for preparing Release 2 of the Sirma platform.

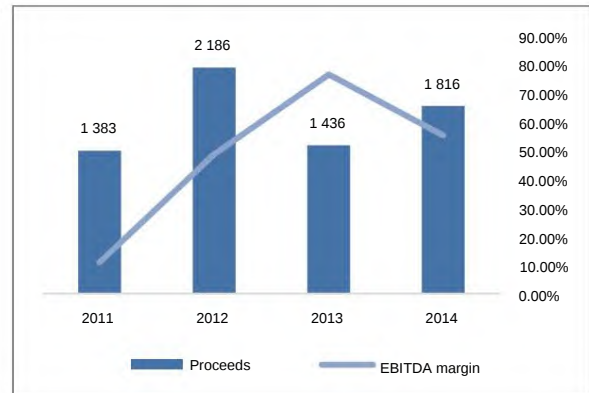
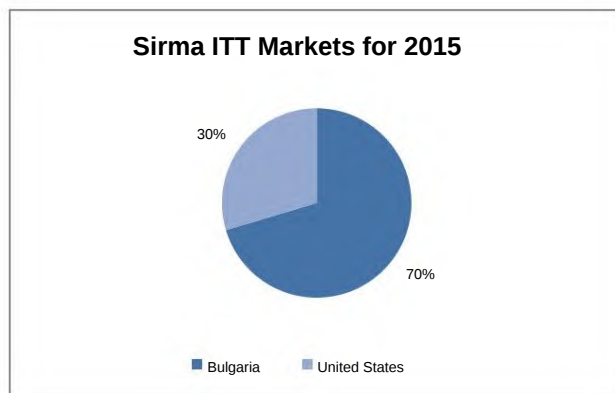


Staff development:

1. Improvement of teamwork processes, monthly improvement reviews and coordination between the teams.
2. Completion of training and induction of selected interns as junior specialists.
3. Regular educational sessions on technical topics.
4. Continued active participation in the Master's program in Software Engineering at the University of Ruse university.

FINANCIAL OVERVIEW

('000 BGN)	2012	2013	2014	2015		2012	2013	2014	2015	
Proceeds	1 383	2 186	1 436	1,816	Total assets	999	Intangible assets	1 660	2 290	3 428 4 716
EBITDA	150	1 060	1 097	327	Goodwill	940	1 500	955	3 605	
Net profit	56	457	82			0	0			0
EBITDA margin	10.80%	48.50%	76.40%	55.0%	Book Value	923	1 380		0	1 321 1 836
Net profit margin	4.0%	20.9%	5.7%	18.0%	Total liabilities	737	910	2 107	2 880	
Sales per share	0.99	1.57	1.03	1.29	Interest-bearing debts	2	168	630	0	536
EPS	0.040	0.329	0.059	0.232	D/E	0.00	0.12	.48	1.57	
ROE	6.1%	33.1%	6.2%	17.8%	ROA	3.4%	20.0%	2.4%	6.9%	



9/ MAIN EVENTS IN 2015 AND UNTIL THE DATE OF PREPARATION OF THE REPORT

EVENTS RELATED TO CAPITAL AND SHARES

The following significant events in the group occurred by the end of the fourth quarter of 2015:

Merger of Panaton Software Inc. into Sirma USA.

As of January 16, 2015, "Panaton Software" Inc, with registered office and management address: USA, Idaho 83707, ul. North 9th Street, No. 202, in which "Sirma Solutions" AD owned 100.00% of the capital with the following activities: management of copyrights on software, management and marketing of software services and development and implementation of software products, provision of software services, etc., is merged into "Sirma USA", (reg. number): 4757972, with headquarters and management address: USA, Delaware, 16192 Coastal Highway, city. Lewis. As a result of the merger, "Panaton Software" Inc. is being discontinued.

Sirma Solutions AD has sold 13,956 shares of its own class "A". The sale was carried out at a nominal value of 10 (ten) leva.

"Sirma ITT" AD

On March 10, 2015, purchase and sale contracts were concluded and 4,634 class A shares were endorsed to employees of the Company. **The selling price of the shares is the nominal value - 10 (ten) leva per share.** On April 15, 2015, an extraordinary general meeting of shareholders was held, at which a decision was made to adopt a new Articles of Association of the company, which would reflect the change from a Single-member AD to a Joint Stock Company, which is entered in the Commercial Register.

On 19.05.2015, a general meeting of shareholders of Sirma ITT AD was held, at which a decision was made to increase the company's capital with a cash contribution by issuing 2024 new ordinary registered shares, with voting rights, with a nominal value of 10 (ten) leva and an issue price of 49.60 leva. The capital is increased, pursuant to Article 195 of the Commercial Code, under the condition that the newly issued shares are subscribed by certain individual shareholders.

On 16.12.2015, 4634 shares of the company's own shares were sold, which changed the participation in the capital of this subsidiary from 94.95% to 91.72%.

GMG Systems Inc.

On 04.03.2015, an agreement was concluded between "Sirma Group Holding" AD and "GMG Systems" Inc., for the repurchase of 961,540 shares that "Sirma Group Holding" AD owns from the capital of "GMG Systems" Inc. According to the agreement, "Sirma Group Holding" AD transfers for a period of two years, starting from 05.03.2015. **961,540 shares, divided into monthly tranches of 38,462 shares. The price at which the shares are purchased is 350,000 US dollars and is payable in equal monthly installments.** In May 2015, the company was declared liquidated.

EngView USA

On March 30, 2015, a new subsidiary was registered with a 100% stake in the capital of EngView Systems Sofia AD.

Successfully completed initial public offering of shares and capital increase of Sirma Group Holding AD

The initial public offering of shares from the capital increase of Sirma Group Holding AD was successfully completed with the following results:

- Closing date of the public offering – 21.10.2015.
- 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.

After the successful initial public offering, an application for an increase in the capital of Sirma Group Holding AD was submitted to the Commercial Register with entry number 20151026163357, entered on 30.10.2015. The company's capital has been increased from BGN 49,837,216 to BGN 59,360,518.

Acquisition of 20% of the capital of Sirma ISG OOD – a subsidiary of Sirma Solutions AD

On November 27, 2015, the acquisition of another 20% of the capital of Sirma ISG OOD was registered under a preliminary agreement for the acquisition of shares. With this acquisition, Sirma Solutions' participation increases from 51% to 71% equity participation.

OTHER EVENTS. DISCLOSURE APPLICATION OF IAS 8

During the period, discrepancies were identified in the registers with respect to IAS 19 on retirement provisions and the accounting for actuarial valuations, which were eliminated with adjusting entries.

During the asset impairment test of the subsidiary Sirma ISG OOD, it was found that costs for creating additional modules for e-Broker and e-Policy were incorrectly capitalized, since all additional modules created during the period are not owned by the company, but become the property of the licensors - partners. The company has claims only for unjust enrichment against the partner Insurance Software Retail EOOD for the amount of BGN 490 thousand, as it has fulfilled obligations under the license agreement instead of the licensor. These adjustments are reflected in the statements of comprehensive income and financial position.

BUSINESS NEWS

January 16, 2015

The Bulgarian company Sirma Solutions, which is part of Sirma Group Holding, has become a certified IBM supplier for the IBM Power Servers product families, as well as IBM Enterprise Storage. Sirma Solutions is one of the six companies that will offer these complex corporate solutions on the Bulgarian market.

The economic sectors in which this type of system is most in demand are banking and finance, where they are critical and process millions of requests and transactions; healthcare and telecommunications services. **In practice, however, any organization processing large data sets (the so-called Big Data) is a potential user of the solutions.**

March 9, 2015

The British media outlet The Financial Times (FT), which is among the leading business publishers in the world, is implementing semantic technology from the Bulgarian software company Ontotext AD, part of Sirma Group.

The media uses several Ontotext technologies for its publishing platform: components for text analysis and automatic tagging, the GraphDB semantic database, and a system for automatically recommending related content, based on analysis of both the meaning of the content and the behavior of the specific website visitor. This is another leading global publishing group that trusts the Bulgarian company, after the BBC, Press Association, Euromoney and others.

March 19, 2015

The Bulgarian technology company Sirma ITT AD, part of Sirma Group Holding AD (Sirma Group Holding), introduces a system for documentation, collaboration and process management



in the restoration of works of art at the National Gallery of Art in Washington and the Metropolitan Museum in New York. **Called Conservation Space, the technology platform developed by the Bulgarian software company will also be implemented in other leading museums in the US and Europe.** After implementing the project in the USA, Sirma ITT AD will provide the software platform free of charge to Bulgarian museums.

April 6, 2015

Sirma Business Consulting AD (SirmaBK) is launching an updated and modernized version of the well-known card management system SCARDS. **Sirma BC's modernized card system allows for real-time monitoring of fees.** Financial institutions gain a powerful tool for managing billing events, capturing the interests of their customers and merchants with unlimited options for preferences and billing criteria settings.

May 22, 2015

Sirma Business Consulting AD (SirmaBC) presented the first Bulgarian information system UBX ECB 575, meeting the requirements of the new European regulatory framework for the supervision of banking and financial activities, which enters into force with the adoption of Directive 2013/36/EU of the European Parliament and of the Council, as well as Regulation (EU) No 575/2013. The regulations regulate the monitoring of banking activities, supervisory reporting and requirements for credit institutions and investment intermediaries regarding capital, liquidity, risk management and internal corporate governance.

May 25, 2015

Sirma Business Consulting AD (SirmaBK) has launched its next banking project in the Caribbean. **It will build a new platform for "electronic banking", lending and financial operations for the most innovative credit institution in Trinidad and Tobago – TECU Credit Union Co-operative Society Limited.** The project also includes consultations on the implementation of the FlexCube core banking system. The electronic platform will be built entirely on new technologies that provide flexibility both in the development processes and during setup and operation of the applications by its customers. This project will be based on Spring, Hibernate, and Bootstrap, which have numerous advantages in building individual modules, separating the various components from the functionality.

Important advantages of the system are that it can be placed on any JEE container without specific requirements – Tomcat, JBoss, WebLogic, etc. Any reliable relational database with an available JDBC driver can be used as a database - Oracle, MSSQL, MySQL, Postgre, etc.

June 16, 2015

"Daticum" AD has made an extremely serious investment in the implementation of Flash SSD Storage in its "cloud infrastructure". The advantages of Flash SSD Storage, compared to the use of traditional hard drives (HDD), include the ability to process a large volume of input-output operations (IOPS), reduced processor resource consumption, higher performance, high data transfer speed, accelerated file compilation, faster video image processing, as well as accelerated loading of client systems.

These advantages make Flash SSD the most suitable technology for critical business systems and applications, intensive work with database servers, indexing, log and large file processing, support for high-demand portals, as well as ERP (Enterprise Resource Planning)-class business management systems.

July 23, 2015



The Financial Supervision Commission approved the prospectus for the initial public offering of Sirma Group Holding AD. According to the approved prospectus, the subject of the public offering are up to 18,491,858 ordinary shares, of which 16,000,000 new shares and 2,491,858 existing shares. The offered shares have a nominal value of 1 leva and the initial public offering will be successful only if at least 8,000,000 shares are subscribed and paid for with a nominal value and issue price ranging from a minimum price of 1.20 leva to a maximum price of 1.65 leva each.

July 29, 2015

Daticum AD (Daticum) has joined the world's largest center for the exchange of IP traffic between global operators, Amsterdam Internet Exchange (AMSIX). Membership in the largest organization for exchanging IP traffic between global operators will provide Daticum customers with direct connectivity to over 700 IP networks that generate business traffic of over 4 terabits per second. It will guarantee even higher quality of the services that the company provides to its clients.

August 03, 2015

Ontotext and Keen Analytics LLC. announced a partnership that will facilitate the use of semantic technologies by business organizations, providing the latter with better insight into their customers and markets, as well as new trends. As part of the partnership, Ontotext's GraphDB will be offered through Keen Analytics' professional and consulting services focused on semantic and ontological analytics of business information.

September 16, 2015

At a meeting with the Bulgarian investor community, Sirma Group Holding began the process of selling its shares. The offering of shares, as part of the company's initial public offering, will last for one month and is one of the most significant initial public offerings in Bulgaria in the years following the global financial crisis.

September 16, 2015

Daticum signed a contract for the construction of the IT infrastructure of one of the most modern hospitals in the Balkans. One of the most modern hospitals in the Balkans will be opened in Panagyurishte. Daticum AD will build the entire IT infrastructure of the renovated hospital. The project is worth several million leva. Daticum is part of Sirma Group Holding AD, which until October 15, 2015 is in the process of an initial public offering (IPO) on the Bulgarian Stock Exchange.

The new Sabo Nikolov Hospital will have an entirely new technological infrastructure, as Daticum must design, deliver and build a new data center with private cloud infrastructure, backbone network connectivity in the hospital, desktop virtualization for workplaces, a wireless network, a communication system and a medical call system, video surveillance and access control systems, as well as deliver the end user devices.

The complex technological infrastructure of the hospital in Panagyurishte will be able to serve and coordinate over 500 specialists and support staff, each of whom will have access to different processes and data. From the point of view of medical services, the hospital will have the most modern software systems for diagnostics and management of the treatment process. The hospital in Panagyurishte will take in patients who are currently being treated abroad.

"The biggest challenge in the project is the integration of the eleven complex IT systems that will form the backbone of the hospital's treatment and patient service processes." At the same time, communication systems will allow the hospital's specialists not only to have timely access to medical information related to their patients, but will also allow for state-of-the-art training for young specialists through connections with the world's leading medical centers." –

shared Rosen Marinov, Executive Director of Daticum AD.

The estimated value of the investment in the construction of the Sabo Nikolov Hospital in Panagyurishte is about 55 million leva. The construction of the new complex is the largest project in the Bulgarian healthcare sector in the last 25 years, with the main investor being Assarel Panagyurishte Zdrave OOD.



The company will build a modern high-tech hospital complex with an oncology center and complex multidisciplinary activity.

High technologies will allow for the first time in Bulgaria to simultaneously combine diagnostic imaging methods (positron emission tomography / PET-CT/, magnetic resonance imaging, computed tomography, robotic angiography, ultrasound methods, and others) with surgical interventions, the most modern invasive methods, and telecommunication connections with leading centers in all specialties, which will provide Bulgarian patients with world-class quality and expertise. The hospital complex will include 268 beds and 520 medical and non-medical staff, with 400 thousand leva planned to be invested annually in staff training alone.

EngView Systems software is used by leading global manufacturers

08.10.2015

From September 14 to 18, 2015, the 113th European Study Group with Industry (ESGI'113) was held in Sofia. This is a week-long forum in which established scholars and students apply their knowledge and their skills to solve specific tasks set by the industry.

EngView Systems AD, a Sirma Group company specializing in the development of CAD/CAM software, provided a task and participated in solving an algorithmic problem, the solution of which improves EngView Systems' software for measurement systems. **A working group of scientists from the Institute of Information Technologies of the Bulgarian Academy of Sciences, as well as representatives of the Faculty of Mathematics of Sofia University, proposed a solution to the problem presented at ESGI113.** The case study was related to establishing measurements by laser, optics or tactilely, via touch probe, in accordance with a given

A CAD model that automatically finds the match without the need for human intervention.

Sponsoring such forums is part of Sirma Group's mission, which aims to develop and deepen contacts with the academic community. Such initiatives are an important part of the holding's long-term R&D strategy, to unite the efforts of science and practice, to quickly implement top academic achievements in industry and business.

EngView Systems expands its markets in Eastern Europe and Asia

14.10.2015

EngView Systems, the world's second brand in CAD/CAM packaging solutions, is expanding its markets. The Sirma Group company specializes in creating packaging and video measurement software.

The company announced recently concluded partnership agreements with leading companies in graphic and packaging technologies. **Grafik.net**, Croatia, will be the distributor of the Package & Display Designer Suite software for Croatia, Bosnia and Herzegovina, Slovenia, Serbia, Montenegro, Kosovo and Macedonia, and two Indian companies SPMS Graphics and TechNova India, based in Mumbai, will serve customers in Sri Lanka and Bangladesh. The new partnership with the Chinese company Ann-Xun, which offers the software in a complete solution with a plotter system for the production of small series of packaging, is now a fact.

November 16, 2015

The IPO of Sirma Group Holding ended successfully with shares subscribed for 11.5 million.

BGN

By October 15, 2015, orders were submitted for subscription of over 9.5 million shares within the initial public offering of Sirma Group Holding. The announced minimum of 8 million shares has been exceeded and the issue is considered successful. The price of the shares of Sirma Group Holding, which was determined based on a list with proportional distribution according to the methodology stated in the offering prospectus, is BGN 1.20 per share. All submitted orders will be executed at a price of BGN 1.20 per share.



If all subscribed shares are paid for by the deadline of October 21, 2015, the capital raised in the IPO will amount to almost BGN 11.5 million. The number of shares subscribed represents 60% of the total 16 million new shares offered.

The orders submitted for subscription of shares showed serious interest from institutional investors, with a slight predominance of individual investors.

Tsvetan Aleksiev, CEO of Sirma Group Holding, said:

"I am very happy that our company has managed to take this step along the path of its development." The project was difficult and long, but its recent successful completion will allow us to continue the announced investment program, through which we can increase our presence in our target markets. I would like to thank all the investors who gave our company the opportunity to tell them more about how we do business. I would also like to thank everyone who believed in us through their orders and welcome them to the shareholder structure of Sirma Group Holding AD. Let's continue its success story together."

October 19, 2015

Ontotext supported a national data mining competition

The Varna Free University is organizing a national data mining competition for students on **October 17 and 18**. The focus of the event was the use of SPARQL. The competition is in three rounds, with the first round participants solving 25 problems within a set time. In the second round, participants compete in teams of three, and in the third round, participants write queries on semantic data and use SPARQL queries.

October 21, 2015

An announcement has been published that the initial public offering of shares from the capital increase of Sirma Group Holding AD has been successfully completed with the following results:

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.

Public offering expenses – amount of commission, fees and other public offering expenses, including fees paid to the Financial Services Commission – BGN 181,951.69. Additionally, fees will be paid for admission to trading of the issue on a regulated market organized by the Bulgarian Stock Exchange, fees for registration of the issue in the Central Depository, for publication of the announcement in the newspapers "Capital Daily" and "Sega" and fees for entry of the capital increase in the Commercial Register in the amount of approximately BGN 2,156.20.

November 17, 2015

Ontotext presents software for recognizing false online content

Ontotext presented intelligent software that assumes the veracity of user content on the Internet. This took place within the framework of the conference "Journalism 2.0: Myths and Opportunities in Social Networks". The event took place on **November 11, in Sofia**. During the conference, Dr. Georgi Georgiev and Dr. Laura Tolos presented the progress of the international project PHEME, in which Ontotext is a partner.



November 18, 2015

Sirma Group Holding shares debut on the Bulgarian Stock Exchange on November 23

On Monday, November 23, 2015, trading in shares of Sirma Group Holding will begin after the successful initial public offering, in which capital of BGN 11.5 million was raised.

The company will be traded under the stock exchange code SKK, the ISIN code of the issue is BG1100032140, and trading in its shares will begin at the IPO price of BGN 1.20 per share.

With the raised capital of 11.5 million BGN. The IPO of Sirma Group Holding is recorded in the history of the Bulgarian capital market as the largest since the end of 2007. – the beginning of the financial crisis.

Bulgarian Stock Exchange announcement regarding a decision from the Board of Directors meeting on 18.11.2015

Sirma Group Holding is now traded on the Bulgarian Stock Exchange

November 23, 2015

Today, November 23, 2015, the management of Sirma Group Holding and the Bulgarian Stock Exchange solemnly launched the stock exchange trading of the company's shares. Sirma's shares will be traded under the stock code SKK.

Tsvetan Alexiev, CEO of Sirma Group Holding, said: "This is a very important moment in the history of Sirma Group. After 23 years of work, we reached a logical stage where, in order to continue our development and expansion into international markets at an even faster pace, we needed financing. We set a very ambitious goal and achieved it – we made the largest public offering in the last 8 years on the Bulgarian Stock Exchange. We highly appreciate the trust that investors have placed in us - it is recognition of our professionalism, responsibility, but above all, an opportunity to change the world every day. We hope that we will inspire courage in more companies from the technology industry to follow our example, which we believe will positively impact both the Bulgarian Stock Exchange and the IT sector as a whole, which has established itself as one of the most profitable and dynamically developing in our economy."

"The Bulgarian IT industry is developing extremely dynamically and has serious potential to become a driving force for the growth of the local economy, and every stock exchange is called upon to support this process. The listing of Sirma Group Holding at this time is a good sign to all other companies, especially from the same sector, which are in turn considering taking a similar step. "The company is proof that a well-thought-out and precisely executed initial public offering can be a success even in conditions of low investment activity," said Ivan Takev, Executive Director of BSE-Sofia.

"The addition of another company with operations on several continents, with more than 300 people employed in subsidiaries, with a focus on innovation and personnel development, to the family of public companies is a strong factor in enhancing the reputation of the Bulgarian capital market," added Mr. Takev.

December 2, 2015

Tsvetan Aleksiev – Executive Director of Sirma Group Holding AD is the winner of the Mr. and Mrs. Economy 2015 award in the ICT and BPO category

Tsvetan Aleksiev, CEO of Sirma Group Holding AD, was awarded in the category "ICT, outsourcing, business services" at the "Mr. and Mrs. Economy" 2015 competition. The award was presented to him by Ivan Vutov, Deputy Chairman of the Management Board of the Confederation of Employers and Industrialists in Bulgaria (CBIEB). The award ceremony was held on November 30, 2015, in Sofia.

The "Mr. and Mrs. Economy" competition is the most significant economic forum held after the changes in our country. It has over 20 years of history, and during this period the prize has been in the hands of entrepreneurs, economists, and financiers who have contributed the most to the development of the Bulgarian economy. The organizer of this year's competition is the Confederation of Employers and Industrialists in



Bulgaria. The aim of the event is to honor Bulgarian companies and individuals with remarkable achievements. contribution to the country's economy over the past year.

December 17, 2015

Euromoney project wins innovation awards using Ontotext technology

BCA Research, a division of media giant Euromoney PLC, has won two prestigious international awards in the field of innovation. **The company uses technology from the Bulgarian semantic software company Ontotext AD.** The awards are for "Best Innovative Technology Solution for Small Businesses" from the 2015 HFM European Technology Awards and "Most Innovative Solution for Financial Services" from the 2015 bba/ifs Financial Innovation Awards.

The award-winning product is called BCA Edge and is based on the semantic graph database GraphDB created by Ontotext. Ontotext is part of the Sirma Group Holding AD group, which recently successfully completed its initial public offering (IPO) campaign on the Bulgarian Stock Exchange (BSE-Sofia).

BCA Edge is an analytical solution that was launched earlier this year. **It greatly facilitates investors in searching for relevant information in their work and visualizes different types of data to provide valuable conclusions and analyses.** Additionally, its built-in Ontotext semantic publishing platform helps discover related content and creates new connections between data. The Bulgarian company provides semantic software solutions to many of the world's leading media groups, including the BBC, the Press Association, and others.

January 13, 2016

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

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".



10/ FINANCIAL RESULTS

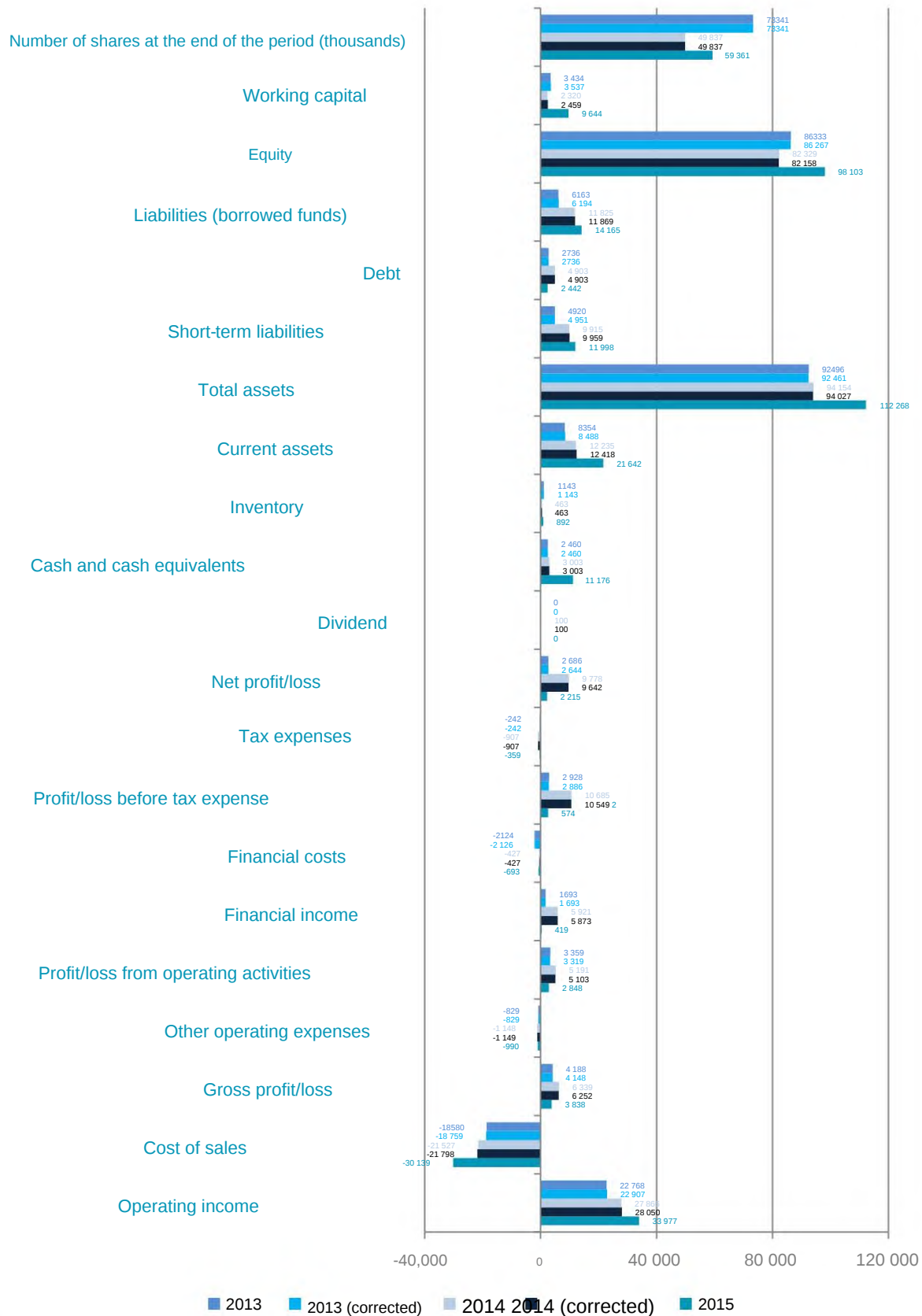
During the past financial period, the group achieved the following financial results:

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

Indicators in thousands of BGN	2015	2014 (corrected)	2014	2013 (corrected)	2013
Operating income Cost of sales	33 977	28 050	27 866	22 907	22 768
	-30 139	-21,798	-21,527	-18 759	-18580
Gross profit/loss Other	3 838	6 252	6 339	4 148	4 188
operating expenses Profit/loss	-990	-1 149	-1 148	-829	-829
from operating activities Financial income	2 848	5 103	5 191	3 319	3 359
	419	5 873	5 921	1 693	1693
Financial expenses	-693	-427	-427	-2 126	-2124
Profit/loss before tax expenses Tax expenses	2 574	10 549	10 685	2 886	2 928
	-359	-907	-907	-242	-242
Net profit/loss Dividend	2 215	9 642	9 778	2 644	2 686
	0	100	100	0	0
Cash and cash equivalents	11 176	3 003	3 003	2 460	2 460
Inventories Current	892	463	463	1 143	1143
assets Total assets	21 642	12 418	12 235	8 488	8354
Current liabilities	112 268	94 027	94 154	92 461	92496
	11 998	9 959	9 915	4 951	4920
Debt	2 442	4 903	4 903	2736	2736
Liabilities (borrowed funds)	14 165	11 869	11 825	6 194	6163
Equity	98 103	82 158	82 329	86 267	86333
Working capital Number	9 644	2 459	2 320	3 537	3 434
of shares at the end of the period (thousands of shares)	59 361	49 837	49 837	73341	73341



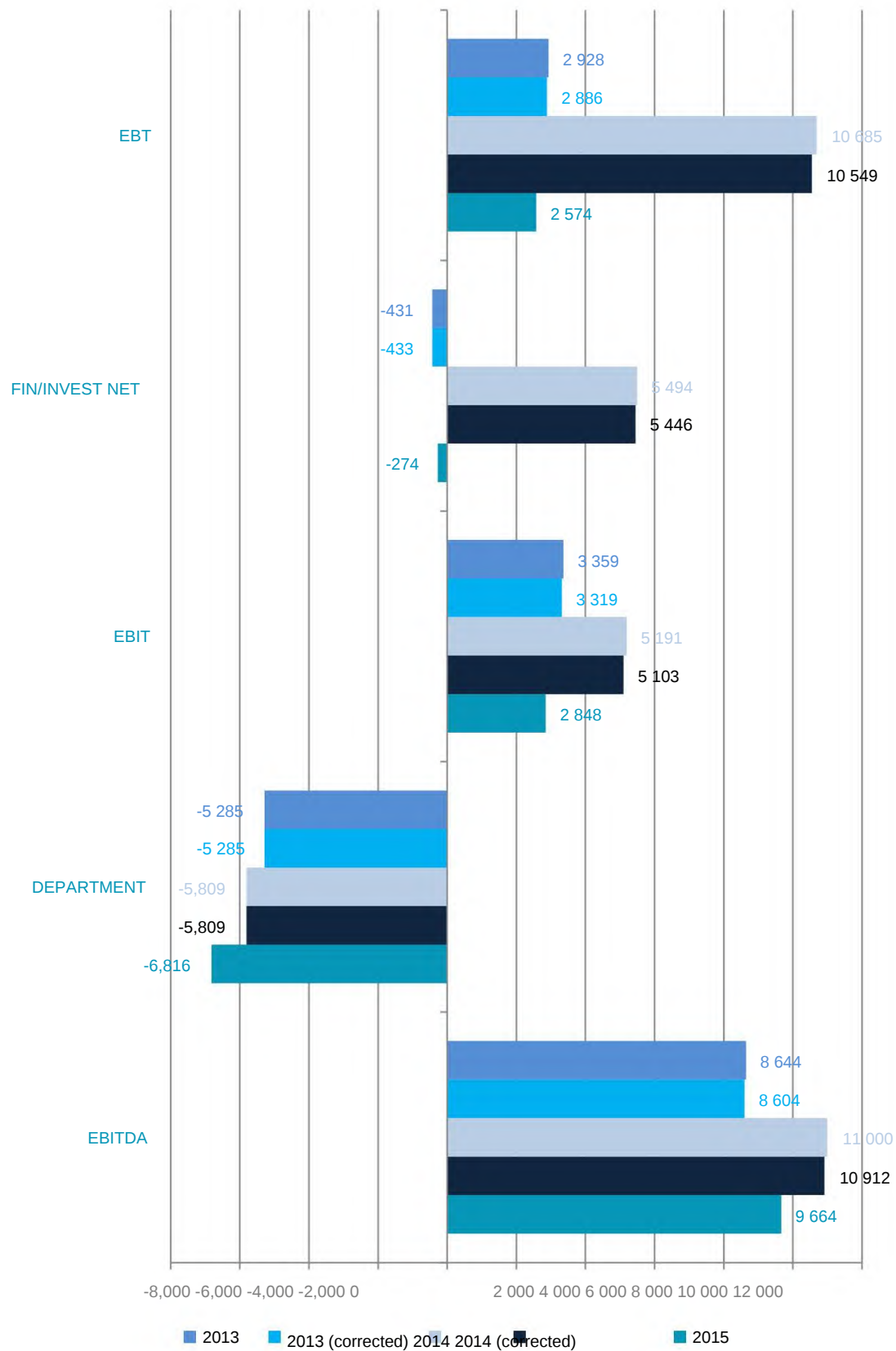
Indicators



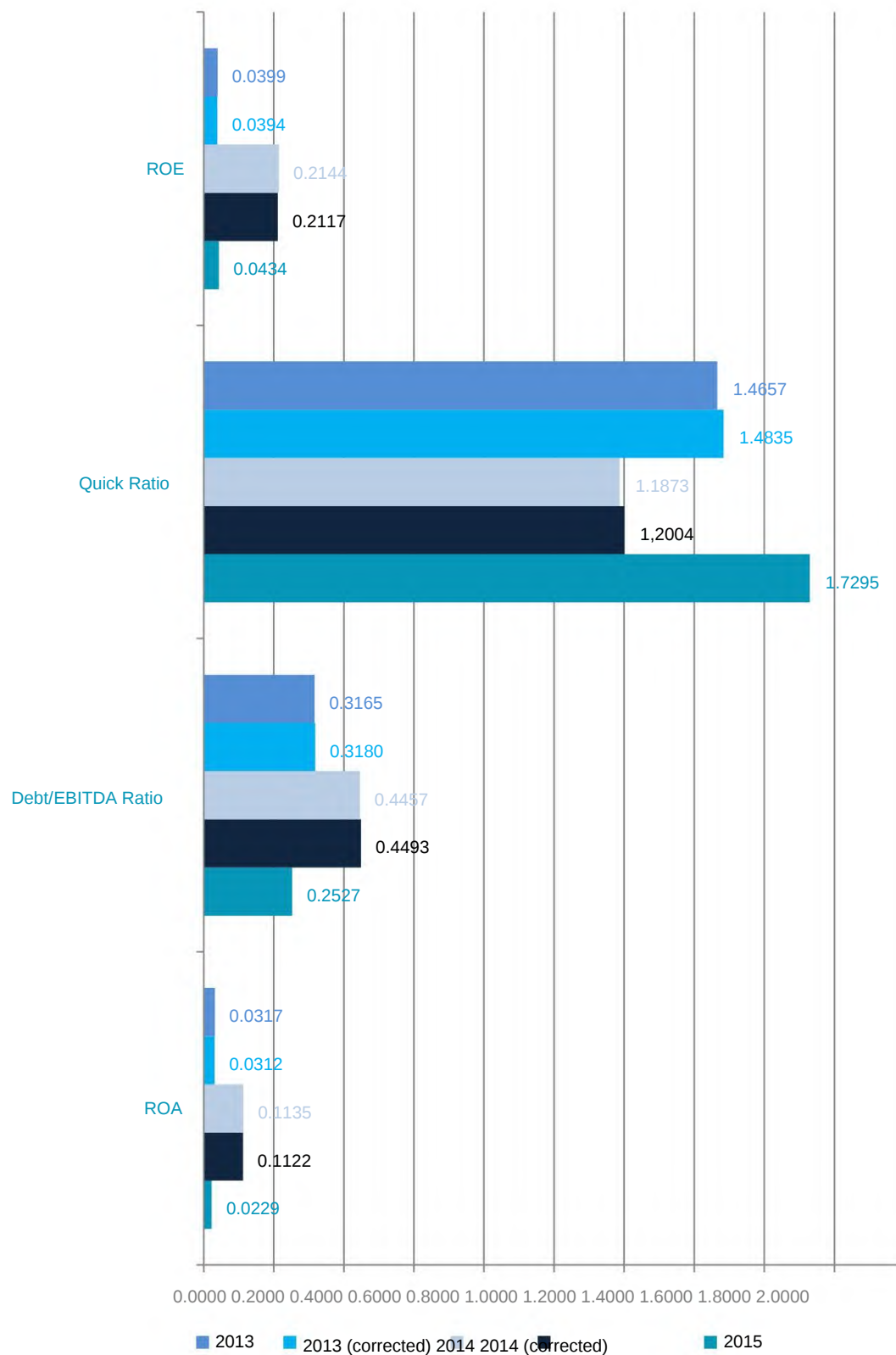
Indicators	2015	2014 (corrected)		2013 (corrected)		2013
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
EBITDA	9 664	10 912	11 000	8 604	8 644	
DEPARTMENT	-6,816	-5,809	-5,809	-5 285	-5 285	
EBIT	2 848	5 103	5 191	3 319	3 359	
FIN/INVEST NET	-274	5 446	5 494	-433	-431	
EBT	2 574	10 549	10 685	2 886	2 928	
ROA	0.0229	0.1122	0.1135	0.0312	0.0317	
Debt/EBITDA Ratio	0.2527	0.4493	0.4457	0.3180	0.3165	
Quick Ratio	1.7295	1,2004	1.1873	1.4835	1.4657	
ROE	0.0434	0.2117	0.2144	0.0394	0.0399	
Profitability ratios						
Gross profit margin (3/1)	0.1130	0.2229	0.2275	0.1811	0.1839	
Operating profit margin (5/1)	0.0838	0.1819	0.1863	0.1449	0.1475	
Net profit rate (10/1)	0.0652	0.3437	0.3509	0.1154	0.1180	
Return on assets (10/15) Return on equity	0.0197	0.1025	0.1039	0.0286	0.0290	
(10/19)	0.0226	0.1174	0.1188	0.0306	0.0311	
Asset and liquidity ratios						
Asset turnover (1/15)	0.3026	0.2983	0.2960	0.2477	0.2462	
Working capital turnover (1/20) Current liquidity	3.5231	11.4071	12.0112	6.4764	6.6302	
(14/16)	1.8038	1.2469	1.2340	1.7144	1.6980	
Quick liquidity ((14-13)/16)	1.7295	1,2004	1.1873	1.4835	1.4657	
Absolute (instant) liquidity (12/16)	0.9315	0.3015	0.3029	0.4969	0.5000	
Odds for one share						
Sales Ratio per Share (1/21)	0.5724	0.5628	0.5591	0.3123	0.3104	
Earnings per share ratio (10/21)	0.0373	0.1935	0.1962	0.0361	0.0366	
Book Value Ratio per Share (19/21)	1.6527	1.6485	1.6520	1.1762	1.1771	
Dividend Odds						
Dividend payout ratio (11/10)	0.0000	0.0104	0.0102	0.0000	0.0000	
Profit retention ratio	1.0000	0.9896	0.9898	1.0000	1.0000	
Dividend per share (11/21)	0.0000	0.0020	0.0020	0.0000	0.0000	
Development coefficients						
Sales growth rate	0.2113	0.2245	0.2239	0.2989	0.2910	
Gross profit growth rate	-0.3861	0.5072	0.5136	0.1522	0.1633	
Asset growth rate	0.1940	0.0169	0.0179	0.0687	0.0691	
Leverage ratios						
Debt/Total Assets Ratio (17/15)	0.0218	0.0521	0.0521	0.0296	0.0296	
Debt/Equity Ratio (17/(17+19))	0.0243	0.0563	0.0562	0.0307	0.0307	
Debt/Equity Ratio (17/19)	0.0249	0.0597	0.0596	0.0317	0.0317	
Total Assets / Equity Ratio (15/19)	1.1444	1.1445	1.1436	1.0718	1.0714	
Price/Earnings P/E	32,159	5,169	5,097	27,739	27,305	
Company market capitalization	71233	49837	49837	73341	73341	



