



Sirma Group

NOTES TO THE ANNUAL  
CONSOLIDATED FINANCIAL  
STATEMENTS OF  
SIRMA GROUP HOLDING JSC  
FOR THE YEAR ENDED 31.12.2017



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# 1/ GENERAL INFORMATION ABOUT SIRMA GROUP HOLDING JSC

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

**Seat and registered office:** BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784,Mladost area, bul. Tsarigradsko Shosse, No 135.

**The object of the company is:**

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

The share capital of the company amounts to 59,360,518 BGN, divided into 59,360,518 dematerialized shares with nominal value of 1 lev.

The capital of the Company is amended as follows:

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

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

Non-monetary contributions - description:

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

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



## 1.1 Distribution of share capital

As of 31.12.2017 the distribution of the share capital of Sirma Group Holding is as follows:

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Share capital	59 361	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518	59 360 518
Total number of registered shareholders	984	777	474
Including legal entities	56	42	42
individuals	928	735	432
Number of shares held by legal entities	10 053 825	6 532 738	6 132 088
% Of participation of entities	16,94%	11,01%	10,33%
Number of shares held by individuals	49 306 693	52 827 780	53 228 430
% Participation of individuals	83,06%	88,99%	89,67%
Number of treasury shares purchased	474 724	261 403	3

As of 31.12.2017 Sirma Group Holding JSC possesses repurchased 474 724 own shares with total amount of BGN 474 724 (BGN 20 590,84 in Premium reserve).

As of 31.12.2017 Ontotext owns 550 shares of the parent company Sirma Group Holding JSC, with total amount of BGN 643,50.

Share capital allocation, including deduction of own shares:

Shareholders	Number of shares at 31.12.2017	Number of shares at 31.12.2016	Number of shares at 31.12.2015	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2859965	5258015	5250686	1	2 859 965	4,82%	4,86%
Veselin Kirov Antchev	4700786	5250786	5250686	1	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4851376	5252376	5250686	1	4 851 376	8,17%	8,24%
Chavdar Velizarov Dimitrov	4750786	5250786	5250686	1	4 750 786	8,00%	8,07%
Yavor Liudmilov Djonev	1404560	5250786	5250686	1	1 404 560	2,37%	2,39%
Georgi Parvanov Marinov	5257402	5257402	5250686	1	5 257 402	8,86%	8,93%
Krasimir Nevelinov Bozhkov	2965686	4903530	5250686	1	2 965 686	4,996%	5,04%
Ognyan Plamenov Chernokozhev	3731620	3729330	3727730	1	3 731 620	6,29%	6,34%
Vladimir Ivanov Alexiev	2177583	2177583	2177483	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2156687	2156687	2156687	1	2 156 687	3,63%	3,66%
Vasil Stanimirov Mirchev	837327	837327	1601794	1	837 327	1,41%	1,42%
Peter Nikolaev Konyarov	1289307	1298965	1549288	1	1 289 307	2,17%	2,19%
Emiliana Ilieva Ilieva	2251925	0	0	1	2 251 925	3,79%	3,82%
Elena Yordanova Kozuharova	2140827	0	0	1	2 140 827	3,61%	3,64%
Ivo Petrov Petrov	755750	0	0	1	755 750	1,27%	1,28%
Stanislav Ivanov Dimitrov	649868	0	0	1	649 868	1,09%	1,10%
Expat Bulgaria SOFIX UCITS ETF	881407	0	0	1	881 407	1,48%	1,50%
FOUNDATION FOR EDUCATIONAL TRANSFORMATION	669566	0	0	1	669 566	1,13%	1,14%
"NN Universal Pension Fund"	2439539	2084539	2081249	1	2 439 539	4,11%	4,14%
UPF "DOVERIE" JSC	802126	802126	802126	1	802 126	1,35%	1,36%
UPF "DSK Rodina"	747036	747036	747036	1	747 036	1,26%	1,27%
"ZMM SOLAR" Ltd.	960000	960000	560000	1	960 000	1,62%	1,63%
Other	10 079 389	8 143 244	7 202 323	1	10 079 389	16,98%	17,12%
<b>Total</b>	<b>59360518</b>	<b>59360518</b>	<b>59360518</b>		<b>59 360 518</b>	<b>100%</b>	<b>100%</b>



**NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ON 31.12.2017**

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

Shareholders	Number of shares at 31.12.2017	% Shareholding	% shareholding with deducted repurchased own shares
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Tsvetan Borisov Alexiev	4 851 376	8,17%	8,24%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	5 257 402	8,86%	8,93%
Ognyan Plamenov Chernokozhev	3 731 620	6,29%	6,34%

Shareholders	Number of shares at 31.12.2016	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	5 258 015	8,86%	8,90%
Veselin Antchev Kirov	5 250 786	8,85%	8,88%
Tsvetan Borisov Alexiev	5 252 376	8,85%	8,89%
Chavdar Velizarov Dimitrov	5 250 786	8,85%	8,88%
Yavor Liudmilov Djonev	5 250 786	8,85%	8,88%
Georgi Parvanov Marinov	5 257 402	8,86%	8,90%
Krasimir Nevelinov Bozhkov	4 903 530	8,26%	8,30%
Ognyan Plamenov Chernokozhev	3 729 330	6,28%	6,31%

Shareholders	Number of shares at 31.12.2016	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	5 250 686	8,86%	8,85%
Veselin Antchev Kirov	5 250 686	8,85%	8,85%
Tsvetan Borisov Alexiev	5 250 686	8,85%	8,85%
Chavdar Velizarov Dimitrov	5 250 686	8,85%	8,85%
Yavor Liudmilov Djonev	5 250 686	8,85%	8,85%
Georgi Parvanov Marinov	5 250 686	8,86%	8,85%
Krasimir Nevelinov Bozhkov	5 250 686	8,26%	8,85%
Ognyan Plamenov Chernokozhev	3 727 730	6,28%	6,28%

## 1.2 Management bodies

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

**The Board of Directors as of 31.12.2017 r. includes the following members:**

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

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

**Current term of the Board of Directors is until: 27.07.2019**



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

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

Audit Committee

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

Shareholders	Number of shares at 31.12.2017	Number of shares at 31.12.2016	Number of shares at 31.12.2015	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2859965	5258015	5250686	1	2 859 965	4,82%	4,86%
Georgi Parvanov Marinov	5257402	5257402	5250686	1	5 257 402	8,86%	8,93%
Tsvetan Borisov Alexiev	4851376	5252376	5250686	1	4 851 376	8,17%	8,24%
Chavdar Velizarov Dimitrov	4750786	5250786	5250686	1	4 750 786	8,00%	8,07%
Petar Borisov Statev	10100	100	0	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3433	3433	3333	1	3 433	0,01%	0,01%
<b>Total</b>	<b>17733062</b>	<b>21022112</b>	<b>21006077</b>		<b>17 733 062</b>	<b>29,87%</b>	<b>30,11%</b>

During 2017 :

- Petar Borisov Statev acquired 10 000 shares in SIRMA GROUP HOLDING JSC
- Atanas Kostadinov Kiryakov transferred/sold 2 398 050 shares of SIRMA GROUP HOLDING JSC
- Chavdar Velizarov Dimitrov transferred/sold 500 000 shares of SIRMA GROUP HOLDING JSC
- Tsvetan Borisov Alexiev transferred/sold 401 000 shares of SIRMA GROUP HOLDING JSC

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

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

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

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

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

Generating robust growth, cost-effectiveness and consistent business results are among the top priorities for all companies in the group.

Due to lack of relevance in the consolidated statement of Sirma Group Holding JSC are not included the reports of Sirma Media, Flash Media, EngView Systems USA, EngView Systems Latin America, Sirma Sha, eDom and GMG Systems.

## PORTFOLIO OF SIRMA GROUP HOLDING JSC

### Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Percentage of capital with adjusted repurchased own shares at 31.12.2017	Value of the investment at 31.12.2016 BGN '000	Percentage of capital at 31.12.2016	Percentage of capital with adjusted repurchased own shares at 31.12.2017	Value of the investment at 31.12.2015 BGN '000	Percentage of capital at 31.12.2015	Percentage of capital with adjusted repurchased own shares at 31.12.2017	Changes 2017-2016 BGN '000
Sirma Solutions	36 260	75,61%	80,62%	36 260	75,61%	80,62%	35 027	75,61%	81,44%	0
Sirma Enterprise Systems	6 895	88,71%	90,13%	6 895	88,71%	91,72%	6 895	88,71%	91,72%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0	66,00%	66,00%	0
Sirma Group Inc.	3 471	100,00%	100,00%	3 471	100,00%	100,00%	0	100,00%	100,00%	0
Ototext	9 650	58,51%	58,51%	8 672	56,21%	56,21%	8 672	56,21%	56,21%	978
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	50	72,90%	72,90%	0
<b>Total</b>	<b>56 392</b>			<b>55 414</b>			<b>50 644</b>			<b>978</b>

### Subsidiaries of "Sirma Solutions"

Company	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016 BGN '000	Percentage of capital at 31.12.2016	Value of the investment at 31.12.2015 BGN '000	Percentage of capital at 31.12.2015	Changes 2017-2016 BGN '000
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	1 374	54,08%	0
Daticum	1 394	60,50%	1 394	60,50%	1 394	60,50%	0
Sirma USA	17 630	97,57%	17 630	97,57%	17 629	100,00%	0
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	117	51,00%	0
Sirma ISG	0	71%	0	71%	4	71%	0
Sirma ICS	270	90,00%	270	90,00%	0	0,00%	0
<b>Total</b>	<b>20 785</b>		<b>20 785</b>		<b>20 518</b>		<b>0</b>

### Subsidiaries of "Ototext"

Company	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016 BGN '000	Percentage of capital at 31.12.2016	Value of the investment at 31.12.2015 BGN '000	Percentage of capital at 31.12.2015	Changes 2017-2016 BGN '000
Ototext USA	30	100,00%	30	100,00%	30	100,00%	-

### Subsidiaries of "EngView Systems Sofia"

Company	Value of the investment at 31.12.2017 BGN '000	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016 BGN '000	Percentage of capital at 31.12.2016	Value of the investment at 31.12.2015 BGN '000	Percentage of capital at 31.12.2015	Changes 2017-2016 BGN '000
EngView Systems Latin America	7	95%	7	95%	7	95%	0
EngView USA	9	100%	9	100%	9	100%	0
<b>Total</b>	<b>16</b>		<b>16</b>		<b>16</b>		<b>0</b>





## Associated companies of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2017	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016	Percentage of capital at 31.12.2016	Value of the investment at 31.12.2015	Percentage of capital at 31.12.2015	Changes 2017-2016
	BGN '000		BGN '000		BGN '000		BGN '000
GMG Systems (IN LIQUIDATION)	214	19,93%	214	19,93%	229	21,42%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	7	35,00%	0
<b>Total</b>	<b>221</b>		<b>221</b>		<b>236</b>		<b>0</b>

## Associated companies of "Sirma Solutions"

Company	Value of the investment at 31.12.2017	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016	Percentage of capital at 31.12.2016	Value of the investment at 31.12.2015	Percentage of capital at 31.12.2015	Changes 2017-2016
	BGN '000		BGN '000		BGN '000		BGN '000
SEP Bulgaria	0	6,50%	0	6,50%	0	6,50%	0
EYE BILL INTERACTIVE	0	34%	0	34%	20	34,00%	0
EXCELL MANAGEMENT	0	34%	0	34%	0	34,00%	0
Flash Media	0	50%	0	50%	25	50,00%	0
Sirma Mobile	15	40%	15	40%	20	40,00%	0
<b>Total</b>	<b>15</b>		<b>15</b>		<b>65</b>		<b>0</b>

For more information about the Group companies - Appendix 1.