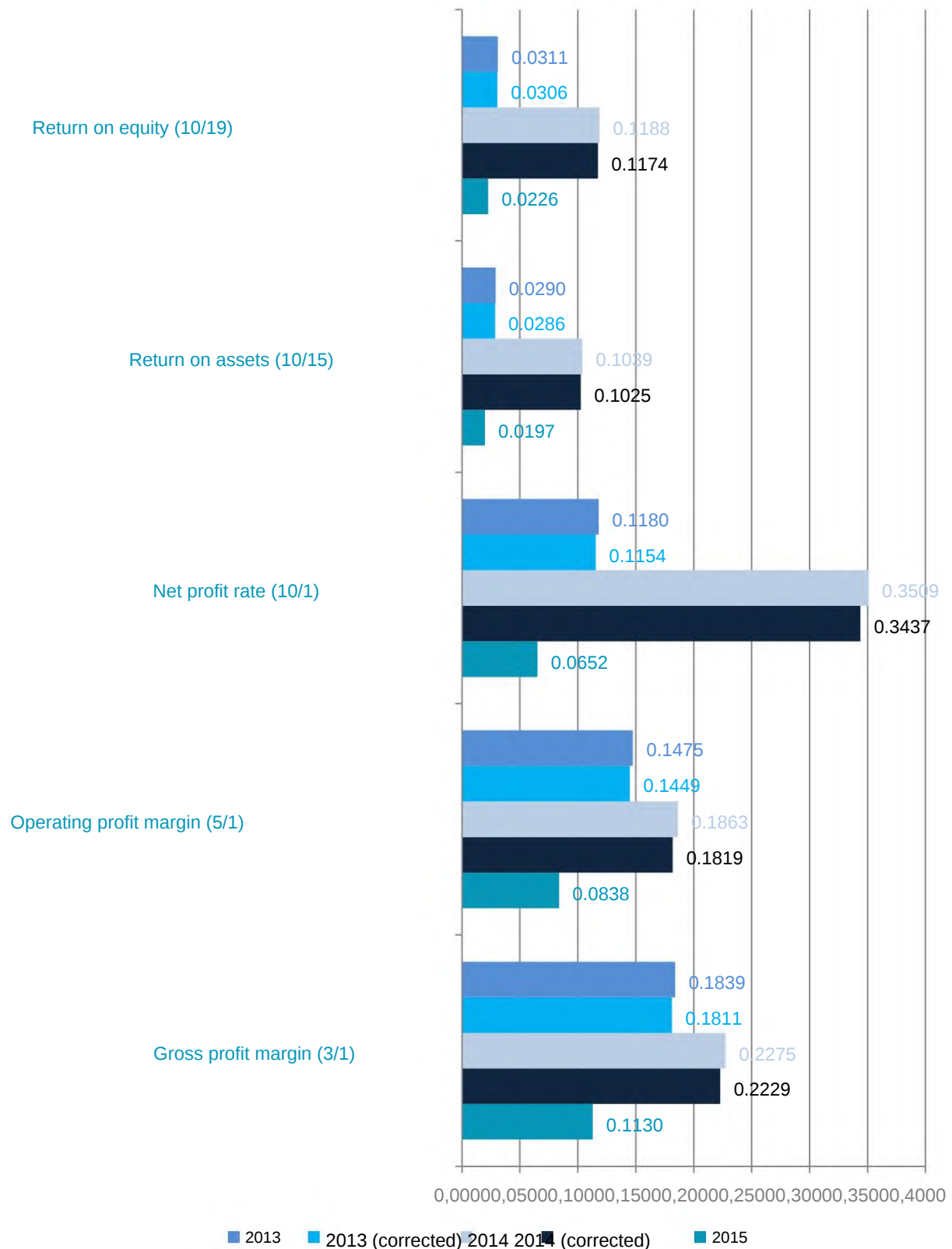
Indicators



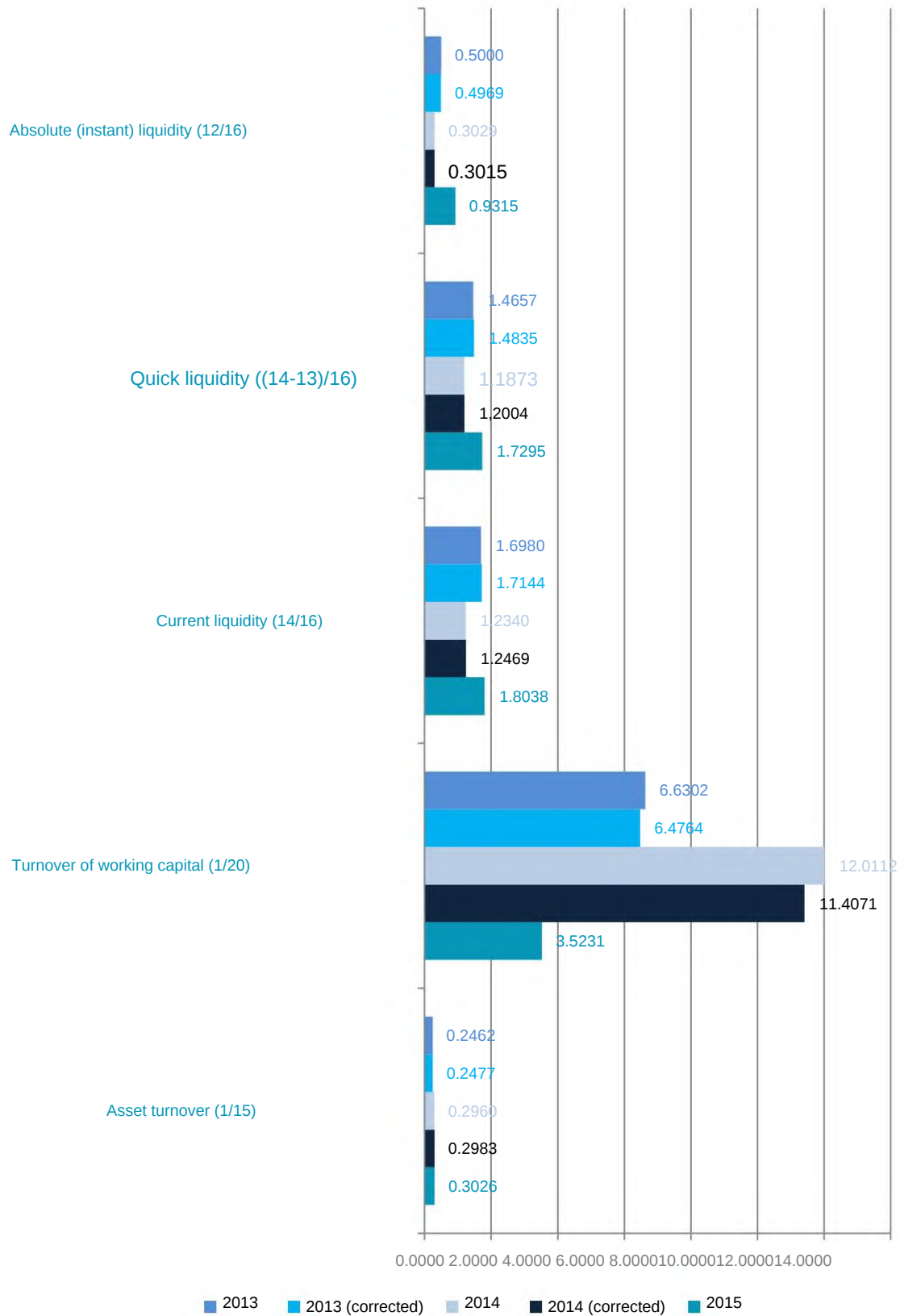
Indicators



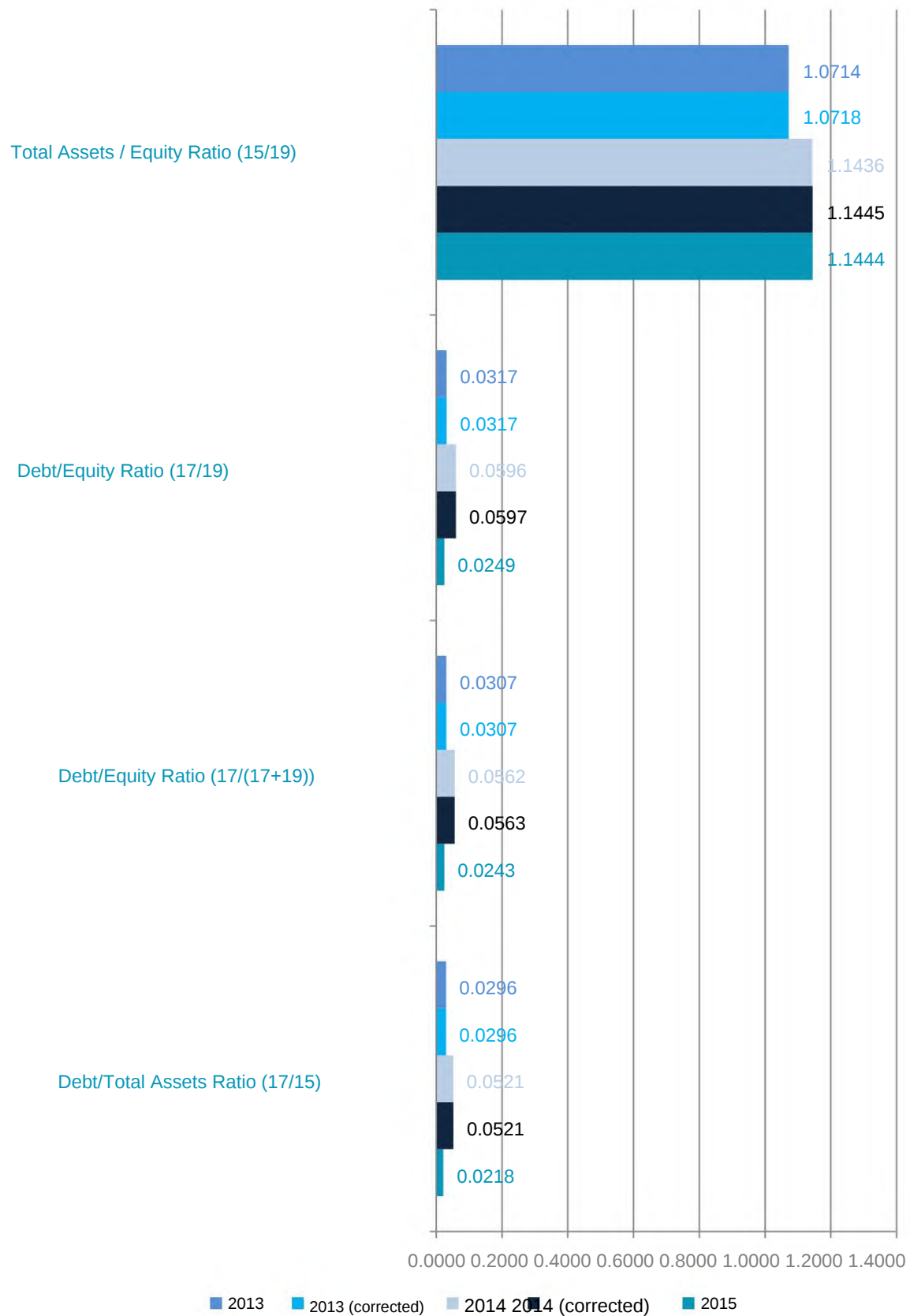
Profitability ratios



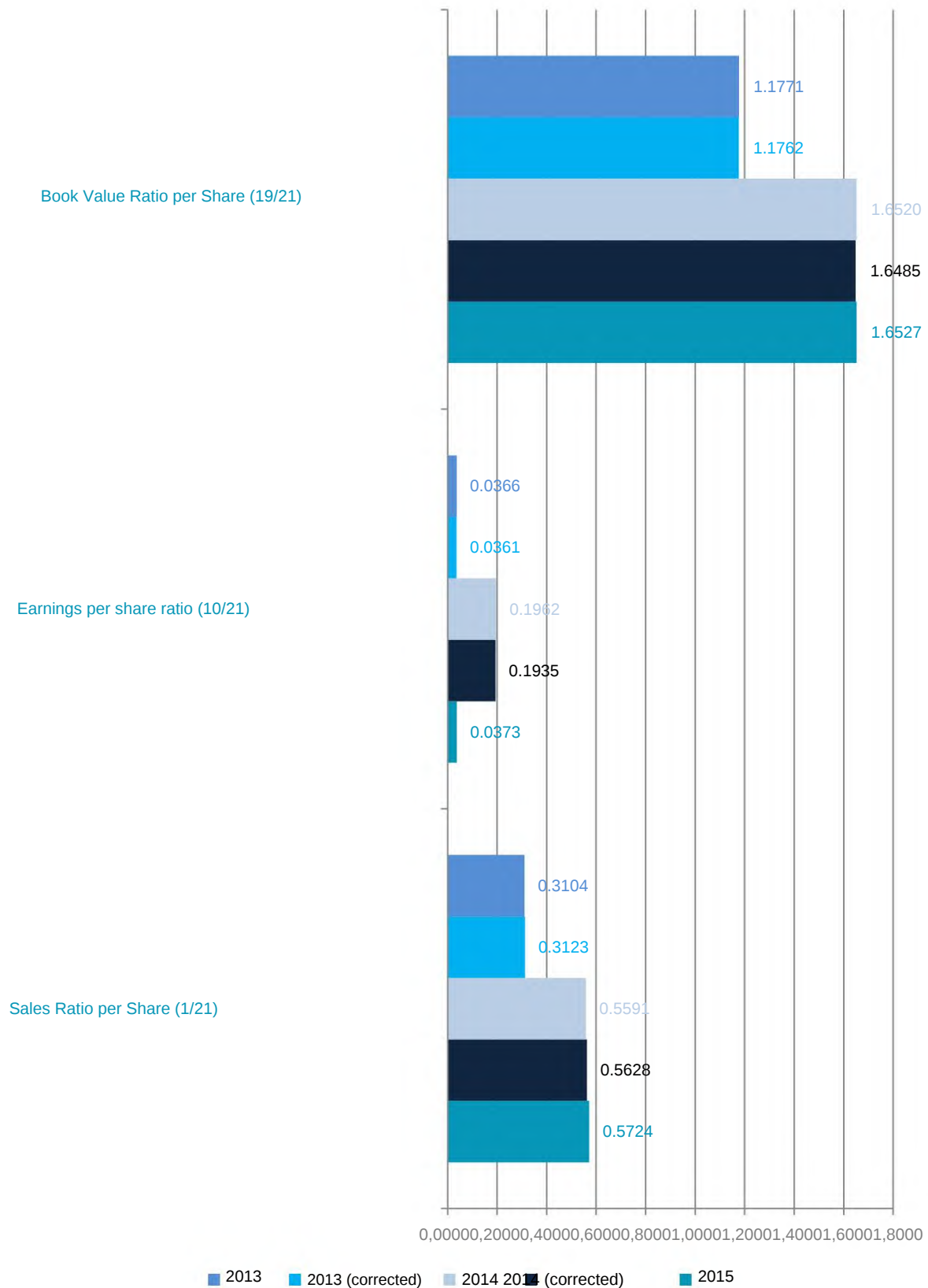
Asset and liquidity ratios



Leverage ratios

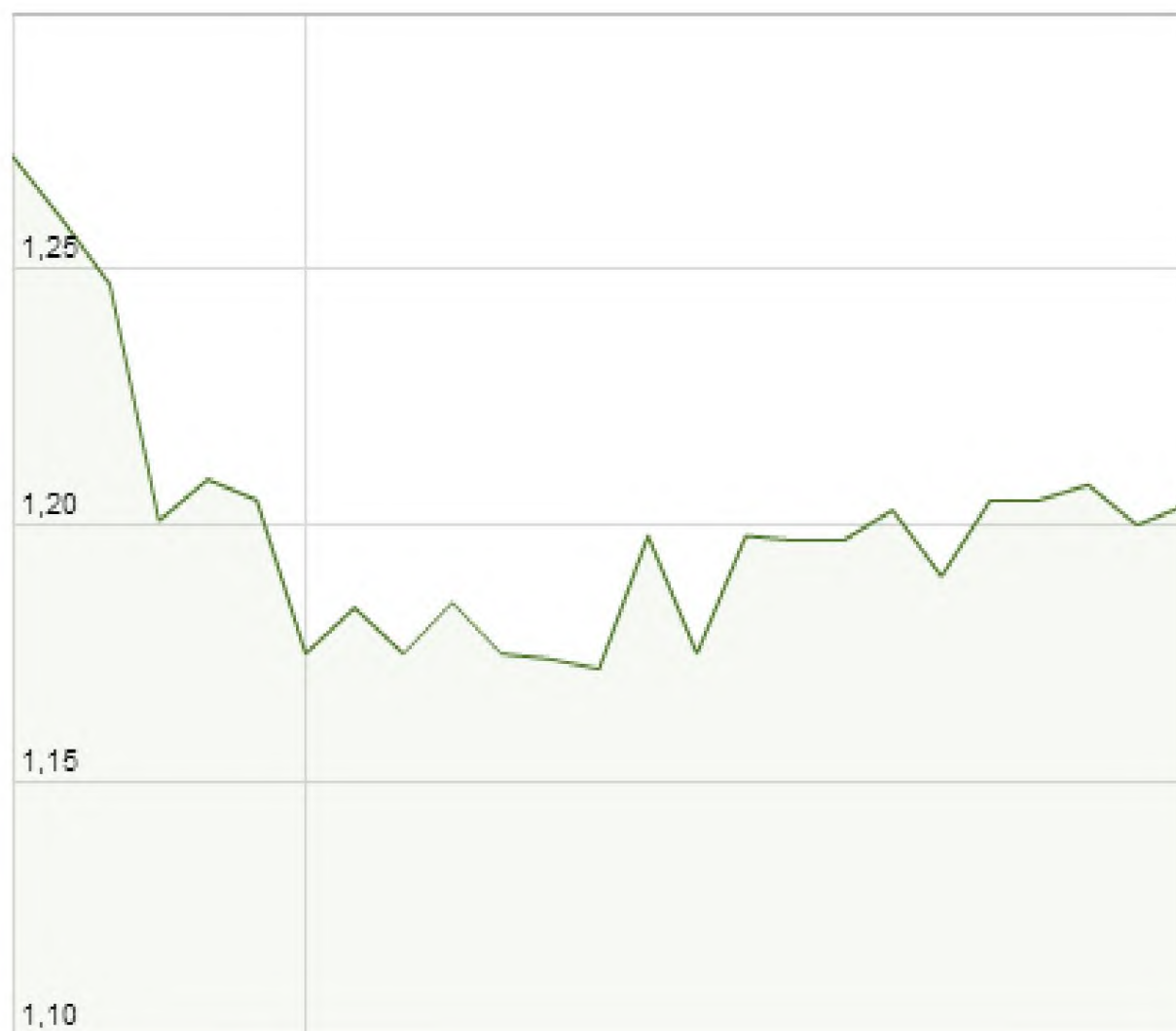


Odds for one share



Share price

SKK (ISIN code BG1100032140)



23.11.2015

Closing price: 1,272 BGN

Source: *Investor.bg*

30.12.2015

Closing price: 1,20lv

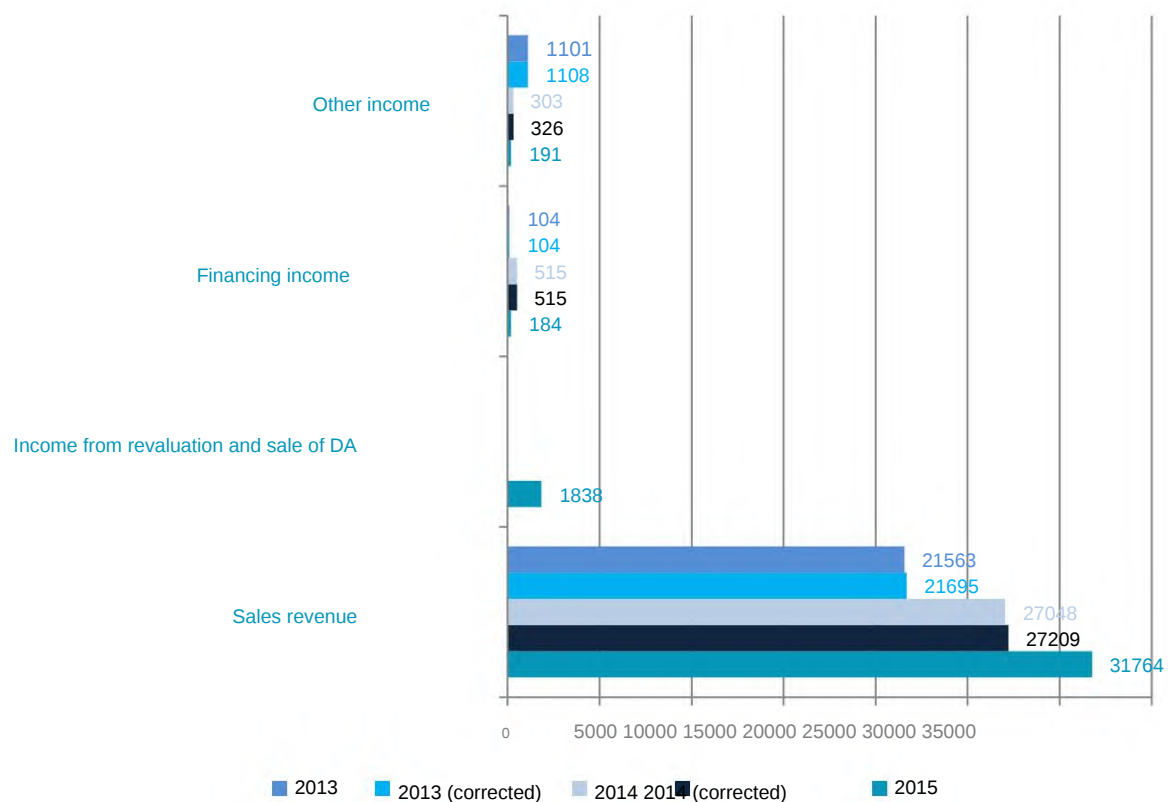


10.1/ REVENUE

The consolidated operating income of the company is:

	31.12.2015	31.12.2014 (corrected)	31.12.2014	31.12.2013 (corrected)	31.12.2013
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Revenue from sales Revenue	31764	27209	27 048	21 695	21 563
from revaluation and sale of DA Revenue from	1838				
financing Other revenue	184	515	515	104	104
	191	326	302	1108	1 101
Total	33977	28050	27865	22907	22768

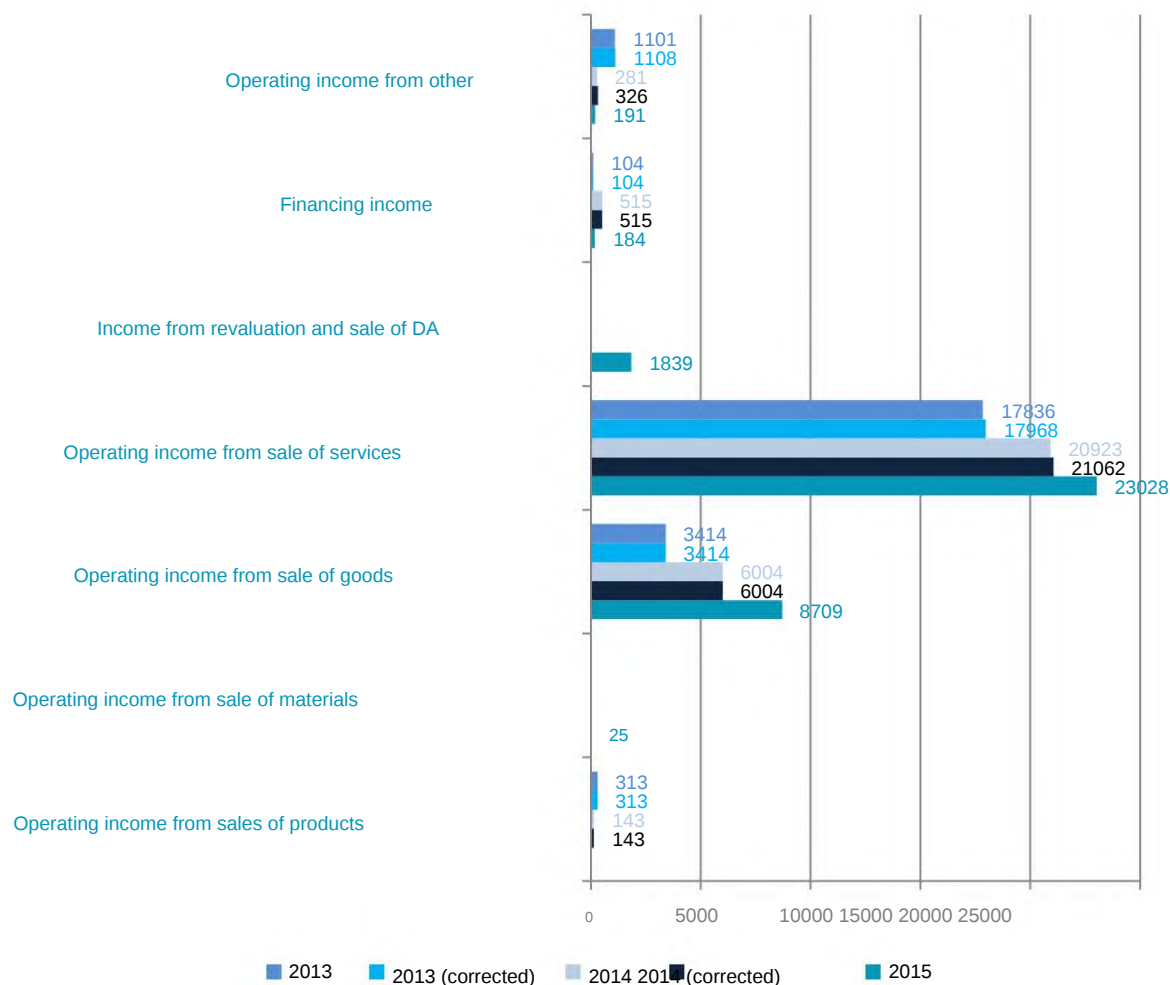
Revenue



Revenues as of the fourth quarter of 2015 include:

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000	2013 Amendment BGN '000	2013 Amendment BGN '000 %
Operating income from sales of products		143	143	313	313	-143	-100%
Operating income from sales of materials	25					25	n/a
Operating income from sales of goods	8709	6004	6004	3414	3414	2705	45%
Income from revaluation and sale of fixed assets	23028	21062	20923	17968	17836	1966	9%
Financing income	1839					1839	n/a
Operating income from other	184	515	515	104	104	-331	-64%
Total	184	515	515	104	104	-331	-64%
	191	326	281	1108	1101	-135	-41%
	33977	28050	27866	22907	22768	5927	21%

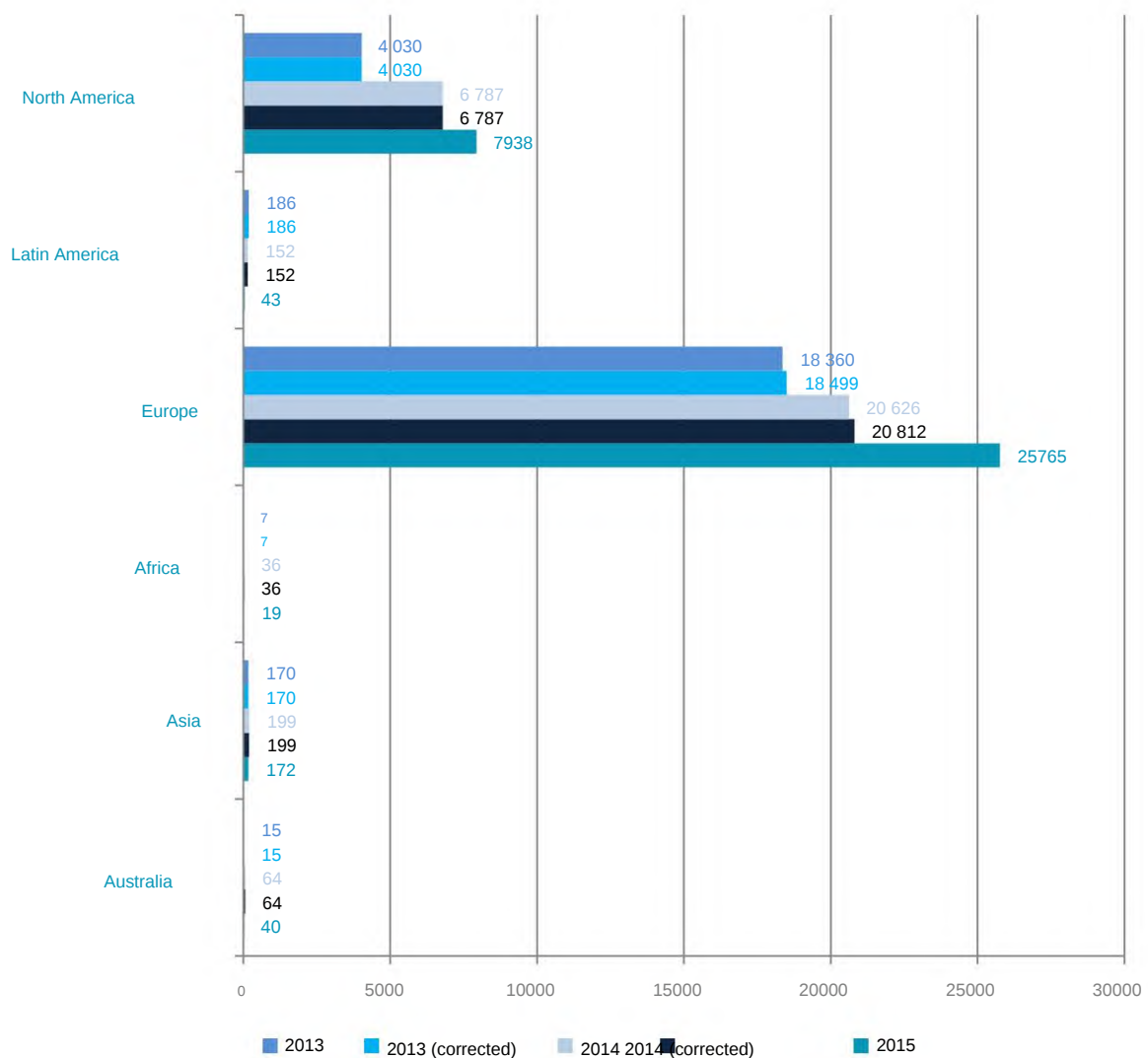
Revenue includes:



Sales revenue by REGIONS AND COUNTRIES:

Region	2015	2014	2013 (corrected)	2014 (corrected)	2013
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Australia	40	64	64	15	15
Asia	172	199	199	170	170
Africa	19	36	36	7	7
Europe	25 765	20 812	20 626	18 499	18 360
Latin America North	43	152	152	186	186
America Total	7 938	6 787	6 787	4 030	4 030
	33 977	28 050	27 864	22 907	22 768

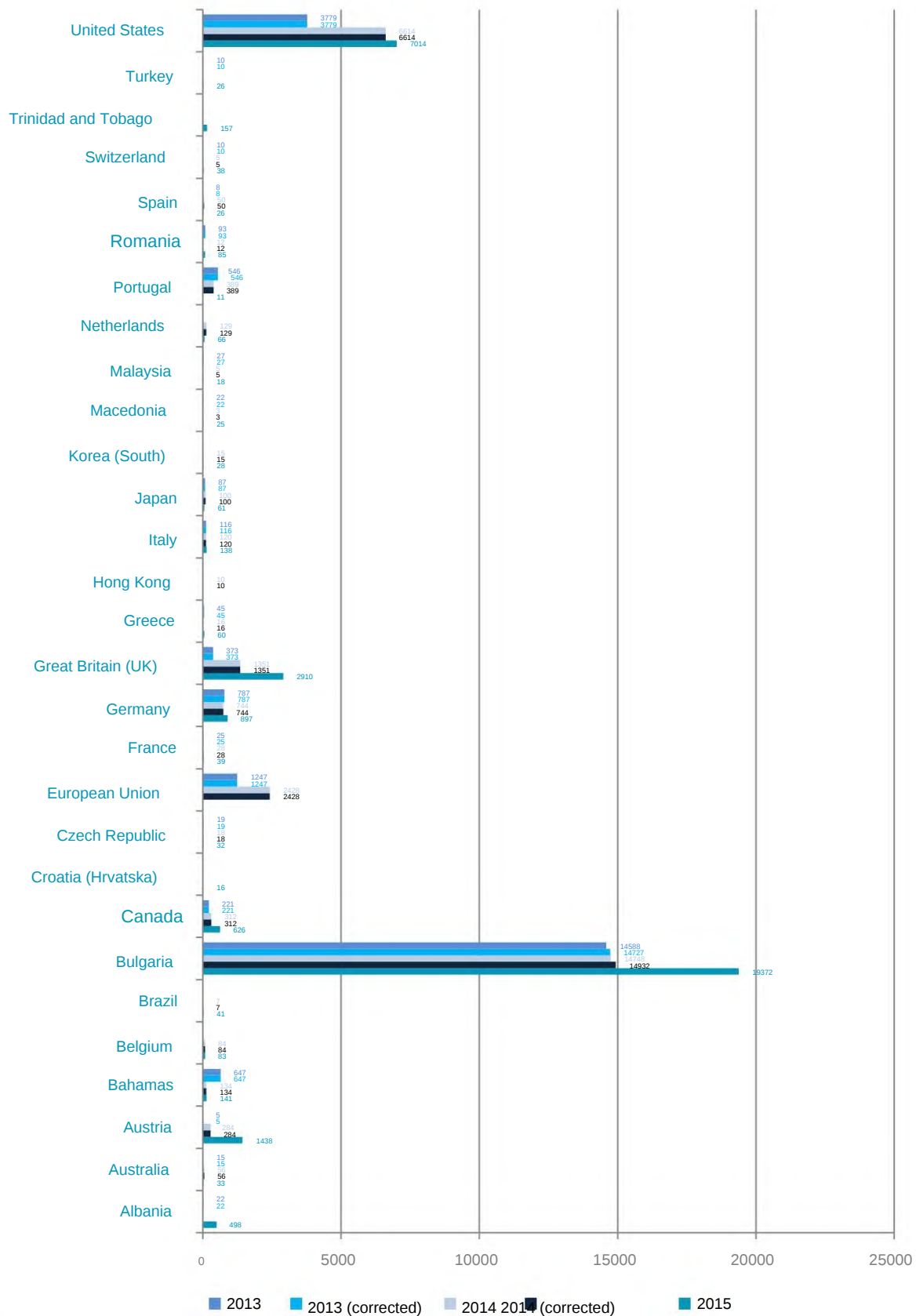
Revenue by region



Countries	2015	2014 (corrected)	2014	2013 (corrected)	2013
Albania	498			22	22
Argentina	2				
Australia	33	56	56	15	15
Austria	1438	284	284	5	5
Bahamas	141	134	134	647	647
Belgium	83	84	84		
Brazil	41	7	7		
Bulgaria	19372	14932	14748	14727	14588
Canada	626	312	312	221	221
Croatia (Hrvatska)	16				
Czech Republic	32	18	18	19	19
Denmark	10				
Egypt	10	8	8		
European Union		2428	2428	1247	1247
Finland	2	7	7		
France	39	28	28	25	25
Germany	897	744	744	787	787
Great Britain (UK)	2910	1351	1351	373	373
Greece	60	16	16	45	45
Hong Kong		10	10		
India	9	7	7	22	22
Israel		6	6	6	6
Italy	138	120	120	116	116
Japan	61	100	100	87	87
Korea (South)	28	15	15		
Macedonia	25	3	3	22	22
Malaysia	18	5	5	27	27
Mauritius	3	8	8	6	6
Mexico		11	11	6	6
Netherlands	66	129	129		
New Zealand (Aotearoa)	7	8	8		
Norway	3	71	71	3	3
Pakistan				4	4
Philippines	10				
Poland	5			5	5
Portugal	11	389	389	546	546
Romania	85	12	12	93	93
Russian Federation	5				
Seychelles	1	1	1		
Singapore	3	25	25		
Slovakia	2				
South Africa	4	20	20		1
Spain	26	50	50	18	8
Sweden	4				
Switzerland	38	5	5	10	10
Taiwan	6	1	1		
Thailand	5	21	21	2	2
Trinidad and Tobago	157				
Turkey	26			10	10
United Arab Emirates	7	10	10	21	21
United States Total	7014	6614	6614	3779	3779
	33977	28050	27866	22907	22768



Revenue by country



Revenue by type:

	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
Backup services	32	10	10	9	9
MAN connectivity	23	11	11	8	8
Subscriptions	1266	1055	1055	1004	1004
Administrative, accounting services Other operating income	105	211	211	255	255
Electrical connectivity PDU	169	42	42	452	452
Electrical connectivity sockets Non-warranty services	6	20	20	20	20
Internet Co-location	3	8	8	7	7
Consulting services Consumables	8	7	7	8	8
Marketing	113	155	155	102	102
and advertising	81	62	62	48	48
Network connectivity 100	1871	1600	1600	1325	1325
Mbps Network	182	247	247	208	208
connectivity 1Gbps Software		16	16	15	15
license rental Hardware and license rental	8	19	19	15	15
Cabinet rental Rentals	1	3	3	3	3
	81	41	41	24	24
	127	120	120	187	187
	170	288	288	287	287
	28	19	19	12	12
Cloud services	355	283	283	140	140
Training	44	94	94	5	5
License subscription revenue License sales	500	455	455	200	200
revenue Goods sales revenue Fixed asset	1012	551	551	301	301
sales revenue Materials sales revenue	7419	6004	6004	3414	3414
Subsidy revenue Fixed asset financing revenue External project revenue	1838				
European project revenue - IAS	25				
20 Subcontracting revenue	59	59	59		
System integration Software services Technical support Hosting	125	79	79	17	17
Other operating revenue Product sales	2				
revenue Operating financing revenue Installation fee	1185	1692	1692	2104	2104
	3115	1389	1389		
	7	20	20	1	1
	13795	12912	12728	12579	12440
	150	86	86	63	63
	49	28	28	5	5
	23				
		83	83	1	1
		378	378	88	88
		1	1		
SMS services Total		2	2		
	33977	28050	27866	22907	22768

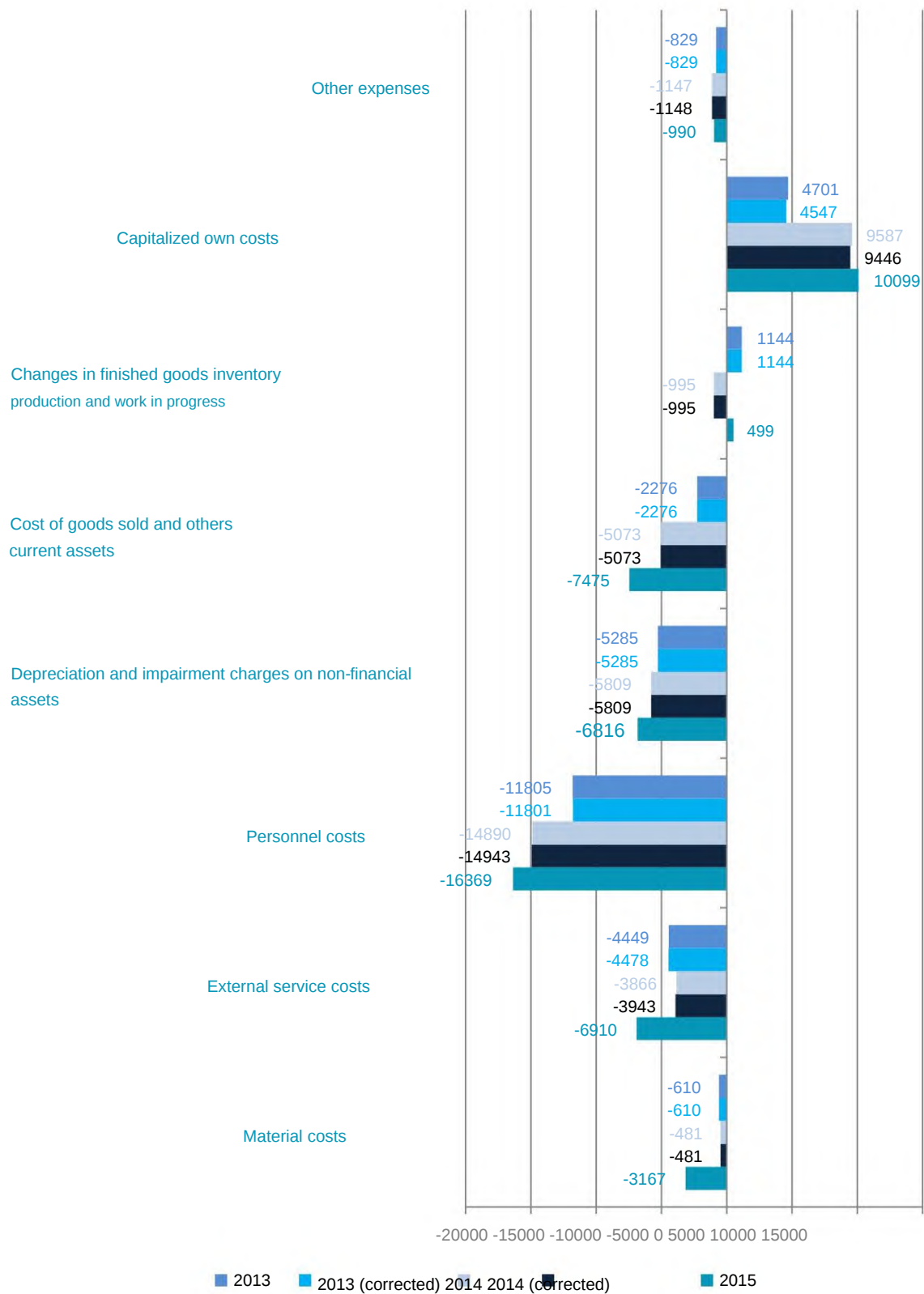


10.2/ EXPENSES

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 Amendment BGN '000	BGN '000
Material costs	-3167	-481	-481	-610	-610	-2686
Change %						558.42%
External service costs	-6910	-3943	-3866	-4478	-4449	-2967
Change %						75.25%
Personnel costs	-16369	-14943	-14890	-11801	-11805	-1426
Change %						9.54%
Depreciation and impairment charges on non-financial assets	-6816	-5809	-5809	-5285	-5285	-1007
Change %						17.34%
Cost of goods sold and other current assets	-7475	-5073	-5073	-2276	-2276	-2402
Change %						47.35%
Changes in inventories of finished goods and work in progress	499	-995	-995	1144	1144	1494
Change %						-150.15%
Capitalized own costs	10099	9446	9587	4547	4701	653
Change %						6.91%
Other expenses	-990	-1148	-1147	-829	-829	158
Change %						-13.76%
Total expenses	-31 129	-22,946	-22,674	-19,588	-19,409	-8 183
Change %						35.66%