## 1.4 Major events in 2017

The following major events took place in 2017:

### *Capital increase of Ontotext*

In April Sirma Group Holding participated in the capital increase of Ontotext by recording 843 030 ordinary shares with nominal value of 1.00 lev at emission price of 1.16 BGN per share.

### *Acquisition of new office space*

In April, Sirma Group Holding JSC acquired the following real estate - nine office premises, located in an office building on bul. "Tsarigradsko Shosse" No 135, at a price of 781 268 euros. For this purpose an investment loan from UniCredit Bulbank was used in the amount of EUR 710 000 and an additional EUR 200 000 for the renovation of the office premises.

### ***Regular Annual Shareholders' Meeting***

A regular annual shareholders' meeting was held on 15.06.2017. The following major decisions were made:

- Based on article 20 from regulation № 48/ 20.03.2013 regarding the remuneration requirements of FSC, members of the remuneration committee were appointed:  
  
Georgi Parvanov Marinov – chairman  
Yordan Stoyanov Nedev - member  
Petar Borisov Statev- member
- The auditor was changed. Teodora Ivanova Tsvetanova, CPA № 0771 from 2012, was appointed as an auditor for 2017. The fee for the audit engagement for 2017 is in amount of 5000 BGN.
- A dividend distribution was voted for 2016 at 0.01 BGN per share. The total amount of the dividends is 593 605,18 BGN.
- Repurchase of own shares was voted. Maximum 1000 000 shares will be repurchased. The price range is between 0.5 BGN and 1.5 BGN per share. The shares will be repurchased until 31.12.2017. As of 31.12.2017, 474 724 own shares were repurchased.

### ***Sirma paid the first dividend after the IPO***

According to decision of the Regular Annual Shareholders' Meeting, dividends for 2016 were paid up to 15.09.2017

### ***The shares of Sirma Group are included in SOFIX***

On the meeting of the Board of Directors of the Bulgarian Stock Exchange – Sofia on 07.09.2017 the decision to include the stock of Sirma Group Holding in the SOFIX index was taken. The reason for this decision is the following: the market capitalization of the free float of the company is 40 420 452 BGN, the median of the weekly turnover is 36 651 BGN, the number of transactions is 1384 and the average arithmetic value of the spread is 0.06416086. The decision came into force as of 18.09.2017.

Information of major business news in 2017 can be found in Appendix 3.



## 1.5 Audit remuneration for 2017

Auditor's remuneration for the companies in the Group for the year 2017:

- "Sirma Group Holding" JSC - registered auditor Teodora Tsvetanova, reg. № 0771, received audit fee of BGN 6 000 excluding VAT for an individual report and BGN 5 000 excluding VAT for a consolidated statement.
- "Ontotext" - specialized audit company "Bisikom-61", reg. № 19, received audit fee in the amount of BGN 4 100 excluding VAT for an individual report and BGN 2 000 excluding VAT for a consolidated report.
- "Sirma Solutions" - specialized audit company "Bisikom-61", reg. № 19, received audit fee amounting to BGN 3 840 excluding VAT.
- "EngView Systems Sofia" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 2 400 excluding VAT.
- "Sirma Enterprise Systems" - specialized audit company "Bisikom-61", reg. № 19, received audit fee in the amount of 2 520 BGN excluding VAT.
- „Sirma Medical Systems"- specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 1 000 excluding VAT.
- Datium - specialized audit company "Bisikom-61", reg. № 19, received audit fee amounting to BGN 3 060 excluding VAT.
- "Sirma Business Consulting" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 3 000 excluding VAT.
- "Sirma ICS" - specialized audit company "Bisikom-61", reg. № 19, received audit fee of BGN 1 000 excluding VAT.

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

## 2.1. Basis for the preparation of the consolidated financial statements

The annual consolidated financial statements of Sirma Group Holding JSC have been prepared in accordance with all International Financial Reporting Standards (IFRSs), which are comprised of: Financial Reporting Standards and Interpretations Committee interpretations (IFRIC) the International Accounting Standards Board (IASB) and the International Accounting Standards and Interpretations Standing Interpretations Committee (SIC) interpretations endorsed by the International Accounting Standards Committee (IASB) effective in effect on 1 January 2017 and which have been adopted by the Commission of the European Union.

From the adoption of these standards and / or interpretations, effective for annual periods beginning on 1 January 2017, there have been no changes in the accounting policy of the Company except some new ones and the extension of already established disclosures without any other change - in the classification or evaluation of individual reporting objects and operations.

For more information - Appendix 2 - Summary of the significant consolidated accounting policies of Sirma Group Holding JSC.



## 3/ CONSOLIDATED REVENUES

Consolidated revenues in 2017 includes:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Operating income from the sale of materials	1	3	25	-2	-66,67%
Operating income from the sale of goods	11390	9950	8709	1440	14,47%
Operating revenue from sales of services	40077	30478	23028	9599	31,49%
Revenue from revaluation and sale of FA	0	717	1839	-717	-100,00%
Revenue from financing	179	179	184	0	0,00%
Operating revenue from others	389	256	191	133	51,95%
<b>Total</b>	<b>52036</b>	<b>41583</b>	<b>33977</b>	<b>10453</b>	<b>25,14%</b>

Consolidated revenues grow steadily at a high rate of 25,14% or BGN 10 453 thousand during the period considered, which is in line with the upward trend in the business sector of the Group. The increase in consolidated revenues is due both to the attraction of new customers and to the increase in the volumes of existing ones.

The largest share in the increase of consolidated revenues is the consolidated revenues from sales of services, increased by BGN 9 144 thousand or by 30% compared to the previous period, followed by consolidated revenues from sales of goods, increased by BGN 1 440 thousand or by 14,47% compared to 2016.

Consolidated revenue by region:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
Region	BGN '000	BGN '000	BGN '000	BGN '000	%
Australia	71	69	40	2	2,90%
Asia	760	428	172	332	77,68%
Africa	38	19	19	19	102,97%
Europe	32825	29455	22855	3370	11,44%
United Kingdom	8157	3079	2910	5078	164,92%
South America	33	130	43	-97	-74,62%
North America	10152	8403	7938	1749	20,81%
<b>Total</b>	<b>52036</b>	<b>41583</b>	<b>33977</b>	<b>10453</b>	<b>25,14%</b>

"Sirma Group Holding" JSC and the companies from the Group realize their production and services without geographical restrictions. However, traditionally the highest sales Group generates in Europe and North America. These, together with United Kingdom revenues, occupy traditionally 98,27% of the total amount of consolidated revenue. Nevertheless, due to the exceptional diversification of its products and services, which are applied in many different sectors and customers, we can not talk about any dependence of the Group on individual clients or on particular services



**Consolidated revenue by country:**

<b>Countries</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Albania	31	498	498	-467	-93,78%
Australia	40	68	33	-28	-41,52%
Austria	2321	2686	1438	-365	-13,58%
Bahamas	81	205	141	-124	-60,47%
Belgium	740	29	83	711	2439,66%
Brazil	13	15	41	-2	-13,31%
Bulgaria	26623	24784	19372	1839	7,42%
Canada	883	193	626	690	357,15%
Curacao	27	0	0	27	n/a
Cyprus	11	0	0	11	n/a
Denmark	138	5	10	133	2864,63%
Egypt	33	18	10	15	86,34%
Guadeloupe	20	20	0	0	-0,53%
France	125	24	41	101	425,45%
Germany	1378	767	897	611	79,56%
Gibraltar	96	0	0	96	n/a
Great Britain (UK)	8157	2859	2910	5298	185,27%
Greece	40	63	60	-23	-36,43%
Ireland	34	42	0	-8	-19,52%
Italy	252	203	138	49	24,10%
Japan	89	102	61	-13	-12,77%
South Korea	42	39	28	3	7,37%
Macao	65	0	0	65	n/a
Macedonia	11	27	25	-16	-59,87%
Malaysia	38	8	21	30	358,45%
Netherlands	130	49	66	81	165,61%
New Zealand	31	7	7	24	346,23%
Norway	91	4	3	87	1967,90%
Portugal	67	0	11	67	n/a
Romania	176	4	85	172	4300,00%
Singapore	70	156	3	-86	-55,21%
Serbia	28	0	0	28	n/a
Spain	47	14	30	33	242,81%
Switzerland	245	129	38	116	89,26%
Trinidad and Tobago	470	16	157	454	2839,02%
Turkey	21	72	26	-51	-70,92%
United Arab Emirates	403	104	7	299	287,50%
Virgin Islands (British)	114	54	0	60	111,11%
United States	8712	8210	7014	8658	6,11%
Other countries	143	106	98	8658	34,68%
<b>Total</b>	<b>52036</b>	<b>41583</b>	<b>33977</b>	<b>10453</b>	<b>25,14%</b>

In 2017 the Group sold products and services in 66 countries. The largest share of the consolidated revenues were from Bulgaria and amounted to BGN 26 623 thousand or 51,16% of total sales revenue, followed by US with BGN 8 712 thousand or 16,74% and Great Britain by BGN 8 156 thousand. or 15,68%.



Revenues from sales of services by type:

<b>Type of service</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Backup services	80	65	32	15	23,25%
MAN connectivity	26	24	23	2	10,06%
Subscriptions	3021	1976	1266	1045	52,88%
Administrative, accounting services	21	23	105	-2	-10,00%
Outsourcing services	36	2	8	34	1351,61%
Installation fee	2	0	0	2	n/a
Internet	108	115	113	-7	-6,04%
Co-location	86	89	81	-3	-2,88%
Consulting services	3975	1697	1871	2278	134,24%
Consumables	172	179	182	-7	-3,78%
Rental of software license	170	143	81	27	18,88%
Rental of hardware and licenses	99	98	127	1	0,65%
Cabinet rental	179	180	170	-1	-0,47%
Rentals	2	1	28	1	66,67%
Cloud Services	2226	707	355	1519	214,78%
Training	70	30	44	40	133,17%
License revenues	1984	1553	1512	431	27,75%
Revenue from European Projects - IAS 20	669	1181	1185	-512	-43,35%
Revenues from external projects	0	865	2	-865	-100,00%
System integration	9402	4255	7	5147	120,96%
Revenues related to subcontractors	0	0	3115	0	n/a
Software services	17518	16979	12522	539	3,17%
Technical Support	149	212	150	-63	-29,72%
Hosting	82	104	49	-22	-21,11%
<b>Total</b>	<b>40077</b>	<b>30478</b>	<b>23028</b>	<b>9599</b>	<b>131,49%</b>





## 4/ CONSOLIDATED EXPENSES

### 4.1/ CONSOLIDATED STAFF EXPENSES

	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
				BGN '000	%
Sick Leave	45	46	38	-1	-2,17%
Unused Paid leave	60	77	-55	-17	-22,08%
Paid leave	1177	971	837	206	21,22%
Expenses for wages under civil contracts	214	306	136	-92	-30,07%
Payroll costs for contracts for management and control	1351	1244	1100	107	8,60%
Expenditure on retirement benefits under IAS 19	-25	52	23	-77	-148,08%
Social securities costs for civil contract	11	10	8	1	10,00%
Social securities costs for contracts for management and control	38	38	29	0	0,00%
Social securities costs for unused paid leave	-3	9	-1	-12	-133,33%
Social securities costs for labour contracts	1937	1724	1 535	213	12,35%
Wage costs	15955	14624	12 719	1331	9,10%
<b>Total</b>	<b>20760</b>	<b>19101</b>	<b>16 369</b>	<b>1659</b>	<b>8,69%</b>

During 2017 the staff on Labour Contracts in the Group decreased by 0,25% and the consolidated staff expenses increased by 8.69%.

Count of staff in the Group:

#### 31.12.2017

Company	LC	CMC	Total
SIRMA ICS	9	1	10
DATICUM	10	7	17
ENGVIEW SYSTEMS SOFIA	39	5	44
SIRMA ENTERPRISE SYSTEMS	2	3	5
SIRMA BUSINESS CONSULTING	53	5	58
SIRMA GROUP HOLDING	22	8	30
SIRMA SOLUTIONS	144	7	151
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	1	0	1
SIRMA USA	5	1	6
S&G UK	0	1	1
SIRMA SHA	4	3	7
ONTOTEXT	59	3	62
<b>TOTAL</b>	<b>352</b>	<b>47</b>	<b>399</b>



**31.12.2016**

Company	LC	CMC	Total
SIRMA ICS	13	1	14
DATICUM	10	6	16
ENGVIEW SYSTEMS SOFIA	30	5	35
SIRMA ENTERPRISE SYSTEMS	54	3	57
SIRMA BUSINESS CONSULTING	46	5	51
SIRMA GROUP HOLDING	25	8	33
SIRMA SOLUTIONS	102	6	108
SIRMA MEDICAL SYSTEMS	4	3	7
SIRMA GROUP INC.	4	1	5
SIRMA USA	3	1	4
S&G UK	0	1	1
ONTOTEXT	64	3	67
<b>TOTAL</b>	<b>355</b>	<b>43</b>	<b>398</b>

**31.12.2015**

Company	LC	CMC	Total
SIRMA ICS	7	1	8
DATICUM	9	6	15
ENGVIEW SYSTEMS SOFIA	30	5	35
SIRMA ENTERPRISE SYSTEMS	52	3	55
SIRMA BUSINESS CONSULTING	41	5	46
SIRMA GROUP HOLDING	25	8	33
SIRMA SOLUTIONS	90	6	96
SIRMA USA	5	2	7
S&G UK	0	1	1
ONTOTEXT	61	3	64
ONTOTEXT USA	3	1	4
<b>Total</b>	<b>323</b>	<b>41</b>	<b>364</b>

## 4.2/ CONSOLIDATED OPERATING EXPENSES

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change BGN '000
Material expenses	-8148	-4998	-3167	-3150
<i>Change in %</i>				63,03%
Expenses for external services	-13481	-8619	-6910	-4862
<i>Change in %</i>				56,41%
Depreciation and amortization of non-financial assets	-8179	-8231	-6816	52
<i>Change in %</i>				-0,63%
Cost of goods sold and other current assets	-10170	-9613	-7475	-557
<i>Change in %</i>				5,79%
Changes in stocks of finished products and incomplete production	745	107	499	638
<i>Change in %</i>				596,26%
Capitalized own expenses	17330	14536	10099	2794
<i>Change in %</i>				19,22%
Other expenses	-1579	-1333	-990	-246
<i>Change in %</i>				18,45%
<b>Total expenses</b>	<b>-23 482</b>	<b>-18 151</b>	<b>-14 760</b>	<b>-5331</b>
<i>Change in %</i>				<b>29,37%</b>

In 2017, consolidated operating expenses gradually increased in line with the Group's consolidated revenues. The highest share in consolidated operating expenses has consolidated external service costs (57.41%), followed by depreciation and amortization (34.83%).



## 4.2.1/ CONSOLIDATED MATERIAL EXPENSES

Consolidated costs for materials include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Embedded project equipment	0	4447	2677	-4447	-100,00%
Water	4	3	4	1	33,33%
Fuel for cars	52	42	42	10	23,81%
Others	24	13	6	11	84,62%
Electricity	201	216	219	-15	-6,94%
Inventory	48	85	31	-37	-43,53%
Software protection	24	18	16	6	33,33%
Computer Components	42	53	17	-11	-20,75%
Consumables for cars	2	0	1	2	n/a
Consumables for computers	1	0	7	1	n/a
Office maintenance and repair materials	6	16	5	-10	-62,50%
Heating	13	12	12	1	8,33%
Office supplies	24	25	69	-1	-4,00%
Promotional materials	29	34	28	-5	-14,71%
System integration	7636	0	0	7636	n/a
Toner	4	0	8	4	n/a
Hygienic materials	15	0	16	15	n/a
Vehicle repair parts	23	34	9	-11	-32,35%
<b>Total</b>	<b>8148</b>	<b>4998</b>	<b>3167</b>	<b>3150</b>	<b>63,03%</b>

During the period under review, consolidated material expenses increased by BGN 3 150 thousand or by 63,03%. The increase is mainly attributable to the increase in system integration, which increased by BGN 7 636 thousand.



## 4.2.2/ CONSOLIDATED EXPENSES FOR EXTERNAL SERVICES

Consolidated expenses for external services include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Subscriptions	408	73	66	335	458,90%
Authorized Remuneration	0	3	2	-3	-100,00%
Administrative service	89	8	21	81	1012,50%
Others	372	358	603	14	3,91%
Insurance	45	182	136	-137	-75,27%
Internet	90	60	113	30	50,00%
Fees and commissions	150	66	312	84	127,27%
Consulting services	1565	886	1349	679	76,64%
Courier, transport	44	57	38	-13	-22,81%
Mobile phones	105	114	106	-9	-7,89%
Staff recruitment	22	32	13	-10	-31,25%
Rental software license	198	131	99	67	51,15%
Rentals	841	780	572	61	7,82%
Audit	56	49	72	7	14,29%
Security	58	48	48	10	20,83%
Parking	18	30	21	-12	-40,00%
Maintenance and repair of automobiles	30	21	18	9	42,86%
Maintenance and repair of the office	30	23	20	7	30,43%
Cleaning	31	14	11	17	121,43%
Translation services	2	5	4	-3	-60,00%
Marketing and Advertising	471	491	451	-20	-4,07%
Repair of Comp. and office equipment	7	7	1	0	0,00%
Connectivity	31	26	18	5	19,23%
Seminars and training	212	140	93	72	51,43%
Software services	8314	4398	2506	3916	89,04%
Project subcontracting services	67	296	87	-229	-77,36%
Hosting	207	290	114	-83	-28,62%
Fixed phones	18	31	16	-13	-41,94%
<b>Total</b>	<b>13 481</b>	<b>8 619</b>	<b>6910</b>	<b>4 862</b>	<b>56,41%</b>

During 2017 consolidated expenses for external services increased by BGN 4 862 thousand or by 56,41%. Growth was due mostly to the rise in software service costs, which increased by BGN 3 916 thousand or by 89,04%.

## 4.2.3/ CONSOLIDATED OTHER EXPENSES

Consolidated other expenses include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Local taxes and fees	138	98	27	40	40,82%
Impairment of receivables	16	108	113	-92	-85,19%
Operating Expense Tax	0	2	5	-2	-100,00%
Tax representative expenses	17	17	6	0	0,00%
Social tax	12	4	3	8	200,00%
Donations	17	0	9	17	n/a
Others	208	166	101	42	25,30%
Missions in the country	155	121	38	34	28,10%
Business trips abroad	542	589	520	-47	-7,98%
Negotiations on commercial contracts	2	42	8	-40	-95,24%
Entertainment expenses	83	96	86	-13	-13,54%
Differences in partial tax credit	4	20	8	-16	-80,00%
Expenses without documents	51	26	18	25	96,15%
Social expenses	334	44	48	290	659,09%
<b>Total</b>	<b>1579</b>	<b>1333</b>	<b>990</b>	<b>246</b>	<b>18,45%</b>



In 2017, consolidated other expenses increased by BGN 246 thousand or by 18,45%. The largest increase of the consolidated other expenses was observed in the social expenses by BGN 290 thousand or with 659,09%.

Impairment of receivables from companies over the period considered is:

Company	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
DATICUM	11	0	20
ONTOTEXT	3	3	0
SIRMA GROUP HOLDING	21	26	0
ENGVIEW SYSTEMS SOFIA	28	28	0
SIRMA SOLUTIONS	42	69	53
ONTOTEXT	151	51	40
<b>Total</b>	<b>256</b>	<b>177</b>	<b>113</b>

## 4.2.4/ CONSOLIDATED EXPENSES FOR DEPRECIATION AND AMORTIZATION

Consolidated depreciation and amortization expenses include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Tangible assets	874	1072	871	-198	-18,47%
Intangible assets	7305	7159	5945	146	2,04%
<b>Total</b>	<b>8179</b>	<b>8231</b>	<b>6816</b>	<b>-52</b>	<b>-0,63%</b>

Amortization and depreciation expenses during the period decreased by 0,63% or by BGN 52 thousand.