Costs



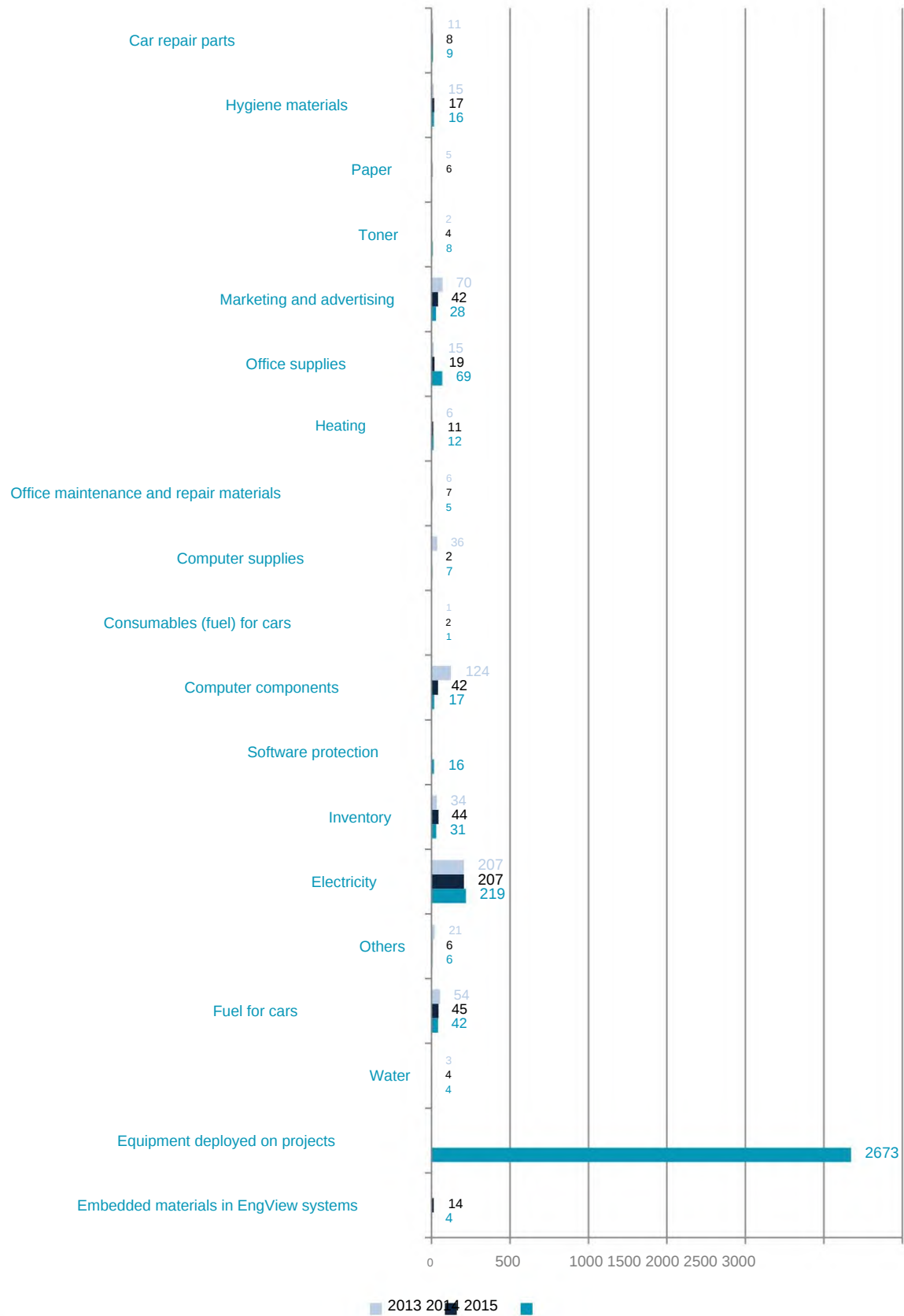
Material costs include:



	2015	2014	2013
	BGN '000	BGN '000	BGN '000
Embedded materials in systems - EngView Embedded	4	14	
equipment in projects Water	2673		
	4	4	3
Fuel for cars Other Electricity	42	45	54
	6	6	21
	219	207	207
Inventory	31	44	34
Software protection Computer	16		
components Automotive consumables	17	42	124
Computer consumables Office maintenance and repair	1	2	1
materials	7	2	36
	5	7	6
Heating	12	11	6
Office supplies Marketing and	69	19	15
advertising Toner Paper	28	42	70
	8	4	2
		6	5
Hygiene materials Car repair parts	16	17	15
	9	8	11
Total	3167	480	610



Material costs

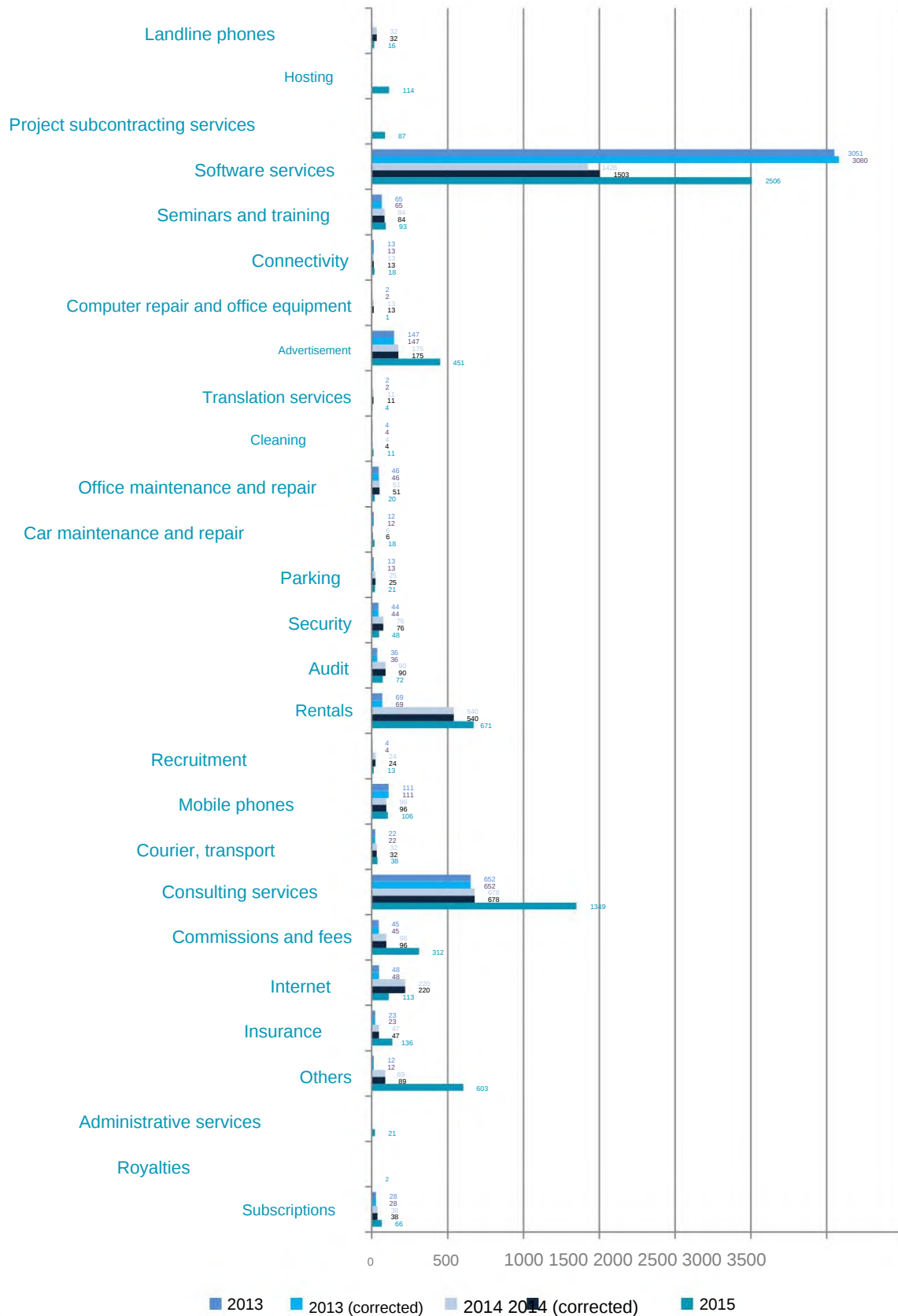


External service costs include:

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000
Subscriptions	66	38	38	28	28
Royalties	2				
Administrative services	21				
Others	603	89	89	12	12
Insurance	136	47	47	23	23
Internet	113	220	220	48	48
Commissions and fees	312	96	96	45	45
Consulting services	1349	678	678	652	652
Courier, transport	38	32	32	22	22
Mobile phones	106	96	96	111	111
Recruitment	13	24	24	4	4
Rentals	671	540	540	69	69
Audit	72	90	90	36	36
Security	48	76	76	44	44
Parking	21	25	25	13	13
Car maintenance and repair	18	6	6	12	12
Office maintenance and repair	20	51	51	46	46
Cleaning	11	4	4	4	4
Translation services	4	11	11	2	2
Advertisement	451	175	175	147	147
Computer repair and office equipment	1	13	13	2	2
Connectivity	18	13	13	13	13
Seminars and training	93	84	84	65	65
Software services	2506	1503	1426	3080	3051
Project subcontracting services	87				
Hosting	114				
Landline phones	16	32	32		
Total	6910	3943 3866		4478	4449



External service costs

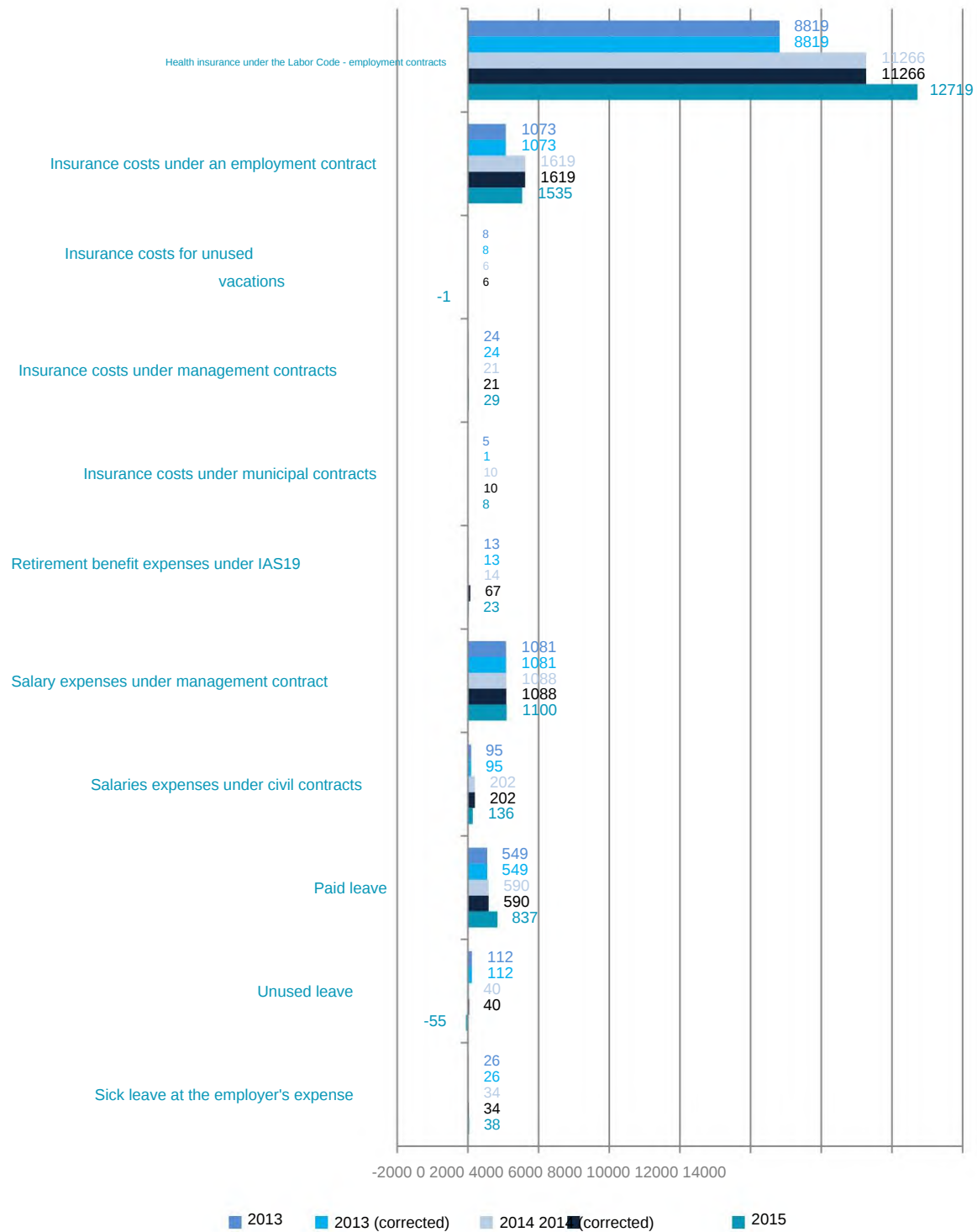


Personnel costs include:

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000
Sick leave at the employer's expense Unused	38	34	34	26	26
leave Paid leave Salary	-55	40	40	112	112
expenses under	837	590	590	549	549
civil contracts Salary expenses under management	136	202	202	95	95
contract Retirement benefit expenses under IAS19	1100	1088	1088	1081	1081
	23	67	14	13	13
Insurance costs under municipal contracts Insurance	8	10	10	1	5
costs under management contracts Insurance costs under	29	21	21	24	24
unused vacations Insurance costs under employment contracts	-1	6	6	8	8
Health insurance under RPV - employment contracts Total	1535	1619	1619	1073	1073
	12719	11266	11266	8819	8819
	16369	14943	14890	11801	11805



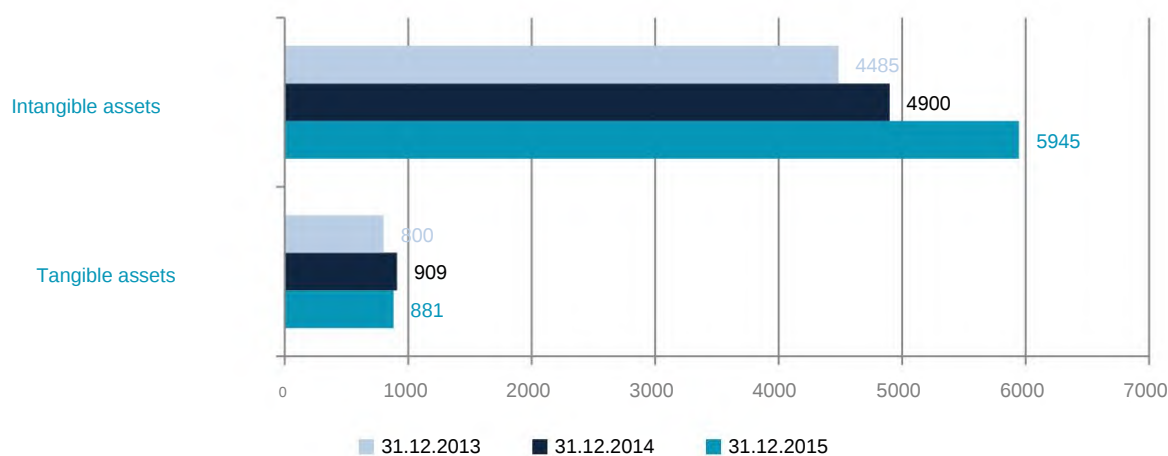
Personnel costs



Depreciation expenses include:

	31.12.2015	31.12.2014	31.12.2013
	BGN '000	BGN '000	BGN '000
Tangible assets	881	909	800
Intangible assets	5945	4900	4485
Total	6816	5809	5285

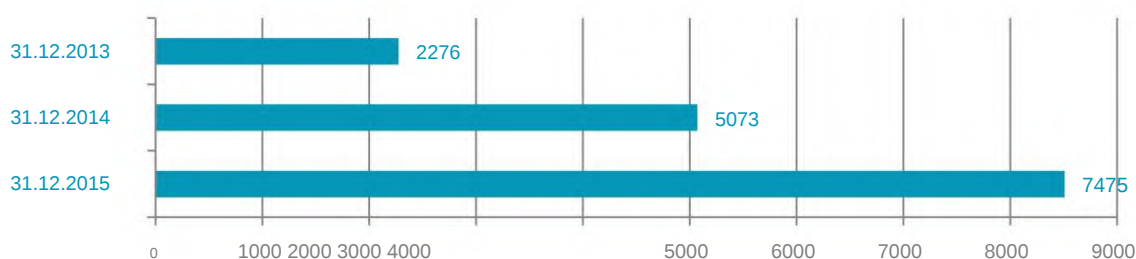
Depreciation expenses



The carrying amount of the assets sold is:

	31.12.2015	31.12.2014	31.12.2013
	BGN '000	BGN '000	BGN '000
Carrying amount of goods sold/production and assets	7475	5073	2276

Carrying amount of assets sold



The costs of acquiring fixed assets (capitalized costs) are:

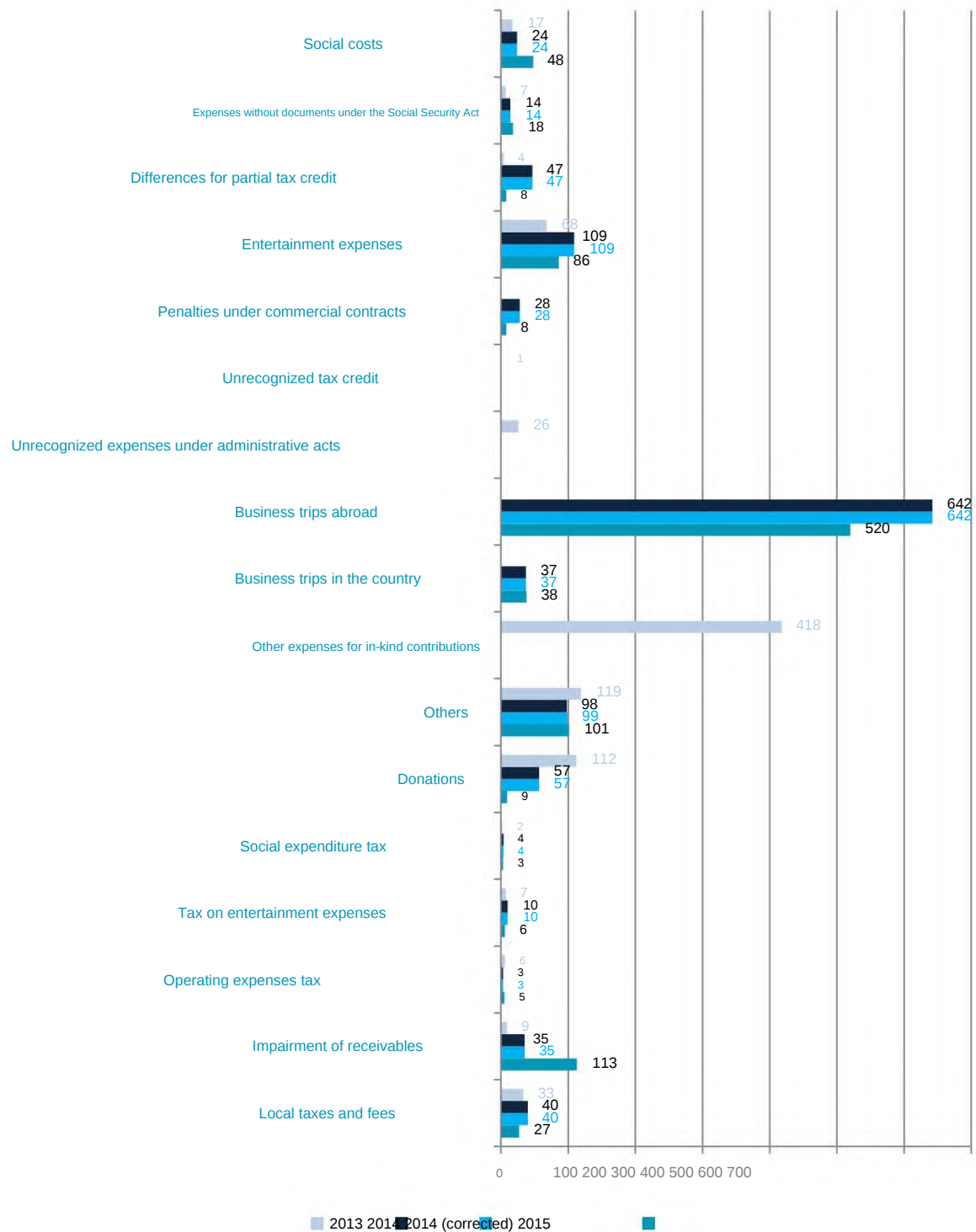
	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000
Capitalized costs					
ONTOTEXT AD SIRMA	3028	3216	3216	1847	1847
SOLUTIONS AD SIRMA BUSINESS	4675	2511	2511	1035	1035
CONSULTING AD SIRMA ITTI AD DATIKUM AD	429	771	771	707	707
ENGVIEW SYSTEMS SOFIA	1454	1707	1707	823	823
AD SIRMA GROUP		600	600		
HOLDING AD SIRMA USA SIRMA I.S.G.	401				
Ltd.	112	166	166	135	135
		475	475		
			141		154
Total	10099	9446	9587	4547	4701

Other costs include:

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 BGN '000
Local taxes and fees	27	40	40	33
Impairment of receivables	113	35	35	9
Operating expenses tax Representation	5	3	3	6
expenses tax Social expenses tax Donations	6	10	10	7
Other Other expenses in kind	3	4	4	2
Business	9	57	57	112
trips in	101	99	98	119
the country Business trips abroad				418
Unrecognized expenses under	38	37	37	
administrative acts Unrecognized	520	642	642	
tax credit Penalties under commercial contracts Representation				26
expenses Differences for partial tax				1
credit Expenses without documents under the	8	28	28	
Social Security Act Social expenses	86	109	109	68
	8	47	47	4
	18	14	14	7
	48	24	24	17
Total	990	1149	1148	829



Other expenses

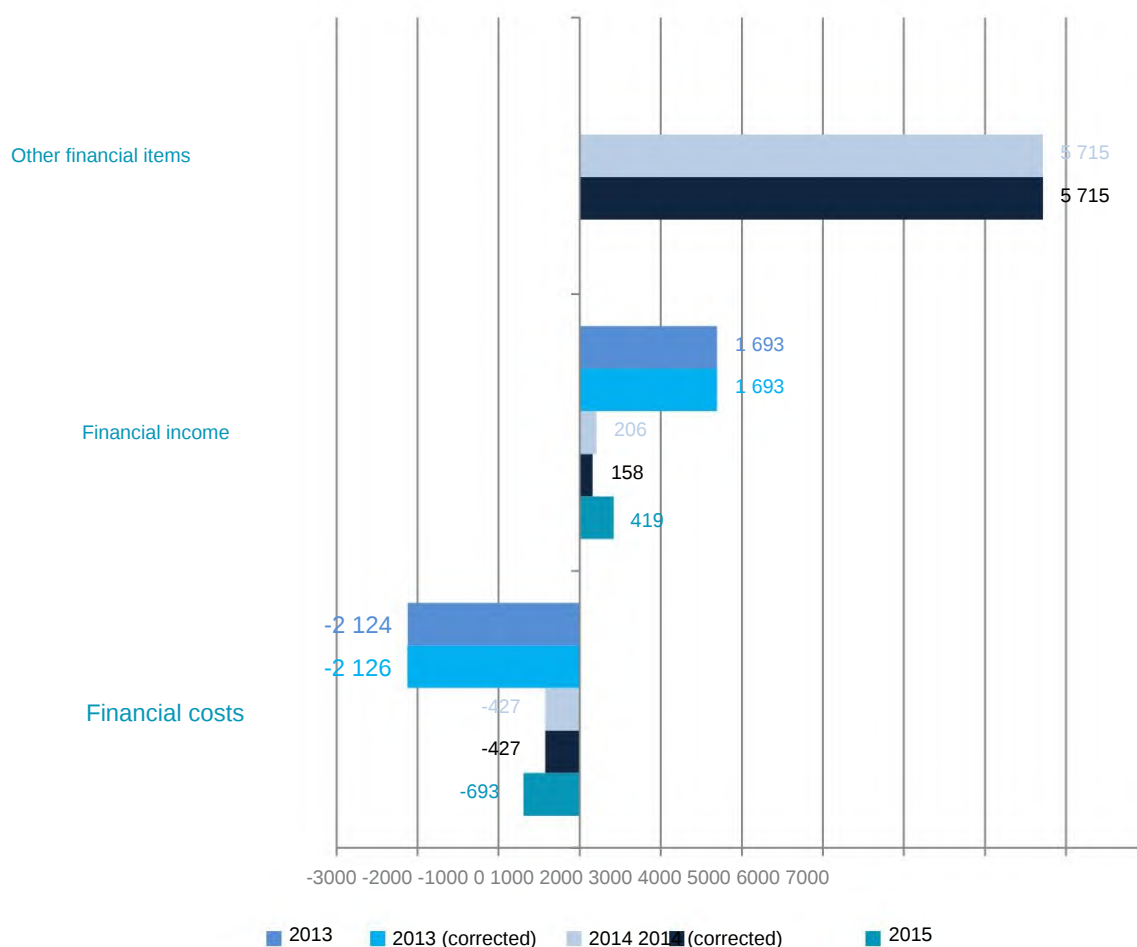


10.3/ FINANCIAL-INVESTMENT INCOME/EXPENSES

Financial income/expenses net:

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000
Financial expenses	-693	-427	-427	-2 126	-2 124
Financial income Other	419	158	206	1 693	1 693
financial items Financial income/		5 715	5 715		
expenses net	-274	5446	5494	-433	-431

Financial income/expenses



10.4/ PROFIT AND OTHER COMPREHENSIVE INCOME

Other components of comprehensive income include:

	2015	2014	2013 (corrected)	2014 (corrected)	31.12.2013
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Follow-up evaluations of plans with defined benefit pension	-79	31			-11
Reserves from translation of foreign exchange statements	3865	-501			
Total	5991	9172	9778	2896	2949

10.5/ RESULTS BY SEGMENTS AND COMPANIES

10.5.1. RESULTS BY SEGMENT

Indicator	Account	Ontology and semantics	31.12.2015	31.12.2014	31.12.2013
			BGN '000	BGN '000	BGN '000
Depreciation	603	Depreciation expenses	-1790	-2285	-1828
Depreciation Total			-1790	-2285	-1828
Capitalization 613	601	Material costs	0		
	602	External service costs	321	214	1445
	603	costs Salary costs (remuneration)	1680	1893	
	604	Insurance costs	852	919	358
	605	Other costs	164	188	44
	609		9	1	
Capitalization 613 Total			3027	3216	1847
Revenue	702	Revenue from sale of goods		13	
		703 Revenue from sale of services	5622	6857	5718
		706 Revenue from sale of fixed assets	613		
	709	Other operating income	15		99
Revenue Total			6250	0 6857	5817
Expenses excluding Depreciation	601	Material costs	-100	-63	-75
	602	External service costs	-2378	-1602	-1461
	604	Salaries (wages) costs	-4091	-3516	-2965
	605	Insurance costs	-303	-359	-321
	609	Other costs	-422	-420	-409
	702	Revenue from sale of goods			
	706	Revenue from sales of fixed assets	-367		
Expenses excluding Depreciation Total			-7661	-5960	-5231
Financial income (+)	721	Interest income	2	4	
	724	Income from foreign exchange operations	188	15	19
Financial income (+) Total			190	19	19
Financial expenses (-)	621	Interest expenses	-35	-19	0
	624	Foreign exchange transaction costs	-158	-60	-85
	629	Other financial expenses	-21	-11	
Financial expenses (-) Total			-214	-89	-85
Total			-199	1757	539



Indicator	Account	CAD/CAM	31.12.2015	31.12.2014	31.12.2013
			BGN '000	BGN '000	BGN '000
Depreciation	603	Depreciation expenses	-18	-15	-14
Depreciation Total			-18	-18	-18
Revenue	701	Revenue from sales of products Revenue from		83	
	702	sales of goods Revenue from sales of	70	81	32
	703	services Revenue from sales of materials	2459	2398	1691
	707	Other operating income	25		
	709		28	41	43
Revenue Total			2582	2520	1766
Capitalization 613	604	Salaries (wages) expenses Insurance expenses	370		
	605		31		
Capitalization 613 Total			401		
Expenses excluding Depreciation	601	Material costs	-76	-96	-55
	602	Costs for external services Costs for	-895	-456	-201
	604	salaries (remuneration) Costs for insurance costs	-1284	-1231	-1082
	605	Costs for taxes, fees and other	-150	-122	-109
	606	similar payments Costs for subsequent valuations of assets Other costs			0
	608	Revenue from the sale of production	-60		
	609		-90	-95	-87
	701				
	702	Carrying amount of goods sold Carrying amount of	-36	-61	-24
	707	materials	-6		
Expenses excluding Depreciation			-2596	-2060	-1558
Total Financial income (+)	721	Interest income	0	8	7
	724	Income from foreign exchange operations	7	2	1
Financial income (+) Total			7	10	8
Financial expenses (-)	621	Interest expenses	0	0	0
	624	Foreign exchange transaction costs Other	-5	-4	-5
	629	financial expenses	-6	-6	-5
Financial expenses (-) Total			-11	-9	-10
Total			365	432	179

Indicator	Account	DATA CENTER	2015	2014	2013
			BGN '000	BGN '000	BGN '000
Depreciation	603	Depreciation expenses	-386	-434	-433
Depreciation Total			-386	-434	-433
Capitalization 613	602	External service costs		507	
Capitalization 613 Total				507	
Revenue	702	Revenue from sale of goods Revenue from	8	42	321
	703	sale of services Other operating income	1337	1529	1128
	709				0
Revenue Total			0 1345	1 1571	1449
Expenses excluding Depreciation	602	External service costs	-379	-1124	-401
	604	Salaries (wages) expenses Insurance expenses	-376	-397	-252
	605	Other expenses Carrying	-35	-38	-20
	609	amount	-27	-11	-12
	702		-8	0	-221
Expenses excluding Depreciation			-824	-1571	-906
Total Financial income (+)	721	Interest income	5	30	22
	724	Income from foreign exchange operations	14	0	0
	729	Other financial income			0
Financial income (+) Total			19	30	22
Financial expenses (-)	621	Interest expenses	0	-1	-4
	624	Foreign exchange transaction costs Other	-6	-1	-1
	629	financial expenses	-5	-5	-4
Financial expenses (-) Total			-11	-6	-9
Total			143	97	123



Indicator	HARDWARE SALES ACCOUNT		2015 BGN '000	2014 BGN '000	2013 BGN '000
Depreciation	603	Depreciation expenses	0	-5	-4
Depreciation Total Revenue			0	-5	-4
	702	Revenue from sale of goods Revenue from	7307	5809	2871
	706	sale of fixed assets Other operating income	2		
	709		94	1	
Revenue Total			7403	5810	2871
Expenses	601	Material costs	-369	-21	-91
excluding Depreciation	602	External service costs Salary costs	-333	-408	-506
	604	(remuneration) Insurance costs Other costs Carrying	-255	-158	134
	605	amount of goods sold	-22	-19	-67
	609		-46	-4	-1
	702		-5841	-4708	-2236
Expenses excluding Depreciation			-6866	-5317	-2767
Total Financial expenses (-)	621	Interest expenses	0	-1	0
	629	Other financial expenses	0	-1	
Financial expenses (-) Total			0	-1	0
Total			536	486	99

Indicator	Account SOFTWARE SERVICES AND CONSULTATIONS		2015 BGN '000	2014 BGN '000	2013 BGN '000
Depreciation	603	Depreciation expenses	-4216	-2699	-2161
Depreciation Total Work			-4216	-2699	-2161
in progress 611	602	External service costs	336	1	
	604	Salaries (wages) expenses Insurance expenses Other	330	158	
	605	expenses Revenue from sale of	36	21	
	609	services	7		
	703		-209	-782	
Work in progress 611 Total			499	-602	
Capitalization 613	601	Costs of materials Costs of	236		
	602	external services Depreciation costs	654		
	603	Costs of salaries (remuneration)	3811	2437	1312
	604	Insurance costs Other costs	1141	2218	576
	605		190	298	104
	609		211		
Capitalization 613 Total			6243	4953	1992
Revenue	602				
	701	Revenue from sales of products Revenue from			1
	702	sales of goods Revenue from sales of	35	306	38
	703	services Revenue from financing Revenue	11367	7926	7880
	705	from sales of fixed assets Other	174	151	104
	706	operating income	1223		0
	709				9
Revenue Total			1 12800	0 8383	8031
Expenses	601	Material costs	-2575	-257	-128
excluding Depreciation	602	External service costs Salary costs	-1914	-176	-1671
	604	(remuneration) Insurance costs Provision costs	-6801	-6410	-4311
	605	Other costs Revenue from	-639	-469	-426
	607	sales of production Carrying			-50
	609	amount Revenue	-348	-548	-71
	701	from sales of fixed assets Revenue from			-1
	702	reintegrated provisions	-18	-294	-36
	706		-1200		0
	726				-1865
Expenses excluding Depreciation			-13496	-8154	-6694
Total Financial income (+)	721	Interest income	54	15	2
	722	Income from participations			48
	723	Income from operations with financial assets and instruments Income from foreign	88	-111	1865
	724	exchange operations	75	102	17
Financial income (+) Total			217	5	1933
Financial expenses (-)	621	Interest expenses	-206	-177	-134
	623	Expenses on operations with financial assets and instruments Expenses on			-79
	624	foreign exchange operations Other financial	-191	-68	-30
	629	expenses	-50	-50	-70
Financial expenses (-) Total			-446	-295	-312



Amendment of stocks and work in progress	602	External service costs		36
	604	Salaries (wages) expenses Insurance expenses		297
	605	Other expenses Operating expenses		37
	609			1
	611			-6
Amendment of stocks and work in progress				365
Total				
Unclassified Unclassified	791	Revenue	206	
Total			206	
Total			1600	1797
				2787
Indicator	FINTECH Account		2015 BGN '000	2014 BGN '000
				2013 BGN '000
Depreciation	603	Depreciation expenses	-406	-367
Depreciation Total			-406	-367
Capitalization 613	603	Depreciation expenses Salary	153	264
	604	expenses (remuneration) Insurance expenses Other	220	449
	605	expenses	55	58
	609			5
Capitalization 613 Total			428	771
	703	Revenue from sale of services		-393
Work in progress 611 Total Revenue			0	-393
	703	Revenue from sale of services Other	3597	2909
	709	operating income		0
Revenue Total			3597	2909
Expenses excluding Depreciation	601	Material costs	-48	-44
	602	Costs for external services Costs	-1010	-177
	604	for salaries (remuneration) Costs for insurance	-2154	-2019
	605	Other costs	-260	-205
	609		-57	-72
Expenses excluding Depreciation			-3529	-2517
Total Financial income (+)	721	Interest income	17	12
	724	Income from foreign exchange operations	27	12
Financial income (+) Total			44	24
Financial expenses (-)	621	Interest expenses		-2
	624	Foreign exchange transaction costs	-3	-2
	629	Other financial expenses	-4	-2
Financial expenses (-) Total			-7	-6
Change in stocks and work in progress	601	Material costs		5
	602	Costs for external services Costs		18
	604	for salaries (remuneration) Costs for insurance		283
	605	Other costs		28
	609			59
Amendment of stocks and work in progress				393
Total				
Total			119	421
				-71



			31.12.2015	31.12.2014	31.12.2013
			BGN '000	BGN '000	BGN '000
Indicator	R&D Account 602				
R&D	603	External service costs Depreciation	471		
	604	costs Salary costs (remuneration)	21		
	605	Insurance costs	76		
			10		
Total			577	0	0

			31.12.2015	31.12.2014	31.12.2013
			BGN '000	BGN '000	BGN '000
Indicator	Account PRODUCT DEVELOPMENT Costs of materials				
	601	Costs of external services	0		
	602	Depreciation costs Costs of salaries	1285	1386	172
	603	(wages) Insurance costs Other	5089	4913	3771
	604	costs	3321	2809	540
	605		395	338	64
	609		9	1	0
Total			10099	9446	4547

10.5.2. RESULTS BY COMPANY

SIRMA GROUP HOLDING AD

	2015 '000 BGN	2014 '000 BGN (corrected)	2014 '000 BGN	2013 '000 BGN (corrected)	2013 '000 BGN
Sales revenue Financing	1538	1639	1639	1188	1188
revenue Other revenue Total	148	59	59	60	60
revenue	1	58	57	1	-
	1686	1756	1755	1249	1248
Cost of materials Cost of	(38)	(18)	(18)	(20)	(20)
external services Personnel costs	(464)	(397)	(397)	(374)	(374)
Depreciation and impairment	(935)	(665)	(655)	(591)	(591)
of non-financial assets Cost of goods sold and other	(258)	(168)	(168)	(127)	(127)
current assets	-	(281)	(281)	-	-
Capitalized own costs Other costs Total costs	113	166	166	135	135
	(40)	(92)	(92)	(61)	(61)
	(1,622)	(1,455)	(1,445)	(1,038)	(1,038)
Profit / (Loss) from operating activities	64	301	310	211	210
Financial expenses	(137)	(113)	(113)	(1,958)	(1,958)
Financial income Financial	90	390	390	2,175	2 175
income/expenses net	(47)	277	277	217	217
Profit / (Loss) before taxes	17	578	587	428	427
Income tax expense / Income tax revenue	1	(58)	(58)	(21)	(21)
Profit / (Loss) for the year from continuing	18	520	529	407	406
operations					
Other comprehensive income	4	9	-	(1)	-
Total comprehensive income	22	529	529	406	406
Earnings/(Loss) per share	0.0004	0.0106	0.0106	0.0055	0.0055



SIRMA SOLUTIONS AD

	2015	2014 '000 BGN (recalculated)	2014 '000 BGN	2013 '000 BGN (recalculated)	2013 '000 BGN
Revenue from sales Revenue	15486	11802	11724	10711	10677
from revaluation and sale of DA Revenue from	8	-	-	-	-
financing Other revenue Total	48	403	403	39	39
revenue	166	174	156	12	9
	15708	12379	12283	10762	10725
Cost of materials Cost of	(114)	(136)	(136)	(228)	(228)
external services Personnel costs	(4,033)	(2,375)	(2,375)	(2,698)	(2,698)
Depreciation and impairment	(4,326)	(4,711)	(4,704)	(4,674)	(4,679)
of non-financial assets Cost of goods sold and	(3,460)	(1,903)	(1,903)	(2,622)	(2,622)
other current assets	(7,459)	(4,717)	(4,717)	(2,149)	(2,149)
Changes in finished goods inventory production and work in progress	498	(484)	(484)	661	661
Capitalized own costs Other costs Total costs	4,675	2,511	2,511	2,035	2 035
	(225)	(142)	(141)	(191)	(191)
	(14,444)	(11,957)	(11,949)	(9,866)	(9,871)
Profit / (Loss) from operating activities	1264	422	334	896	854
Financial expenses	(288)	(176)	(176)	(269)	(268)
Financial income Financial	502	6014	6062	145	145
income/expenses net	214	5 838	5 886	(124)	(123)
Profit / (Loss) before taxes	1478	6260	6220	772	731
Income tax expense / Income tax revenue	(115)	(599)	(599)	(60)	(60)
Profit / (Loss) for the year from continuing					
operations	1363	5661	5621	712	671
Other comprehensive income	(22)	(10)	-	(7)	-
Total comprehensive income	1341	5651	5621	705	671
Basic earnings per share	0.044	0.182	0.181	0.023	0.022



DATIKUM AD

	2015 '000 BGN	2014 '000 BGN	2013 '000 BGN
Sales revenue Total revenue	4702	1 732	1 645
	4702	1732	1645
Costs of materials Costs of external	(2,936)	(196)	(158)
services Personnel costs Costs for depreciation	(489)	(1,124)	(440)
and impairment of non-financial assets	(410)	(359)	(272)
	(386)	(434)	(441)
Cost of goods sold and other current assets Capitalized own costs Other costs	(8)	-	(175)
Total costs	-	600	-
	(27)	(11)	(4)
	(4,256)	(1,524)	(1,490)
Profit / (Loss) from operating activities	446	208	155
Financial expenses	(60)	(6)	(9)
Financial income Financial	23	30	23
income/expenses net	(37)	24	14
Profit / (Loss) before taxes	409	232	169
Income tax expense / Income tax revenue	(41)	(23)	(17)
Profit / (Loss) for the year from continuing operations	368	209	152
Total comprehensive income	368	209	152
Basic earnings per share	0.160	0.091	0.066

ENGVIEW SYSTEMS SOFIA AD

	2015 '000 BGN	2014 '000 BGN (corrected)	2014 '000 BGN	2013 '000 BGN (corrected)	2013 '000 BGN
Sales revenue Other revenue	2 763	2 643	2 643	1 775	1 775
Total revenue	30	43	42	42	42
	2 793	2 686	2 685	1 817	1 817
Cost of materials Cost of	(76)	(96)	(96)	(55)	(55)
external services Personnel costs	(895)	(497)	(497)	(299)	(299)
Depreciation and impairment	(1,434)	(1,353)	(1,353)	(1,177)	(1,179)
of non-financial assets Cost of goods sold and other	(18)	(15)	(15)	(14)	(14)
current assets	(42)	(61)	(61)	(24)	(24)
Capitalized own costs Other costs Total costs	401	-	-	-	-
	(150)	(94)	(94)	(88)	(88)
	(2,214)	(2 116)	(2 116)	(1,657)	(1,659)
Profit / (Loss) from operating activities	579	570	569	160	158
Financial expenses	(11)	(9)	(9)	(10)	(10)
Financial income Financial	38	37	37	38	38
income/expenses net	27	28	28	28	28



Profit / (Loss) before taxes	606	598	597	188	186
Income tax expense / Income tax revenue	(61)	(60)	(60)	(19)	(19)
Profit / (Loss) for the year from continuing operations	545	538	537	169	167
Other comprehensive income	-	(1)	-	(2)	-
Total comprehensive income	546	537	537	167	167
Basic earnings per share	7,899	7,797	7,783	2,449	2,420

ONTOTEXT AD (cons.)

	2015 '000 BGN	2014 '000 BGN (corrected)	2014 '000 BGN	2013 '000 BGN (corrected)	2013 '000 BGN
Revenue from sales Revenue	5 471	6 870	6 870	5 962	5 962
from revaluation and sale of DA Other revenue	613	-	-	97	97
Total revenue	16	-	-	-	-
	6 100	6 870	6 870	6 059	6 059
Cost of materials Cost of	(99)	(76)	(76)	(75)	(75)
external services Personnel costs	(2,228)	(1,602)	(1,602)	(1,522)	(1,522)
Depreciation and impairment	(4,394)	(3,875)	(3,865)	(3,497)	(3,500)
of non-financial assets Cost of	(1,790)	(2,285)	(2,285)	(1,828)	(1,828)
goods sold and other current assets	(367)	-	-	-	-
Capitalized own costs	3 028	3 216	3 216	1 847	1 847
Other expenses	(422)	(420)	(420)	(437)	(437)
Total expenses	(6,272)	(5,042)	(5,032)	(5,512)	(5,515)
Profit / (Loss) from operating activities	(172)	1 828	1 838	547	544
Financial expenses	(216)	(95)	(95)	(87)	(87)
Financial income Financial	177	56	56	19	19
income / expenses net	(39)	(39)	(39)	(68)	(68)
Share of profit of associated companies					
Profit / (Loss) before taxes	(211)	1 789	1 799	479	476
Income tax expense / Income tax revenue	(18)	(154)	(154)	(58)	(58)
Profit / (Loss) for the year from continuing operations	(229)	1 635	1 645	421	418
Other comprehensive income	(2)	10	-	(3)	-
Total comprehensive income	(231)	1 645	1 645	418	418
Basic earnings per share	(0.015)	0.1074	0.1080	0.0277	0.0275



SIRMA BUSINESS CONSULTING AD

	2015	2014 '000 BGN	2014 '000 BGN (corrected)	2013 '000 BGN	2013 '000 BGN (corrected)
Sales revenue Other revenue	3174	3009	3009	3259	3259
Total revenue	1	-	1	-	1
	3175	3009	3010	3259	3260
Costs of materials Costs of	(49)	(46)	(46)	(56)	(56)
external services Personnel costs	(805)	(279)	(279)	(384)	(384)
Depreciation and impairment	(2,091)	(2,224)	(2,246)	(2,381)	(2,386)
of non-financial assets Changes in inventories of	(396)	(367)	(367)	(841)	(841)
finished goods and work in					
progress	-	(393)	(393)	393	393
Capitalized own costs Other costs Total costs	429	771	771	707	707
Profit / (Loss)	(75)	(72)	(72)	(251)	(251)
from operating	(2,987)	(2,610)	(2,632)	(2,813)	(2,818)
activities Financial costs Financial income					
Financial	188	399	378	446	442
income / expenses net	(11)	(6)	(6)	(15)	(16)
Profit / (Loss) before	44	24	24	27	27
taxes Income tax expenses / Income tax income	33	18	18	12	11
	221	417	396	458	453
	(48)	(42)	(42)	(45)	(45)
Profit / (Loss) for the year from continuing	173	375	354	413	408
operations Other comprehensive					
income	(18)	-	21	-	5
Total comprehensive income Basic	155	375	375	413	413
earnings per share	0.0681	0.1476	0.1394	0.1879	0.1856

SIRMA USA

	2015 '000 BGN	2014 '000 BGN
Revenue from sales Revenue	2 031	2 377
from revaluation and sale of DA Other revenue	1 216	
	1	2
Total income	3 248	2 379
Costs of materials Costs of	(5)	(12)
external services Personnel costs	(1,514)	(1,766)
Costs for depreciation and	(699)	(477)
impairment of non-financial assets		
Cost of goods sold and other current assets Other expenses	(783)	
	(18)	(109)
Total expenses	(3,019)	(2,364)
Profit / (Loss) from operating activities	229	15
Financial costs	(1)	(6)
Financial income / expenses net	(1)	(6)
Profit / (Loss) before taxes	228	9
Profit / (Loss) for the year from continuing operations	228	9



SIRMA IT AD

	2015	2014 '000 BGN (corrected)	2014 '000 BGN	2013 '000 BGN (corrected)	2013 '000 BGN
Sales revenue Financing	1740	1397	1397	2186	2186
revenue Total revenue	76	39	39	-	-
	1816	1436	1436	2186	2186
Cost of materials Cost of	(31)	(29)	(29)	(41)	(41)
external services Personnel costs	(546)	(329)	(329)	(302)	(302)
Depreciation and impairment	(1,631)	(1,559)	(1,557)	(1,514)	(1,515)
of non-financial assets Cost of goods sold and	(583)	(941)	(941)	(516)	(516)
other current assets	(18)	(11)	(11)	(46)	(46)
Changes in inventories of finished goods and work	-	(60)	(60)	60	60
in progress					
Capitalized own costs Other costs Total costs	1,454	1,707	1,707	847	847
	(45)	(60)	(60)	(129)	(129)
	(1,400)	(1,282)	(1,280)	(1,641)	(1,642)
Profit / (Loss) from operating activities	416	154	156	545	544
Financial expenses	(101)	(70)	(70)	(37)	(37)
Financial income Financial	41	8	8	1	1
income / expenses	(60)	(62)	(62)	(36)	(36)
net					
Profit / (Loss) before taxes	356	92	94	509	508
Income tax expense / Income tax revenue	(29)	(12)	(12)	(51)	(51)
Profit / (Loss) for the year from continuing					
operations	327	80	82	458	457
Other comprehensive income	(6)	2	-	(1)	-
Total comprehensive income	321	82	82	457	457
Basic earnings per share	0.232	0.058	0.059	0.329	0.329

SIRMA ISG LTD.

	2015 BGN '000	2014 BGN '000 (adjusted)	2014 BGN '000	2013 BGN '000 (adjusted)	2013 BGN '000
Sales revenue Total revenue	470	501	340	276	144
	470	501	340	276	144
Costs of materials Costs of	(1)	(3)	(3)	(1)	(1)
external services Personnel costs	(205)	(244)	(89)	(115)	(52)
Depreciation and impairment	(323)	(288)	(288)	(237)	(237)
of non-financial assets Capitalized own costs Other	(2)	(2)	(2)	(1)	(1)
costs Total costs	-	-	141	-	154
	(3)	(3)	(3)	(1)	(1)
	(534)	(540)	(244)	(355)	(138)
Profit / (Loss) from operating activities	(64)	(39)	96	(79)	6



activity					
Financial expenses	(7)	(9)	(9)	(5)	(5)
Other financial items Financial	(1)	-	-	-	-
income/expenses net	(8)	(9)	(9)	(5)	(5)
Share of profit of associated companies					
Profit / (Loss) before taxes	(72)	(48)	87	(84)	1
Income tax expense / Income tax revenue	-	(8)	(8)	-	-
Other taxes Profit / (Loss) for the year	-	(1)	(1)	-	-
from continuing operations Total comprehensive income					
Basic earnings per share	(72)	(57)	78	(84)	1
	(72)	(57)	78	(84)	1
	(14)	(11)	16	(17)	0

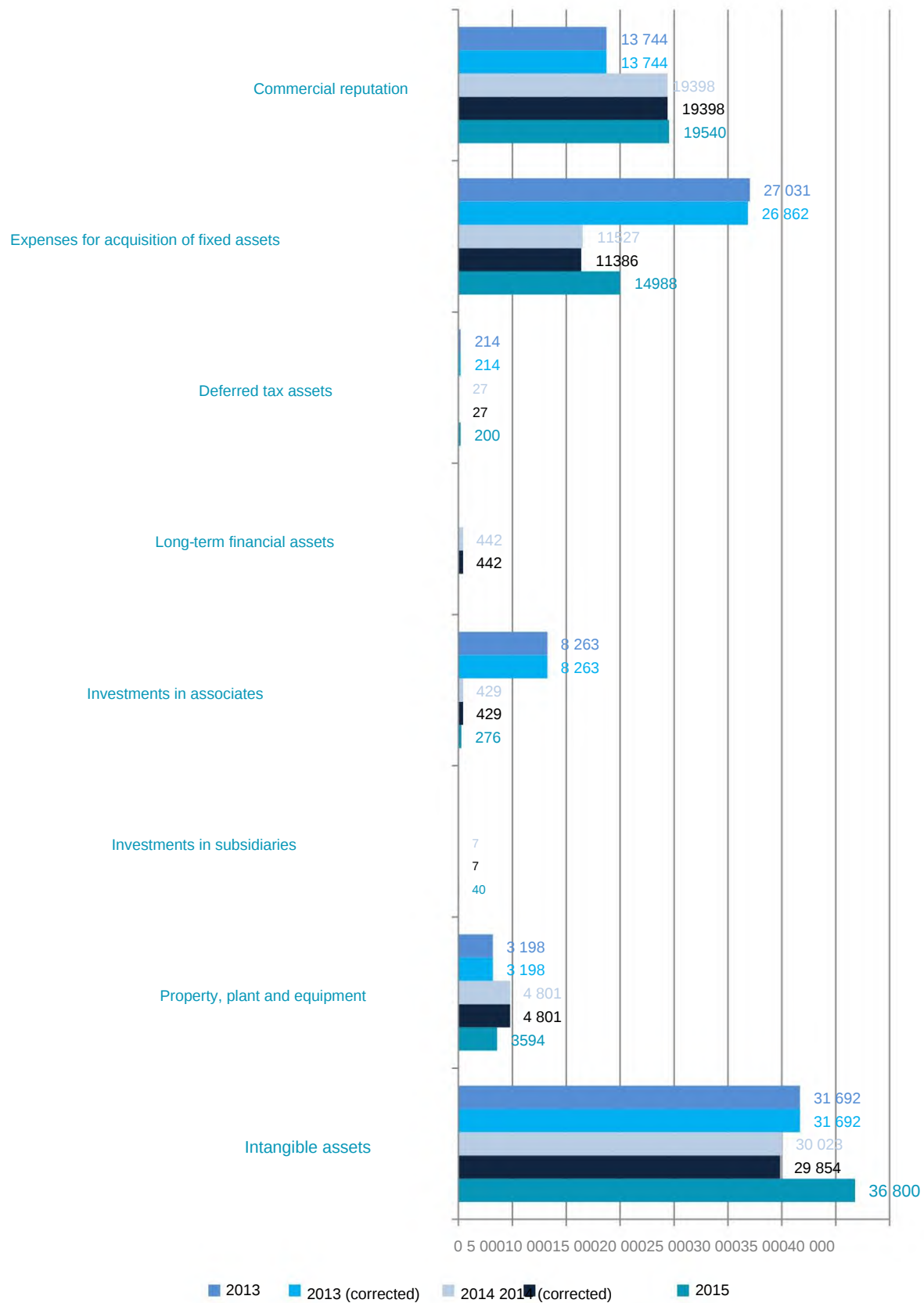
11/ ASSETS

11.1.NON-CURRENT ASSETS

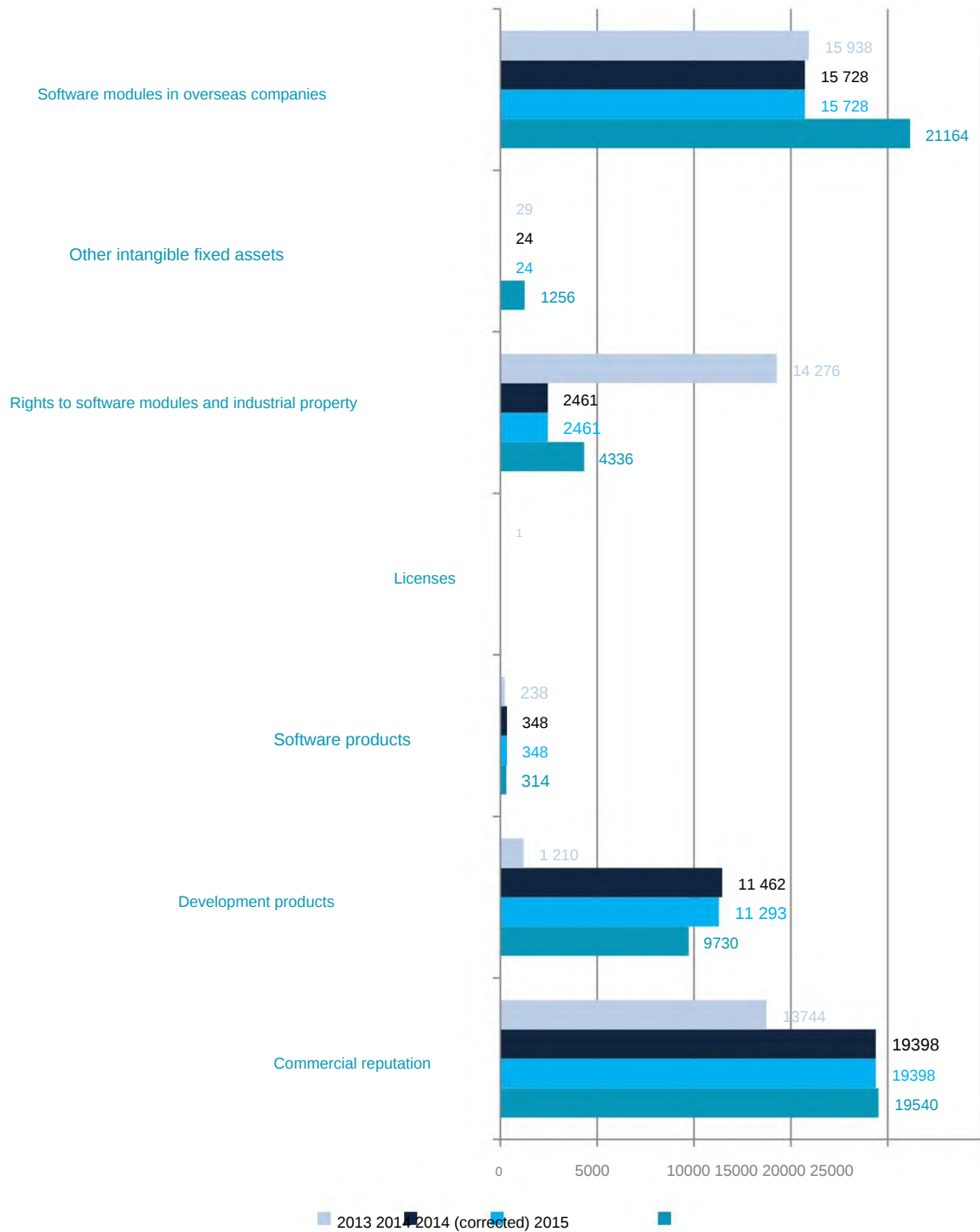
	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
Non-current assets					
Intangible assets Property,	36 800 29 854		30 023	31 692	31 692
plant and equipment Investments in	3594	4 801	4 801	3 198	3 198
subsidiaries Investments in associates Long-term	40	7	7		
financial assets Deferred tax assets Costs of	276	429	429	8 263	8 263
acquisition of fixed assets Goodwill		442	442		
	200	27	27	214	214
	14988	11386	11527	26 862	27 031
	19540	19398	19398	13 744	13 744
Total	75438 66344		66654	83973	84142



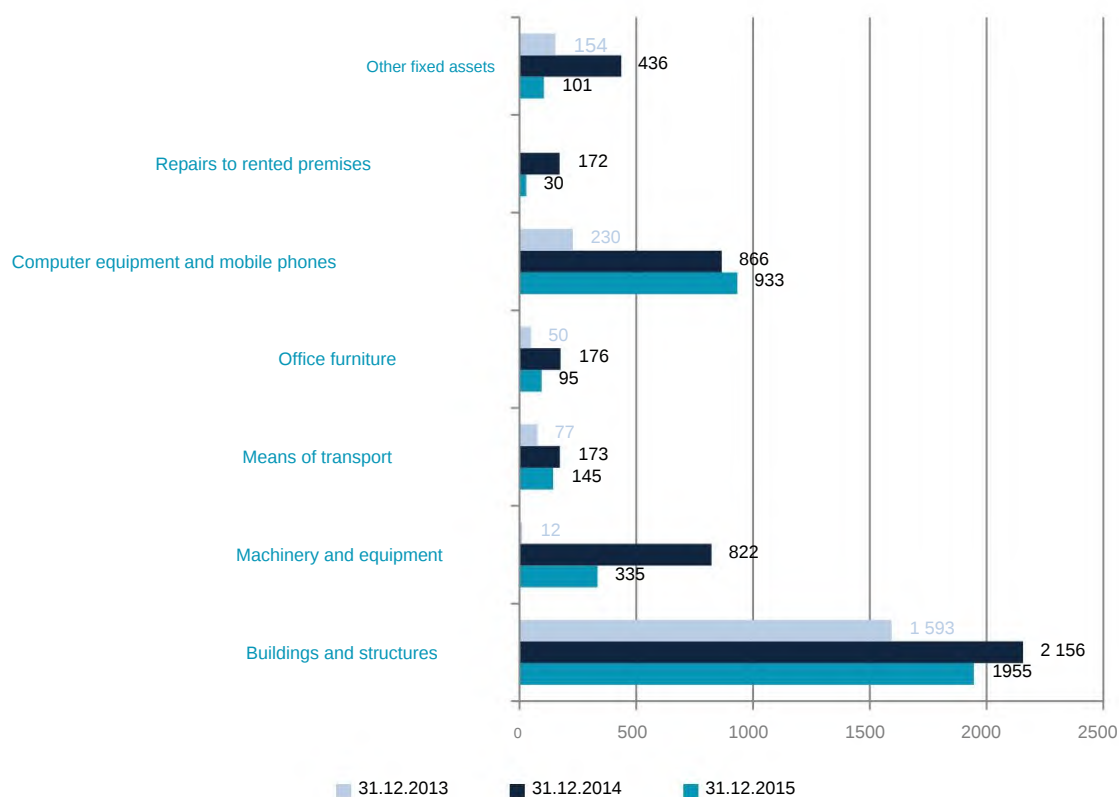
Non-current assets



Intangible assets



Tangible assets



Costs of acquisition of intangible assets and their change from the application of IAS 8

Assets	2015 BGN '000	2014(corrected) BGN '000	2014 BGN '000	2013(corrected) BGN '000	2013 BGN '000
Expenses for acquisition of fixed assets	14988	11386	11527	26862	27031

Encumbrances on fixed assets and other assets

As of 31.12.2015, there are encumbrances established on the Group's fixed assets in connection with loans received, as follows:

- OFFICE No. 8 /eight/, located in the city. Sofia, Sofia City Municipality, Mladost District, on the III (third) floor – II (second) office floor, in the building on Blvd. "Tsarigradsko Shose - 7th kilometer" No. 135 (one hundred thirty-five), elevation +7.45 (plus seven point forty-five hundredths) meters, with a built-up area of 176.74 (one hundred seventy-four) six point seventy-four hundredths sq.m., consisting of an OFFICE PREMISES, with neighbors: northeast – office No. 7 (seven), southeast – corridor and staircase, southwest – yard, northwest – street, together with 4.631% (four point six hundred thirty-one thousandths over one hundred) PERFECT PARTS of the common parts of the building, which building, according to a copy of a cadastral map with data from the National Land Registry, represents a building with identifier No. 68134.4081.392.1 /sixty-eight thousand one hundred thirty



four, point, four thousand eighty-one, point, three hundred ninety-two, point, one/, according to the cadastral map and cadastral registers of the city. Sofia, municipality Sofia, region Sofia-city, approved by Order RD – 18 – 35/09.06.2011 of the Executive Director of AGKK, with the address of the building – city. Sofia, post office 1000, Blvd. "Tsarigradsko Shose" No. 135, with a sketch area of 999.00 sq.m. /nine hundred and ninety-nine square meters/, with number of floors: 5, with purpose: Administrative, business building, with number according to the previous plan: none, old identifier: none, which building is located in a land property with identifier No. 68134.4081.392, and as many ideal parts of the right to build on the yard in which the building is built, the whole with an area of 3,150 (three thousand one hundred and fifty) square meters, constituting Regulated land property II-392 (second assigned to the property plan number ninety-two) in district 11 (eleven) according to the city plan. Sofia, locality "Tsarigradsko Shose - 7th kilometer", with neighbors: street, UPI I-392 (first, assigned to property plan number three hundred and ninety-two), street and UPI III-392 (third, assigned to property plan number three hundred and ninety-two), which yard, according to a Copy of a cadastral map with data from the National Land Registry, represents a land property with identifier No. 68134.4081.392 /sixty-eight thousand one hundred and thirty-four, point, four thousand eighty-one, point, three hundred and ninety-two/, according to the cadastral map and cadastral registers of the city. Sofia, municipality Sofia, region Sofia-city, approved by Order RD – 18 – 35/09.06.2011 of the Executive Director of AGKK, with the property address – city. Sofia, Mladost district, Blvd. "Tsarigradsko Shose" No. 135, with a plan area of 3161.00 sq.m. /three thousand one hundred and sixty-one square meters/, with permanent purpose of the territory: Urbanized, with permanent use: for other type of development, with number according to the previous plan: 392, district: 11, plot: II, with neighbors of the land property according to the sketch: property with identifier No. 68134.4081.10, property with identifier No. 68134.4081.48, property with identifier No. 68134.4081.55.

Title deed – Decree for assignment of real estate dated 23.09.2013, to the executor Nedelcho Mitev, named after 43840, entered on 18.10.2013 volume CXXII, number 124

Contractual mortgage dated 20.12.2013, Notarial deed 119, volume X, registration number 26272, case 1690 of 2013 for securing a loan from Allianz Bank Bulgaria AD in the amount of 123,000 euros.

- /OFFICE No. 19 /nineteen/, with identifier 68134.4081.392.1.19 /sixty-eight thousand one hundred thirty-four. **four thousand and eighty-one. three hundred and ninety-two. one** . nineteen/, with a built-up area of the office 99.21 /ninety-nine point twenty-one hundredths/ sq.m., consisting of from: office premises, with neighbors, , corridor, office No. 20 and with neighbors with specified identifiers: on same floor: 68134.4081.392.1.20, below the object: none, above the object: none, together with 2.597% /two whole five hundred and ninety-seven thousandths over one hundred/ ideal parts of the common parts of the building and as many ideal parts of the right to build on the yard, described below;

Contractual mortgage dated 10.10.2013, Notarial deed 80, volume 20, registration number 38867, for securing an investment loan from Unicredit Bulbank AD in the amount of 300,000 euros.

- OFFICE No. 20 /twenty/, with identifier 68134.4081.392.1.20 /sixty-eight thousand one hundred thirty-four. **four thousand and eighty-one. three hundred and ninety-two. one** . twenty/, with built-up area of the office 144.39 /one hundred forty-four point thirty-nine hundredths/ sq.m., consisting of: office space, together with a terrace, with an area of 3.41 /three point forty-one hundredths/ sq.m., with neighbors, according to the architectural project: office No. 19, corridor, office No. 21 and with neighbors with specified identifiers: on the same floor: 68134.4081.392.1.19, 68134.4081.392.1.21, below the object: none, above the object: none, together with 3.784% /three point seven hundred eighty-four thousandths over one hundred/ ideal parts of the common parts of the building and as many ideal parts of the right to build on the yard, described below;

Contractual mortgage dated 10.10.2013, Notarial deed 80, volume 20, registration number 38867, for securing an investment loan from Unicredit Bulbank AD in the amount of 100,000 euros.

- OFFICE No. 21 /twenty-one/, with identifier 68134.4081.392.1.21 /sixty-eight thousand one hundred and thirty-four. **four thousand and eighty-one. three hundred and ninety-two. one** . twenty-one one/, with a built-up area of the office 81.35 /eighty-one point and thirty-five hundredths/ sq.m., consisting of from: office premises, with neighbors, according to architectural project: office No. 20, corridor, and with neighbors with specified identifiers: on the same floor: 68134.4081.392.1.20, below the object: none, above the object: none, together with 2.132% /two point one hundred thirty-two thousandths over one hundred/ ideal parts of the common parts of the building and so many ideal parts of the right to build on the yard, a land property with identifier 68134.4081.392 /sixty-eight thousand one hundred thirty-four. **four thousand and eighty-one. three hundred and ninety-two**/, the whole area of 3,150 /three thousand one hundred and fifty/ sq.m., constituting regulated land property II-392 /second for property plan number three hundred and ninety two/, from district 11 /eleven/, according to the plan of the city of Sofia, "Mladost" district, area "Tsarigradsko Blvd. "road" - 7 /seventh/ kilometer, with neighbors: north - plot I-392, east and west - streets, south - plot III-392, according to Notarial Deed No. 115, Volume 2, Case 247/2002

Property ownership deed under item 1.2, 1.3, and 1.4 – Notarial deed of 10.10.2013, number 181, volume VII, reg. Number 20818, case 1214 of 2013.



Contractual mortgage dated 10.10.2013, Notarial deed 80, volume 20, registration number 38867, for securing an investment loan from Unicredit Bulbank AD in the amount of 300,000 euros.

- Floor 3 of the office building "IT-center Office Express" in the city. Sofia, Blvd. "Tsarigradsko Shose" No. 135 with a built-up area of 796.50 sq.m., in accordance with Notarial deed for the purchase and sale of real estate No. 126, volume I, reg. No. 4551, case No. 116 of 23.04.2003

Contractual mortgage dated 13.06.2014, Notarial deed 84, volume I-1, registration number 2002, case 63 of 2014 for securing an overdraft loan from Unicredit Bulbank AD in the amount of 100,000 euros.

- Floor 5 of the office building "IT-center Office Express" in the city Sofia, Blvd. "Tsarigradsko Shose" No. 135 with a built-up area of 281.81 sq.m., according to the Notarial Deed for the purchase and sale of real estate No. 86, volume 4, reg. No. 10237, case No. 592 of 23.12.2004 Contractual mortgage dated 23/09/2014, Notarial

deed 37, volume 18, registration number 36189, for securing an overdraft loan from ALLIANZ BANK BULGARIA in the amount of 100,000 euros.

- OFFICE No. 10 (ten), located in the high body of the office building, built on Blvd. Tsarigradsko Shosse No. 135 (one hundred and thirty-five), located in the middle of the eastern part of the third (second office) floor of the building (elevation + 7.45 / plus seven point forty-five hundredths /), with a built-up area of 144.39 /one hundred and forty-four point thirty-nine hundredths / sq.m., with borders: northeast - first office in a row, counted from north to south, southeast - yard, northwest - corridor, as well as with the 3.93% /three point ninety-three hundredths over one hundred/ ideal parts of the common parts of the building attributable to the property, to which 44.32 /forty-four point thirty-two hundredths / sq.m. correspond. built-up area and 3.93% /three point ninety-three hundredths of a hundred/ ideal parts of the right to build on the yard on which the building is built, constituting a regulated land property /plot No. II-392 /second, assigned to a property with plan number three hundred and ninety-two/ of quarter 11 /eleven/, according to the yard regulation of the area "Tsarigradsko Shosse - 7 /seventh/ kilometer", city of Sofia, approved by Order No. RD-09-50-631 of 20.11.1998, which property has an area of 3150 /three thousand one hundred and fifty/ square meters and is bordered by: northeast - UPI /plot No. I-392 /first, assigned to a property with plan number three hundred and ninety-two/, southeast - street, southwest - UPI /plot/ No. III - 392 /third, assigned to property plan number three hundred and ninety-two/, northwest - street, according to the Notarial Deed for purchase - sale of real estate, registered in the Registry Office - city of Sofia with entry reg. number 94655/17.12.2008, act No. 43, volume CCXLL, case No. 66314/08;

Financial leasing contract 05912-001/2014 dated 23.04.2014, concluded with "PIRAEUS LEASING BULGARIA" AD.

Contractual MORTGAGE and Agreement for a special pledge on receivables, to secure Agreement No. 100-1622 of 21.07.2015 for an overdraft loan from "EUROBANK BULGARIA" AD in the amount of BGN 1,200,000.

- OFFICE with a meeting room, cafe and service premises /rebuilt from a restaurant/, with identifier 68134.4081.392.1.22 /sixty-eight thousand one hundred thirty-four. four thousand and eighty-one. three hundred and ninety-two. one . twenty-two/, located in the city of Sofia, Mladost district, Tsarigradsko Shose Blvd. No. 135 /one hundred thirty-five/, in a 5 /five/ storey administrative, business building, with identifier 68134.4081.392.1 /sixty-eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two. one/, on the 5th /fifth/ floor, in the attic part of the building, elevation + 16.90 m., with a built-up area of the office 281.81 /two hundred eighty-one point and eighty-one hundredths/ sq.m., with neighbors, according to the property document: northeast - staircase and terrace, southwest - staircase and terrace, southeast - terrace and northwest - terrace, and with neighbors with specified identifiers: on the same floor: none, below the site: 68134.4081.392.1.18, 68134.4081.392.1.19, 68134.4081.392.1.20, 68134.4081.392.1.21, 68134.4081.392.1.17, above the site: none, together with 7.384% /seven point three hundred and eighty-four thousandths of a hundred/ ideal parts of the common parts of the building and of the right to build on the yard, land property with identifier 68134.4081.392 /sixty-eight thousand one hundred and thirty-four. four thousand eighty-one. three hundred and ninety-two/, the whole with an area of 3,150 (three thousand one hundred and fifty) sq.m., constituting regulated land property II-392 (second, assigned to property plan number three hundred and ninety-two), in quarter 11 (eleven), according to the plan of the city of Sofia, locality "Tsarigradsko Shosse - 7 - mi kilometer", with neighbors, according to the ownership document: north - UPI I-392, south - UPI III-392, east and west - street.

- All current and future receivables arising from the Grant Agreement with identification number BG161PO003-2.2.01-0012-C0001 under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 under priority axis 2 "Increasing the Efficiency of Enterprises and Developing a Favorable Business Environment", Area of Impact 2.2. "Creation of infrastructure in support of business", Operation 2.2.2 "Creation of regional business incubators", which contract was concluded between "SIRMA GROUP HOLDING" AD and the Ministry of



economy, energy and tourism, Executive Agency for the Promotion of Small and Medium-sized Enterprises with contract number BI-02-16/02.02.2012 and Supplementary Agreement No. BI-02-16-A-3 dated 27.01.2015, between "SIRMA GROUP HOLDING" AD and the Ministry of Economy, through the Directorate General "European Competitiveness Funds", with the amount of the grant provided by the Contracting Authority under Component 1 and Component 2 of BGN 500,293.50.

Commercial reputation

The Group's management has performed the necessary procedures to perform the mandatory impairment test of the goodwill recognized in the preliminary consolidated annual financial statement on the acquisition of subsidiaries. For this purpose, it is assumed that each individual company acts as a "cash-generating unit". The calculations were made by management, taking into account the assessments of independent licensed appraisers as of 31.07.2014 in connection with the transformation of SGH, and a detailed review was made of whether events and facts had occurred that were indicators of changes in the assumptions and estimates made as of 31.12.2015. The basis for the cash flow forecasts (before taxes) were the financial budgets developed by the managements of the respective companies and of the Group as a whole, covering a three to five year period, as well as other medium and long-term plans and intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions used in calculating the recoverable amount of each unit are within the following ranges:

- growth rate in the three (or five) year period – from minus 1% to 50%;
- EBITDA growth rate – mainly in the range of 1% to 67%;
- growth in the post-forecast period when calculating terminal value - 0%;
- discount rate (based on WACC) – from 9% to 30%.

The key assumptions used in the calculations are determined specifically for each reputable company, treated as a separate cash-generating unit, and in accordance with its specific nature of the activity, business environment and risks. The Group's management's impairment tests and assessments of recognized goodwill are made through the prism of its forecasts and intentions regarding the future economic benefits that the Group expects to receive from the subsidiaries, including through the use of their internally created trademarks, commercial experience and the revenue volumes generated and expected in the future by them, securing positions in Bulgarian and foreign markets (development and preservation), expectations for future sales and restructuring of the activity, etc. For these goodwills, the analysis of reasonably possible changes in the key assumptions used to calculate the value in use indicates that the carrying amount of the respective goodwill would be higher than the recoverable amount.

Intellectual property

Sirma Business Consulting Products:

Oracle Financial Services (i-Flex) products:

- Oracle ERP – A comprehensive ERP solution providing a full range of functionalities for the financial sector
- Flexcube UBS – core banking IT system
- FLEXBRANCH – web-based front-end application for customer service in branches banks;

UBX Unified Banking eXtention – integrated with Flexcube modular platform for online interfacing with external systems with the following modules:

- Card management system, with online authorization module



- Payment - an intrabank payment system supporting all local payment methods systems – BISERA, RINGS, SEBRA, budget and relevant reporting
- SWIFT-FT – front-end application for processing international payments from the front office or other bank branches, with an online interface connection to Flexcube
- MassPayment – an application for processing mass payment requests, allowing synchronous and asynchronous submission of client files for mass payments
- DocPrint – documents, contracts, letters - generation and printing for the needs of frontline personnel office, with online interface connection to Flexcube and all other satellite systems
- Direct – e-mail and SMS generation of bank statements and sending them to various spacing and formats
- Budget – according to the specifics of the given country;

UBReX - Data Warehouse & Quality Assurance System, with .NET, Oracle and Web based solutions, ensuring data purity and operational reporting through inbound and outbound systematic, logical and cross control and editing of data.

FlexReport – Manages the process of defining and generating regulatory reports, parameterized based on specifications from supervisory authorities and customized assignments from the client, reflecting the specifics of its activity and reporting.

CCReport - Centralized management of the process for exchanging information with the BNB under Regulation 22 and maintaining bank reporting to the Central Credit Register and information on the Credit Portfolio - BNB format.

Oracle ERP – Fully integrated Flexcube solution for managing bank fixed assets, accounts payable, invoicing and compliance with national legislation.

e-Banking – an integrated platform for operating and managing electronic channels for distribution of banking products and services. Allows fully integrated 24-hour internet, mobile and telephone banking. The platform is with:

- Multilingual support – the system currently supports Bulgarian and English as standard. Additional languages can be added at any time without development costs.
- Integration with Flexcube – the system is continuously and fully integrated with Flexcube and provides all Flexcube functionalities for online operations at any time of the day.

mGate – consists of modules that are fully or partially integrated into the IT infrastructure of the bank wishing to provide the mobile payment service to its customers. **Some of the modules are optional, i.e. the bank can choose whether to integrate them.** Modules:

- UBX Payment authorization module – processes payments and sends them to the bank host, by making payments using all possible schemes: direct debit, credit transfer, mobile payment. Represents the bank as an equal participant in SEPA, SWIFT, RINGS, BISERA, SEBRA, BNB, NSI according to the procedural rules, as well as management of logical and physical interfaces for connection with SEPA, SWIFT, RINGS and the other participants in the payment system. It gives the bank a huge advantage by prepares for SEPA integration.
- UBX Uploader – performs the transactions for processing and posting to the bank host.
- UBX Charge and Exchange – the module that calculates and charges fees for transactions made by bank services
- Web Branch – this module is used to register bank clients who wish to take advantage of mobile payment opportunities, manage customer accounts, as well as monitor his accounts. The module is developed as a web application with easy-to-use user interface.



- DB Hem – module for initial processing and authorization of payments. Stores information about active accounts and payments. ISO 8583 Authorization Protocol - the information standard allowing SEPs and other operators to send requests for authorization and payments.
- UBX Security – all modules refer to this module for user identification, access control to different applications and individual functions within the applications themselves

Bank Budgeting - SBK offers a software product for preparing a Bank Budget with a high level of automation, centralization, integration and consistency of modeled data.

Exprivia - CreditOnWeb - a modular system for automating the entire credit offering process: from the diverse collection of customer information to the determination of creditworthiness, from the detailed definition of a credit application (in relation to the requested loans and the collateral received) and the monitoring of the workflow within the organization to the final approval stage. In addition, CreditOnWeb can support some of the activities at the disbursement stage of approved credit lines, as well as daily tasks such as: activation and expiration of approved lines and acquired collateral, updating the information used, etc. The solution can effectively support the analysis and underwriting process of all user segments, from small business and the retail sector, to the corporate segment, for which specific modules for economic group assessment and economic sector analysis are available. CreditOnWeb can be easily integrated into traditional systems to save on redundant information and functions.

Sirma Solutions products:

LOYAX

LOYAX is an innovative loyalty platform that can be fully customized to meet the needs of any business. LOYAX allows each business to create and configure a specific loyalty program that meets the needs and marketing goals of the business, with the corresponding standard or specific communication channels - e-mail, SMS, notifications on social networks (e.g. Facebook), push notifications for mobile applications and others. The platform is extremely open to integrations with external systems through standardized software interfaces (SOAP), which allows easy and effective integration into existing IT infrastructures of small businesses.

or large customers.

NewsOnTheWeb

A mobile client application based on semantic technologies that facilitates users in reviewing news from various global news sources, with the content automatically personalized according to the personal interests (historical data) of each user and world news from

special meaning with great popularity at this time.

mTimeCard

Development of an online time tracking platform for the US market. The product allows for quick and easy reporting of hours worked by each employee, with the start and end of the work shift being marked by a mobile application (iOS, Android), and the employee's physical location can also be validated. The system also offers output of accounting data (reporting, export) to standard accounting systems for the American market for payroll.

eDom

Electronic condominium management system for the needs of the Bulgarian market.

ISG Insurance

The software platform for insurance brokers and agents that enables more efficient management of client insurances and real-time comparison of offers for a specific insurance with the relevant specific parameters from different insurance companies.



R&D Image Recognition SS/

PROD-Recognition is a software module for semantic recognition in static images and video, such as: automatic annotation of physical objects (people, animals, objects, buildings, etc.), tracking their movement in video recordings and analysis. The technology is applicable in robotics, computer vision, security and military industries, medicine and

others.

Software Module for processing card transactions

Software Module for processing card transactions, worth – 3,800,300 leva, based on our own implementation of the ISO 8583 standard (Standard of the International Organization for Standardization). **It can work both independently and be embedded in other systems. The ISO 8583 standard is extremely widely used for processing transactions initiated by POS (card) devices, ATMs, and other payment devices.** Variants of it are used in the Visa and MasterCard networks, as well as in the majority of ATM networks.

SofM for electronic message exchange in the financial industry

Software Module for the exchange of electronic messages in the financial industry worth 4,200,400 leva, based on the standard for the exchange of XML messages (eXtended Markup Language, a unified format for the transfer of information) in the financial sphere ISO20022 (International Standard for the Exchange of Messages between Electronic Systems in the Provision of Financial Services).

SofM Tariff System

Software Module - Validator of XML messages (eXtended Markup Language, a unified format for information transfer) worth 892,539 leva. **A module that serves as an entry point for exchanging XML messages.** In addition to standard validation against XML schemas or DTD documents (Document Type Definition, templates for validating the integrity of XML messages), it allows the use of specific complex rules

SofM-Cryptographic module

Software Module - Cryptographic module for applications in the field of finance worth 1,870,600 leva. **A module that follows the American National Standards Institute (ANSI) standard X9.63, which defines procedures for generating and exchanging keys generated using the elliptic curve method.** The module includes its own implementation of the algorithms for generating keys based on given elliptic curve parameters, as well as the procedures for reliable exchange of these keys. The technologies implemented in the development are fully compatible with the standards ANSI X9.63-2001 Public Key Cryptography for Financial Services Industry, Key Agreement and Key Transport with Elliptic Curve Cryptography" and ANSI X9.42 Diffie-Hellman Key Agreement.

SofM-Sirma location based Services Software

Module - Sirma Location Based Services (services based on user location) worth 4,560,830 leva. **An application that provides the ability to determine a user's location based on their mobile phone data for available cells of the mobile operator. Information from the phone is used about the cells with the strongest signal in the area, as well as a database of the geographical position of the cells. A core part of the application is an algorithm for determining the position relative to one or several accessible cells.**

SIRMA USA products:

CherryDialer Software Module is a client-server application that aims to save companies the cost of international telephone services. **This is achieved through the difference in the prices of outgoing and incoming international calls. When a call is requested, the server platform analyzes any possible fees and decides how to organize the call.** CherryDialer client side



is installed on the employee's phone, and the server is integrated with the company's telephone exchange the company.

Software Module – text search solution - Tools for working with Lucene indexes.

Apache Lucene is an extremely popular open source text search platform. It is implemented in Java (programming language).

CubaLibre Software Module is a platform for indexing and searching text data. It is implemented in C++ (programming language). It consists of an indexing application, a text search application, and an application for analyzing and rearranging the created indexes. When returning search results, an assessment is also made of the degree of correspondence of the result with the searched text. Indexing can also work with a word form dictionary (morphological dictionary) for better results. What is specific to CubaLibre is that it is intended for indexing and searching relatively small volumes of data, but the indexes created are small in size and the performance is extremely good.

Software Module – Makelt, a product focused on integrating text data from multiple sources (email, personal computer files, forums, newsgroups, task tracking systems, databases, etc.) and the ability to search this data in a unified manner.

Software Module – Jhippo worth 2,130,780 leva. Jhippo is a platform for developing Internet applications based on the JSP (JavaServer Pages, a technology for generating dynamic web pages) standard. The platform covers the full needs of a typical small or medium-sized application - from access to a relational database to presentation in a browser.

Ontotext products:

OWLIM ver. 5

OWLIM version 5 (OLIM) is a semantic graph database management system (DBMS), compatible with the following standards defined by the W3C consortium: RDF, RDFS, OWL, SPARQL. OLIM is recognized as one of the leading databases of its kind worldwide and is currently used in numerous media outlets, pharmaceutical companies, museums, government organizations, and others. OLIM is used daily in the UK Parliament's news services, as well as in the sports section of the BBC website. One of the distinguishing features of OLIM compared to its competitors is its ability to automatically infer new data, according to the semantics of the data schema and ontology description languages RDFS, OWL 2 RL and OWL 2 QL. OLIM implements a unique algorithm that allows, when deleting data, to automatically remove automatically derived facts that cannot be derived from the data after deletion. Another important feature of OLIM is its cluster architecture, which allows for high operational reliability even under workloads that combine millions of read requests per hour with hundreds of data updates every minute. OLIM has numerous plugins, including those for geographic search, for automatically determining the importance of objects recorded in the database, and for searching by keywords.