Depreciation and amortization expenses	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Other intangible long term assets	132	263	17	-131	-49,81%
Other tangible long term assets	6	83	4	-77	-92,77%
Intellectual Property Rights and Software Modules	1143	1345	939	-202	-15,02%
Software Software Products - Acquired	99	100	92	-1	-1,00%
Development products	5314	616	0	4698	762,66%
Products for commercial applications	616	4960	4895	-4344	-87,58%
Depreciation expenses of own buildings	96	47	50	49	104,26%
Expenses for depreciation of computer equipment	550	510	428	40	7,84%
Depreciation expenses of machinery and equipment	97	192	224	-95	-49,48%
Expenses of depreciation on mobile phones	10	9	6	1	11,11%
Expenses for amortization of repairs of leased assets	14	0	80	14	n/a
Fixtures and fittings	28	26	21	2	7,69%
Vehicles	74	80	60	-6	-7,50%
<b>Total</b>	<b>8179</b>	<b>8231</b>	<b>6816</b>	<b>-52</b>	<b>-0,63%</b>



## 4.2.5/ CONSOLIDATED CAPITALIZED OWN EXPENSES

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
Capitalized own expenses	BGN '000	BGN '000	BGN '000	BGN '000	%
ONTOTEXT	2064	2001	3028	63	3,15%
SIRMA ICS	593	361	0	232	64,27%
SIRMA SOLUTIONS	6214	8760	4675	-2546	-29,06%
SIRMA BUSINESS CONSULTING	0	0	429	0	n/a
SIRMA ENTERPRISE SYSTEMS	3499	1988	1454	1511	76,01%
ENGVIEW SYSTEMS SOFIA	946	283	401	663	234,28%
SIRMA GROUP HOLDING	3361	42	112	3319	7902,38%
SIRMA MEDICAL SYSTEMS	339	185	0	154	83,24%
SIRMA USA	314	916	0	-602	-65,72%
<b>Total</b>	<b>17330</b>	<b>14536</b>	<b>10099</b>	<b>2794</b>	<b>19,22%</b>

Capitalized expenses during the period increased by 19,22% or BGN 2 794 thousand.

Capitalized expenses for projects are:

Project	Company	2017 BGN '000	2016 BGN '000	2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Cybersecurity	SIRMA USA	314	916	0	-602	-65,72%
SEP	SIRMA ENTERPRISE SYSTEMS	3001	468	0	2533	541,24%
STT/EMF - Enterprise Management Framework	SIRMA ENTERPRISE SYSTEMS	498	1520	1454	-1022	-67,24%
SICS - Software	SIRMA ICS	593	361	0	232	64,27%
SMS - Diabetes:M	SIRMA MEDICAL SYSTEMS	339	185	0	154	83,24%
EV/EngView Package Designer Suite	ENGVIEW SYSTEMS SOFIA	264	283	268	-19	-6,71%
EV/E-Caliper	ENGVIEW SYSTEMS SOFIA	102	0	0	102	n/a
EV/PackGate	ENGVIEW SYSTEMS SOFIA	375	0	0	375	n/a
EV/Shafty	ENGVIEW SYSTEMS SOFIA	205	0	0	205	n/a
EV/QVI	ENGVIEW SYSTEMS SOFIA	0	0	112	0	n/a
EV/ScanFit ver. 1	ENGVIEW SYSTEMS SOFIA	0	0	21	0	n/a
EPCh	SIRMA BUSINESS CONSULTING	0	0	52	0	n/a
SBC/UBX	SIRMA BUSINESS CONSULTING	0	0	377	0	n/a
OT/CLS-P-S4	ONTOTEXT	107	48	62	59	122,92%
OT/DMP-P-LS HC Solution	ONTOTEXT	38	33	135	5	15,15%
OT/OWL-P-GraphDB	ONTOTEXT	1053	1188	1352	-135	-11,36%
OT/OWL-P-Owlim Workbench	ONTOTEXT	36	77	106	-41	-53,25%
OT/SAS-P-Media Publ Solution	ONTOTEXT	0	115	144	-115	-100,00%
OT/SAS-P-Semantic Pub-Platform	ONTOTEXT	830	540	1221	290	53,70%
OT/Others	ONTOTEXT	0	0	8	0	n/a
SS/Pay Mobilio	SIRMA SOLUTIONS	0	0	25	0	n/a
SS/PROD-LOYAX-Loyax	SIRMA SOLUTIONS	4536	4415	3425	121	2,74%
SS/R&D ImageRecognition-BG161PO003	SIRMA SOLUTIONS	772	391	577	381	97,44%
SS/SRVC - GARB	SIRMA SOLUTIONS	0	0	20	0	n/a
SS/SRVC-ISG-Insurance	SIRMA SOLUTIONS	89	387	273	-298	-77,00%
SS / SRVC - Employment Agency	SIRMA SOLUTIONS	0	0	40	0	n/a
SSMOB/PROD-mTimeCard	SIRMA SOLUTIONS	12	30	30	-18	-60,00%
SSMOB/PROD-VIVBIP-VivaBipper	SIRMA SOLUTIONS	0	0	30	0	n/a
STT/EMF - Enterprise Management Framework	SIRMA SOLUTIONS	802	0	0	802	n/a
SS/PROD- Cloud Platform	SIRMA SOLUTIONS	0	3512	0	-3512	-100,00%
SS/Others	SIRMA SOLUTIONS	3	25	255	-22	-88,00%
SGH/Sirma Cloud	SIRMA GROUP HOLDING	1366	0	0	1366	n/a
Manager Reporting	SIRMA GROUP HOLDING	1 983	42	112	1941	4620,99%
SGH/Others	SIRMA GROUP HOLDING	11	0	0	11	n/a
<b>Total</b>		<b>17330</b>	<b>14536</b>	<b>10099</b>	<b>2794</b>	<b>44,00%</b>





#### 4.2.6/ CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Changes in inventories of finished goods and work in progress	745	107	499	638	596,26%

#### 4.2.7/ COST OF GOODS SOLD AND OTHER CURRENT ASSETS

	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Cost of goods sold and other current assets	10170	9613	8509	557	5,79%



## 4.2.8/ CONSOLIDATED RESULTS BY SEGMENTS

The segment reporting in the Group is organized on the basis of the main business activities, performed by the Group companies:

2017 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Publishing, Media & Cultural Heritage	Retail	G&A for all sectors
Revenues from sales of services	5 256	22 060	6 220	252	2 850	2 116	1 321	0
Revenues from sales of goods	0	11 361	0	0	29	0	0	0
Revenues from sale of FA	0	1	0	0	0	0	0	0
Revenues from financing	0	179	0	0	0	0	0	0
Revenues from sales of materials	0	0	0	0	1	0	0	0
Other operating revenues	1	321	41	0	17	9	0	0
<b>Total Revenues</b>	<b>5 257</b>	<b>33 922</b>	<b>6 261</b>	<b>252</b>	<b>2 897</b>	<b>2 125</b>	<b>1 321</b>	<b>0</b>
<b>Expenses without depreciation</b>								
Wage expenses (wages)	-3 215	-7 158	-3 213	-347	-1 991	-807	-749	-1230
Social Security expenses	-339	-719	-406	-32	-214	-75	-88	-177
Expenses for external services	-4 527	-4 974	-1 474	-186	-811	-612	-250	-648
Material expenses	-36	-7 885	-72	-1	-66	-8	-7	-73
Book value of sold goods / production and assets	0	-10 141	0	0	-29	0	0	0
Other expenses	-40	-614	-269	-3	-119	-33	-20	-481
<b>Expenses without depreciation Total</b>	<b>-8 157</b>	<b>-31 492</b>	<b>-5 434</b>	<b>-569</b>	<b>-3 230</b>	<b>-1 535</b>	<b>-1 113</b>	<b>-2 609</b>
<b>Capitalization 613</b>	<b>5 242</b>	<b>5 401</b>	<b>681</b>	<b>339</b>	<b>946</b>	<b>1</b>	<b>4 536</b>	<b>184</b>
<b>Unfinished production 611</b>	<b>471</b>	<b>274</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EBITDA</b>	<b>2 814</b>	<b>8 106</b>	<b>1 508</b>	<b>21</b>	<b>613</b>	<b>591</b>	<b>4 744</b>	<b>-2 425</b>
<b>Depreciation and amortization</b>	<b>-1 465</b>	<b>-1 687</b>	<b>-543</b>	<b>-21</b>	<b>-162</b>	<b>-65</b>	<b>-4 036</b>	<b>-200</b>
<b>EBIT</b>	<b>1 349</b>	<b>6 419</b>	<b>965</b>	<b>0</b>	<b>451</b>	<b>526</b>	<b>708</b>	<b>-2 625</b>



NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ON 31.12.2017

2016 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Publishing, Media & Cultural Heritage	Retail	G&A for all sectors
Revenues from sales of services	3 762	13 992	4 582	315	3 087	3 981	763	0
Revenues from sales of goods	0	9 946	0	0	30	0	0	0
Revenues from sale of FA	0	700	0	0	0	0	0	0
Revenues from financing	0	0	0	0	0	0	0	0
Revenues from sales of materials	0	0	0	0	3	0	0	0
Other operating revenues	19	159	18	0	58	0	0	0
<b>Total Revenues</b>	<b>3 781</b>	<b>24 976</b>	<b>4 600</b>	<b>315</b>	<b>3 178</b>	<b>3 981</b>	<b>763</b>	<b>0</b>
<b>Expenses without depreciation</b>								
Wage expenses (wages)	-1 753	-6 935	-2 752	-234	-1 643	-2 110	-894	-1020
Social Security expenses	-177	-730	-293	-21	-184	-145	-105	-103
Expenses for external services	-187	-5 966	-914	-19	-411	-373	-344	-405
Material expenses	-358	-4 462	-54	-1	-53	0	-10	-61
Book value of sold goods / production and assets	-450	-9 139	0	0	-24	0	0	0
Other expenses	-380	-256	-191	-6	-199	-121	-17	-163
<b>Expenses without depreciation Total</b>	<b>-3 305</b>	<b>-27 487</b>	<b>-4 204</b>	<b>-281</b>	<b>-2 514</b>	<b>-2 750</b>	<b>-1 370</b>	<b>-1 752</b>
<b>Capitalization 613</b>	<b>1 998</b>	<b>6 863</b>	<b>748</b>	<b>185</b>	<b>282</b>	<b>4</b>	<b>4 411</b>	<b>42</b>
<b>Unfinished production 611</b>	<b>5</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EBITDA</b>	<b>2 479</b>	<b>4 453</b>	<b>1 144</b>	<b>219</b>	<b>947</b>	<b>1 235</b>	<b>3 803</b>	<b>-1 710</b>
<b>Depreciation and amortization</b>	<b>-1 438</b>	<b>-1 875</b>	<b>-793</b>	<b>-10</b>	<b>-103</b>	<b>-5</b>	<b>-3 626</b>	<b>-382</b>
<b>EBIT</b>	<b>1 041</b>	<b>2 578</b>	<b>351</b>	<b>209</b>	<b>844</b>	<b>1 230</b>	<b>178</b>	<b>-2 092</b>



NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ON 31.12.2017

2015 BGN '000	Core	Cross Industry	Financial sector	Health Care	Manufacturing	Publishing, Media & Cultural Heritage	Retail	G&A for all sectors
Revenues from sales of services	2 399	11 864	3 633	172	2 473	3 251	106	0
Revenues from sales of goods	421	7 349	0	0	70	0	0	0
Revenues from sale of FA	963	7	0	0	0	869	0	0
Revenues from financing	0	184	0	0	0	0	0	0
Revenues from sales of materials	0	0	0	0	25	0	0	0
Other operating revenues	0	147	1	0	30	13	0	0
<b>Total Revenues</b>	<b>3 783</b>	<b>19 551</b>	<b>3 634</b>	<b>172</b>	<b>2 598</b>	<b>4 133</b>	<b>106</b>	<b>0</b>
<b>Expenses without depreciation</b>								
Wage expenses (wages)	-1 753	-5 322	-2 328	-108	-1 592	-2 213	-655	-850
Social Security expenses	-168	-522	-281	-15	-188	-213	-76	-85
Expenses for external services	-982	-2 720	-876	0	-444	-1 201	-253	-434
Material expenses	0	-2 930	-49	0	-60	-8	-6	-114
Book value of sold goods / production and assets	-367	-7 108		0				
Other expenses	-292	-323	-259	0	-150	-239	-5	278
<b>Expenses without depreciation Total</b>	<b>-3 562</b>	<b>-18 925</b>	<b>-3 793</b>	<b>-123</b>	<b>-2 434</b>	<b>-3 874</b>	<b>-995</b>	<b>-1 205</b>
<b>Capitalization 613</b>	<b>3 025</b>	<b>2 284</b>	<b>727</b>	<b>0</b>	<b>637</b>	<b>0</b>	<b>3 426</b>	<b>0</b>
<b>Unfinished production 611</b>	<b>0</b>	<b>494</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EBITDA</b>	<b>3 246</b>	<b>3 404</b>	<b>568</b>	<b>54</b>	<b>801</b>	<b>259</b>	<b>2 537</b>	<b>-1 205</b>
<b>Depreciation and amortization</b>	<b>-1 502</b>	<b>-1 274</b>	<b>-665</b>	<b>0</b>	<b>-18</b>	<b>-346</b>	<b>-2 753</b>	<b>-258</b>
<b>EBIT</b>	<b>1 744</b>	<b>2 130</b>	<b>-97</b>	<b>54</b>	<b>783</b>	<b>-87</b>	<b>-216</b>	<b>-1 463</b>



## Core Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Core	Revenues	Revenues from sales of services	5 256	3 762	2 399
		Revenues from sales of goods	0	0	421
		Other operating revenues	1	9	19
		Revenue from sale of FA	0	0	963
		<b>Revenues Total</b>		<b>5 257</b>	<b>3 771</b>
	Expenses without depreciation	Wage expenses (wages)	-3 215	-1 753	-1 753
		Social Security expenses	-339	-177	-168
		Expenses for external services	-4 527	-187	-982
		Material expenses	-36	-358	0
		Book value of sold goods / production and assets	0	-450	-367
		Other expenses	-40	-380	-292
		<b>Expenses without depreciation Total</b>		<b>-8 157</b>	<b>-3 305</b>
	Capitalization 613	Other expenses		2	8
		Depreciation and amortization expenses	879	1 050	1 452
		Expenses for external services	3 413	145	572
		Wage expenses (wages)	865	731	907
		Social Security expenses	85	72	86
	<b>Capitalization 613 Total</b>		<b>5 242</b>	<b>1 998</b>	<b>3 025</b>
	Unfinished production 611	Depreciation and amortization expenses	9	0	0
		Expenses for external services	8	0	0
Wage expenses (wages)		411	5	0	
Material expenses		1	0	0	
Social Security expenses		42	0	0	
<b>Unfinished production 611 Total</b>		<b>471</b>	<b>5</b>	<b>0</b>	
Depreciation and amortization	Depreciation and amortization expenses	-1 465	-1 438	-1 502	
	<b>Depreciation and amortization Total</b>		<b>-1 465</b>	<b>-1 438</b>	<b>-1 502</b>
Financial Result		<b>1 349</b>	<b>1 031</b>	<b>1 763</b>	



## Cross Industry Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	
Cross Industry	Revenues	Revenues from sales of goods	11 361	9 946	7 349	
		Revenues from sales of services	22 060	13 992	11 864	
		Revenue from sale of FA	1	700	7	
		Revenue from financing	179	179	184	
		Other operating revenue	321	159	147	
		<b>Revenues Total</b>		<b>33 922</b>	<b>24 817</b>	<b>19 551</b>
		<b>Expenses without depreciation</b>	Wage expenses (wages)	-7 158	-6 935	-5 322
			Social Security expenses	-719	-730	-522
			Expenses for external services	-4 974	-5 966	-2 720
			Material expenses	-7 885	-4 462	-2 930
			Book value of sold goods / production and assets	-10 141	-9 139	-7 108
			Other expenses	-614	-256	-323
			<b>Expenses without depreciation Total</b>		<b>-23 614</b>	<b>-14 942</b>
		<b>Capitalization 613</b>	Depreciation and amortization expenses	643	532	446
			Expenses for external services	3 062	3 824	542
			Wage expenses (wages)	1 497	1 735	1 146
			Social Security expenses	198	179	150
			Other expenses		592	0
		<b>Capitalization 613 Total</b>		<b>5 401</b>	<b>6 863</b>	<b>2 284</b>
		<b>Unfinished production 611</b>	Other expenses	0	-582	9
	Revenues from sales of services		0	-938	-3 282	
	Expenses for external services		270	320	673	
	Wage expenses (wages)		4	776	350	
	Material expenses		0	465	2 713	
	Social Security expenses		0	61	31	
	<b>Unfinished production 611 Total</b>		<b>274</b>	<b>102</b>	<b>494</b>	
	<b>Depreciation and amortization</b>	Depreciation and amortization expenses	-1 687	-1 428	-1 066	
		<b>Depreciation and amortization Total</b>		<b>-1 687</b>	<b>-1 428</b>	<b>-1 274</b>
<b>Financial Result</b>			<b>14 296</b>	<b>15 412</b>	<b>2 130</b>	





## Financial Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Financial	Revenues	Revenues from sales of services	6 220	4 582	3 633
		Revenue from sale of FA	0	17	0
		Other operating revenue	41	18	1
	<b>Revenues Total</b>		<b>6 261</b>	<b>4 617</b>	<b>3 634</b>
	<b>Expenses without depreciation</b>	Wage expenses (wages)	-3 213	-2 752	-2 328
		Social Security expenses	-406	-293	-281
		Expenses for external services	-1 474	-914	-876
		Material expenses	-72	-54	-49
		Other expenses	-269	-191	-259
	<b>Expenses without depreciation Total</b>		<b>-5 434</b>	<b>-4 204</b>	<b>-3 793</b>
	<b>Capitalization 613</b>	Depreciation and amortization expenses	89	354	419
		Expenses for external services	324	101	0
		Wage expenses (wages)	241	268	270
		Social Security expenses	27	25	38
	<b>Capitalization 613 Total</b>		<b>681</b>	<b>748</b>	<b>727</b>
	<b>Unfinished production 611</b>	Revenues from sales of services	0	-12	-98
		Wage expenses (wages)	0	11	88
		Social Security expenses	0	1	10
	<b>Unfinished production 611 Total</b>		<b>0</b>	<b>0</b>	<b>0</b>
	<b>Depreciation and amortization</b>	Depreciation and amortization expenses	-543	-793	-665
	<b>Depreciation and amortization Total</b>		<b>-543</b>	<b>-793</b>	<b>-665</b>
<b>Financial Result</b>			<b>965</b>	<b>368</b>	<b>-97</b>

## HealthCare Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
HealthCare	Revenues	Revenues from sales of services	252	315	172
		<b>Revenues Total</b>	<b>252</b>	<b>315</b>	<b>172</b>
	<b>Expenses without depreciation</b>	Expenses for external services	-186	-19	0
		Wage expenses (wages)	-347	-234	-108
		Social Security expenses	-32	-21	-15
		Material expenses	-1	-1	0
		Other expenses	-3	-6	0
	<b>Expenses without depreciation Total</b>		<b>-569</b>	<b>-281</b>	<b>-123</b>
	<b>Capitalization 613</b>	Depreciation and amortization expenses	21	10	0
		Wage expenses (wages)	290	161	0
		Social Security expenses	27	14	0
	<b>Capitalization 613 Total</b>		<b>339</b>	<b>185</b>	<b>0</b>
	<b>Unfinished production 611</b>	Revenues from sales of services	0	-19	-15
		Wage expenses (wages)	0	18	19
		Social Security expenses	0	1	1
	<b>Unfinished production 611 Total</b>		<b>0</b>	<b>0</b>	<b>5</b>
	<b>Depreciation and amortization</b>	Depreciation and amortization expenses	-21	-10	0
	<b>Depreciation and amortization Total</b>		<b>-21</b>	<b>-10</b>	<b>0</b>
<b>Financial Result</b>			<b>0</b>	<b>209</b>	<b>54</b>



## Industrial Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	
Industrial	Revenues	Other operating revenue	17	58	30	
		Revenues from sales of goods	29	30	70	
		Revenues from sales of services	2 850	3 087	2 473	
		Revenues from sales of materials	1	3	25	
		<b>Revenues Total</b>	<b>2 897</b>	<b>3 178</b>	<b>2 598</b>	
	Expenses without depreciation	Other expenses	-119	-199	-150	
		Expenses for external services	-811	-411	-444	
		Wage expenses (wages)	-1 991	-1 643	-1 592	
		Social Security expenses	-214	-184	-188	
		Material expenses	-66	-53	-60	
		Book value of sold goods / production and assets	-29	-14	-36	
		Book value of sold materials	0	-11	-6	
			<b>Expenses without depreciation Total</b>	<b>-3 230</b>	<b>-2 514</b>	<b>-2 476</b>
	Capitalization 613	Expenses for external services	289		0	
		Wage expenses (wages)	596	254	575	
		Social Security expenses	62	29	62	
		<b>Capitalization 613 Total</b>	<b>946</b>	<b>282</b>	<b>637</b>	
	Depreciation and amortization	Depreciation and amortization expenses	-162	-103	-102	
		<b>Depreciation and amortization Total</b>	<b>-162</b>	<b>-103</b>	<b>-18</b>	
	<b>Financial Result</b>			<b>451</b>	<b>844</b>	<b>741</b>

## Publishing, Media & Cultural Heritage Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Publishing, Media & Cultural Heritage	Revenues	Other operating revenue	9	12	13
		Revenues from sales of services	2 116	3 981	3 251
		Revenue from sale of FA			869
			<b>Revenues Total</b>	<b>2 125</b>	<b>3 993</b>
	Expenses without depreciation	Other expenses	-33	-121	-70
		Expenses for external services	-389	-373	-1 201
		Wage expenses (wages)	-807	-2 110	-2 213
		Social Security expenses	-75	-145	-213
		Material expenses	-8	0	0
			<b>Expenses without depreciation Total</b>	<b>-1 312</b>	<b>-2 750</b>
	Capitalization 613	Depreciation and amortization expenses	1	4	5
		<b>Capitalization 613 Total</b>	<b>1</b>	<b>4</b>	<b>5</b>
	Depreciation and amortization	Depreciation and amortization expenses	-65	-5	-288
		<b>Depreciation and amortization Total</b>	<b>-65</b>	<b>-5</b>	<b>-288</b>
	<b>Financial Result</b>			<b>749</b>	<b>1 242</b>