Semantic Data and Services Management Platform

The Semantic Data and Services Management (SDSM) platform provides capabilities for semantic data management and web services. Service management components support the creation of ontological descriptions, discovery, invocation, and coordination of web services in SOA architectures. For this purpose, service description and ontology editors for the WSMO language and related specifications are included. SDSM includes data management and service description analysis technologies that are necessary for the effective discovery and combination of services, including real-time data transformation, so that the result of executing one web service matches the format expected by the next web service in the process. The platform also includes high-level ontologies, which are used to effectively integrate data between multiple systems and to describe web services.

SofM-OntoMap

OntoMap is a semantic platform designed to allow comparison and evaluation of general-purpose (upper-level) ontologies, as well as related lexical resources (dictionaries, thesauruses and others). OntoMap is based on its own formalism for knowledge representation, and consists of



reasoner and a standalone GUI application for evaluating and comparing ontologies and lexical semantics. A knowledge representation language is defined as a simplified high-level representation that specifies the minimum set of necessary primitives – concepts and binary relations between them. This language can be used both to represent different ontologies in a common format, to evaluate and compare them, and to define mappings between these ontologies. The inference engine, which allows reasoning on expressions in the OntoMap language, is usable as a standalone Java library. It is designed and tuned for various applications that use general-purpose ontologies, including text information extraction. Based on OntoMap, specific modules can easily be developed to meet requirements for other application areas. OntoMap Viewer is a standalone Java application that presents the core functionality of the OntoMap web portal. OntoMap Viewer is distributed for all known platforms: Windows, Linux, Solaris.

SofM-OT SWS Repository

SWS Repository as a component combines the functionalities of a local repository and a registry in a peer-to-peer (p2p) network. As a repository, the SWS Repository allows for the storage and management of WSMO descriptions within an organization, while the registry is responsible for their publication and distribution. The registry provides functionality that can be used both to define publicly available descriptions of semantic services (so that they are discoverable (and then combined and executed)) and to exchange them with other registries in the p2p network. Published services can later be discovered and used by partners according to previously agreed policies. Combined service providers can discover and combine advertised services, and in turn advertise the newly received services.

The SWS Repository component provides functionalities for:

- storing and retrieving WSMO descriptions,
- publishing descriptions that can be used outside an organization;
- distribution of public descriptions in the p2p network of registers of other organizations;
- provides access to descriptions (through localization and retrieval) stored in remote storage facilities;
- the distribution of descriptions is done through a subscription mechanism and notification maintained by the registries. Any registry can subscribe to a registry of partner and receive notifications about new, updated or removed listings. When a new announcement is published, the registry checks the distribution policy and determines which subscribed registries to notify. The module uses the NamedGraph elements and Tripleset from the ORDI SG model to preserve the source document information, containing the WSML definition, and the relationships between the WSMO element and the context in which it is defined;
- A default repository that implements a WSMO repository interface, and allows storing and retrieving WSMO targets, ontologies, mediators, and web services via ORDI SG interfaces from the corresponding semantic repository.

SofM-Ontology mapping Store

The ontology mapping store (OMapStore) allows storing and retrieving mappings between ontologies. Mapping is a formal specification of correspondences between two ontologies, i.e. of their corresponding classes and relations. One of the main goals of ontology linking is to enable interoperability between programs that use data represented in different ontologies and data schemas. This can be achieved through various mediation strategies between ontologies, for example through instance transformation (concrete objects), query rewriting, and others. Ontology connections are represented by identifier, name, source ontology and target ontology, description, version. OMapStore is designed to support associations represented according to an ontology association language API. This API has the following functionality: (i) structures for representing binding expressions in memory; (ii) serialization of binding expressions to strings and vice versa, loading bindings from a string, through parsing.

OMapStore provides:



- An in-memory model that allows representation of ontology connections, and contains: identifier, name, source ontology and target ontology, description, version. The definitions of connections are managed as strings represented in OMapLang.
- storing connections – when saving a connection, the repository generates identifier for it.
- extracting connections based on various restrictions on their attributes.

OMapStore is implemented as a Java library, freely available as open-source, under the terms specified in the LGPL license.

WSMO Studio

WSMO Studio is an integrated environment, based on the WSMO specification, for developing semantic web services and modeling business processes. *WSMO Studio* is available in the form of several plugins (components) for Eclipse - a platform whose functionality can be extended by third parties.

WSMO Studio is distributed under the terms of the LGPL license.

The main goals of WSMO Studio are:

- provide users with a WSMO-compliant graphical interface for semantic description (annotation) of web services;
- to provide a tool that can be further developed, as well as an architecture, which allows third parties to integrate and extend WSMO functionality Studio.

The architecture of WSMO Studio follows the Eclipse approach of providing functionality through plugins. WSMO Studio supports the following functionality:

- an ontology editor integrated with a WSML reasoner (MINS, KAON2, Pellet or IRIS) that checks the logical compatibility of the elements of a given ontology and accepts requests;
- editor for WSMO elements (web services, targets, mediators);
- SAWSDLii editor for adding semantic annotations to WSDL documents;
- semantic modeling of business processes, according to the ontology for modeling business processes;
- designer of choreographies compatible with WSMO Choreography;
- import and export from: WSML, a subset of OWL-DL, RDF, XML representation of WSML;
- Front-end for repositories for ontologies, services and targets:
 - o Integrated ORDI repository,
 - o IRS-IIIiii adapter,
 - o WSMXiv adapter;
- Front-end of service discovery components: EPFL QoS based search;
- Integrated WSML validator;
- WSML text editor with syntax highlighting.

KIM software module

The KIMvi platform offers a Knowledge and Information Management (KIM) infrastructure and services for automatic semantic annotation, indexing and extraction of unstructured and semi-structured data. Typical applications of KIM are:

- Generating metadata for the semantic web, enabling linking, visualization and finding documents and objects;
- Knowledge Management, KIM increases the efficiency of existing applications for indexing, retrieval, classification and filtering.

KIM is distributed in three formats:



- A platform similar in purpose and use to a database (RDBMS) or a system for knowledge management system;
- External component distributed with larger knowledge management platforms (OEM model);
- Remote web service requiring minimal installation and maintenance costs.

Basically, KIM analyzes text and recognizes mentions of specific objects (such as people, organizations, geographic locations, dates). **The recognized mentions are then linked to specific objects having a description and a URI identifier. If such objects do not exist, they are generated automatically. Finally, the mention in the document is annotated (tagged) with the object's URI. This process, as well as its result, is called semantic annotation.** Such annotations can be used for indexing, retrieval, visualization, and automatic generation of links between documents.

To facilitate integration and development of knowledge management applications, KIM also offers a high-level ontology (PROTONvii), containing over 250 classes and over 100 properties. **In addition, KIM includes a knowledge base (KIM KB) that has over 200,000 object descriptions preloaded. Its role is to provide knowledge from "general culture", almost completely describing significant concepts and objects that are considered generally accepted and are therefore not introduced or explained when mentioned in news or other documents. For this reason, their descriptions cannot be**

extracted automatically.

From a technological perspective, the KIM architecture allows for the creation of applications for automatic semantic annotation, content extraction based on semantic constraints, as well as for querying and modifying the ontologies and knowledge bases used.

The KIM platform includes:

- Set of ontologies - PROTON, KIMSOviii, KIMLOix and KIM World KBx ;
- KIM Server – offering API for remote access and integration;
- Front-ends: KIM Web UI and Plug-in for Internet Explorer.

Engview Systems products:

EngView Package Designer Suite

EngView Package Designer Suite is a software package for integrated CAD/CAM (Computer-Aided Design / Computer-Aided Manufacturing) for 2D (two-dimensional) design of folding packages from various materials and various software functionalities for converting models from/to various file formats supported by software solutions, printing and cutting machines from other manufacturers. The software is structured as

a suite of computer programs that cover various parts of the production process – from developing a visual concept, through the development of specific two-dimensional (2D) and three-dimensional (3D) models, preparing printed blanks, making samples and painting.

Sirma ITT products:

STT/Semantic Enterprise Integration

SEIP (Semantic Enterprise Integration Platform) is a comprehensive, reliable and flexible web-based platform for generating business applications - a combination of content management and semantic integration. It provides semantic enterprise integration and common content management functionalities that can be configured for a specific business context using business-based models and language.

STT/EMF - Enterprise Management Framework

Enterprise Management Framework is a module of the Semantic Enterprise Integration Platform (SEIP), in which Sirma ITT AD develops additional functionalities that are applicable both as a standalone module and as part of SEIP.

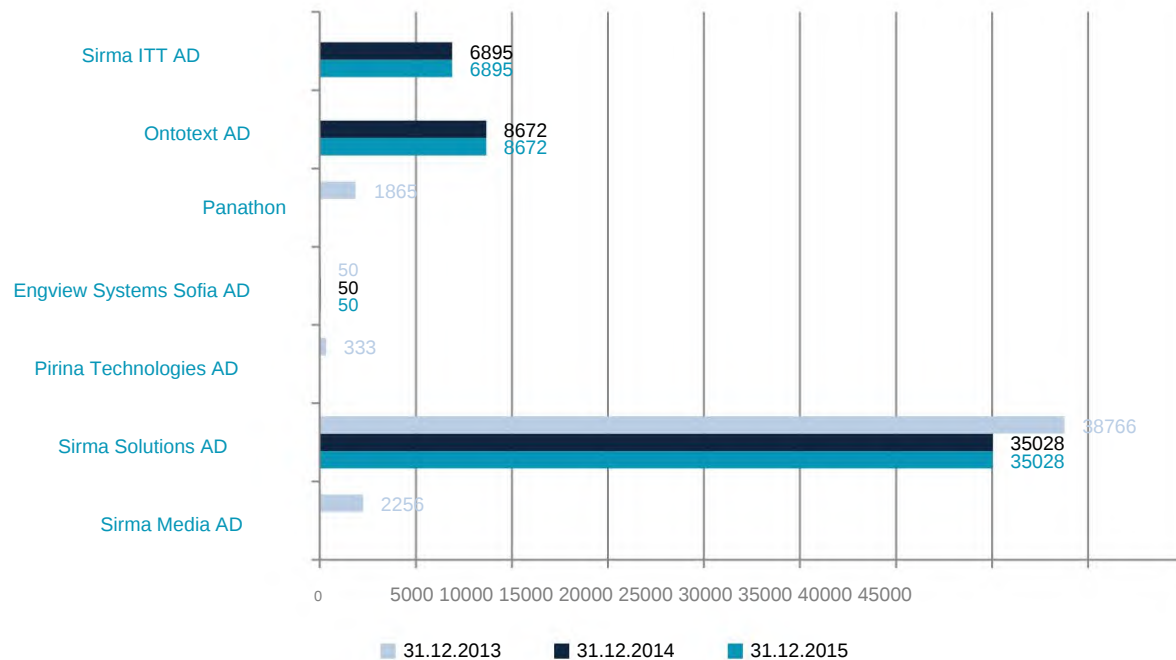


INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The unconsolidated carrying amount of investments in subsidiaries of Sirma Group Holding AD is as follows:

	31.12.2015 Relative		31.12.2014 Relative		31.12.2013 Relative	
	BGN '000	share	BGN '000	share	BGN '000	share
Sirma Media AD Sirma	0	0.00%	0	0.00%	2256	97.00%
Solutions AD Pirina	35028	81.05%	35028	74.93%	38766	82.92%
Technologies AD Engview	0	0.00%	0	0.00%	333	64.00%
Systems Sofia AD	50	72.90%	50	72.90%	50	72.90%
Panathon	0	0.00%	0	0.00%	1865	10.00%
Ontotext AD	8672	56.21%	8672	56.21%	0	0.00%
Sirma ITT AD	6895	91.72%	6895	100.00%	0	0.00%

Unconsolidated carrying amount of investments in subsidiaries



The unconsolidated carrying amount of Sirma Solutions' investments in subsidiaries companies is:

Subsidiaries of Sirma Solutions AD

Enterprise	Value of investment as of 31.12.2015 (in thousands of BGN)	Percentage from capital to 31.12.2015	Value of the investment to 31.12.2014 (in thousands of BGN)	Percentage from capital as of 31.12.2014	Changes 2015 (in thousands of BGN)
"Sirma Business Consulting" AD "Daticum"	1256	54.08%	1256	54.08%	-
AD "Sirma" USA	1335	58.00% 15731	1335	58.00% 15729	-
"Panaton Software"	100.00% 0	100.00% 117	100.00% 3	100.00% 117	-
USA S&G Technology Services Ltd., UK "Sirma ISG" Ltd. Total	51.00% 71.00%		51.00% 45.35%		-3
					-
					1
	4 18443		3 18443		-2

The unconsolidated carrying amount of Ontotext AD's investments in subsidiaries companies is:

Subsidiaries of Ontotext AD

Enterprise	Value of the investment as of 31.12.2015 (in thousands of BGN)	Percentage from capital as of 31.12.2015	Value of the investment in 31.12.2014 (in thousands of BGN)	Percentage from capital as of 31.12.2014	Changes 2015 (in thousands of BGN)
Ontotext USA	30040	100.00%	30040	100.00%	-

The unconsolidated carrying amount of EngView Systems Sofia AD's investments in subsidiaries is:

Subsidiaries of EngView Systems Sofia EAD

Enterprise	Value of investment as of 31.12.2015 (in thousands of BGN)	Percentage from capital to 31.12.2015	Value of the investment as of 31.12.2014 (in thousands of BGN)	Percentage from capital to 31.12.2014	Changes 2015 (in thousands of BGN)
EngView Systems Latin America, Brazil EngView USA Total	7	95.00%	7	95.00%	-
	9	100.00% 16			9
			7		9

Sirma Group Holding AD directly or indirectly controls the companies listed above.

The main activity of the Group companies is concentrated in the IT sector.

The parent company and its subsidiaries operate in the territories of the Republic of Bulgaria and the USA.

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



The movement of investments in subsidiaries is presented below:

	31.12.2015 BGN '000	31.12.2014 BGN '000	31.12.2013 BGN '000
Acquisition price Balance			
on January 1 Directly	50644	43270	43270
acquired Acquired	1	15567	1865
through capital increase			
Sold partially without loss of control			
Disposal from a subsidiary Reduction in the capital of		-4454	
a subsidiary Balance as of December 31		-3739	
	50645	50644	43270
Carrying amount as of December 31 Carrying	50645	50644	43270
amount as of January 1	50644	43270	43270

The consolidated carrying amount of investments in associates is:

Associates of Sirma Group Holding AD

	31.12.2015 Relative BGN '000	share	31.12.2014 Relative BGN '000	share	31.12.2013 Relative BGN '000	share
GMG Systems (in liquidation) Ontotext	230	21.60%	365	34.20%	365	34.20%
AD E-Dom	0	0.00%	0	0.00%	7422	48.00%
Management OOD Total	7	35.00%	7	35.00%	7	35.00%

Associates and others of Sirma Solutions AD

Enterprise	Value of investment as of 31.12.2015 (in thousands of BGN)	Percentage of capital as of 31.12.2015	Changes 2015 (in thousands of BGN)	Consolidated percentage of capital as of 31.12.2015
"SEP Bulgaria" AD (other financial assets) "Sirma Mobile"	0	6.50%		5.78%
AD Total	20	40.00%		32.42%
	20			

The consolidated carrying amount of investments in subsidiaries is:

Consolidated carrying amount of investments in subsidiaries	2015 000	2014 000	2013 000
EngView Brazil	7	7	
EngView Systems USA	8		
Flash Media AD Total	25		
	40	7	



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

	31.12.2015 Relative		31.12.2014 Relative		31.12.2013 Regarding-	
	BGN '000	share	BGN '000	share	BGN '000	flax share
GMG Systems (in liquidation) AI BILL	230	21.60%	358	34.20%	365	34.20%
INTERACTIVE	20	34.00%	20	34.00%	20	34.00%
EXCEL MANAGEMENT LTD Sirma	24	34.00%	24	34.00%	24	34.00%
Mobile AD Ontotext AD	20	40.00%	20	40.00%	20	40.00%
E-Dom	0	0.00%	0	0.00%	7827	48.00%
Management LTD	7	35.00%	7		7	35.00%
Total	301		429		8 263	

INVESTMENTS AVAILABLE AND FOR SALE

Company	Description YES	Total
Ontotext AD	WSMO Studio	89.06
Ontotext AD	SofM-Ontology mapping Store SofM-	305.52
Ontotext AD	OntoMap SofM-	642.47
Ontotext AD	OT SWS Repository	381.86
Ontotext AD	KIM software module	2,855.03
Ontotext AD - Total		4 273.94
Sirma Solutions AD	SofM for electronic message exchange in financial institutions	2 133.64
Sirma Solutions AD	SofM Tariff System	936.99
Sirma Solutions AD	SofM-Sirma location based Services	3,416.36
Sirma Solutions AD	SofM-Cryptographic module	1 401.20
Sirma Solutions AD	Software Module for processing card transactions 1,927.42	
Sirma Solutions AD Total		9,815.60
Daticum AD	Cloud platform	1,099.00
Total		15,188.54



INVESTMENTS IN ASSETS

INVESTMENTS SIRMA GROUP HOLDING AD

The economic group of Sirma Group Holding AD is composed of various companies, each of which has its own investment activity. Due to this specificity and in order to more fully explain the investments made, information is presented below by group companies, including at the time of the investment (due to the numerous items in the tables below, only investments over 100 thousand BGN are shown)

DESCRIPTION OF THE MAIN INVESTMENTS

Both in the investments made and in those that are in the process of being implemented, each company in the group has its own investment activity. In this regard and for greater completeness of the information displayed, the information below is presented for each of the companies implementing investments, as well as information about the investment itself.

SS/SRVC-ISG-Insurance (Common)

Sirma Solutions AD is investing in additional developments on the software platform for insurance brokers and agents, which allows for more effective management of client insurance and real-time comparison of offers for a specific insurance with the relevant specific parameters from different insurance companies.

SS/PROD-EDOM-eDom

Sirma Solutions AD is developing an electronic condominium management system for the needs of the Bulgarian market.

SS/PROD-Mobile Banking Platform

Development of a client mobile application for online banking and a corresponding server platform for connecting to banking systems (core banking system) to execute the relevant requests and transactions.

SS/PROD-Mobile Group Management Platform

Development of a Tiimz product for human resource management and mobile group organization, based on a mobile application for iOS and Android. The software platform also allows for control of the consumption of office phones, as well as location by the dispatcher.

SS/PROD-Mobile and web-based payment system

Sirma Solutions AD invests in the development of a software solution, which is an intermediate level of interaction between web and mobile interfaces and the relevant banking systems. The solution is easily branded and facilitates the development of more complex banking interfaces for end users.

SS/SRVC-BPConfig.Management

A software module has been developed for managing and configuring business processes with the possibility of implementation in ERP systems of other suppliers.

SS/PROD-LOYAX-Loyax

Sirma Solutions AD is investing in the development of an innovative loyalty platform LOYAX, which can be fully customized to meet the needs of every business. LOYAX allows each business to create and configure specific loyalty programs that meet the needs and marketing goals of the business, with the corresponding standard or specific communication channels - e-mail, SMS, notifications on social networks (e.g. Facebook), push notifications



for mobile applications and others. The platform is extremely open to integrations with external systems through standardized software interfaces (SOAP), which allows for easy and effective integration into existing IT infrastructures of small or large customers.

SSMOB/PROD- NewsOnTheWeb

The mobile development division of Sirma Solutions AD is developing a mobile client application based on semantic technologies, which makes it easier for users to review news from various global news sources, with the content automatically personalized according to the personal interests (historical data) of each user and world news of particular importance with great popularity at that moment.

SSMOB/PROD-mTimeCard

The mobile development division of Sirma Solutions AD is investing in the development of an online time tracking platform for the US market. The product allows for quick and easy reporting of hours worked by each employee, with the start and end of the work shift being marked by a mobile application (iOS, Android), and the employee's physical location can also be validated. The system also offers output of accounting data (reporting, export) to standard accounting systems for the American market for payroll.

SSMOB/PROD-SCHO-SCHOOLCall

Sirma Solutions AD is developing an online platform for schools that allows easy notification of important events or messages to parents via e-mail and SMS from teachers or the school administration - both individually and by classes (parallels) or grades.

SS/PROD-Recognition

The company Sirma Solutions AD has made an investment of BGN 333 thousand in the first nine months for the development of a software project SS/PROD-Recognition - a software module for the purpose of semantic recognition in static images and video, such as: automatic annotation of physical objects (people, animals, objects, buildings, etc.), tracking their movement in video recordings and analysis. The technology is applicable in robotics, computer vision, security and military industries, medicine, and more.

Linked Life Data (LLD)

Linked Life Data (<http://linkedlifedata.com/>) is a cloud-based data-as-a-service that offers unified access to 28 public biomedical databases. This service is a specific type of data warehouse that allows the execution of complex data analysis queries based on information from multiple sources. LLD is unique in that it integrates data about the same objects and concepts available in different databases, thereby dramatically reducing the effort and time required to answer questions such as "give me all human genes that are located on the Y-chromosome for which molecular interactions are known." Another example task for LLD is to retrieve a data set about "all approved drugs and their trade names." Users of this service include various departments of pharmaceutical and biotechnology companies, health insurance funds, scientists in the field of life sciences (biology, pharmacy, medicine), and others. The LLD service is offered in two versions:

- LLD Public – a completely free public service designed to familiarize yourself with the data and creation of pilot projects;
- LLD Enterprise – a paid cloud service that offers guaranteed availability and performance suitable for real business applications.

SS/PROD-Recognition



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Ontotext Life Sciences (LS-HC-Solution)

Ontotext Life Sciences and Health Care Solution (LSHK) is a data and information management solution in the following fields: medicine, biology, pharmacy, healthcare and biotechnology. LSHC reduces the time to discover information through a unique combination of semantic text analysis algorithms and databases in these areas. The solution includes databases (LLD) and processes that support fast and efficient integration of private databases, as well as public databases available as "Linked Open Data" using GraphDB and a set of components from the Ontotext Platform. The solution allows analysis of biomedical texts, recognizing mentions of more than 100 types of different objects (proteins, anatomical terms, chemical compounds, disease, symptoms, drugs, etc.) As a result of this analysis, the texts are classified and enriched with links (tags) to databases, which allows for extremely efficient semantic search. LSHK can be used to analyze reports from clinical drug trials, epicrities, and requests for medical insurance coverage.

S4 – Self Service Semantic Suite

Ontotext S4 is a suite of cloud services that enable the use of multiple Ontotext products and technologies for data management and text analysis. Through C4, these technologies are available without the typical business software burdens associated with purchasing licenses and hardware, installation, setup, and system administration. For testing purposes, the services are completely free (within certain quotas), and then customers pay according to usage activity, thus matching their costs to their current needs. Among Ontotext's key technologies offered through S4 are GraphDB, FactForge, LLD, news and biomedical analysis components.

texts.

FROM Namerimi

Ontotext A web content analysis platform in Bulgarian that allows for regular crawling, analysis, and indexing of more than 100 million web pages. In addition to the standard indexing that other Internet search engines do, Namerimi also includes linguistic analysis of the text, using dictionaries, grammars, and other language resources. Thus, Namerimi provides more adequate and complete information during web searches. Namerimi's applications include projects with media outlets such as svejo.net (Xenium) and OffNews, where this technology allows for better analysis of user interests and offering related content. The platform has been sold.

KIM

KIM is an Ontotext platform for Knowledge and Information Management. Among the main features of KIM is the ability to semantically annotate text – a process in which text is analyzed using large volumes of structured data. The result of the process is two-way: (i) the text is linked to the databases through semantic tags and (ii) the databases are enriched with new objects and facts discovered during the analysis of the text. Semantic annotations allow for the creation of a hybrid index in the OWLIM semantic database, which in turn enables unique search capabilities that combine faceted search with structured queries and logical inference. After updating Ontotext's technology portfolio in 2014, the next generation of technologies underlying KIM became part of the Ontotext Platform and Ontotext Media and Publishing.

OWLIM ver.5/Graph DB-Ontotext

GraphDB is a semantic graph database management system (DBMS) compatible with the following Semantic Web standards defined by the W3C consortium: RDF, RDFS, OWL, SPARQL.

GraphDB represents the next generation of DBMS, a successor to the OWLIM product, which develops the algorithms and technologies used in OWLIM to the next level of efficiency and reliability. Among the most important new features of GDB is a next-generation cluster architecture with a high degree of efficiency and reliability, which supports installations distributed across multiple geographical locations (e.g., the UK, the US and Japan). Another important new feature of GDB is the adapters for connecting to indexing engines and NoSQL DBMSs, which allow for efficient maintenance of synchronized indexes for faceted search. The GDB also includes the so-called Workbench – an environment for setting up, monitoring, and analyzing data. GDB uses improved algorithms for initial



loading large volumes of data, as well as for transaction processing; as a result, the performance of GDB in many cases exceeds that of OWLIM by more than 3 times.

Semantic Data and Services Management Platform

The Ontotext platform brings together a multitude of modules, components, ontologies and database schemas that allow for: (1) Automatic content enrichment. In this process, textual content of documents or databases is analyzed and linked to structured data that is loaded into a semantic database, GraphDB. Content analysis modules use a set of text algorithms and enable efficient development, testing, and tuning of text analysis algorithms and cascade processes. (2) Integration of data from multiple sources. The platform supports the development of automated data processing processes, including: transforming data into RDF format; semantic linking of data from different sources; resolving ambiguity in such links; automated extraction of large volumes of information from websites. (3) Manual classification and coding of documents and data. The platform supports: creating the so-called "gold standards" that are used in the process of automatic text analysis; review and correction of document annotations, including those that link text to specific objects and concepts in databases.

Media-Publ-Solution

Ontotext Media & Publishing (OMP) is a software solution aimed at media, newspaper and magazine publishers, scientific and educational publishing houses, online learning platforms, news and information agencies and other organizations whose main activity includes the production, publication and distribution of content, including: news, articles, analyses, magazines, books and educational materials. OMP uses semantic technologies to assist such organizations in the development, reuse, classification, distribution, and publication of content, based on analysis of the meaning of the text. OMP helps reduce the time to create new content and new information products. Content recommendation modules help recommend additional relevant content within websites based on analysis of reader behavior and interests. The content analysis modules offer real-time text analysis using the efficient semantic database GraphDB, which stores rich descriptions of the subject area, dictionaries, thesauri, classifications, as well as metadata that describes the content.

SemJobs

The software platform is an additional development based on the core technologies of Ontotext AD with added value to job candidates and HR agencies by crawling a huge volume of Internet pages and identifying job advertisements and their basic parameters in a common database, which can be used to search for a match between the sought-after expertise and the availability of such in a candidate, as well as matching other parameters such as salaries, place of residence, etc.

DAT/Cloud Platform

"Daticum" AD invests in the implementation and development of an integrated system for offering its clients cloud servers, private virtual cloud solutions (Virtual Private Clouds), as well as specialized services for building private cloud solutions (Private Clouds and Hybrid Clouds) and desktop virtualization solutions (VDI). The solution is based on the "Infrastructure as a Service" (IaaS) concept, allowing its customers to isolate investments in specific hardware and the corresponding specific technical support at the expense of predictable and flexible operating costs according to the required consumption capacity and greater security of constant operation of IT business systems (SLA 99.995%).

Insurance software

Sirma ISG AD is developing its own software platform to service the business processes of insurance brokers and agents, allowing them to manage their client base and much more effectively compare the current offers of different insurance companies at the same time and identify in real time the best offers according to the desired insurance. This includes developing mobile applications (mobile broker), which allows for easier work outside the office.



STT/Semantic Enterprise Integration

SEIP (Semantic Enterprise Integration Platform) is a comprehensive, reliable and flexible web-based platform for generating business applications - a combination of content management and semantic integration. It provides semantic enterprise integration and common content management functionalities that can be configured for a specific business context using business-based models and language.

STT/EMF - Enterprise Management Framework

Enterprise Management Framework is a module of the Semantic Enterprise Integration Platform (SEIP), in which Sirma ITT AD develops additional functionalities that are applicable both as a standalone module and as part of SEIP.

SBC - EPCh (electronic product channels)

The EPCh (Electronic Channel Products) platform of Sirma Business Consulting AD includes software products for electronic (Internet) banking (WeBank), mobile banking (Bank on mobile) and services for automatic notification of the bank's end customers (notifications) of important events and transactions via SMS and/or e-mail (GetBank). The platform is independent of the bank's chosen core banking system and can be easily integrated with already implemented solutions, including an integration module for real-time transaction authorization in the BORICA system.

EV/EngView Package Designer Suite

EngView Systems has made an investment of BGN 246,000 in the first nine months of 2015 in the development of EV/EngView Package Designer Suite - a software package for integrated CAD/CAM (Computer-Aided Design / Computer-Aided Manufacturing) for 2D (two-dimensional) design of folding packages from various materials and various software functionalities for converting models from/to various file formats supported by software solutions, printing and cutting machines from other manufacturers. Software is structured as a package of computer programs that cover different parts of the production process.

process – from developing a visual concept, through the development of specific two-dimensional (2D) and three-dimensional (3D) models, preparation of printed blanks, production of samples and painting.



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

The tables below show the investments made and the investments in development:

INVESTMENTS OF SIRMA GROUP HOLDING AD

Investments in DA

Indicator in thousands of	opening balance	31.12.2012 ⁰	written off	31.12.2013 ¹²⁶	written off	31.12.2014 ¹⁷	written off	closing balance as of 31.12.2014 ¹⁴³	31.12.2015
BGN Own buildings	2012 ⁰		0		0		0		143
Rights to software modules Non-current	0	103	0	135	0	0	0	237	315
fixed assets held for sale Pirina Technologies AD Sirma ITT	20 375	0	0	0	-20,375	0		0	
AD Sirma Media AD	332	0	0	0	0	375	-707	0	0
Ontotext AD Sirma	0	0	0	0	0	6 895 0	0	6 895 0	6 895
Solutions AD EngView	2 241	15	0	0	0	8	-2,256 0	8	0
Systems Sofia	0	0	0	0	0	672 0		672 35	8 672
Panaton USA USD/GMG Systems Inc.-USA	40 632	0	0	0	-1 865		-3,740 0	027	35 027
Ontotext AD Investment	50	50	0	50	0	50		50	50
properties TOTAL	0	0	0	1 865	0	0	-1 865 0	0	0
	364	0	0	0	0	0		364	230
	7 422 5	0	0	0	0	0	-7 422 0	0	0
	184	0	0	600	0	361		6 146	6 146
	76 601	167	0	2 776	-22,240	16 370	-15,990	57 534	57 477

Investments in development

Investment in thousands of BGN	2013 introduced	2013 written off	2014 introduced	2014 written off	Balance as of 31.12.2014	Closing balance 31.12.2015
Building a management system for allocating employer costs	135	-135 0	0	0	0	113
Returning DA for revision Capitalized own costs -	20 375		0	-20 375	0	
software services	0	0	166	-166	0	37
TOTAL	20 510	-135	166	-20,541	0	150

INVESTMENTS OF SIRMA SOLUTIONS AD



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

Investments in DA

Indicator in thousands of	Opening balance 2011	2 012		2 013		2 014		Final balance	Closing balance as of 31.12.2015
		Introduced	Cancelled / Impairments / Disposals 0 -1	Introduced	Cancelled / Impairments / Disposals 0 0	Introduced	Cancelled / Impairments / Disposals 0 0	as of 31.12.2014	
BGN Vehicles Computer	102	0		60		130		291	291
equipment Products from	736	50		145		14		944	1 068
development activities Software products	124	386	-124	50		3 787 0		4 224 1	7 832
Rights to software modules	51	1 172	0	257	0 0		0 0	481	1 481
for the activity Non-current fixed assets held for sale Sirma	11 607	6 569	0	0	0	0	-16,633	1 543	1 646
ITT AD Sirma Business Consulting AD Daticum AD									
SIRMA USA	7 480	0	-7 480 0	0	0	9 816 0	0	9 816 0	9 816
Panaton USA	400	912		0	0		-1 312 0		
	1 325 1	0	-108	0	0	39	0	1 256 1	1 256
	451 14	0	-58	0	0	0	0	394 15	1 394
	797 1 0	0	0	930	0	0	0	728 1	17 629
		0	0	0	0	1 900	0	901	0
S&G Technology Services Ltd Flash Media AD Sirma	0	0	0	0	0	117		117	117
Mobile AD Sirma ISG	0	0	0	25	0	0		25	25
Ltd TOTAL	3	0	0			20		20	20
		0	0	0	0	0	0	3	4
	38 078	9 088	-7 770	1 468	0	15 822	-17,944	38 742	42 578

Investments in development

Investment in thousands of BGN	2 012		2 013		2 014		2 015		Closing balance 31.12.2014	Closing balance 31.12.2015
	Opening balance	Accrued costs	Commissioned	Accrued costs	Commissioned	Accrued costs	Commissioned	Accrued costs		
SS/SRVC-ISG-Insurance (Common)	0	73	0	621	0	14	0	709	436	436
SS/PROD-Mobile Banking Platform SS/PROD-Mobile Group	0	491	0	496	0	-987	0	0	0	0
Management Platform SS/PROD-Mobile and Web-Based Payment System	0	558	0	570	0	79	-1,207 0	0	0	0
SS/SRVC-BPConfig Management SS/PROD-LOYAX-Loyax SSPAN/SRVC-Inofile	0	830	0	842	0	-1 672 0	0	0	0	0
	0	571	0	-571	0	5		0	0	0
	0	0	0	50	-50	835	-3,787 0	2 048	1 378	1 378
	0	0	0	0	0	331	0	331	0	331
SSPAN/SRVC-Open Road	0	0	0	0	0	0	0	54	0	54
Pay Mobilio	0	0	0	0	0	0	0	0	262	262
SSSM/SSM-FlashMedia adm	0	0	0	0	0	0	0	2	0	1
SS/SRVC - GARB	0	0	0	0	0	0	0	0	1	20
SS/SRVC-Employment Agency	0	0	0	0	0	0	0	0	20	40
SS/PROD-EDOM-eDom	0	0	0	0	0	0	0	16	40	10
SS/R&D ImageRecognition-BG161P0003	0	0	0	0	0	0	0	0	10	0
SSMOB/PROD-mTimeCard	0	0	0	0	0	0	0	49		19
SSMOB/PROD-VIVBIP-VivaBipper	0	0	0	0	0	0	0	0		30
SSMOB/PROD- NewsOnTheWeb	0	0	0	0	0	0	0	8	578 19 30 2	8
SSMOB/PROD-SCHO-SCHOOLCall						9		9		
SS/SRVC-EnvView Bridge Project TOTAL	0	0	0	0	0	52		52	0	52
	0	2 523	0	2 009	-50	3 661	-4,994	3 278	2 775	3 409
										2 584



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

INVESTMENTS OF ONTOTEXT AD

Investments in DA

Indicator in thousands of BGN	Home balance 2011	2 011	2 012	2 013	2 014	Closing balance as of 31.12.2015	
						As of 31.12.2014	
	Introduced	Write-offs / Impairments / Disposals Introduced	Write-offs / Impairments / Disposals Introduced	Write-offs / Impairments / Disposals Introduced	Write-offs / Impairments / Disposals		
Office furniture Machinery and	9	3	0	6	0	20	38
equipment Computer equipment Other	2	0	0	0	0	2	2
fixed tangible assets Other fixed	209 0	61	0	1	0	155 4	608
intangible assets Products from development activities, including:	0	0	0	0	0	0	6
OWLIM ver. 4 KIM software module ORDI software module OWLIM software	0	0	0	4	0	64	64
ver.5/Graph DB software Semantic Data and Services Management	0	3 800 3	0	224 0 3	0	-8 024 -3	7 232 0
Platform software LLD	0	800 0 0	0	0	0	800 -3 172	0
software Program products, including:	0	0	0	172 1	0	-1 052 0 0	0
JProfiler software product	0	0	0	052 0 0	0	4	0
	0	0	0	0	0	152 2	4 152
	0	0	0	0	0	876 204	2 876
	1	0	0	0	0	0 0 0	204
	0	0	0	59	0	-96	1
	0	0	0	0	0		1
Web Mining Framework Rights	1	0	0	59	0	-96	0
to software modules, including: Soft Product Hoci	0	0	55	0	0	10	10
	0 0	0	2 0 0 0 0 0 0 0 0 0 96 96	0	0	0	0
Patent/Trademark Graph DB Rights to	0	0	0	0	0	10	10
software modules for the activity, including: WSMO Studio	3 659	0	815	0	0	382	1 197
	177	0	0	0	0	0	0
SoftM-OntoMap SoftM-	1 543	0	0	0	0	0	0
OT SWS Repository SoftM-Ontology	916	0	0	0	0	0	0
mapping Store SoftM-SWWS Studio Soft	726	0	0	0	0	0	0
Product ORIS Online	298	0	0	0	0	0	0
Recruitment Intelligence Systems Findable Licenses, including: KIM License	0	0	815	0	0	235	0
OWLIM/	0	0	0	0	0	147	0
TRREE License	39	0	0	0	73	285 0	407
ORDI License	16	0	0	0	0	0	16
WSMO Studio License Content	14	0	0	0	0	0	14
Extraction	4	0	0	0	0	0	4
Software SGH License	6	0	0	0	0	0	6
Professionals OCR Kit - Nuance License Bloor Graph &RDL market	0	0	0	65	0	285 0	349 9
Update & Spotlight Report License Non-current	0	0	0	9	0	0	9
fixed assets held for sale, including: Findable WSMO Studio SoftM-OntoMap	0	0	0	0	0	4	10
SoftM-OT SWS Repository SoftM-Ontology mapping Store Soft Product Hoci	0	147	0	0	0	351 0 89	4 274
Software	0	147 0	0	0	0	-147 0	0
module KIM	0	0	0	0	0	642	89
	0	0	0	0	0	382	642
	0	0	0	0	0	306	382
	0	0	0	0	0	77 2	306
	0	0	0	0	0	855	0
	0	0	0	0	0	0	2 855



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Investments in development

Investment in thousands of BGN	2012 initial balance	2 012	2 013	31.12.2014	Closing balance as of 31.12.2014	2 015	Closing balance 31.12.2015
		Accrued costs	Commissioned	Accrued costs	Commissioned	Accrued costs	Commissioned
LLD	182	18	0		-204		0
LS-HC-Solution KIM	268	16	0	3	0	0	534
	2 917	256	0	0 0 -3			0
Software OWLIM ver.5/Graph DB	1 892	960	0	30 0	172 -1	84 0 1	0 0
Semantic Data and Services Management Platform Media-Publ-	2 617	120	0	997	237 1	-514 -2	1 158
Solution SemJobs		78	0	109	084	1 357	1 221 144
	0 0	32	0	506 202	052 0 0 0	774 0	772 0 -235
CLS-P-S4	0	0	0	0	0	0	37
TOTAL	7 876	1 480	0	1 847	-4 224	3 179	-3,723
						6 471	3 028
							9 499

INVESTMENTS OF DATIKUM AD

Investments in DA

Indicator in thousands of BGN	Opening balance 2011	2 012	2 013	2 014	Closing balance as of 31.12.2014	31.12.2015
		Introduced	Disposals	Introduced	Disposals	Introduced
		Introduced	Disposals	Introduced	Disposals	Introduced
Machinery and equipment	1 476	0 10 -32 264 0 4 0	0 0 0 23 0 2 0 600 0	0	1 488	1 583
Computer equipment Repairs	411	2	0 -32 278	626	0	838
to leased premises Non-current fixed	549				699	555
assets held for sale TOTAL		33 0			1 099	1 099
	0 2 436	499 534			0	3 841
						4 075

Investments in development

Investment in thousands of BGN	Opening balance	2 012	2 013	2 014	2 015
		Accrued costs	Commissioned	Accrued costs	Commissioned
DAT/Cloud Platform	0	499	-499	0	0
				600	-600
					0
					0

INVESTMENTS OF ENGVUE SYSTEMS SOFIA AD



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

Investments in DA

Indicator in thousands of BGN	Opening balance 01.01.2012	2 012	2 013	2 014	Closing balance 31.12.2014	Closing balance 31.12.2015
		Write-offs / Impairments /	Write-offs / Impairments /	Write-offs / Impairments /		
		Introduced	Disposals Introduced	Disposals Introduced	Disposals	
Machinery and equipment	119	0	0 0	0 0	0	119

Investments in development

Investment in thousands of BGN	opening balance 2012	2 012	2 013	2 014	31.12.2014	2 015
		accrued expenses	introduced in operation	accrued expenses	introduced in operation final balance	Accrued costs
						Closing balance 31.12.2015
EV/EngView Package Designer Suite EV/	0		0	0	0	266
ScanFit ver.1						135
TOTAL	0	0	0	0	0	401

INVESTMENTS OF SIRMA IT AD

Investments in DA

Indicator in thousands of BGN	opening balance 2012	2 012	2 013	2 014	31.12.2014	Closing balance 31.12.2015
		Write-offs / Impairments /	Write-offs / Impairments /	Write-offs / Impairments /		
		Introduced	Disposals Introduced	Disposals Introduced	Disposals	
Computer equipment Software	169	2	0	44	0	463
products Rights to software		0	0	0	181	182
modules for the activity Licenses TOTAL	1	990	0	0 1	0	5 207
	0 0	0	0	055 0	0	160
	170	992	0	1 099	0	2 850