## Retail Segment

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Retail	Revenues	Other operating revenue	0	1	0
		Revenues from sales of services	1 321	763	106
	<b>Revenues Total</b>		<b>1 321</b>	<b>763</b>	<b>106</b>
	Expenses without depreciation	Other expenses	-20	-17	-5
		Expenses for external services	-250	-344	-253
		Wage expenses (wages)	-749	-894	-655
		Social Security expenses	-88	-105	-76
		Material expenses	-7	-10	-6
		<b>Expenses without depreciation Total</b>		<b>-1 113</b>	<b>-1 370</b>
	Capitalization 613	Depreciation and amortization expenses	4 031	3 625	2 753
		Wage expenses (wages)	450	700	501
		Social Security expenses	55	86	62
		Expenses for external services			110
	<b>Capitalization 613 Total</b>		<b>4536</b>	<b>4411</b>	<b>3426</b>
	Depreciation and amortization	Depreciation and amortization expenses	-4 036	-3 626	-2 753
	<b>Depreciation and amortization Total</b>		<b>-4 036</b>	<b>-3 626</b>	<b>-2 753</b>
Financial Result			708	178	-216

## 5/ CONSOLIDATED FINANCIAL INCOME / EXPENSES NET

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Financial expenses	-1049	-482	-693	-567	117,63%
Financial income	439	344	419	95	27,62%
<b>Financial income / expenses net</b>	<b>-610</b>	<b>-138</b>	<b>-274</b>	<b>-472</b>	<b>342,03%</b>

Consolidated financial expenses increased by BGN 567 thousand or by 117,63 % in 2017, mainly due to the increase in expenses on currency operations. Financial income also increased by BGN 95 thousand or by 27,26%, mainly due to the increase in revenues from currency operations.

### 5.1/ CONSOLIDATED FINANCIAL INCOME

Consolidated financial income includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Interest income on bank accounts	0	0	7	0	n/a
Interest income on deposits	0	16	14	-16	-100,00%
Interest income on loans	103	89	47	14	15,73%
Revenues from currency operations	336	239	263	97	40,59%
Other financial revenues	0	0	88	0	n/a
<b>Total</b>	<b>439</b>	<b>344</b>	<b>419</b>	<b>95</b>	<b>27,62%</b>



## 5.2/ CONSOLIDATED FINANCIAL EXPENSES

Consolidated financial expenses include:

	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
				BGN '000	%
Interest expense NRA	43	17	31	26	152,94%
Interest expenses	4	8	6	-4	-50,00%
Interest expense on loans	203	75	191	128	170,67%
Interest expense on lease contracts	13	16	17	-3	-18,75%
Expenses on currency operations	665	272	361	393	144,49%
Other financial costs	121	94	87	27	28,72%
<b>Total</b>	<b>1049</b>	<b>482</b>	<b>693</b>	<b>567</b>	<b>117,63%</b>

## 6/ CONSOLIDATED OTHER COMPREHENSIVE INCOME

	31.12.2017	31.12.2016 (adj.)	31.12.2016	31.12.2015 (adj.)	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
						BGN '000	%
Other comprehensive income	-2 634	925	4 790	4 406	3 786	-3559	-384,76%
including other comprehensive income of non-controlling interest	-510	176	0	795	0	-686	-390,18%
including other comprehensive income of equity holders of the parent company	-2 124	749	0	3 453	0	-2873	-383,48%
<b>Total comprehensive income</b>	<b>3 556</b>	<b>4 594</b>	<b>8 459</b>	<b>6 621</b>	<b>6 001</b>	<b>-1038</b>	<b>-22,59%</b>
including total comprehensive income of the non-controlling interest	1 380	1 475	0	1 399	0	-95	-6,42%
including total comprehensive income of equity holders of the parent company	2 176	3 119	0	5 143	0	-943	-30,24%

The way of presenting the other comprehensive income for the current reporting period has been changed, as in the current period the part of the other comprehensive income accruing to the NCI is accounted for non-controlling interest in order to provide clearer information to investors.



# 7/ CONSOLIDATED ASSETS

Like the revenues, assets posted an increase of BGN 12,546 thousand or 10,46% over 2017. Traditionally, most of them, or 26,38%, occupy intangible assets, incl. Goodwill (14,74%), which is dictated by the activity of the Group and its ownership over a significant amount of software modules.

## 7.1. NON-CURRENT ASSETS

<b>Assets</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
<b>Non-current assets</b>					
Intangible assets	48 471	47 571	36 800	900	1,89%
Property, plant and equipment	5 214	3 473	3 594	1 741	50,13%
Investments in subsidiaries	222	7	40	215	3071,43%
Investments in Associates	236	242	276	-6	-2,48%
Deferred tax assets	198	201	200	-3	-1,49%
Expenses for acquisition of fixed assets	36 737	18 429	14 988	18 308	99,34%
Goodwill	19 540	19 540	19 540	0	0,00%
<b>Total</b>	<b>110 618</b>	<b>89 463</b>	<b>75 438</b>	<b>21 155</b>	<b>23,65%</b>

Non-current assets increased by BGN 21 155 thousand or by 23,54% during 2017.

### 7.1.1. PROPERTY, PLANT AND EQUIPMENT

<b>Name of group of tangible assets</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Buildings and constructions	3 951	2 010	1 955	1 941	96,57%
Machinery and equipment	128	215	335	-87	-40,47%
Vehicles	95	147	145	-52	-35,37%
Office furniture	100	112	95	-12	-10,71%
Computer equipment and mobile phones	856	926	933	-70	-7,56%
Renovations of rented premises	84	63	30	21	33,33%
Other TA	0	0	101	0	n/a
<b>Total</b>	<b>5 214</b>	<b>3 473</b>	<b>3 594</b>	<b>1 741</b>	<b>50,13%</b>

<b>Depreciation on assets and periods</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
Depreciation of computer equipment	550	373	428	177	47,45%
Depreciation of machinery and equipment	97	145	224	-48	-33,10%
Depreciation of mobile phones	10	7	6	3	42,86%
Depreciation of office furniture	28	19	21	9	47,37%
Depreciation of own buildings	96	94	50	2	2,13%
Depreciation of repairs of leased assets	0	0	80	0	n/a
Depreciation of vehicles	74	59	60	15	25,42%
Depreciation of other tangible fixed assets	20	63	2	-43	-68,25%
<b>Total</b>	<b>875</b>	<b>760</b>	<b>871</b>	<b>115</b>	<b>15,13%</b>



## Pledge on fixed assets and other assets

As of December 31, 2017 there are established pledge on fixed tangible assets of the Group in relation to borrowings as follows:

- OFFICE № 8 / eight /, located in Sofia, Sofia District Mladost, on the 3rd (third) floor - II (second) office floor, in the building of "Tsarigradsko shose - 7 km" Blvd. (one hundred and thirty-five), elevation +7.45 (plus seven forty-five hundredths) meters, with a built-up area of 176.74 (one hundred and seventy-six whole and seventy four hundredths) sq.m, consisting of OFFICE ROOM, : northeast - office №7 (seven), southeast - corridor and staircase, southwest - yard, northwest - street, along with 4.631% (four hundred and sixty three one thousandth per hundred) IDEAL PARTS of the common parts of the building, which, according to a copy of a cadastral map with data from CRNI, is a building with identifier 68134.4081.392.1 / sixty-eight thousand one hundred and thirty-four point, four thousand eighty-one point, three hundred and ninety two, one, one, along the cadastral map and the cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the building - Sofia, st. 1000, 13 Tsarigradsko shosse Blvd., with an area of Sketch 999.00 sq.m. / ninety ninety-nine square meters /, with number of floors: 5, with purpose: Administrative, business building, with previous plan number: none, old identifier: none, which building is located in a land plot with identifier № 68134.4081.392, and so ideal shares of the right to build on the yard in which the building was built, the whole of which has an area of 3 150 (three thousand one hundred and fifty) square meters, constituting a Regulated Land II-392 (second assigned for a plot of land number ninety-two) in the 11th (eleven) on the plan of the city of Sofia, (the first, assigned for a property number three hundred and ninety-two), street and UPI III-392 (third, assigned for property number three hundred and ninety-two ), which, according to a copy of a cadastral map with data from CRNI, represents a land property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four point four thousand eighty one point three hundred ninety-two / , on the cadastral map and cadastral registers of Sofia, Sofia, Reg. Sofia-city, approved by Order RD - 18 - 35 / 09.06.2011 of the Executive Director of AGKK, with address of the property - Sofia, Mladost district, 135 Tsarigradsko shose Blvd. sketch 3161.00 sq.m. / three thousand one hundred and sixty one square meters /, with a permanent purpose on the territory: Urbanized, with a permanent use: for another type of development, with a number according to the previous plan: 392, district: 11, plot: II, neighbors on the land property on sketch: property with identifier № 68134.4081.10, property with identifier № 68134.4081.48, property with identifier № 68134.4081.55.

Property Act - Decree on the assignment of immovable property dated 23.09.2013, on private enforcement agent Nedelcho Mitev, 43840, filed on 18.10.2013, volume CXXII, number 124

Contractual mortgage of 20.12.2013, Notary Deed 119, Volume X, Reg. No 26272, Case 1690 of 2013 for provision of credit from Allianz Bank Bulgaria AD at the amount of 123000 Euro.

- OFFICE 19 / nineteen /, with identifier 68134.4081.392.1.19 / sixty-eight thousand one hundred and 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 and twenty one hundredths / sq.m, consisting of: office premises, neighbors, corridor, office №20 and neighbors with identified identifiers: the same floor: 68134.4081.392.1.20, under the object: none, above the building: none, together with 2.597% / two five hundred and ninety seven thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the building right on the yard a place described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20, number 38867, for securing an investment loan from Unicredit Bulbank AD at the amount of EUR 300000.

- OFFICE №20 / twenty /, with identifier 68134.4081.392.1.20 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty / with an area of 144.39 / one hundred and forty-four and thirty-nine hundredths / sq.m., consisting of: office space, together with a terrace, with an area of 3.41 / three whole forty one hundredths / sq. in neighboring areas, according to architectural design: office №19, corridor, office №21 and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.19, 68134.4081.392.1.21, under the object: none, above the object : no, together with 3.784% / three hundred seven hundred and eighty four thousand per cent / ideal parts of the common parts of the building and so many ideal parts of the right to build on the yard described below;

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867 ,. for securing an investment loan from Unicredit Bulbank AD amounting to EUR 100000.

- OFFICE N ° 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), with an office area of 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of: office premises, neighbors according to architectural project: office №20, corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.20, under the object: none, above the object: none, together with 2.132% / two whole thirty-two thousand per cent / common





parts of the common parts of the building and so many common parts from the right to build on the yard, landed property with identifier 68134.4081.392 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two /, the whole of which is 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for a property number three hundred and ninety-two /, from the 11th district / eleven / Sofia, Mladost area, Tsarigradsko Shosse Blvd. - 7 / seventh / kilometer, with neighbors: North - plot I-392, east and west - streets, south - plot III-392, 115, Volume 2, Case 247/2002

Act of Property under Items 1.2, 1.3, and 1.4 - Notary Deed of 10.10.2013, Number 181, Volume VII, Reg. No. 20818, Case 1214 of 2013

Contractual mortgage of 10.10.2013, Notary Act 80, Volume 20 reg. Number 38867, . for securing an investment loan from Unicredit Bulbank AD amounting to EUR 300,000.