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

Investments in development

Investment in thousands of BGN	opening balance 2012		2 012		2 013		2 014		2 015	
			accrued expenses	put into operation	accrued expenses	put into operation	accrued expenses	commissioned final balance	Accrued costs	Closing balance 31.12.2015
STT/Semantic Enterprise Integration	0		207	0		-207		0		0
STT/EMF - Enterprise Management Framework GENERAL	0			0	0	-847	0 1	0	0 1	2 806
	0	0	207	0	847 847	-1,055	707 1 707	0	707 1 707	099 1 099
										2 806

INVESTMENTS OF SIRMA IT AD

Investments in DA

Indicator thousand BGN	opening balance 2012		2 012		2 013		2 014		closing balance as of 31.12.2014	Closing balance 31.12.2015
			Write-offs / Impairments /	Write-offs / Impairments /	Write-offs / Impairments /	Write-offs / Impairments /	Write-offs / Impairments /			
		Introduced	Disposals Introduced	Disposals Introduced	Disposals Introduced	Disposals				
Computer equipment, etc. DMA Development	106	28	0 1 0 707 0 0 0 708	0 41 0 699 0 0 0 740	0		175	91		
products Rights to software modules	609	0			0		2 015	949		
	1 958	0			0		1 958			
TOTAL										
	2 673	28			0		4 149	1 040		

Investments in development

Investment in thousands of BGN	opening balance 2012		2 012		2 013		2 014		31.12.2014	
			accrued expenses	introduced in operation	accrued expenses	put into operation	accrued expenses	commissioned final balance	Accrued costs	Closing balance 31.12.2015
SBC - EPCh (electronic product channels)	0				707	-707		0		
SBC/UBX ECB S75	0						683	-612	71	429
SBC/UBX Notifications TOTAL	0						87	-87	0	
	0	0	0	0	707	-707	770	-699	71	429



RESEARCH AND DEVELOPMENT ACTIVITIES, PATENTS AND LICENSES

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

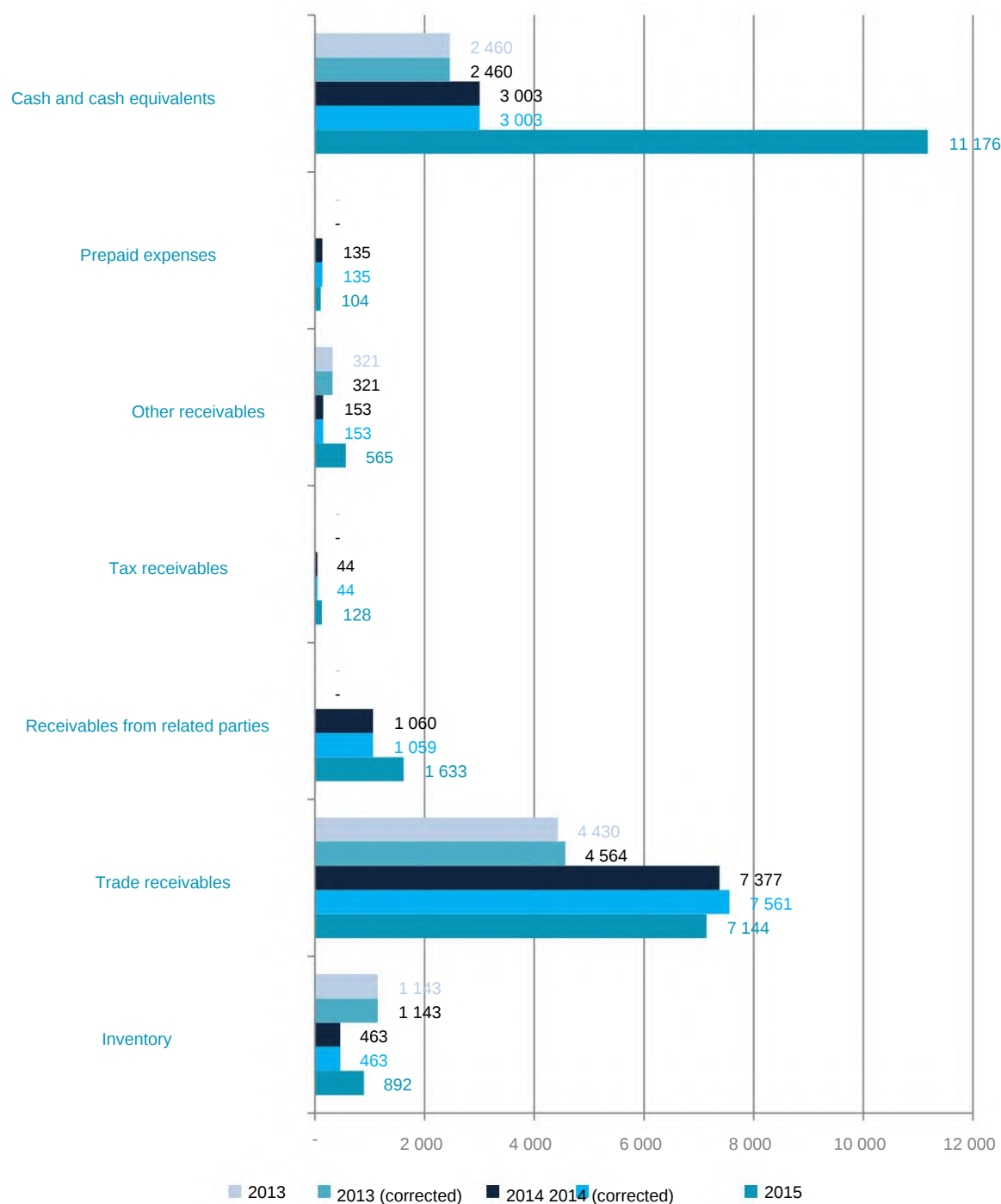
	31.12.2015
	BGN '000
Sirma Solutions AD	859
"Ontotext" AD	724
EngView Systems Sofia AD	145
"Sirma ITT" AD	158
Total	1886

11.2.CURRENT ASSETS

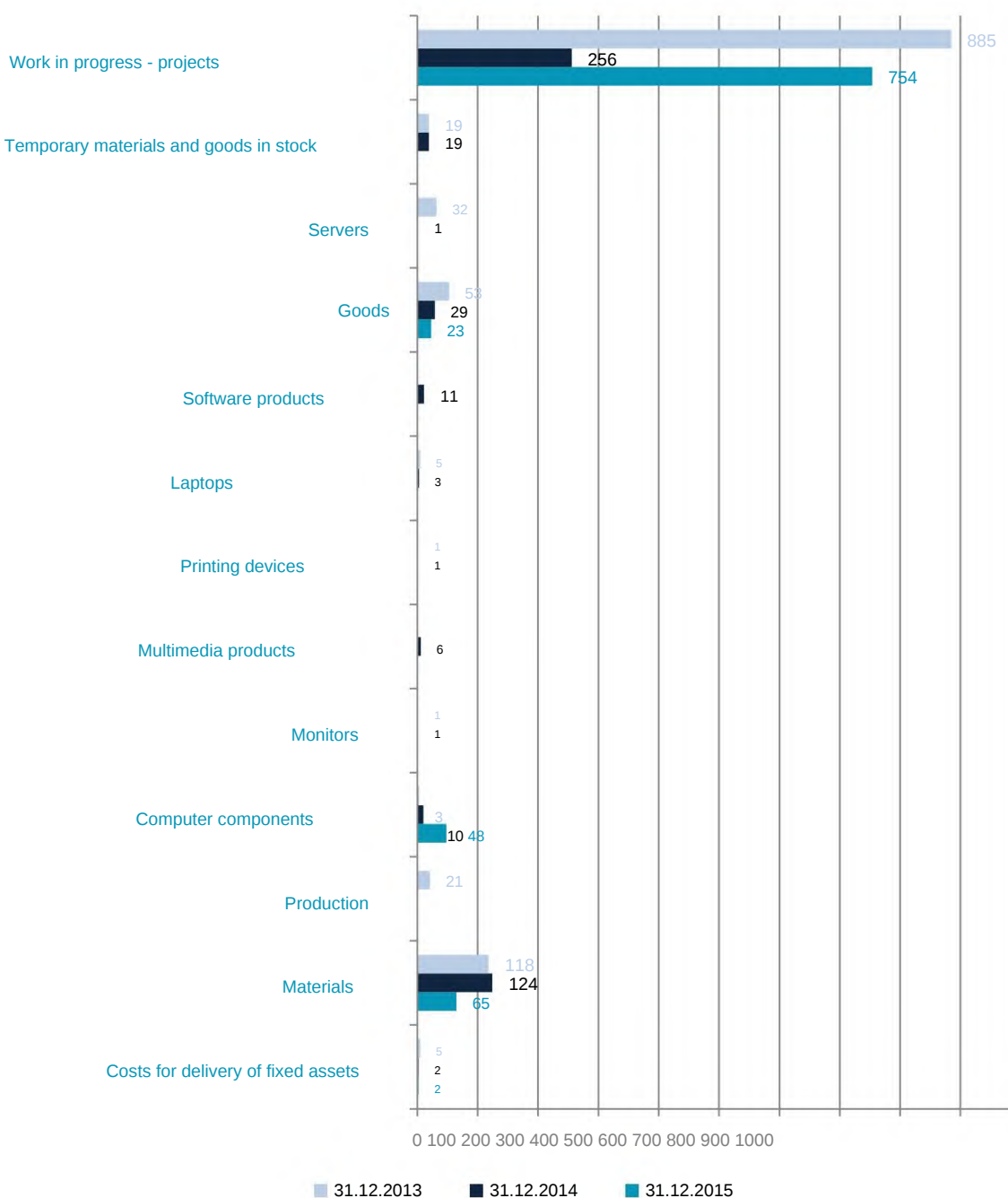
	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
Assets					
Current assets					
Inventory	892	463	463	1 143	1 143
Trade receivables	7 144	7 561	7 377	4 564	4 430
Receivables from related parties	1 633	1 059	1 060	-	-
Tax receivables	128	44	44	-	-
Other receivables	565	153	153	321	321
Prepaid expenses	104	135	135	-	-
Cash and cash equivalents	11 176	3 003	3 003	2 460	2 460
Total	21642	12418	12235	8488	8354



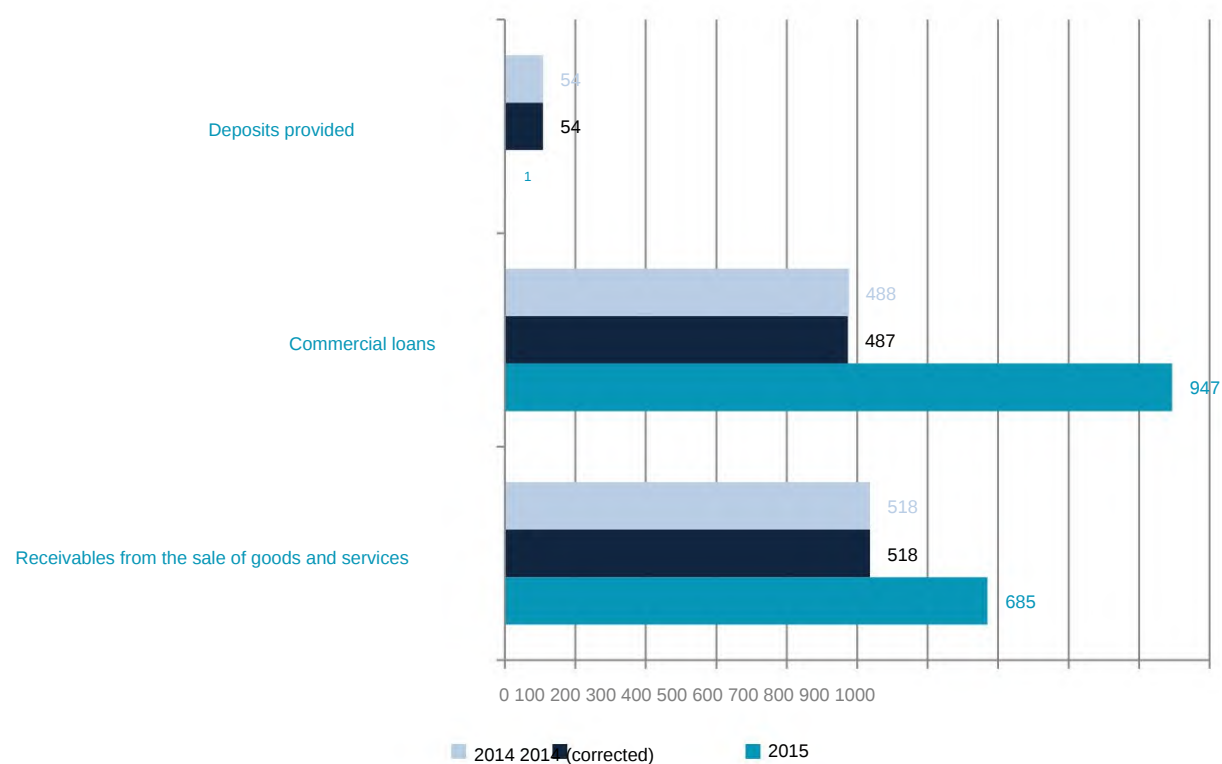
Current assets



Inventory



Receivables from related parties



Loans and deposits granted or received from related parties - unconsolidated



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

Company		Group	Partner - connectivity	Taking in the beginning on the period	Obligation at the beginning of the period	Provided during the period cash	Cash received during the period	Taking at the end of the period	Liability at the end of the period
SIRMA SOLUTIONS AD	loans received	151		3	0	0	1803	0	1803
SIRMA SOLUTIONS AD	loans received	151		1	0	375	375	0	0
SIRMA SOLUTIONS AD	loans received	151		1	0	170	170	0	0
SIRMA SOLUTIONS AD	deposits provided	491		5	0	5	0	0	0
SIRMA SOLUTIONS AD	loans provided	498		5	190	5	0	194	0
SIRMA SOLUTIONS AD	loans provided	498		5	21	0	0	21	0
SIRMA SOLUTIONS AD	loans provided	498		5	3	0	0	3	0
SIRMA SOLUTIONS AD	loans provided	498		3	75	1449	1369	155	0
SIRMA SOLUTIONS AD	loans provided	522		1	0	0	0	0	0
SIRMA SOLUTIONS AD SIRMA BUSINESS	loans provided	522		5	0	61	0	61	0
CONSULTING AD SIRMA BUSINESS	loans provided	498		3	0	170	170	0	0
CONSULTING AD SIRMA BUSINESS	loans provided	498		5	18	0	18	0	0
CONSULTING AD SIRMA BUSINESS	loans provided	498		3	0	50	50	0	0
CONSULTING AD	loans provided	522		5	46	0	0	46	0
SIRMA AY TI TI EAD SIRMA	loans received	151		3	0	322	122	0	1205
AY TI TI EAD SIRMA AY TI	loans provided	498		5	34	0	0	34	0
TI EAD SIRMA AY TI TI EAD	deposits provided	498		3	0	37	0	37	0
SIRMA AY TI TI EAD SIRMA	deposits provided	507		3	37	-37	0	0	0
ISG SIRMA ISG ENGVIEW	loans provided	522		5	18	0	0	18	0
SYSTEMS SOFIA AD	loans received	151		3	0	11	47	0	58
deposits provided	loans received	151		3	0	0	0	0	0
		491		3	0	112	40	72	0
ENGVIEW SYSTEMS SOFIA AD provided deposits		507		3	112	0	112	0	0
ENGVIEW SYSTEMS SOFIA AD loans provided		522		3	509	197	292	414	0
ONTOTEXT AD	loans received	151		3	0	75	175	0	0
ONTOTEXT AD	deposits provided	491		3	51	0	0	51	0
ONTOTEXT AD	deposits provided	507		3	0	130	130	0	0
ONTOTEXT AD	loans provided	522		1	0	126	0	126	0
DATICUM AD	deposits provided	491		3	14	0	0	14	0



Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

DATIKUM AD	loans provided	522	3	0 0		375	375	0	0
DATIKUM AD	loans provided	522	3	0	0	100	100	0	0
SIRMA GROUP HOLDING AD received loans		151	1	0	20	97	197	0	120
SIRMA GROUP HOLDING AD received loans		151	2	0	0	100	100	0	0
SIRMA GROUP HOLDING AD received loans		151	2	0	0	50	50	0	0
SIRMA GROUP HOLDING AD Loans received		152	1	0	489	195	0	0	294
SIRMA GROUP HOLDING AD received deposits		491	1	0	75	1371	1449	0	153
SIRMA GROUP HOLDING AD received deposits		491	1	0	51	130	130	0	51
SIRMA GROUP HOLDING AD received deposits		491	1	0	37	0	0	0	37
SIRMA GROUP HOLDING AD received deposits		491	1	0	112	40	0	0	72
SIRMA GROUP HOLDING AD received deposits		491	2	0	14	0	0	0	14
SIRMA GROUP HOLDING AD received deposits		491	5	0	1	0	0	0	1
SIRMA GROUP HOLDING AD loans provided	SIRMA GROUP HOLDING AD loans provided	498	5	13	0	0	0	13	0
		522	1	0	0	1805	0	1805	0
SIRMA GROUP HOLDING AD loans provided		522	5	0	0	13	0	13	0
SIRMA GROUP HOLDING AD loans provided		522	1	75	0	100	175	0	0
SIRMA GROUP HOLDING AD loans provided		522	1	322	0	1005	122	1205	0
SIRMA GROUP HOLDING AD loans provided		522	5	405	0	163	0	569	0
SIRMA GROUP HOLDING AD loans provided		522	2	11	0	47	0	58	0
SIRMA GROUP HOLDING AD loans provided		522	5	19	0	0	0	19	0
SIRMA GROUP HOLDING AD loans provided		522	5	0	0	8	0	8	0
			1975	1213	8746	8380	4938	3810	

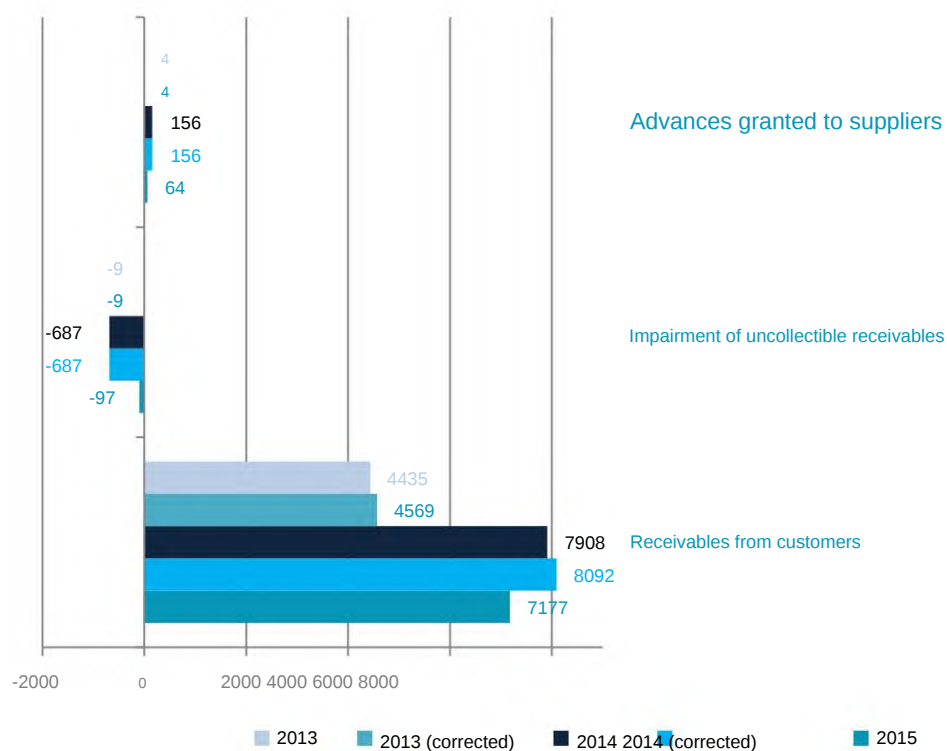


The terms and conditions under which the loans were provided to related companies are as follows:

Currency type	Agreed amount		Interest rate %	31.12.2015		31.12.2014		31.12.2013	
	BGN '000	Maturity		BGN '000	BGN '000 including interest	BGN '000	BGN '000 in	BGN '000 in	
							including interest	including interest	
of companies under common indirect control through key management personnel/ major shareholder									
leva Sirma ISG OOD 58 leva Sirma Media		31.12.2016	6.50%	58		12 1	11		
AD leva Pirina Technologies	18	31.12.2016	6.50%	18		6 6	146 9		
AD 587 leva Flash Media AD		31.12.2016	6.50%	587		461 43	603 57		
	8	31.12.2016	6.50%	8					
of subsidiaries									
BGN Sirma Solutions AD 1805 BGN Sirma ITT		31.12.2016	6.50%	1805					
AD 1205		31.12.2016	6.50%	1205		316 24	316 24		



Trade receivables

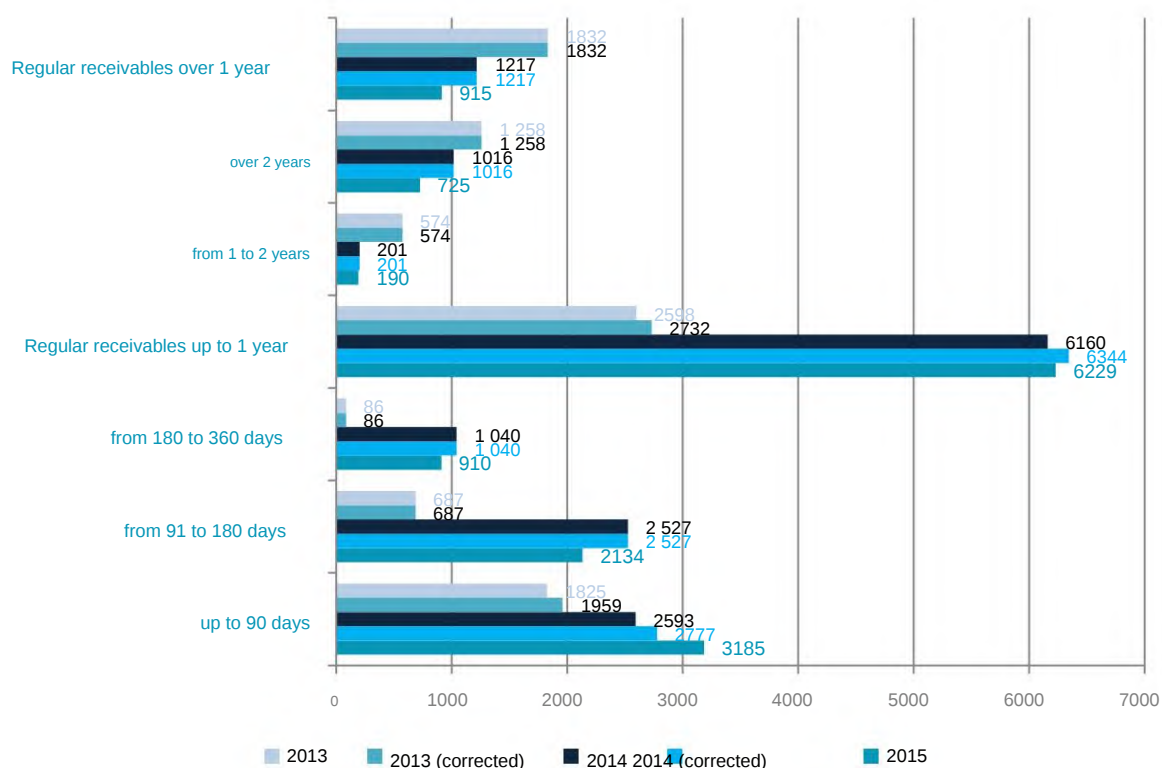


Maturity analysis of trade receivables

	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
up to 90 days	3185	2777	2593	1959	1825
from 91 to 180 days	2134	2 527	2 527	687	687
from 180 to 360 days	910	1 040	1 040	86	86
Regular receivables up to 1 year	6229	6344	6160	2732	2598
from 1 to 2	190	201	201	574	574
years	725	1016	1016	1 258	1 258
over 2 years Regular receivables over 1	915	1217	1217	1832	1832
<i>Mr.</i>					
Total	7144	7561	7377	4564	4430



Maturity analysis of commercial receivables



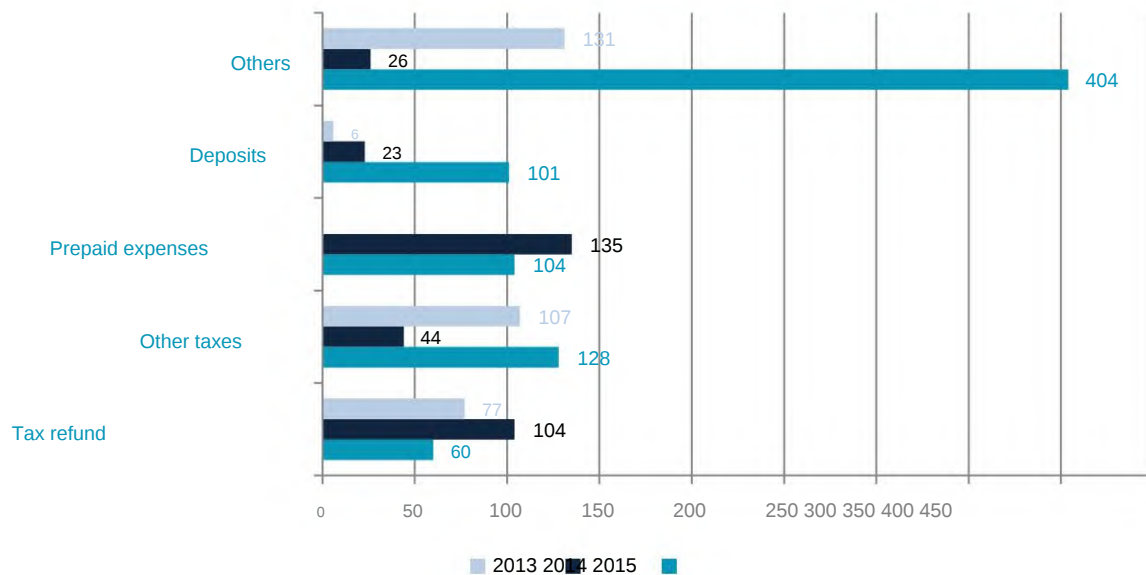
Receivables from customers are interest-free and are mainly in: Bulgarian BGN, EUR, CAD and \$ US.

Typically, the Group companies agree with customers a payment term for sales receivables of 30 to 180 days, unless there are specific maturity terms for certain customers.

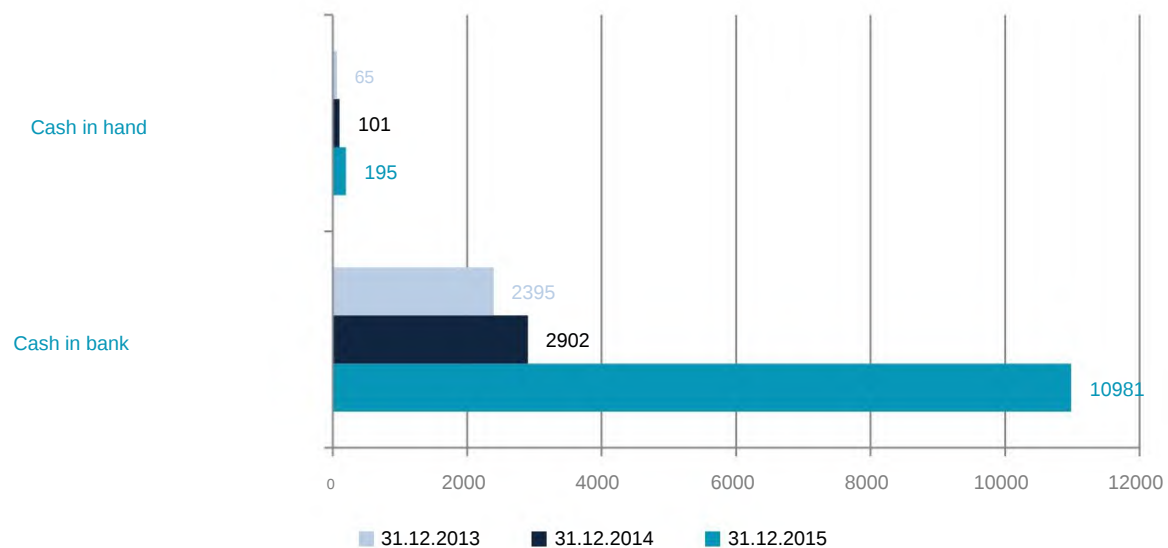
The Group has set a standard credit period of 180 days, for which it does not charge interest to customers. **A delay beyond this period is accepted by the Group as an indicator of impairment.** The managements of the Group companies assess collectability by analyzing the exposure of the specific client, the repayment capabilities (of the client and through the collateral) and make a decision on the recognition and accrual of a corresponding impairment.



Tax receivables, other receivables and prepaid expenses



Cash



12/ LIABILITIES

12.1. EQUITY

	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000	Amendment BGN '000
Capital / Share capital Change Paid-in capital Change	59361	49837	73341		73341	9524 19.11%
		-25	-25			25 -100.00%
Share premiums Change Reserves	1985					1985 n/a
Change Reserves from	1233	2763	2763	2940	2940	-1530 -55.37%
restated statements Change Retained earnings /	3865	-541	-541			4406 -814.42%
(Accumulated loss) from previous years Change	6364	2162	2197	-1072	-1048	4202 194.36%
Current financial result Change incl. minority interest	2215	9642	9778	2908	2950	-7427 -77.03%
profit Change incl. minority interest loss Change Non-controlling	786	2629	2629	423	423	-1843 -70.10%
interest Change	-197	-33	-33	-55	-55	-164 496.97%
	23 080	18 320	18 320	8 150	8 150	4760 25.98%
Total	98103	82158	82329	86267	86333	15774 19.16%

Reserves

Reserves	2015 BGN '000	2014 BGN '000	2013 BGN '000
Issue premiums	1 985		
Reserves	1 233	2 763	2 940
Reserves from restated statements Total	3865	-541	
	7 083	2 222	2 940

SHARE CAPITAL

As of 31.12.2015, the registered share capital of SIRMA GROUP HOLDING AD amounted to BGN 59,361 thousand, distributed in 59,360,518 dematerialized registered shares with a nominal value of BGN 1.

The shares are ordinary, dematerialized with voting rights, the right to receive dividends and liquidation share.



HISTORY OF SHARE CAPITAL CHANGES

- Upon the transformation entered in the Commercial Register on 23.10.2014, the capital of The issuer is reduced to BGN 49,837,156 by canceling 23,503,662 shares. This discount is in result of the calculated fair value of the shares of Sirma Group Holding AD by two independent appraisers. The shareholder structure of the Company does not change as a result of the spin-off. 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 shareholders The Issuer has recorded a decrease in the capital of Sirma Group Holding AD from BGN 77,252,478 to BGN 73,340 818 leva through the cancellation of 3,911,660 shares with a nominal value of one leva each. The capital of The company was reduced on the basis of 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 of experts, the shareholder capital is increased from 50,000 BGN to 77,252,478 BGN through non-cash contributions by issuing new 77 202,478 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.
- On 30.10.2015, as a result of a successful initial public offering, the capital was increased
- For the current financial period, two of the subsidiaries of Sirma Group Holding AD have a balance of treasury shares acquired by the consolidating parent company, as follows:
- Sirma Solutions AD - 234,881k shares for 3,556,742.44 BGN.
 - Sirma ITT EAD – 46 thousand units for 46 thousand BGN.

Issued and fully paid ordinary	Number of shares	Share capital, net of repurchased shares
		BGN '000
Balance as of January 1, 2013	73 340 818	73341
Balance as of December 31, 2013	73 340 818	73341
Balance as of January 1, 2014	73 340 818	73341
Balance as of December 31, 2014	49 837 156	49837
Balance as of January 1, 2015	49 837 156	49837
Balance as of December 31, 2015	59 360 518	59361

Retained earnings

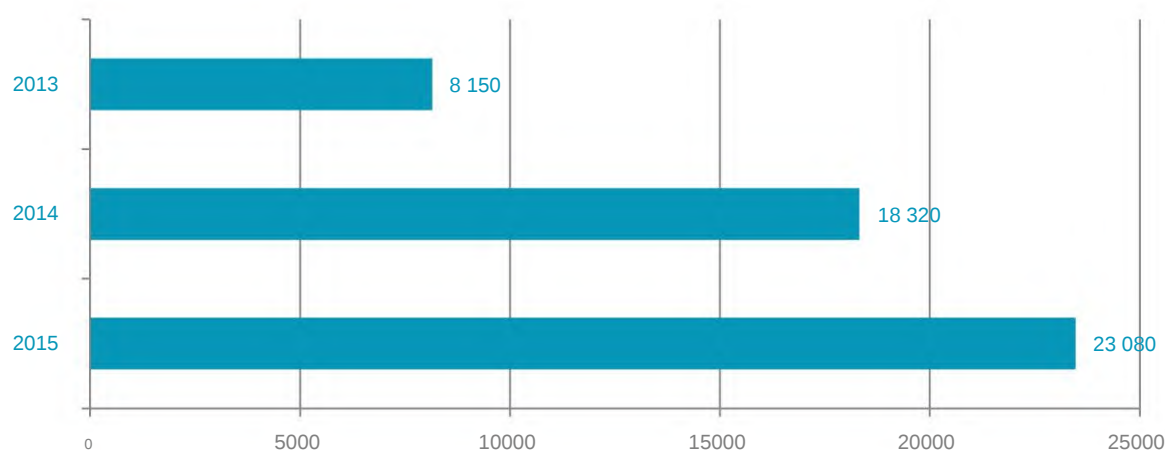


	2015 BGN '000	2014 (corrected) BGN '000	2014 BGN '000	2013 (corrected) BGN '000	2013 BGN '000	2013 Amendment BGN '000
Retained earnings / (Accumulated loss) from previous years	6364	2162	2197	-1072	-1048	4202
Amendment			-3			194.36%
Current financial result	2215	9642	9778	2908	2950	-7427
Amendment			2		1	-77.03%
including minority profit participation	786	2629	2629	423	423	-1843
Amendment			5		1	-70.10%
including shareholders' profit	1626	7046	7149	2540	2582	-5420
Amendment						-76.92%
including loss of minority interest	-197	-33	-33	-55	-55	-164
Amendment						496.97%
Total	8579	11804	11975	1836	1902	-3225
						-27.32%

Non-controlling interest

	31.12.2015 BGN '000	31.12.2014 BGN '000	31.12.2013 BGN '000
Non-controlling interest	23 080	18 320	8 150
Total	23 080	18 320	8 150

Non-controlling interest



	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	(corrected) BGN '000	BGN '000	BGN '000
Current financial result incl. profit	2215	9642	9778	2908	2950
minority interest incl. loss minority interest	786	2629	2 629	423	423
	-197	-33	-33	-55	-55

	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
Weighted average number of shares	50829	49837	49837	73341	73341
Net profit for the year (BGN '000) Basic earnings	2215	9642	9778	2908	2950
per share (BGN)	0.0436	0.1935	0.1962	0.0397	0.0402



12.2. NON-CURRENT LIABILITIES

Non-current liabilities	2015 BGN '000	2014 BGN '000	2013 BGN '000
Provisions	151	86	63
Long-term loans Finance	510	860	595
lease liabilities Joint venture liabilities Trade	278	97	34
payables Financing Deferred tax	8		
liabilities Non-current liabilities			279
	89		137
	1131	867	135
	2 157	1 910	1243

LONG-TERM BANK LOANS

Agreed amount			31.12.2015		31.12.2014		31.12.2013	
BGN '000	Maturity	Interest rate %	BGN '000	BGN '000 in including interest	BGN '000	BGN '000 in including interest	BGN '000	BGN '000 in including interest
Unicredit Bulbank AD 300	587	8.12.2023	BLP 4.45%; LI 3M EURIBOR	391	440		587	
thousand euros								
Allianz Bank Bulgaria AD 123	241	25.11.2023	6M LIBOR, premium 4.75%	192	216			
thousand euros								

LONG-TERM FINANCE LEASING LIABILITIES

	31.12.2015	31.12.2014	31.12.2013
	BGN '000	BGN '000	BGN '000
Finance lease liabilities	278	97	34
Total	278	97	34

DEFERRED TAX LIABILITIES



	2015	2014	2013
	BGN '000	BGN '000	BGN '000
Recoverable tax temporary differences - from unused vacations	52	-56	-57
Recoverable tax temporary differences on loss		-18	-18
Recoverable tax temporary differences - from depreciation			
Recoverable tax differences from impaired receivables Tax temporary differences on inventories		-69	-117
	6		
Tax temporary differences on impairment of investments Tax		-60	-60
temporary difference on provisioned expenses	3	1	0
Tax temporary differences on unpaid amounts of individuals	18	-57	-50
Taxes due provisionally differences - from Dan.bal. and Score. st/st	1052	1 125	437
Total	1131	866	135

LONG-TERM LIABILITIES TO RELATED PARTIES

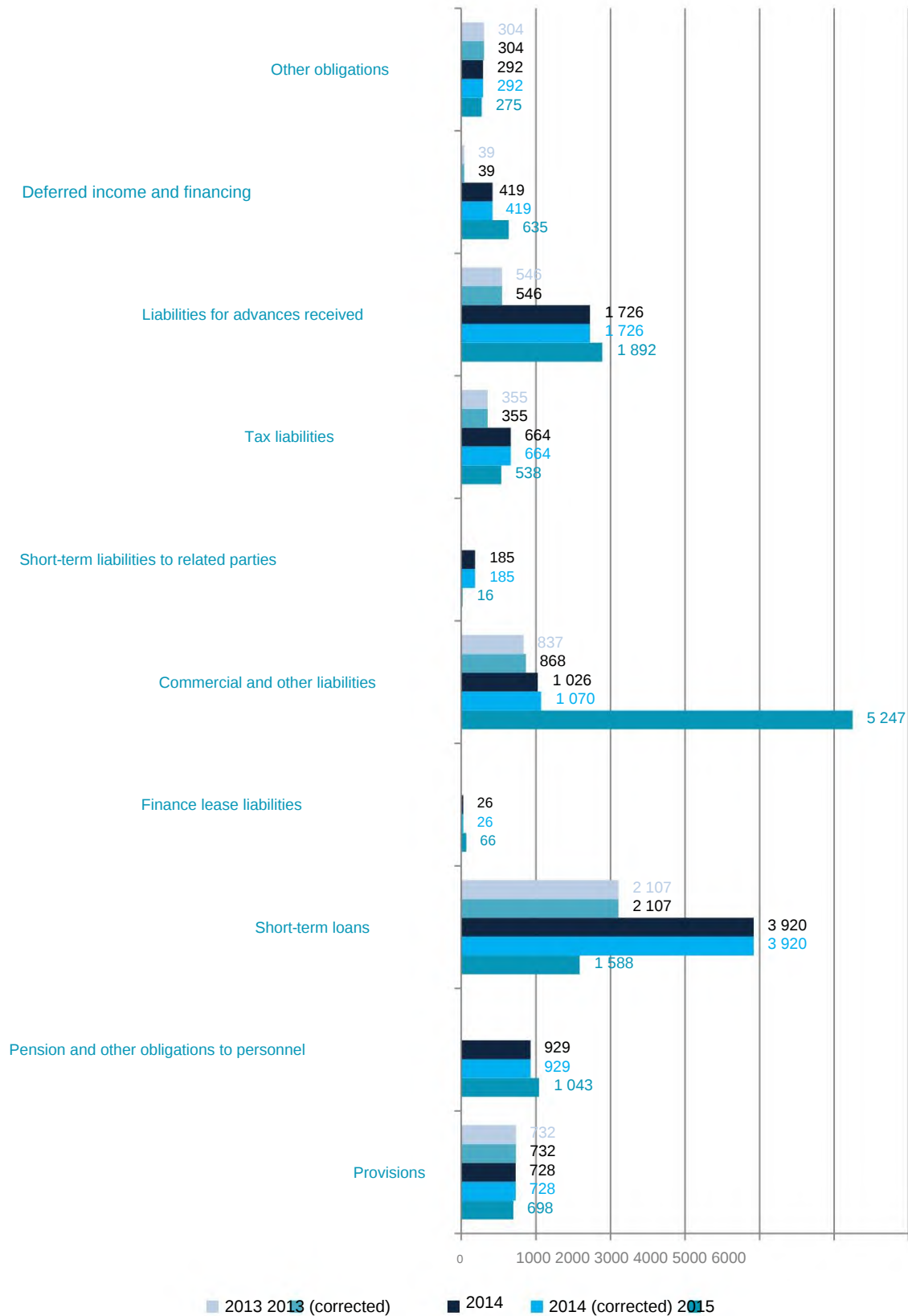
There are no entries in the registers for the current period.