- Floor 3 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shosse Blvd. with a total area of 796,50 sq.m. Notary deed for the purchase and sale of immovable property № 126, Volume I, reg. № 4551, case № 116 of 23.04.2003.

Contractual mortgage from 13.06.2014, Deed of Deed 84, Volume I-1, Reg. No 2002, Case 63 of 2014 for provision of overdraft loan from Unicredit Bulbank AD at the amount of EUR 100000.

- Floor 5 of the office building "IT-Center Office Express" in Sofia, 135 Tsarigradsko shose Blvd., with an area of 281.81 square meters, according to the Notary deed for sale and purchase of real estate № 86, vol. 4, Reg. No. 10237, Case No 592 of 23.12.2004.

Contractual mortgage of 23/09/2014, Notary Act 37, Volume 18, Reg. No 36189, for the provision of an overdraft loan from ALIANZ BANK BULGARIA amounting to EUR 100000.

- OFFICE № 10 (ten), located in the high office building, built on 135 Tsarigradsko shosse Boulevard (one hundred thirty-five), located in the middle of the eastern part of the third (second office) floor of the building (elevation + 7.45 / plus seven whole forty-five hundredths /), with built-up area of 144.39 / one hundred and forty-four thirty-nine hundredths / sq.m., at boundaries: northeast - first office in number, counted from north to south, southeast - yard, northwest - corridor, as well as the deduction of the property 3.93% / three ninety and three hundredth per cent / common parts of the common parts of the building, corresponding to 44.32 / forty four and thirty-two hundredths / sq.m. built area and 3.93% / three hundred and ninety-three hundredth per cent / ideal parts of the right to build on the yard on which the building, which constitutes a regulated plot of land / plot № II-392 / second, allocated for a plot with a plot number three hundred and ninety-two (from the 11th district), according to the regulation of the territory of Tsarigradsko shose - 7 / seventh / kilometer, 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 / sq. meters and is at boundaries: northeast - UPI purpose number I-392 / first, assigned for a property with a numbering number three hundred and ninety-two /, southeast - street, southwest - plot / plot № III- 392 / third, assigned to property number three hundred and ninety-two / street, according to a Notary deed for the purchase and sale of real estate, entered in the Registry Office - Sofia with int. Reg. No 94655 / 17.12.2008, Act No 43, Volume CCXLL, Case No 66314/08;

Contract for financial leasing 05912-001 / 2014 dated 23.04.2014, concluded with "PIRAEUS LEASING BULGARIA" AD.

A Contractual Mortgage and a Contract for Special Pledge on Receivables to secure Contract № 100-1622 dated July 21, 2015 for overdraft loan from Eurobank Bulgaria AD at the amount of BGN 1 200 000.

- OFFICE with meeting room, cafeteria and service rooms (converted from restaurant), with identifier 68134.4081.392.1.22 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. twenty-two), located in the city of Sofia, district "Mladost", 136 Tsarigradsko Shose Blvd./155 / thirty-five /, in 5 / five / storey administrative, business building with identifier 68134.4081.392.1 / eight thousand one hundred thirty-four. four thousand eighty-one. three hundred and ninety-two. one / on the 5th floor / floor, in the attic of the building, elevation + 16.90 m., with a built-up area of the office 281.81 / two hundred eighty one one and eighty one hundredths / sq.m., to neighbors according to document for property: northeast - staircase and terrace, southwest - staircase and terrace, southeast - terrace and northwest - terrace, and neighbors with identified identifiers: on the same floor: none, under the object: 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, over the object: none, together with 7.384% / seven whole three hundred eighty four thousand per cent / ideal parts of bshtite areas and the right to build on the land, land with ID 68134.4081.392 / sixty-eight thousand one hundred 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) square meters, constituting a regulated landed property II-392 (second, assigned for cadastre number three hundred ninety-two) in the 11th district /, according to the plan of Sofia, Tsarigradsko Shosse - 7th kilometer, with neighbors, according to a document of ownership: north - UPI I-392, south - UPI III-392, east and west - street.

- All current and future receivables arising from the Grant Agreement with BG161PO003-2.2.01-0012-C0001 under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-1203 "under



Priority Axis 2" Increasing the efficiency of businesses and the development of a favorable business environment ", Impact area 2.2. "Establishment of Business Support Infrastructure", Operation 2.2.2 "Establishment of Regional Business Incubators", which was signed between SIRMA GROUP HOLDING JSC and the Ministry of Economy, Energy and Tourism, Executive Agency for Promotion of Small and Medium Enterprises enterprises with contract number BI-02-16 / 02.02.2012 and concluded with it Additional Agreement № BI-02-16-A-3 dated 27.01.2015 between SIRMA GROUP HOLDING JSC and the Ministry of Economy , through the Directorate-General for European Funds for Competitiveness, vein by the Contracting Authority grants under Component 1 and Component 2 of 500 293.50 BGN.

Contractual Mortgage E from 10.04.2017, Notary Act 127, Volume 3, Reg. No 6930, for securing an investment loan from Unicredit Bulbank AD at the amount of BGN 1 781 507.

- OFFICE № 1 / one /, with identifier 68134.4081.392.1.1 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. one / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 152.48 / one hundred and fifty-two forty and forty eight hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №2, street, yard and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.2, under the facility: 68134.4081.392.1.50, above the site: 68134.4081.392.1.7 , together with 3.996% / three nine hundred and ninety-six thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE 2 (two), with identifier 68134.4081.392.1.2 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. two / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 176.56 / one hundred and seventy-six fifty-six hundredths / sq.m, consisting of: one office space, , according to the ownership document: office №1, street, Reg. III-392 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.1, under the object: 68134.4081.392.1.50, above the site: 68134.4081. 392.1.8, together with 4.627% / four six hundred twenty seven thousand per cent / ideal parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 3 / three /, with identifier 68134.4081.392.1.3 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. three / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 95.50 / ninety five fifty fifty hundredths / sqm, consisting of: one office space, with neighbors, for property: UPI III-392, yard with low body, office №4 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, under the project: 68134.4081.392.1.50, above the building: 68134.4081 .392.1.9, together with 2.502% / two whole five hundred and two thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 4 / four /, with identifier 68134.4081.392.1.4 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. four / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.30 / seventy-nine thirty and thirty cent / sq.m, consisting of: one office space, for property: office №3, yard built with low body, office №5 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.3, 68134.4081.392.1.5, under the project: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.078% / two hundred and seventy-eight thousandth per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 5 / five /, with identifier 68134.4081.392.1.5 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. five / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 79.40 / seventy-nine whole and forty hundredths / sq.m, consisting of: one office space, for property: office №4, yard built with low body, office №6 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.4, 68134.4081.392.1.6, under the facility: 68134.4081.392.1.50 , above the site: 68134.4081.392.1.10, together with 2.081% / two hundred and eighty one thousand per cent / common parts of the common parts of the building and the right to build on the site described below;
- OFFICE № 6 / six /, with identifier 68134.4081.392.1.6 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. six / according to the scheme of the site on 1 / first / floor, elevation 4.30 m, with built-up area 81.30 / eighty one and thirty hundredths / sq.m, consisting of: one office space, with neighbors, according to document for property: office №5, yard built with low body, sanitary premises and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.5, under the project: 68134.4081.392.1.50, above the building: 68134.4081.392.1 .10, 68134.4081.392.1.11, together with 2.130% / two hundred and thirty thousand per cent / ideal parts of the common parts of the building and the right to build on the site described above;
- OFFICE № 7 (seven), with identifier 68134.4081.392.1.7 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. seven / according to the scheme of the



site on 2 / second / floor, elevation 7.45 m, built-up area 153.04 / one hundred and fifty three and four hundredths / sq.m, consisting of: one office space, ownership document: street, office number 8, corridor, sanitary premises and yard, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.8, under the facility: 68134.4081.392.1.1, over the site: 68134.4081.392.1. 12, together with 4.010% / four ten thousandths per cent / ideal parts of the common parts of the building and the right to build on the site described below;

- OFFICE № 9 (nine), with identifier 68134.4081.392.1.9 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. nine / according to the scheme of the site on 2 / second / floor, elevation 7.45 m, with built-up area 99.15 / ninety nine and fifteen hundredths / sq.m, consisting of: one office space, with neighbors, for property: UPI III-392, yard built with low body, office №10 and corridor, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the project: 68134.4081.392.1.3, above the site: 68134.4081 .392.1.12, together with 2.598% / two five hundred and ninety-eight thousandth per cent / ideal parts of the common parts of the building and the right to build on the site described below and
- OFFICE № 11 / eleven /, with identifier 68134.4081.392.1.11 / sixty-eight thousand one hundred and thirty-four. four thousand and eighty-one. three hundred and ninety-two. one. eleven), according to the scheme of the site on the 2nd (second) floor, elevation 7.45 m, with built-up area 81.35 / eighty one and thirty-five hundredths / sq.m, consisting of one office space, according to a document of ownership: office №10, yard built with a low body, yard and sanitary premises, and neighbors with identified identifiers: on the same floor: 68134.4081.392.1.10, under the object: 68134.4081.392.1.6, above the site: 68134.4081 .392.1.12, together with 2.132% / two hundred thirty-two thousandth per cent / ideal parts of the common parts of the building and the right to build on the yard, all the lot with an area of 3 150 / three thousand one hundred and fifty / square meters, constituting a regulated landed property II-392 / second for property cadastre number three hundred ninety-two /, from the 11th district / eleven /, according to the plan of the city of Sofia, "Tzarigradsko Shose" - 7 / seventh / kilometer, with neighbors: Regulated plot I-392, UPI III-392 and two streets.

As the only significant non-current tangible assets can be determined: the office-building owned by the Company - offices, floor 1, floor 2, floor 3, floor 5 and part of floor 4 of an office building, located in 135 Tzarigradsko Shosse Blvd., and servers and infrastructure equipment owned by Daticum JSC.

As of the date of this document, the Company does not plan the purchase of significant tangible fixed assets.

## 7.1.2. INTANGIBLE ASSETS

Name group of intangible assets	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016 BGN '000	2017/2016 %
Goodwill	19540	19540	19540	0	0,00%
Development products	6423	11737	9730	-5314	-45,28%
Software products	114	214	314	-100	-46,73%
Rights on Software Modules and Industrial Property	27395	33242	25500	-5847	-17,59%
Reclassified from held for sale to SENPAI embedded assets	13511	0	0	13511	n/a
Other intangible fixed assets	1028	2378	1256	-1350	-56,77%
<b>Total</b>	<b>68011</b>	<b>67111</b>	<b>56340</b>	<b>900</b>	<b>1,34%</b>

In connection with the implementation of the new strategy of the Group, by decision of the Board of Directors in the consolidated financial statement of financial position of Sirma Group Holding JSC as of 31.12.2017 "Assets classified as held for sale" is reclassified as "Intangible assets" as in line with the new strategy, they will be transferred to a subsidiary that is consolidated within the group's consolidated accounts and will need additional development and work to be integration into the intelligent SENPAI system.