12.3.CURRENT LIABILITIES

Current liabilities	2015	2014	2014	2013	2013
	BGN '000	(corrected) BGN '000	BGN '000	(corrected) BGN '000	BGN '000
Provisions	698	728	728	732	732
Pension and other liabilities to personnel	1 043	929	929	0	0
Short-term loans	1 588	3 920	3 920	2 107	2 107
Finance lease liabilities Trade and other	66	26	26	0	0
payables Short-term liabilities to related	5 247	1 070	1 026	868	837
parties Tax liabilities Liabilities for advances received Deferred	16	185	185	0	0
income and financing Other	538	664	664	355	355
liabilities	1 892	1 726	1 726	546	546
	635	419	419	39	39
	275	292	292	304	304
Total	11 998	9 959	9 915	4 951	4920



Current liabilities



Short-term loans

		31.12.2015	31.12.2014	31.12.2013
		Bank BGN '000	BGN '000	BGN '000
Company				
EngView Systems Sofia AD	Bulbank	3	5	
Ontotext AD	EUR/Bulbank AD	711	785	
Panaton USA	Short-term loans received		45	
Pirina Technologies AD	Allianz Bulgaria			100
Sirma ISG Ltd.	Bulbank	119	120	120
Sirma ITT AD	Bulbank	535		162
Sirma Group Holding AD	Bulbank		629	
Sirma Group Holding AD	Allianz Bulgaria EUR	223	752	488
Sirma Solutions AD	EUR/Bulbank AD			1 238
Total		1588	3920	2107

Finance lease liabilities

	31.12.2015	31.12.2014	31.12.2013
	BGN '000	BGN '000	BGN '000
Finance lease liabilities	66	26	
Total	66	26	0



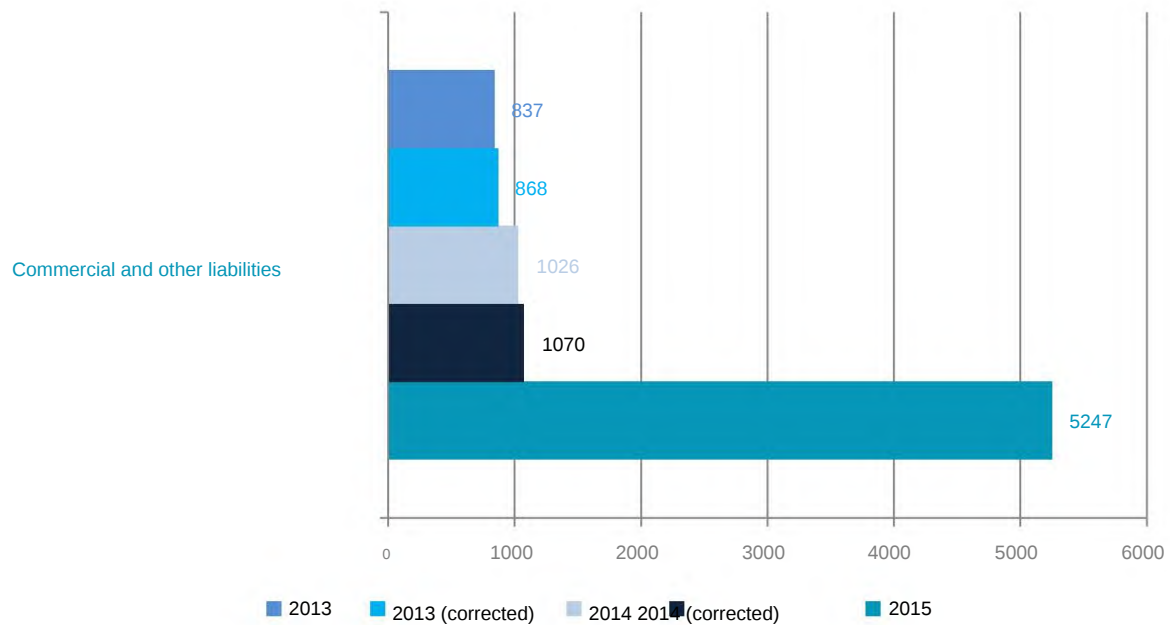
Consolidated report of the management of Sirma Group Holding AD for the period ending 31.12.2015

Long-term and short-term bank loans

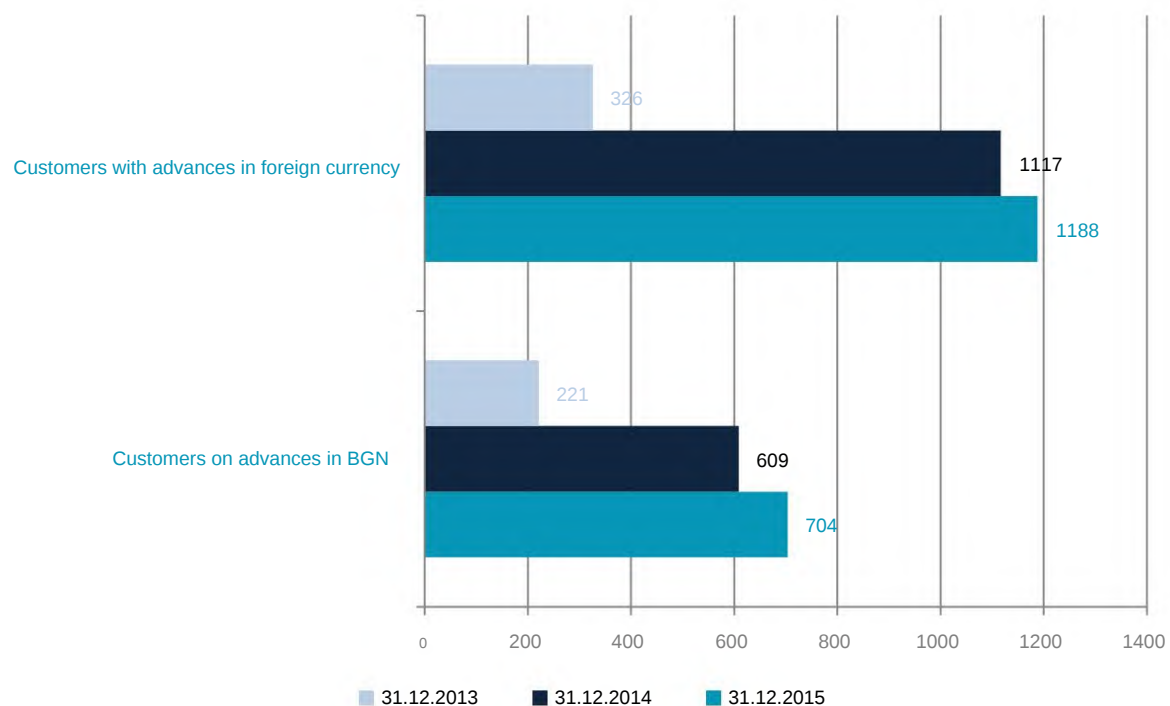
Loan recipient	At a bank	Credit type	Currency	Total size of the loan '000	Remaining liability as of 30.12.2015 '000	Date of taking the loan	Interest rate	Number remaining instalments	Monthly installment amount	Contract end date	Collateral
Loans under which the Issuer is a debtor											
Sirma Group Holding AD	Eurobank Bulgaria AD	Overdraft	BGN	1200	150	21.7.2015	3M SOFIBOR; allowance 3.95			21.7.2016	Pledge of receivables under Business Incubator contract No. BG161PO0032.2.0012C0001/02.02.2012; Contractual mortgage on real estate located in Sofia, Mladost district, Blvd. Tsarigradsko Shosse 135, namely fl. 5 of the building.
Sirma Group Holding AD	Allianz Bank Bulgaria AD	Investment	EUR	123	98.00	18.12.2013	6m LIBOR EUR + 4.75%, but not lower than 4.75%	98	1030	25.11.2023	Office No. 8 + pledge of receivables
Sirma Group Holding AD	Uni Credit Bulbank AD	Investment	EUR	350	200.00	8.10.2013	3m. EURIBOR + 4.45%	99	2083	8.12.2023	Office #19; office #20; office #21 + bet on receivables
Loans for which the Issuer is a guarantor											
Sirma ISG AD		Overdraft	BGN	120	118	30.5.2015	1 m. SOFIBOR + 4.35%			30.5.2016	Office No. 19; office No. 20; office No. 21 + lien on receivables
Ontotext AD		Overdraft	EUR	460	363	30.5.2016	1 month. EURIBOR + 4.35%			30.5.2016	Ontotext contracts for GBP 391,041 + GBP 848,316;
Sirma ITT AD		Overdraft	BGN	250	236	8.10.2013	1 month. SOFIBOR + 3.85%, but not less than 3.85%			30.5.2016	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	810	0	30.5.2015	1 m. EURIBOR + 3.85%			30.5.2016	Floor. 3, office building Tsarigradsko Shosse 135, Sofia + pledge on receivables \$700,000/year from Sirma USA and all other receivables
Sirma Solutions AD		Overdraft	EUR	700	0	30.5.2015	1 m. EURIBOR + 3.85%			30.5.2016	Another mortgage. 3, office building Tsarigradsko Shosse 135; Another mortgage Office No. 19; office No. 20; office No. 21, floor 4; Pledge under the Public Liability Act on receivables under Contracts concluded between Sirma Solutions AD and its clients, in the total amount of 9,210,022 BGN
Sirma ITT AD		Overdraft	BGN	300	300	8.10.2013	1 m. SOFIBOR + 3.85%, but not less than 3.85%			30.5.2016	pledge on receivables under contract 402,000 USD.



Commercial and other liabilities



Liabilities for advances received

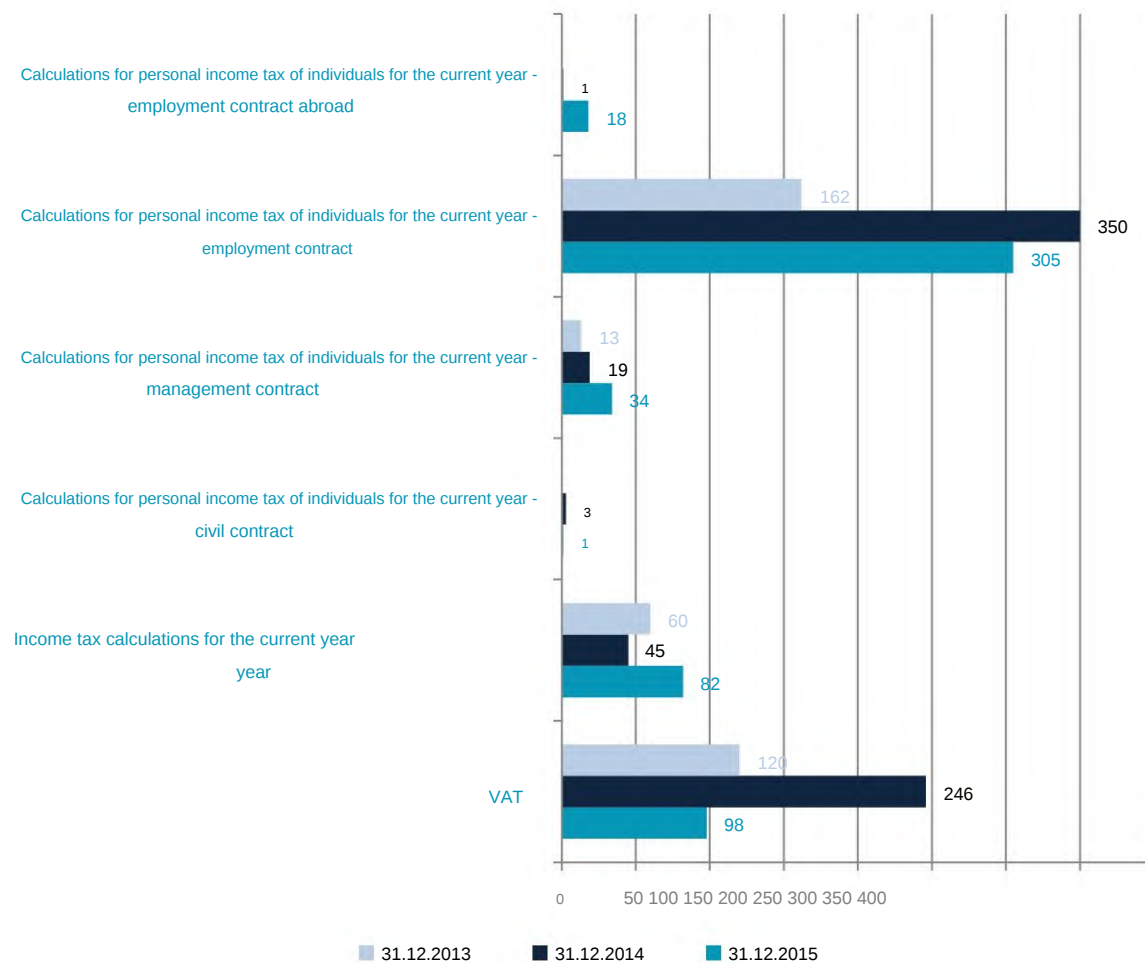


Short-term liabilities to related companies

	31.12.2015	31.12.2014	31.12.2013
	BGN '000	BGN '000	BGN '000
Liabilities to subsidiaries Liabilities to companies under common control through key management personnel	16	28	
		51	
Liabilities to other related parties		106	
Total	16	185	0

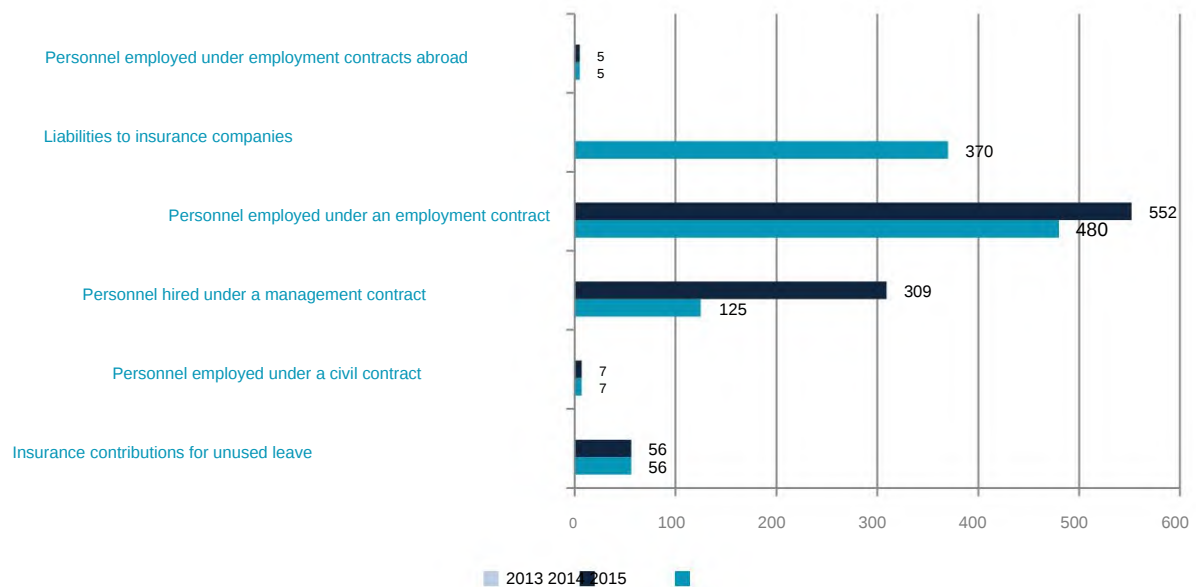
TAX LIABILITIES

Tax liabilities



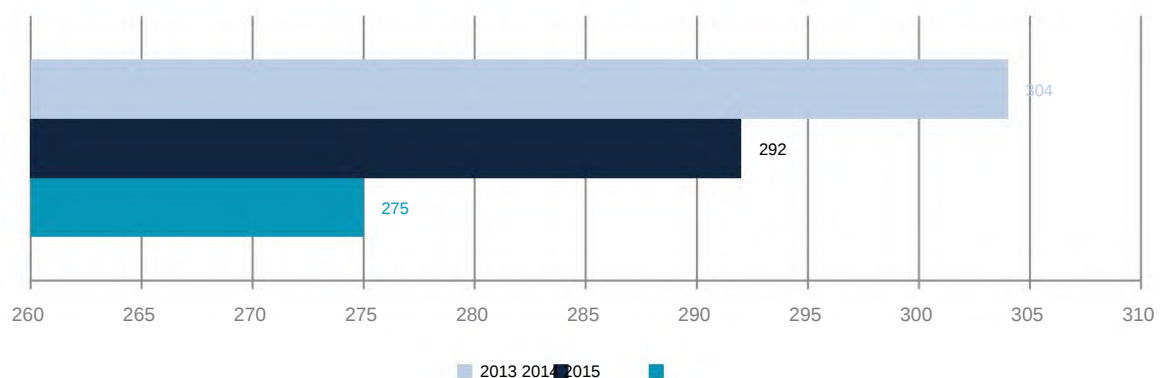
PENSION AND OTHER OBLIGATIONS TO PERSONNEL AND FOR SOCIAL SECURITY

Pension and other liabilities to the staff



Other current liabilities

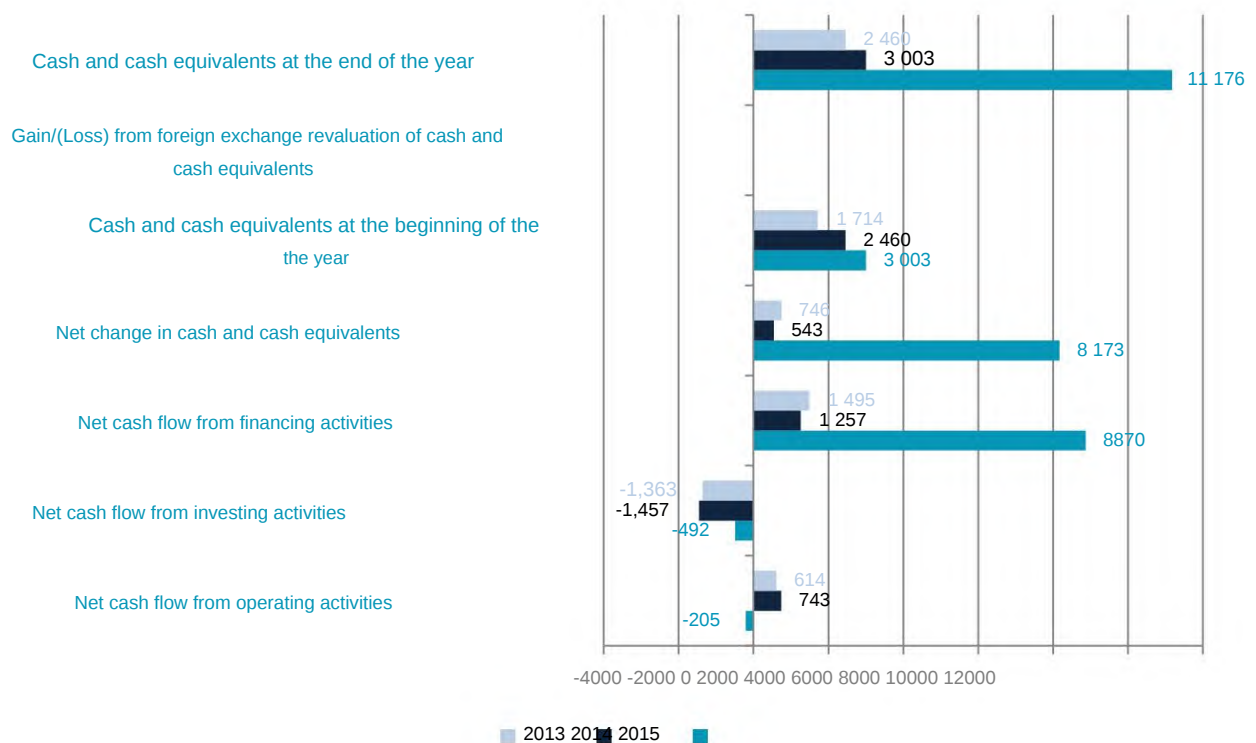
Other obligations



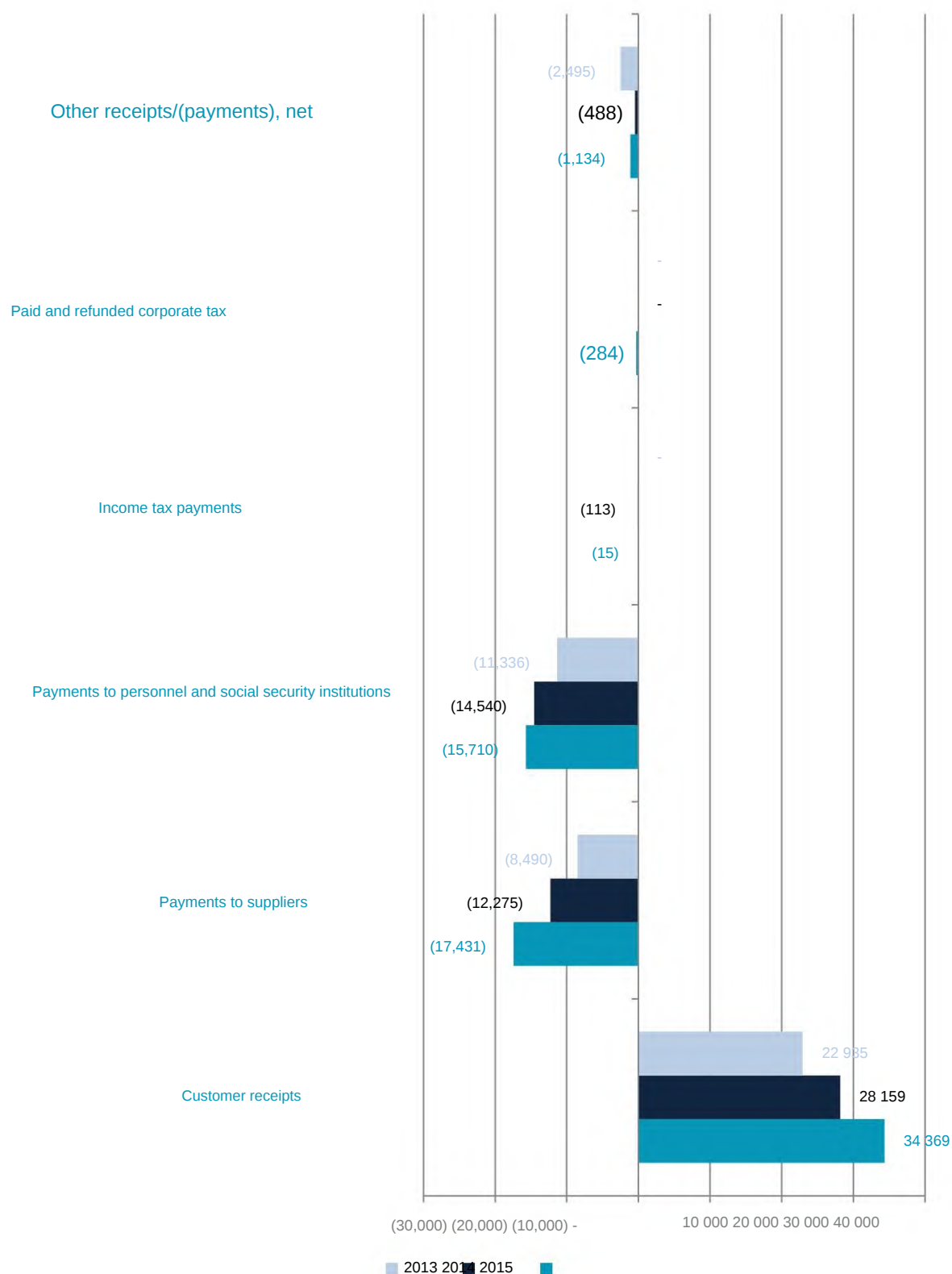
13/MONEY STREAMS

	2015 BGN '000	2014 BGN '000	2013 BGN '000
Net cash flow from operating activities Net cash flow from	(205)	743	614
investing activities Net cash flow from financing activities Net	(492)	(1,457)	(1,363)
change in cash and cash equivalents Cash and cash	8870	1,257	1 495
equivalents at the beginning of the year Gain/(Loss) from	8 173	543	746
foreign exchange revaluation of cash and cash equivalents	3 003	2 460	1 714
Cash and cash equivalents at the end of the year	11 176	3 003	2 460
Cash and cash equivalents at year-end excluding those in the disposal group	11 176	3 003	2 460

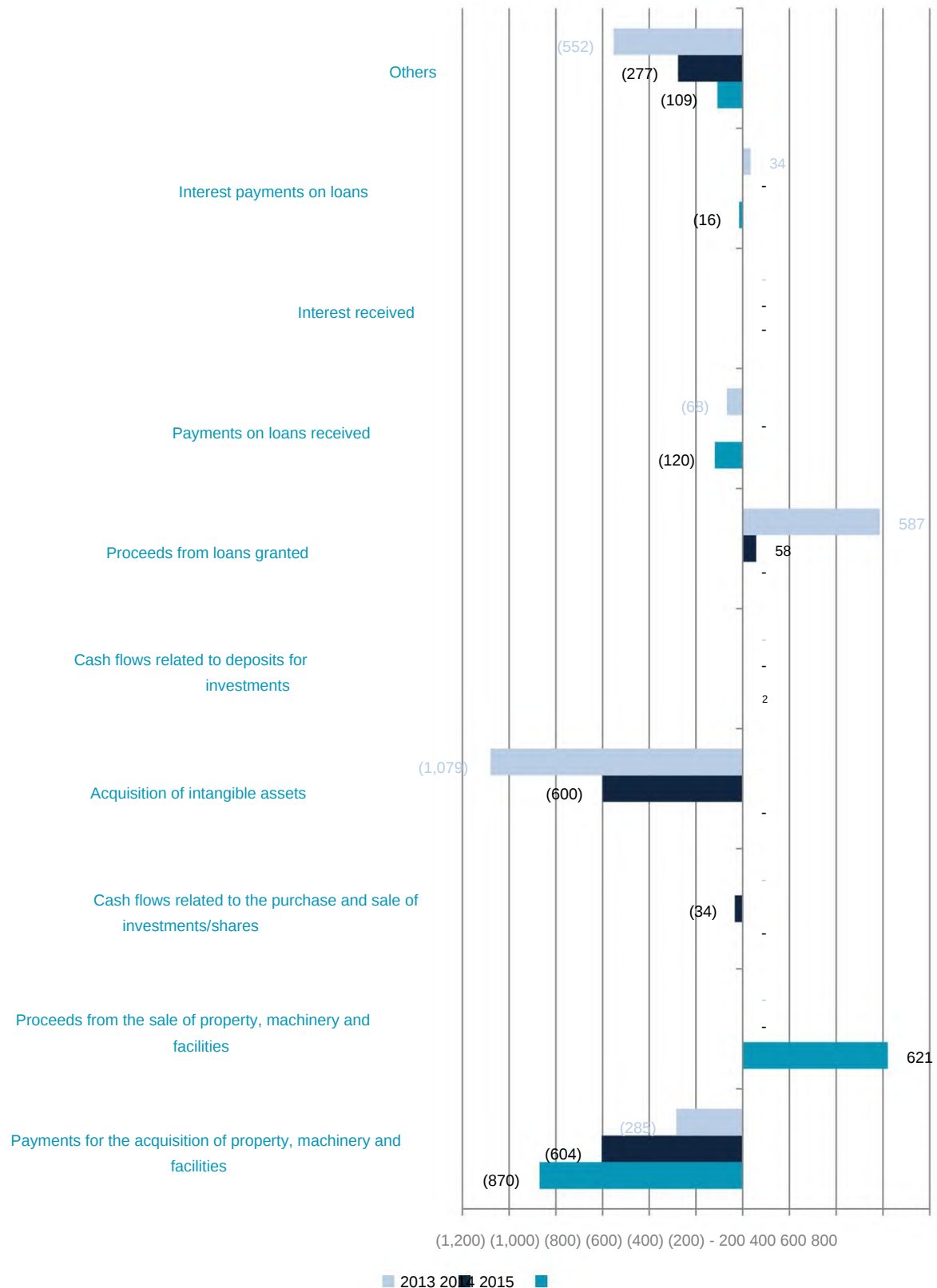
Cash flow



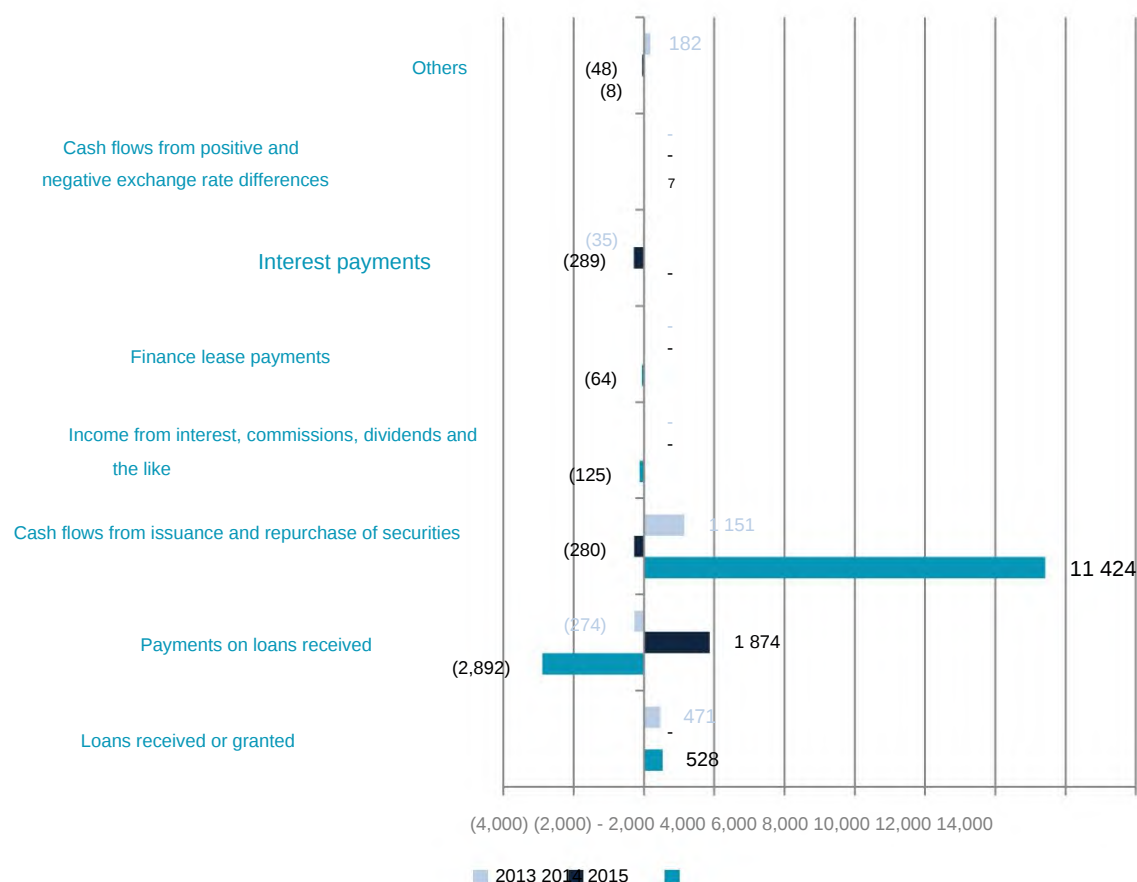
Cash flow from operating activities



Cash flow from investing activities



Cash flow from financing activities



14/PERSONNEL

The restructuring at SIRMA and the creation of a holding company led to the unification of the newly established companies and units and defined some of the basic rules in their HR policy and business development. Part of the company policy is for the companies within Sirma Group to cooperate by exchanging knowledge, experience and specialists. The organization and policy for attracting and developing employees are priorities. The Group encourages personal achievement, guided by the understanding that people, their knowledge and abilities are its main capital.

Nothing has a greater impact on the long-term success of SIRMA than the creativity, talent, and commitment of our people. Their ability to understand our customers' needs and innovate delivers sustainable value to our company. Successful attraction strategies,

Retaining, developing, and engaging our employees are therefore crucial to managing a culture of innovation, sustainable growth and profitability.

We continually review and develop our staffing strategies in response to the markets we serve, demographic trends and changes in our business model. As businesses move increasingly towards cloud and mobile technologies and BigData, we must respond to profound changes in the way software is consumed and created. This rapid change means that technologies are changing in much faster cycles than in the past. As a result, we must have people with the right mix of talent and capabilities to help our clients and achieve our business strategy. Our people must be flexible and able to connect quickly and seamlessly with the users of our solutions.



We strive to complement our established employee base by hiring newer generations of talent who bring a different perspective and skill set. **We are also working to address changing employee expectations. Many professionals today are looking for purpose in their work, along with creative collaboration and a flexible environment for fulfillment.** Fostering this type of culture is also critical to our ability to innovate.

To adapt to the evolving environment, we are looking at a wide range of areas and ways to attract diverse talent. **In 2013, we took a number of steps to make our talent management strategies even more effective in supporting our future growth and innovation.** Mobilizing the skills and passions of SIRMA's staff fuels not only our own success, but also the success of our clients, as well as our ability to deliver.

our vision.

Recruiting talented people to fulfill our vision

In 2015, we continued to hire employees with a focus on new trends in the industry. For example, we need to reach out to experienced designers to help us create software for the next generation of customers to meet the growing demand for products and services that are user-centric in design and extremely easy to use.

We recognize that to meet our business goals, we need a workforce that is agile and multigenerational, with strong cross-cultural awareness. We emphasize opportunities for new talented people to connect their sense of purpose with their work at SIRMA.

In addition, we need to create new ways to interact with future staff, by having our employees meet with students, holding competitions on certain topics for students, and expanding our presence on social media.

Supporting talent and creating leaders

In 2015, we worked towards accelerating employee career development.

We reviewed our leadership culture to identify and improve the qualities that are critical. **As a result, we will increase our focus on hiring and developing leaders. We will prepare pilot programs to provide our leaders with the opportunity to explore critical topics in depth, explore the path to change, motivate themselves to innovate, and gain a holistic approach to leadership in SIRMA.** In addition, we continue to offer a comprehensive suite of leadership programs at all levels of management. We are particularly focused on deepening our overall management capabilities.

We believe that to address the complex issues facing business and society, our employees must understand and collaborate with people from a variety of fields and perspectives. **We plan to create programs to support small businesses.** The projects will run for one month and will focus on helping organizations grow and addressing business challenges.

Specific projects, including improved assessments of individual potentials and development needs, career development sessions, greater transparency of internal opportunities – this is the future of engaging people with Sirma's values.

Employee engagement

In 2015, we will conduct a survey on employee engagement. After reporting the results, we will be able to develop a strategy to increase staff engagement.

At the same time, the Board of Directors will undertake a change in the rules for the distribution of work, as each member of the board will have defined tasks under the personnel policy. Employee engagement remains one of the company's four strategic goals, along with revenue, margin, and customer loyalty.

Staff retention

We do not aim to achieve an overall retention rate e.g. **90%, as certain staff turnover supports our ability to innovate.** However, we view high retention rates as a priority.



Expanding employee ownership

In 2015, we continued our programs to provide employees with the opportunity to acquire shares in the Group's subsidiaries, to enable talented employees to participate in the long-term success of SIRMA.

In 2015, an SOP is to be developed that will enable compensation of staff and management with stock options.

A driving force for innovation is the diversity of the staff structure

In 2014, we reformulated our approach to diversity in terms of gender, age, and multiculturalism and multinationality.

In 2015, we plan to attract personnel from other nationalities and cultures to enrich our team and help us overcome the national and cultural differences in the markets in which we operate.

Creating a health culture

At SIRMA, we focus on the health of our employees, as well as the health of our company culture. The two are interconnected, and we want to ensure that people have the ability to cope with stress, balance their personal and professional lives, and perform their jobs well.

STAFF IN NUMBERS**Number of employees as of 31.12.2015**

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

Number of employees as of 31.12.2014

Company	Average roster composition by TD	DUC	Total
ISG Ltd. DATIKUM AD	8		9
ENGVIEW SYSTEMS	7	1	13
SOFIA AD SIRMA AITTI EAD SIRMA BUSINESS	28	6 5	33
CONSULTING AD SIRMA GROUP	44	4	48
HOLDING AD SIRMA SOLUTIONS AD PANATON	42	5	47
SOFTWARE SIRMA USA	22	8	30
	99	7	106
	5	1	6
		1	1
S&G UK		1	1
ONTOTEXT AD	58	5	63
ONTOTEXT USA Total	3	1	4
	316	45	361



Number of employees as of 31.12.2013

Company	Average roster composition by TD	DUC	Total
ISG Ltd. DATIKUM AD	8		9
ENGVIEW	5	1	11
SYSTEMS SOFIA AD PIRINA AD SIRMA	26	6	31
AITTI EAD SIRMA	8		9
BUSINESS CONSULTING AD	41	5 1 4	46
SIRMA GROUP HOLDING AD SIRMA MEDIA AD	45	5	51
SIRMA SOLUTIONS AD Panaton	23	11	34
Software Sirma USA Total	6	4	9
	109	6	115
	3		4
		1 1	1
	274	45	320

TYPES OF STAFF

Type of specialist	31.12.2015	%
IT	245	67.49%
Business Development / Analysts Marketing and Sales Service Operations	26	7.16%
	13	3.31%
	33	9.09%
Financiers	8	2.20%
Accounting	8	2.20%
Executive Directors	11	3.03%
Members Boards	20	5.51%
Total	364	

REGIONAL LOCATION OF STAFF

Sirma Business	List number as of 31.12.2015	Number
Consulting AD Company		46
	Sofia Office	29
	Plovdiv Office	17
Sirma IT AD		55
	Office Ruse	39
	Office Sofia	16
Daticum AD		15
	Sofia Office	15
EngView Systems Sofia AD		35
	Sofia Office	35
Sirma Group Holding AD		33
	Sofia Office	33
Ontotext AD		64
	Office Varna	2
	Office Sofia	62
Sirma Solutions AD		96
	Sofia Office	74
	Kazanlak Office Ruse	3
	Office Varna	5
	Office	16
Sirma ISG Ltd.		8
	Office Sofia USA	8
Ontotext USA	UK	4
S&G UK	USA	1
Sirma USA Total		7
		364



15/ RISK FACTORS AND MANAGEMENT

THE RISKS

17.1. Economic, political, social and regulatory risk

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

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

Macroeconomic trends, such as the global economic crisis, chronic fiscal imbalances, and slowing economic progress in emerging markets, may reduce our clients' ability to invest in our solutions. In addition, changes in the exchange rates of the euro (the lev is pegged to the euro) against certain currencies may have an adverse effect on

business activities with local clients and partners. **All of this could have an adverse effect on our business results, financial condition, earnings or expected growth, and could have an adverse effect on our value as a company.** In addition, political instability in regions such as the Middle East and Africa, as well as natural disasters contributing to economic and political uncertainty, could have an adverse effect on our business results, financial condition, profitability, and expected growth.

The above could have an adverse effect on our customers' ability and willingness to make investments in our products and services. These events may reduce demand for the company's services and software, as well as lead to:

Delays in purchases, reduction of the deal size, or cancellation of proposed investments;

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

Increasing the number of bankruptcies among customers, business partners, as well as key suppliers;

Increased risk of default, which could lead to significant impairment charges in the future;

Market disruption from aggressive competitive behavior, acquisitions, or business practices;

Increased price competition and demand for cheaper products and services;

The above could have an adverse effect on our business, financial condition, earnings and cash flows.

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

We assume the probability of this risk occurring. **Therefore, we cannot completely rule out the possibility that this risk could have a business-critical impact on our business, financial condition, earnings and cash flows. This could exacerbate other risks that we describe in this report or cause a negative deviation from our revenue and planned operating profit.** We classify this risk as high risk.

15.1.2. Our international business activities expose us to numerous and sometimes even conflicting regulatory requirements, as well as risks that could harm our business, financial condition, earnings and cash flows.

We are a global company and currently market our products and services in over 40 countries and territories in Europe and other regions. Our business in these countries is subject to numerous risks inherent in international business operations. These risks include:



Conflicts and overlap between tax regimes;

Possible tax restrictions hindering business operations in some countries;

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

Discriminatory or contradictory fiscal policies;

Operational difficulties in countries where the corruption index is higher;

Protectionist trade policies and import and export regulations;

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

Data protection and privacy regarding access by government authorities to a customer, partner, or employee;

Difficulties in protecting intellectual property and contractual rights in certain jurisdictions;

Software certification requirements for individual countries.

As we continually expand into new countries and markets, these risks could intensify. One or more of these factors could have an adverse effect on our operations globally or in one or more countries or regions, resulting in an adverse effect on our business, financial condition, earnings and cash flows.

We address these risks with different measures depending on the circumstances.

Although we assess the likelihood of this risk occurring to be remote, we cannot completely rule out the possibility that this risk could have a material impact on our business, financial condition, earnings and cash flows, or result in a negative deviation from our revenue and operating profit targets. We classify this risk as medium risk.

15.1.3. Social and political instability caused by state-based conflicts, terrorist attacks, civil unrest, war or international hostilities, as well as pandemic disease outbreaks or natural disasters, may disrupt the functioning of SIRMA's business operations.

Terrorist attacks and other acts of violence or war, civil and political unrest (such as in the Middle East and parts of Africa), or natural disasters (such as hurricanes, floods or other similar events), could have a significant adverse effect on related economies or beyond. Such an event could have a significant adverse effect on our partners, as well as on our clients and their investment decisions, and could lead to

adverse effect on our reputation, business, financial condition, earnings and cash flows.

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

We believe that the probability of this risk materializing is low. However, we cannot exclude the possibility of such a risk manifesting itself and having a business-critical impact on our reputation, business, financial condition, earnings and cash flows, or causing a negative deviation from our revenues and operating profit. We classify this risk as medium risk.

15.2. Market risks

15.2.1. Risk associated with intense competition

The Group's operations are under pressure from intense competition, both from local players and international IT corporations. Corporations with a global reach are becoming increasingly powerful as they have quick access to innovative technological solutions, as well as cheaper sources of funds, which makes it possible to finance large contracts more efficiently. It is uncertain whether increased competition will have a material adverse effect on the Group's operations, financial condition, results and future development prospects.



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

The IT sector is characterized by rapid development of new solutions and technology product cycles. , which shorten life

Therefore, the future success of Sirma Group will largely depend on our ability to incorporate the latest technological solutions into our products and services. In order to maintain a competitive advantage in the market, it is necessary to conduct research and invest in new products. Furthermore, it cannot be taken for granted that new solutions that are or will be created or developed by the group's companies will meet technological requirements and will be positively received by potential users. Such circumstances could have an adverse impact on Sirma Group's operations, financial condition and financial results, as well as its future development.

15.2.3.Risk related to market saturation

Technology saturation is starting to appear in banks and private enterprises and may push them to focus their strategies on smaller or medium-sized IT projects that will meet their actual needs. Such circumstances may have a negative impact on the company/group's operations, financial condition and results, as well as future development.

15.2.4. Risk associated with banking sector consolidation

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

15.2.5.Risk associated with conducting public auctions

Delays in finalizing tender procedures for the supply of IT infrastructure for public use and applications may lead to fluctuations in revenues from this sector. If combined with unsatisfactory absorption of EU funds provided to improve innovation in government institutions, this could significantly reduce local demand for IT services and thus have a negative impact on the group's operations and financial results, as well as its future development.

15.2.6. Risk of participating in tenders for winning new government contracts

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

15.2.7. The risk of becoming dependent on key customers

The execution of contracts with key customers will strongly impact the level of sales revenue generated by some of the companies in the group in the coming years. This risk cannot be excluded, as the possible loss of any major customer, deterioration of the financial conditions for the provision of services, or potential compensatory claims would have an adverse impact on the operations, financial position and financial results of the companies and the group, as well as their future development.

15.2.8.Risk of increasing labor costs

Salaries account for over 70% of the project implementation costs. Given the large relative share of personnel costs in the cost price, the increase in salaries may erode the margins achieved on the projects and therefore may have an adverse impact on the Group's results.

In order to manage the risk of labor cost increases, Sirma is taking a number of measures that can help reduce the potential negative effects of rising wages. Among other things, the group (I) tries to increase the use of the labor markets of other geographical areas, (II) constantly monitors the level of wages in the market so as not to be surprised, and (III) tries to maintain an appropriate employment structure within certain skill levels.



15.3. Business strategy risks

15.3.1. Demand for our new solutions may not develop as planned and our strategy for new business models and flexible consumption patterns may not be successful.

Our business consists of software services, software licenses, software license updates and support, support fees, provision of cloud services, sale of hardware. Our clients, who benefit from SIRMA's technological achievements, are uncompromising towards their IT investments. That is why the introduction of new solutions, technologies and business models is subject to uncertainty as to whether customers will be able to realize the expected benefits.

benefits. Uncertainty may come from the attitude of customers waiting for referral customers, which may lead to delays in the adoption of our new solutions, technologies, business models and flexible consumption models, or non-adoption of some of them. This could have an adverse effect on our business, financial condition, earnings and cash flows.

To mitigate this risk, SIRMA has balanced the allocation of its strategic investments by developing and protecting its core businesses while simultaneously developing new solutions, technologies and business models and markets, such as mobile, cloud, database technologies, as well as social media. Furthermore, we focus on designing and delivering attractive solutions for our customers, as well as providing assistance to ensure excellent

achievements and customer satisfaction after the implementation of our solution. We expect the probability of this risk occurring to be low, but the possibility of it occurring and having a significant impact on our business, financial condition, earnings and cash flows, or causing a negative deviation in our revenues and operating profit, cannot be completely ruled out. We classify this risk as low risk.

15.3.2. The success of our cloud computing strategy depends on increasing market adoption of cloud solutions and cloud service management. Insufficient adoption of our solutions and services could result in SIRMA losing its position as a leading company in the field of cloud technologies.

The cloud computing market is expanding and showing significant growth. To offer a wide range of cloud services and generate related business value for our customers, we have a subsidiary company owning a Data Center and providing cloud services –

"Daticum" AD.

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

The concern of entrusting a third party or critical employee to store and manage confidential company data;

Customer concerns about security reliability options;

Concerns about the ability to scale operations for large corporate clients

The level of configurability or adaptability of the software;

Missing integration scenarios between customer products and cloud solutions.

If organizations do not embrace the benefits of cloud computing, the cloud services market may not develop further, or it may develop more slowly than we expect, any of which could have an adverse effect on our business, financial condition, earnings, reputation and cash flows.

Among the measures to prove the value and advantages of our cloud solutions in the market, we significantly invest in infrastructure and processes that ensure secure operations of our cloud solutions, including compliance with all local legal regulations regarding data protection and privacy; as well as data security.

Although we assess the likelihood of this risk occurring as low, we cannot completely rule out the possibility of its materialization, which could have a business-critical impact on our reputation, business, financial condition, earnings and cash flows, or result in a negative deviation from our revenues and operating profit. We classify the risk as medium risk. This risk factor applies only to cloud services and the Data Center.



15.3.3. If we are unable to scale and improve the efficiency of our partner ecosystem, the revenue increase included in our forecasts may be at risk.

An open and dynamic partner ecosystem is the main pillar of our success and growth strategy. We enter into partnership agreements that advantageously expand all of our routes to market to optimize market coverage and provide high-quality services with capacity in all market segments. Partners play a key role in driving market adoption of our entire portfolio of solutions.

If we fail to create a successful partner ecosystem, it could have an adverse effect on demand for our products and services. As a result, we will not be able to scale our business to compete successfully with other software providers, which could have an adverse effect on our reputation, business, financial condition, profits and

cash flows.

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

Although we consider this risk to be unlikely, in view of our partnership strategy, we cannot exclude the possibility that this risk could have a significant impact on our reputation, business, financial condition, earnings and cash flows, or result in a negative deviation in our revenues and operating profit. We classify this risk as medium risk.

15.4. Risks related to human resources

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

Our success depends on appropriately aligning our workforce planning strategy and its location in line with the overall strategy. Changes in staff numbers may result in a mismatch between our costs and revenues. Failure to manage our personnel effectively could interfere with our ability to conduct our business efficiently and successfully and could have an adverse effect on our business, financial condition, earnings and cash flows.

We focus on mitigating this risk through a range of activities including, but not limited to: workforce planning (which aims to achieve diversity and the right mix of talent and reflect demographic changes); outsourcing; external short-term staffing; employer branding; career management (by offering short-term assignment opportunities and opportunities to improve skills, competencies and qualifications); and enhanced benefits programs -

for example, a performance-based reward system as well as long-term incentive plans.

We expect this risk to be a remote possibility, but we cannot underestimate its potential to have a significant impact on our business, financial condition, earnings, cash flows, or to cause a negative deviation from our revenue and operating profit targets. We classify this risk as low risk.

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

Our highly qualified staff is the foundation of our lasting success. Competition in our industry for highly qualified and specialized personnel and leaders, both men and women, is intense. We have set ambitious growth targets in some regions and specific technology solutions. If we are unable to identify, attract, develop, motivate, adequately compensate, and retain highly qualified personnel, both men and women, or if existing highly qualified and specialized personnel leave SIRMA and suitable replacements are not available, we may be unable to effectively manage our operations, which could have an adverse effect on our reputation and our business, financial condition, earnings and cash flows. Additionally, we will not be able to develop, sell or implement successful new solutions and services as planned.



Finally, hiring such personnel may expose us to claims from other companies trying to prevent their employees from working for a competitor.

Nevertheless, we continue to believe that our position as a market-leading employer brand, and our expanded benefits programs, will allow us to hire the best talent with the potential to contribute to SIRMA's growing business success in the future. We address the risk of an adverse impact on our business operations of the inability to recruit the employees we need by striving to build highly competent and creatively oriented employees and strong leaders through a set of targeted professional development, mentoring and coaching programs with a special emphasis on the accelerated development of high-potential employees, in order to help them develop their qualities and, more specifically, their leadership qualities.

Although risks related to the inability to attract, develop and retain personnel may materialize, we believe that this is unlikely and that the impact on our reputation, business, financial condition, earnings and cash flows, and potential negative deviation from our revenue and operating profit targets, will be moderate. We classify this risk as low risk.

15.5. Organizational risks and those related to risk management

15.5.1. Laws and regulatory requirements in Bulgaria, the United States, and elsewhere have become much stricter.

Changes in laws and regulations and related interpretations, including changes in accounting standards and taxation requirements and increased enforcement actions and sanctions, may alter the business environment in which we operate. Regulatory requirements have become significantly stricter in recent years, as have some laws, such as the legislation on

Anti-corruption laws in a number of European countries, the US Foreign Corrupt Practices Act, the UK Bribery Act, and other local laws prohibiting corrupt payments by employees, suppliers, distributors, or agents, are being enforced more strictly.

Our failure to comply with applicable laws and regulations, or allegations of violations by us, whether substantiated or not, could have an adverse effect on our business, financial condition, earnings, cash flows and reputation.

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

We constantly monitor new regulatory requirements, updates or new trends in law enforcement, and publicly available information. Although we assess the likelihood of this risk occurring as insignificant, we cannot completely rule out the possibility that this risk could have a significant impact on our reputation, business, financial condition, earnings and cash flows, or result in a negative deviation from our revenues and planned operating results.

profit. We classify this risk as low risk.

15.5.2. Failure to comply with applicable data protection and privacy laws or the inability to adequately meet the requirements of SIRMA's customers in relation to our products and services may result in civil liabilities and fines, as well as loss of customers and damage to SIRMA's reputation.

As a global provider of software and services, SIRMA is required to comply with the laws in the places where SIRMA does business. **SIRMA and its subsidiaries are facing a wave of data protection and privacy laws and regulations around the world, including with expected future regulatory changes, for example through the European Data Protection Regulation proposed by the European Commission. These laws and regulations amend and supplement the existing requirements regarding the processing of personal data, which SIRMA and its clients must comply with and which we must therefore take into account in the products and services offered. Failure to comply with applicable laws may result in investigation by regulatory authorities, civil**

liability, fines, loss of customers, damage to our reputation, as well as having an adverse effect on our business, financial condition, earnings and cash flows.

To mitigate these risks, SIRMA actively monitors changes in laws and regulations so as to take appropriate measures and to certify that our existing standards and policies are up to date.



base. We have implemented a wide range of measures to protect data controlled by SIRMA and our customers from unauthorized access and processing, as well as from accidental loss or destruction.

Although we assess the probability of this risk occurring as insignificant, the hypothesis that this risk could have a significant impact on our reputation, business, financial condition, profits and cash flows, or lead to a negative deviation from our revenues and planned operating profit cannot be completely ruled out. We classify this risk as medium risk.

15.5.3. Unethical behavior and failure to comply with our standards of integrity due to intentional and fraudulent behavior by employees may harm our business, financial condition, profits and reputation.

SIRMA's leadership position is based on the long-term and sustainable trust of our partners around the world. Our heritage is corporate transparency, open communication, and adherence to recognized standards of business ethics. The SIRMA Code of Business Conduct expresses the existing guidelines and expectations for business conduct practiced at SIRMA. However, we may encounter unethical behavior and non-compliance with our overall standards, resulting from intentional and fraudulent behavior by individual employees, possibly in collusion with external third parties. In addition to intentional unethical behavior, problems can arise from negligence in following rules and regulations. Unethical behavior can not only lead to criminal charges for Sirma, fines and claims from injured parties, but also to financial loss and severe reputational damage. This could have an adverse effect on our business, financial condition, earnings and cash flows.

To prevent this, we have created a comprehensive compliance management system (CMS) that is based on three pillars - prevention, detection and response. Our CMS program includes several educational, monitoring, and investigative tools. The goal is to minimize the risk of unethical behavior, whether intentional or negligent. The Code of Business Conduct is mandatory for every employee. It ensures compliance with legal guidelines on how to avoid unethical behavior and how to resolve problematic situations. Sirma implements various additional compliance policies as well as measures to prevent misuse of third-party payments for illegal purposes; provide checks around travel, entertainment, gifts, and expense policies; and require a commitment to business integrity from our partners and suppliers.

Although we assess the likelihood of intentional or negligent unethical behavior occurring as low, we cannot rule out the possibility that this risk could materialize. In this case, it could have a significant impact on our reputation, business, financial condition, earnings and cash flows and could result in a negative deviation from our operating profit. We classify this risk as low risk.

15.6. Communication and information risks

15.6.1. Risk of unauthorized disclosure of confidential information

Confidential information relating to topics such as our strategy, new technologies, mergers and acquisitions, unpublished financial results, or personal data may be prematurely disclosed, intentionally or unintentionally.

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

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

Although we assess the likelihood of this risk occurring as low, we cannot completely rule out the possibility that this risk could have a business-critical impact on our reputation, business, financial condition, earnings and cash flows, or result in a negative deviation from our operating profit. We classify this risk as medium risk.



15.7. Financial risks

15.7.1. Risk of inaccurate sales forecasts

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

Relatively long sales cycles for our products and services;

Large size, complexity and duration of individual transactions;

The introduction of new licensing fees and the deployment of new sales models such as, but not limited to, subscription cloud service models;

Changes in customer budgets;

Reduced software sales, which may also have an adverse effect on revenue related to support and services;

The timing, size and duration of services on client projects;

Implementing models that require revenue recognition over an extended period of time;

Seasonality of the client's technology purchases;

Other general economic, social, environmental, and market conditions, such as the global economic crisis and the current difficulties for heavily indebted countries.

Our dependence on large deals has decreased in recent years with a trend towards an increase in the number of deals combined with a decrease in the size of the same. However, the loss or delay of one or several major transactions, which are still typical for some of the companies in the group, could have an adverse effect on our business.

The reliability of our plans, budgets and forecasts may be compromised. Because our operating expenses are based on expected revenue levels and a large percentage of our expenses are relatively fixed in the short term, any shortfall in expected revenue or delay in revenue recognition could result in significant changes in our operating results for the period.

quarter or year. The continued deterioration in global economic conditions makes it increasingly difficult for us to accurately forecast demand for our products and services and may cause operating results and cash flows to not meet our expectations from the forecasts. This could have an adverse effect on our price.

Although we assess the probability of this risk occurring as small, we cannot completely rule out the possibility that this risk could have a moderate impact on our business, financial condition, earnings and cash flows, or result in a negative deviation from our revenue and operating profit target. We classify this risk as low risk.

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

Macroeconomic factors and economic downturns may have an adverse effect on our liquidity. We have centralized financial management and control of financial risk, such as liquidity, exchange rate, interest rate, counterparty, and equity price risks. The main goal is to maintain liquidity in the Group at a level that is sufficient to meet our obligations at all times. This position is supported by our strong operating cash flows and through credit lines that we can draw upon when needed. However, adverse macroeconomic factors could increase the risk of default associated with the group's overall liquidity. This could impact the valuation of our financial assets and have an adverse effect on our business, financial condition, earnings and cash flows.



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

Although we assess the likelihood of this risk occurring as remote, there can be no assurance that the measures taken will be successful or that uncertainty in global economic conditions will not have a business-critical impact on our business, financial condition, earnings, cash flows or target operating profit. We classify this risk as medium risk.

15.7.3. Risk from management's use of estimates

To comply with IFRS, management is required to make many estimates and assumptions that affect the reported financial parameters. **The facts and circumstances, as well as the assumptions on which management bases these estimates and judgments, as well as management's judgment with respect to these facts and circumstances, may change from time to time and this may lead to significant changes in the estimates and decisions and, consequently, in the reported financial parameters.** Such changes could have an adverse effect on our business, financial condition, earnings and cash flows.

We have a number of control procedures in place to ensure that our estimates and judgments are appropriate.

Although we assess the likelihood of this risk occurring as low, we cannot completely rule out the possibility of a significant impact on our business, financial condition, earnings and cash flows, or a negative deviation from our revenues and operating profit. We classify this risk as medium risk.

15.7.4. Current and future accounting and other financial reporting standards, particularly, but not limited to, revenue recognition, may negatively impact the financial results we present.

We regularly monitor compliance with applicable financial reporting standards and review new pronouncements and draft amendments.

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

Although we assess the probability of a risk occurring as low, we cannot completely rule out the possibility of a major impact. We classify this risk as medium risk.

15.7.5. Risk of fluctuations in exchange rates and interest rates.

Our management reporting and our financial reporting are in BGN. **However, a significant portion of our business is conducted in currencies other than BGN. Approximately 35% of our 2014 revenues were from operations outside Bulgaria.** Therefore, changes in the BGN - other currency exchange rate may have a significant impact on our reported revenues and income.

Balance sheet items with variable interest rates are also subject to the influence of changes in interest rates. Such changes could have an adverse effect on our business, financial condition, earnings and cash flows or cause an adverse deviation from projected revenues and operating profit.

For more information about our currency and interest rate risks, see the notes to the consolidated financial statements.

We continuously monitor currency exposures and undertake a unified group strategy for managing currency risk, using, for example, derivative financial instruments, as appropriate. In terms of our financial debt, we have a very balanced profile and a mix of fixed and floating rate arrangements.



We believe that the likelihood of the risk of significant fluctuations in currency and interest rates being realized is remote and that, if the risk were to materialize, its impact on our business, financial condition, earnings and cash flows could be significant, causing a negative deviation from our projected revenues and operating profit. We classify this risk as low risk.

For more information on the risks arising from financial instruments, including currency and interest rate risks, see the notes to the consolidated financial statements.

15.8. Project risks

17.8.1. The software developed and/or implemented by SIRMA often involves a significant commitment of resources from our customers and is subject to a number of significant risks over which we often have no control.

A core element of our business is the successful implementation of software solutions that enable our clients to do their business in the best possible way. The implementation of software services and solutions is sometimes together with partners, with customers, or through a combination of both. Depending on various factors, SIRMA faces a number of different risks. For example, changes in functional requirements, schedule delays, or deviation from recommended best practices may occur during the course of the project. These scenarios have a direct impact on the project model and adequately resourcing it with staff or consultants in a timely manner can be challenging.

As a result of these and other risks, SIRMA and/or some of our customers have incurred significant expenses. The implementation of some of the projects may take longer than planned and this could have an adverse effect on our business, financial condition, earnings and cash flows.

15.9. Product and technological risks

15.9.1. There is a risk that undetected security breaches in our products and services could cause harm to SIRMA and our customers.

A system or systems managed by SIRMA itself to provide services to customers could be compromised by breaches by hackers. This could lead to theft, destruction or data misuse or entire systems may be declared unusable.

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

We assess the likelihood of the risk of causing damage to customers and SIRMA from a software security breach as unlikely. **If such an event were to occur, it could have a business-critical impact on our reputation, business, financial condition, earnings and cash flows, as well as on the achievement of planned revenues and operating profit.** We classify this risk as medium risk.

15.9.2. Risk of undetected defects in the introduction of new products and product improvements

To achieve market acceptance and high customer satisfaction, our new products and product improvements often require long development and testing periods. **Development and market introduction work is exposed to risks.** Therefore, market entry, entry into new markets, or introduction of innovations may be delayed or not successful.



Also, new products may contain undiscovered defects or they may not be mature enough from the customer's business-critical decision point of view. Detecting and correcting all defects after delivery can be costly and time-consuming, and we may not be able to meet customer expectations in terms of time and quality in the process.

the removal of defects and bugs. **In some circumstances, we may not be able to remedy these defects and meet customer expectations. As a result, we may face customer requests for monetary damages, software replacements, or other discounts.** Significant undiscovered defects or delays in the introduction of new products or product improvements could impact the market and could have an adverse effect on our reputation, business, financial condition, earnings and cash flows.

We counter these risks using a wide range of techniques, including but not limited to: project management, project monitoring, solid and ongoing quality assurance measures (we are ISO 9001:2008 certified), and we assess risk during project development. Providing high-quality software services and products is a priority part of our core business.

We believe that the likelihood of this risk materializing is remote, but we cannot completely rule out the possibility that this risk, if it materializes, could have a business-critical impact on our reputation, business, financial condition, earnings and cash flows, or cause a negative deviation from projected revenues and operating profit. We classify this risk as medium risk.

15.8.3. Changes in our rights to use software and technologies licensed to us by third parties may delay time to market and impact our pricing and therefore reduce our competitiveness against other software providers. Furthermore, they may reduce the functionality of our products and services and could therefore threaten the stability of our portfolio of solutions.

We are licensed to use many technologies and use some software components that have become the foundation of our market portfolio. **We depend well as open source** on these open source technologies for the functionality of our software or cloud services. Changes to, or loss of, licenses, as licenses, could significantly increase the price of products and services and significantly reduce the functionality and/or usability of SIRMA's software solutions. As a result, we may incur additional development costs or license purchases, which could have an adverse effect on our business, financial condition, earnings and cash flows. This risk increases with any acquisition of a company or a company's intellectual property assets that are related to licensed technologies and products.

We determine the probability of this risk occurring as real and cannot exclude the possibility of a major impact on our business, financial condition, earnings and cash flows, as well as on planned revenues and operating profit. We classify this risk as medium risk.

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

The future of our success depends on our ability to keep pace with technological process innovations and new business models and on our ability to develop new products and services, improve and expand existing products and services and our portfolio, as well as integrate products and services we obtain through acquisitions. To be successful, we are required to transition to a cloud-based delivery model for our products and services to meet changing customer demand.

We may also encounter increasing competition from open source software initiatives, in which competitors may provide software and intellectual property on terms unfavorable to SIRMA. In addition, we may not be able to generate sufficient revenue to offset the significant research and development costs to deliver technological innovations.



Additionally, we may not anticipate developing technological improvements according to the changing requirements of our customers and partners. Finally, we may fail to produce high-quality services and products in a timely and cost-effective manner to compete with solutions and other technologies offered by our competitors, which could have an adverse effect on our reputation, business, financial condition, earnings and cash flows.

We will continue to align our processes, services, products, delivery models to changing markets and consumer and partner requirements. **We will develop new technologies or implement them if there is a clear opportunity for SIRMA's business and if they provide value for our customers. To ensure that we remain competitive in the future, we continuously conduct extensive market analyses for technology and research projects, often in close collaboration with our customers and partners.** We pursue strategic acquisitions with the potential to drive innovation and contribute to achieving our growth objective.

We believe that the probability of this risk materializing is remote; however, we cannot rule out the business-critical impact of this risk, which could have a negative impact on our reputation, business, financial condition, earnings and cash flows or potentially adversely affect our projected revenues and operating profit. We classify this risk as medium risk.

15.8.5. Risk that our technology and/or product strategy will not be successful or that our customers and partners will not adopt our technological innovations.

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

We believe that we will be able to deliver additional business value with minimal disruption to our customers if we can successfully integrate and converge our technology offerings.

We believe that the probability of this risk is small, but if this risk were to materialize, its impact on our reputation, business, financial condition, earnings, cash flows, as well as projected revenues and operating profit would be critically severe for the business. We classify this risk as medium risk.

15.8.6. Our cloud offerings could be subject to a hacker attack, resulting in them becoming inaccessible or unable to function properly.

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

Lost or delayed market acceptance and sales

Breach of warranty or other breach of contract or any representation of claims for default

Refunding advances to our clients

Loss of customers and/or partners

Violation of data protection and privacy laws and regulations

Formation of customer preferences towards cloud services provided by competitors

The costs incurred to correct any defects or errors could be significant and could have an adverse effect on our reputation, business, financial condition, earnings and cash flows. Due to the large amount of data we collect and manage, hardware failures, defects in our software, or errors in our systems are possible, which could result in data loss or corrupt the information we collect, resulting in incompleteness or inaccuracies considered significant by our customers.

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



We have identified measures to mitigate these adverse effects to a minimum. **We continuously invest in protecting the integrity and security of our products, services, and data center.** We consolidate and harmonize data protection measures to move in a homogeneous system, with

in order to create an infrastructure that delivers the necessary quality of services for cloud solutions.

Although we assess the likelihood of this risk occurring as remote, we cannot completely rule out the possibility that a disruption to our cloud operations could have a business-critical impact on our reputation, business, financial condition, earnings, cash flows, as well as projected revenues and targeted operating profit. **We classify this risk as medium risk.** This risk factor only applies to our cloud applications and the Daticum Data Center.

15.9. Operational risks

15.9.1. Risk of claims by third parties for infringement of their intellectual property rights, which could result in damages being awarded against us and limiting our ability to use certain technologies in the future

We believe we are increasingly at risk of intellectual property infringement claims because The number of technologies and products in our segment is growing.

Any claims, whether justified or not, as well as negotiations and disputes relating to such claims, could exclude certain technologies from use in our services and products, take time, lead to expensive legal proceedings and claims against us for compensation for third-party damages, stop sales and lead to the recovery of investment costs by our customers, which would have an adverse effect on our business and financial profile, our projected profits, cash flows and reputation.

The software industry is increasingly using open source software in its quest to develop solutions. **We also integrate with some open source software components.** Claims from third parties may require us to make services and components that are built on open source software freely available.

We believe that this risk is likely to materialize, and that any claims related to third-party intellectual property rights or open source software could have a material impact on our business, financial condition, earnings, cash flows and reputation, as well as on our ability to achieve our revenues and operating profit, and could also exacerbate other risks that we describe in this report. We classify this risk as high risk.

15.9.2. Claims and lawsuits against us may have an adverse effect on our business, financial condition, profits, cash flows, and reputation.

There is a risk of claims and lawsuits filed against us, including claims and lawsuits related to businesses we have acquired. Adverse outcomes from some or all of the claims and pending proceedings could result in significant damages or injunctive relief against us, could interfere with our ability to conduct our business and could have an adverse effect on our reputation, business, financial condition, results of operations and cash flows.

15.9.3. We may not be able to obtain protection for our intellectual property.

Preserving and protecting our intellectual property is critical to our success. **We use a variety of tools to identify and control potential risks and protect our intellectual property.** These include applying for patents, trademarks, and registering other marks and copyrights to prevent copyright and trademark infringement. Despite our efforts, we may not be able to prevent third parties from using or selling without permission what we consider to be



own technology. All of these measures provide only limited protection and our rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third parties may independently develop technologies that are substantially equivalent to or superior to our technologies. Finally, a third party may reengineer or otherwise obtain and use technology and information that we consider our own. Accordingly, we may be unable to protect our proprietary rights against unauthorized copying or use by third parties, which could have an adverse effect on our 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 our intellectual property rights. This could have an adverse effect on our reputation, business, financial condition, earnings and cash flows.

We rely on the combination of protections provided by applicable statutory and common law, including trade secret rights, copyrights, patents and trademarks, licensing agreements and non-disclosure agreements, as well as technical measures, to establish and protect our proprietary rights.

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

We expect a probability of this risk occurring, which could have a business-critical impact on our reputation, business, financial condition, earnings, cash flows, as well as on planned revenues and operating profit. We classify this risk as high risk.

15.9.4. Sirma's business strategy focuses on certain business models that are heavily dependent on cyberspace. A cybersecurity breach could have an adverse effect on our customers, our reputation, and our business.

The main cybersecurity risks currently affecting SIRMA include economic espionage, and criminal activities, including but not limited to cyber-attacks against our servers and data center. **A failure of our cybersecurity measures could put our business operations and service provision at risk - for example, a virtual attack, disruption, damage and/or unauthorized access.** In addition, we may be subject to significant contractual and legal claims from customers, partners, authorities and third-party service providers for damages, which could have an adverse effect on our reputation, business, financial condition, earnings and cash flows.

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

Although we still consider the occurrence of this risk to be unlikely, we cannot completely rule out the possibility that this risk could have a business-critical impact on our business, financial condition, earnings, cash flows, and reputation. We classify this risk as medium risk.

15.9.5. We could incur losses related to investments in venture capital.

We plan to continue investing in new and promising technology companies. **Many such investments generate net losses and require additional costs from their investors.** Changes in planned business operations in the past may in the future affect the operations of companies in which Sirma holds investments, which could have an adverse effect on the value of our investments and, consequently, an adverse effect on our business, financial condition, earnings and cash flows.

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



We believe that the likelihood of this risk materializing is small and that if the risk were to materialize, its potential impact on our business, financial condition, earnings, cash flows, and planned operating profit would be insignificant. We classify this risk as low risk.

15.10. Risks related to Bulgaria

The Group is located in Bulgaria and a significant portion of its net revenue originates from Bulgaria. There are specific risks associated with investing in Bulgaria.

15.10.1. Emerging markets such as Bulgaria are subject to greater risks than more developed markets and the economic crisis may have a particularly significant adverse effect on companies operating in emerging markets such as Bulgaria, including on SGH.

Potential investors should exercise particular care in assessing the risks involved and should decide for themselves whether, in light of those risks, their investments would be appropriate. Generally speaking, investing in emerging markets is only suitable for experienced investors who fully appreciate the significance of the risks involved.

Investors in emerging markets, such as Bulgaria, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. **Investors should also be aware that conditions in emerging markets change rapidly and therefore the information contained in this document may become out of date relatively quickly.** Furthermore, an economic and, more specifically, financial crisis in any developing country may adversely affect security prices, leading investors to shift money to more stable and developed markets. Also, even if the Bulgarian economy remains relatively stable, possible financial problems in other developing countries could have an adverse effect on the Bulgarian economy.

As a result of the recent global financial and economic crisis that began in 2007, possible financial problems or expectations of increased risks associated with investing in developing economies in general may affect foreign investment in Bulgaria and have an adverse effect on the Bulgarian economy. In addition, potential financial crises could lead to a drastic contraction in the liquidity of companies operating in emerging markets due to the withdrawal of foreign financing or the reluctance of foreign investors to provide financing to borrowers in such emerging markets. Accordingly, investors should exercise particular care in assessing the risk associated with investing in the Shares and should decide for themselves whether, in light of that risk, their investment is appropriate. Generally speaking, investing in emerging markets is only suitable for experienced investors who fully appreciate the significance of the risks involved and are familiar with such investments, such as investors

are further urged to consult their legal and financial advisors before making any investment in the Shares.

15.10.2. Bulgaria's economy remains vulnerable to external shocks, including from the recent global financial and economic crisis and from those that may be caused by future significant economic difficulties of its main trading partners or by more general "contagion" effects that could have a material adverse effect on Bulgaria's economic growth.

As a small open economy, Bulgaria faces the risk of external shocks, as in the recent global economic crisis. A decline in economic growth in Bulgaria's main trading export partners (such as Germany, Romania, Turkey, Italy and Greece) could have a significant negative impact on Bulgaria's exports in the future and thus affect the country's economic growth. The increasing competitiveness of the Bulgarian economy and dependence on fuel imports have increased the currency risk associated with fluctuations in the US dollar. Bulgaria relies primarily on the inflow of foreign capital to fuel its economic growth. However, despite the corporate tax rate of 10%, in the last few years since the start of the global financial and economic crisis, the outflow fuel prices decreased



of foreign investment is significant. See also "Lower receipts from European funds could significantly reduce revenues and thus limit public finances in Bulgaria".

The reaction of international investors to events occurring within a particular market can cause a "contagion" effect, in which an entire region or investment class loses its attractiveness to international investors. Thus, Bulgaria could be adversely affected by negative economic or financial developments in other EU Member States (such as Greece, Italy, Portugal and Spain) or countries with credit ratings similar to those of Bulgaria. Following the recent global economic crisis, Bulgaria's economy, including gross domestic product ("GDP"), growth and employment levels, have been adversely affected by a domino effect and similar developments could impact the Bulgarian economy in the future.

15.10.3. Lower receipts from European funds could significantly reduce revenues and thereby limit public finances in Bulgaria

To stimulate investment activity in the country, the Government of Bulgaria ("Government") also relies on European financial resources from the EU Cohesion and Structural Funds. After the sharp decline in foreign direct investment (FDI) following the onset of the global financial and economic crisis, European funds became the main source of FDI for the Bulgarian economy. Lower than expected transfers in the medium term could significantly reduce Government revenues and thereby reduce public finances, which could have an adverse effect on the Bulgarian economy.

Adverse macroeconomic conditions in Bulgaria, including increased unemployment and inflation, as well as fiscal instability, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Until 1989, the Bulgarian economy was administered by central authorities. After the end of the communist regime in 1989, successive governments pursued policies of economic reform and stabilization. These policies include price liberalization, reductions in defense spending and subsidies for state institutions, privatization of state institutions, reform of taxes and the commercial bankruptcy regime, currency stabilization, and the use of measures to stimulate foreign investment. However, more than 20 years later, business in Bulgaria still has a limited history under free market conditions. Therefore, when compared to businesses in countries with developed market economies, Bulgarian businesses are characterized by a relative lack of management experience in market conditions, limited capital resources, and low operating efficiency.

The global financial and economic crisis had an adverse effect on the economic environment in Bulgaria, primarily due to the decline in exports and the decline in foreign capital flows, slower investment activity, unemployment levels, and external consumption.

15.10.5. Rising inflation, combined with high unemployment, could threaten the growth of the Bulgarian economy and cause social and political upheaval.

A key challenge facing the Bulgarian economy is to ensure the fiscal stability of the state social security and healthcare system through measures aimed at reducing pressure on costs and increasing revenues in the medium and long term. In the long term, a deterioration of the demographic structure in Bulgaria is expected, including a significant increase in the share of elderly people, which poses a serious risk to fiscal sustainability and will lead to pressure



on state pensions and healthcare costs. This process poses a challenge to the sustainability of public finances and requires adherence to a conservative fiscal policy with regard to the budget balance, pension reforms and improving the quality of public healthcare spending. In the event that the government cannot successfully implement such policies, this may have an adverse effect on the fiscal stability of the state social security and healthcare systems, the sustainability of public finances in Bulgaria, and overall economic activity.

Although the Bulgarian economy is performing better than some of the more developed economies with positive GDP growth, low public debt: 16.3% of GDP in 2011 (Source: BNB), the Government needs to further strengthen fiscal buffers to mitigate the deterioration of economic conditions and accelerate structural reforms, in order to achieve a more significant and sustainable recovery in growth, job creation and incomes. **The inability to implement these policies may adversely affect the business environment in which the Group operates.** Adverse macroeconomic conditions in Bulgaria may have a significant adverse effect on the Group's business, financial condition and/or results of operations.

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

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

The reform process remains slower than expected and the EU continues to keep Bulgaria under scrutiny, constantly demanding reforms in the judicial system and more visible results from efforts to fight corruption and organized crime. **Bulgaria is currently the poorest country in the EU, with a GDP per capita less than half of the average for the EU-27 countries (Source: Eurostat).** Deteriorating economic conditions, particularly as a result of the global economic crisis, together with crime, periodically lead to street demonstrations and strike actions. Any political instability in Bulgaria or increase in social discontent could exacerbate difficulties or worsen the business and financial condition, which, in turn, could have a material adverse effect on the Group's business and operations.

15.10.7. Legal risks may have a material adverse effect on the Group's business.

Bulgaria continues its efforts to harmonize its legislative framework with EU law and practices, although progress is slower than desired, see also "Changes in Bulgaria's relations with Western governments and institutions may have a negative impact on the economy and the Group's business" - The practice of the judicial system and administration remains problematic and individuals relying on Bulgarian courts for effective resolution of disputes regarding violations of laws and contracts, or in property disputes, are often left disappointed. The majority of Bulgarian legislation has been aligned with that of the EU, but despite this, the Bulgarian legal system continues to develop, sometimes in directions that do not coincide with the development and implementation of legislation in older EU member states or with the needs of the market economy.

As has been widely discussed in the media and in various forums, among the risks facing the Bulgarian legal system are: the discussed lack of independence of the judiciary from political, social and commercial factors and corruption within the judiciary and state bodies; problematic and delayed execution of court orders and international arbitration awards; inconsistencies between laws and by-laws

, the relative inexperience of the judges and courts in interpreting new principles of law, in particular in relation to financial and commercial law; certain weaknesses in insolvency procedures.



As a result, Bulgarian courts are not as effective in enforcing court decisions and resolving disputes regarding legal and contractual obligations as courts in Western Europe.

Some or all of the weaknesses identified above may affect the Group's ability to enforce its legal rights or defend itself against claims from others. **In addition, lawsuits and prosecutions are sometimes influenced by or used to support private interests. The group may be subject to such claims and may not be able to obtain a fair trial.** These risks may affect the Group's ability to establish its rights or to seek or obtain effective legal remedies, which could have a material adverse effect on the Group's business, results of operations and financial condition.

state.

15.10.8. Taxation

Taxes paid by Bulgarian business entities include withholding taxes, local (municipal) 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.

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

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

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

The relations that Bulgaria maintains with Western governments and institutions vary, and any change in these relations could have a negative effect on Bulgaria's economy. **On the eve of Bulgaria's accession to the EU in 2007, it was agreed that further work was needed in key areas to address shortcomings in judicial reform, the fight against corruption and the fight against organised crime. The EU then continued to show concern on these issues, as well as on specific breaches of obligations (e.g. in relation to waste management, etc.).** In addition, Bulgaria has had problems with the absorption of EU funds in the past, which led to the loss of some tranches in the first years after accession.

According to the latest report by the European Commission, Bulgaria has no independent institutions in the field of combating corruption in power. **The European Commission's assessment is that the challenge for Bulgaria now is to fill some key strategic gaps and ensure a more consistent and effective implementation of reforms.** According to the European Commission report, efforts should continue to pursue a more sustainable and irreversible reform process - a process strong enough so that external intervention by the European Commission is no longer necessary.

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



15.11. Risks related to the Shares

15.11.1. The market price of shares can be highly volatile

The stock exchange price of the New Shares, as well as of the Shares in general, may be highly volatile as a result of numerous factors, including changes in investors' forecasts and expectations regarding the financial and economic condition of SGH and the results of its operations. **In general, the market value of shares as a financial instrument is determined based on supply and demand, and their price may increase or decrease. Fluctuations (volatility) in security prices can cause a security to be worth much less at a certain point in time than at a previous point in time.** This price dynamic is particularly characteristic of the common stock market, whose stock prices may be subject to sharp fluctuations in response to publicly disclosed information about the issuer's financial results, changes in legislation, expectations of an economic crisis, decisions of the supervisory authority, or other important events.

15.12. Risks related to the Bulgarian securities market

15.12.1. Investors may have less information about the Bulgarian securities market than is available for companies on other securities markets.

There is still some difference in the regulation and supervision of the Bulgarian securities market (despite the implementation of European directives in this area), and in the actions of investors, brokers and other market participants, compared to markets in Western Europe and the USA. **The Financial Supervision Commission monitors the disclosure of information and compliance with other regulatory standards on the Bulgarian securities market, compliance with laws and issues regulations and instructions on obligations regarding disclosure of information, trading in securities in the presence of inside information and other issues.** However, there may be less publicly available information about Bulgarian companies than is typically made available to investors by public companies on other securities markets, which may affect the price of the Shares.

15.12.2. The Bulgarian Stock Exchange is significantly smaller and less liquid than securities markets in some other countries

The Bulgarian Stock Exchange is significantly smaller and less liquid than the securities markets in some other countries, such as those in the United States and Western Europe. **This creates a risk, which is expressed in the potential opportunity for each investor to purchase or sell the securities he wants on the secondary market in short terms. The sources of this type of risk can be different (very high market value of shares, small volume of freely traded shares - the so-called "free-float", lack of investor interest in the country and/or the specific company in particular, etc.).**

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

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

The percentage participation in the capital of SGH of the holders of Shares may also be "diluted" in future increases in the capital of SGH, if the shareholders do not subscribe in proportion to their share of the new shares or are not from the class of shareholders that has a primary subscription priority. According to Bulgarian legislation and the rules of the Bulgarian Stock Exchange, the Holding is obliged



to offer the new shares to the current shareholders in accordance with their right to acquire a portion of the new shares corresponding to their share in the capital before the increase. **Nevertheless, current shareholders may choose not to participate in a future issuance of common shares, which will result in a "dilution" of their current participation in SGH.** See also regarding the dilutive effect of the Capital Increase "Supply - Supply - Dilution".

"Dilution" of the shareholders' participation in the SGH can in principle also occur in cases where they, for one reason or another, have not exercised their right to proportionally subscribe for convertible bonds, warrants and other similar instruments that can be converted (exchanged) into SGH shares and the remaining holders of these instruments exercise their right to convert (exchange) and acquire new shares from the capital of the SGH.

15.12.4. Significant future sales of Shares may affect their market price

If a significant number of Shares are offered for sale, the stock exchange price of the Shares may decrease. Sales of additional Shares on the stock market after the Offering may adversely affect the market price of the Shares.

Sales of significant quantities of Shares, or the expectation that such sales may occur, may adversely affect the market price of the Shares. Such sales may also make it difficult for SGH to issue new shares in the future, when and at whatever price the Holding deems appropriate.

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

The Holding's profit is subject to distribution after the due taxes have been paid and the mandatory legal reserves have been deducted. **However, there is no guarantee that SGH will distribute cash dividends to shareholders (see "Dividend Policy"). The decision to distribute the profit is adopted by the General Meeting of Shareholders of the Holding.** It is possible that in a given year the Holding may not make any profit at all, and even if it does, the General Meeting of Shareholders may not adopt a decision to distribute it in the form of a dividend.

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

16/ EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

Sofia City

Executive Director:



Tsvetan Alexiev



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- <http://www.eclipse.org/>
 - ii <http://www.w3.org/2002/ws/sawsdl/spec/>
 - iii <http://kmi.open.ac.uk/projects/irs/>
 - iv <http://www.wsmx.org:8080/wsmxsite/>
 - v <http://lsirpeople.epfl.ch/lhvu/download/qosdisc/>
 - you <http://www.ontotext.com/kim/index.html>
 - vii <http://proton.semanticweb.org/>
 - 8th <http://www.ontotext.com/kim/2005/04/kimso>
 - ix <http://www.ontotext.com/kim/2005/04/kimlo>
 - x <http://www.ontotext.com/kim/KBStatistics.pdf>