Amortization on assets and periods	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Amortization of other intangible fixed assets	132	99	16	33	33,33%
Amortization of software products	99	75	939	24	32,00%
Amortization of development products	5314	4163	92	1151	27,65%
Amortization of products for commercial applications	616	0	0	616	n/a
Amortization of industrial property rights and software modules	1143	772	4896	371	48,06%
<b>Total</b>	<b>7304</b>	<b>5109</b>	<b>5943</b>	<b>2195</b>	<b>42,96%</b>

### 7.1.2.1. GOODWILL

The management of the Group has made the necessary procedures to perform the statutory impairment test for goodwill recognized in the consolidated financial statements for the acquisition of subsidiaries. For this purpose, it is accepted that each individual company appears as a "cash-generating unit". The calculations were made by the management taking into account the estimates of independent licensed valuers as of December 31, 2015 and a detailed review was made as to whether events and facts appeared to indicate changes in the assumptions and judgments made by the end of 2015 at 31.12.2017. As a basis for cash flow projections (before tax), the financial budgets developed by the management of the respective companies and the Group as a whole, covering a three to five year period, as well as other medium- and long-term plans 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 to calculate the recoverable value of each object are in the following ranges:

- Growth rate in the three (or five) year period - from minus 1% to 50%;
- EBITDA growth rate - basically in the range of 1% to 67%;
- post-forecast growth in terminal value calculation - 0%;
- Discount rate (based on WACC) - from 3% to 30%.

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

There is no change in Goodwill for the reporting period and it retains the amount of BGN 19 540 thousand:

	31.12.2017 BGN '000
<b>Acquired company</b>	
Sirma Solutions	11754
EngView Systems Latin America	14
Panaton Soft. Ink. USA	1 863
Sirma Enterprise Systems	5 722
Ontotext	19
S&G Technology Services Ltd.	164
Sirma Business Consulting	4
<b>Total goodwill</b>	<b>19 540</b>



### 7.1.3. EXPENDITURE ON THE ACQUISITION OF LONG-TERM INTANGIBLE ASSETS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Expenditure on acquisition fixed assets	36 737	18 429	14 988	18308	99,34%

### 7.1.4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, investments were recorded in the accounting records in EngView USA and EngView Latin America. These companies do not participate in the consolidated statement of Sirma Group Holding JSC, because they are not material.

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

The parent company and its subsidiaries operate on the territories of the Republic of Bulgaria and the USA.

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

### 7.1.5. DEFERRED TAX ASSETS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
<b>Deferred tax assets</b>					
Unused leave	71	63	52	8	12,70%
Depreciation	3	2	1	1	50,00%
Loss	16	16	30	0	0,00%
Impaired receivables	10	9	12	1	11,11%
Impairment of inventories	5	6	5	-1	-16,67%
Impairment of investments	65	46	60	19	41,30%
Unpaid amounts to individuals	23	55	39	-32	-58,18%
Taxed temporary difference on expense	5	4	1	1	25,00%
<b>Total</b>	<b>198</b>	<b>201</b>	<b>200</b>	<b>-3</b>	<b>-1,49%</b>

## 7.2. CURRENT ASSETS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
<b>Assets</b>					
<b>Current assets</b>					
Inventories	2 576	766	892	1810	236,29%
Trade receivables	9 098	8 601	7 144	497	5,78%
Receivables from related parties	2 460	2 270	1 633	190	8,37%
Tax receivables	386	311	128	75	24,12%
Other receivables	1 114	526	565	588	111,79%
Prepaid expenses	164	134	104	30	22,39%
Money and cash equivalents	6 119	6 075	11 176	44	0,72%
<b>Total</b>	<b>21917</b>	<b>18683</b>	<b>21642</b>	<b>3234</b>	<b>17,31%</b>

Current assets increased by BGN 3 234 thousand or by 17,31% during 2017.



## 7.2.1. INVENTORIES

Inventories are:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
<b>Assets</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Expenditures for delivery of TFA	0	0	2	0	n/a
Materials	86	70	65	16	22,86%
Computer Components	0	4	48	-4	-100,00%
Goods	57	0	0	57	n/a
Other tangible assets	891	452	23	439	97,12%
Work in progress- projects	1542	240	754	1302	542,50%
<b>Total</b>	<b>2576</b>	<b>766</b>	<b>892</b>	<b>1810</b>	<b>236,29%</b>

## 7.2.2. RECEIVABLES FROM RELATED PARTIES

Consolidated receivables from related parties:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>
Receivables on sale of goods and services	814	958	685	-144	-15,03%
Commercial loans	1645	1311	947	334	25,48%
Deposits provided	1	1	1	0	0,00%
<b>Total</b>	<b>2460</b>	<b>2270</b>	<b>1633</b>	<b>190</b>	<b>8,37%</b>

The balance of receivables is formed from receivables from companies not participating in the consolidation but related parties within the meaning of the law.

Sales receivables are interest-free and are in BGN, EUR or USD.

Typically, companies in the Group negotiate a payment term for sales receivables between 10 and 30 days, and for sales receivables of materials up to 90 days.

The Group has set a maximum credit period of up to 365 days for which it does not charge interest to the related party-related counterparties. The delay after this period was accepted by the Group as an indicator of impairment.

The management of the Group companies assesses the collection by analyzing the specific receivables and the condition of the debtor company as well as the circumstances of the delay and the repayment options and then decides whether to recognize and accrue impairment on an individual basis and to what extent.

Loans are provided for working capital to the respective counterparties. As of 31.12.2017 the loans are not further secured by a special pledge or guarantee.





*The conditions under which loans to affiliated companies are granted are as follows:*

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
<b>Receivables from entities under indirect common control</b>								
Sirma ISG	250	31.12.2018	5,00%	250	114	58	136	119,30%
Sirma Media	18	31.12.2018	6,50%	18	18	18	0	0,00%
Pirina Technologies	590	31.12.2018	6,50%	591	591	587	0	0,00%
Flash Media	0	31.12.2018	6,50%	0	7	8	-7	-100,00%
Sirma ICS	250	31.12.2018	3,00%	250	0	0	250	n/a
<b>Subsidiaries</b>								
Sirma Solutions	800	31.12.2018	3,75%	800	415	1805	385	92,77%
Sirma Enterprise Systems	3165	31.12.2018	5%, 5,5%	3165	2635	1205	529	20,08%
Ontotext	0	31.12.2018	5%, 3%	0	764	0	-764	-100,00%
Sirma Medical Systems	421	31.12.2018	5,00%	421	150	0	193	128,67%

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

### 7.2.3. TRADE RECEIVABLES

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
Receivables from customers	9142	8620	7177	522	6,06%
Impairment of uncollectible receivables	-256	-55	-97	-201	365,45%
Provider advances made	212	36	64	176	488,89%
<b>Total</b>	<b>9098</b>	<b>8601</b>	<b>7144</b>	<b>497</b>	<b>5,78%</b>

### Maturity analysis of trade receivables

	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
up to 90 days	6685	5577	3185	1108	19,87%
from 91 to 180 days	1906	1693	2134	213	12,58%
from 180 to 360 days	203	331	910	-128	-38,67%
<b>Regular receivables up to 1 year</b>	<b>8794</b>	<b>7601</b>	<b>6229</b>	<b>1193</b>	<b>15,70%</b>
from 1 to 2 years	283	761	190	-478	-62,81%
over 2 years	831	239	725	592	247,70%
<b>Regular receivables over 1 year</b>	<b>1114</b>	<b>1000</b>	<b>915</b>	<b>114</b>	<b>11,40%</b>
<b>Total</b>	<b>9908</b>	<b>8601</b>	<b>7144</b>	<b>1307</b>	<b>15,20%</b>

Receivables from customers are interest-free and are mainly in: Bulgarian BGN, EUR, CAD and US \$.

Typically, the Group companies negotiate with customers the payment term for sales receivables of 30 to 180 days, unless there are certain specific maturity conditions for certain customers.

The group has defined a usual 360-day credit period for which it does not charge interest to customers. The delay after this period was accepted by the Group as an indicator of impairment. The management of the Group companies assesses the collection by analyzing the exposure of the particular client, the repayment options (to the client and through the collateral) and decides on the recognition and accrual of the respective impairment.

## 7.2.4. TAX RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Prepaid expenses	164	134	104	30	22,39%
Deposits	0	0	101	0	n/a
Other receivables	1114	526	276	588	111,79%
<b>Total</b>	<b>1278</b>	<b>660</b>	<b>481</b>	<b>618</b>	<b>93,64%</b>

Tax receivables include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Profit tax receivables	9	19	128	-10	-52,63%
VAT receivables	377	292	0	85	29,11%
<b>Total</b>	<b>386</b>	<b>311</b>	<b>128</b>	<b>75</b>	<b>24,12%</b>

## 7.2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Current accounts	6062	5854	10981	208	3,55%
Cash in hand	55	64	195	-9	-14,06%
Blocked cash	2	157	0	-155	-98,73%
<b>Total</b>	<b>6119</b>	<b>6075</b>	<b>11176</b>	<b>44</b>	<b>0,72%</b>





## 8/ EQUITY

Equity during the period increased by BGN 4 245 thousand or by 4,15% in 2017.

	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2015</b>	<b>Change</b>
	<b>BGN '000</b>	<b>(adj.)</b>	<b>BGN '000</b>	<b>(adj.)</b>	<b>BGN '000</b>	<b>2016-2017</b>
		<b>BGN '000</b>		<b>BGN '000</b>		<b>BGN '000</b>
Main / Share Capital	59361	59361	59361	59361	59361	0
<i>Change</i>						<i>0,00%</i>
Reserves	7483	8936	8279	7740	7083	-1453
<i>Change</i>						<i>-16,26%</i>
Retained earnings / (Accumulated loss) from previous years	14856	9205	11750	7333	8579	5651
<i>Change</i>						<i>61,39%</i>
Non-controlling interest	25 221	24 961	23 073	23 669	23 080	260
<i>Change</i>						<i>1,04%</i>
Changes resulting from purchased own shares	-475	-262	-262	0	0	-213
<i>Change</i>						<i>81,30%</i>
<b>Total</b>	<b>106446</b>	<b>102201</b>	<b>102201</b>	<b>98103</b>	<b>98103</b>	<b>4245</b>
<b><i>Change</i></b>						<b><i>4,15%</i></b>

### 8.1 MAIN SHARE CAPITAL

As at 31.12.2017 the registered share capital of SIRMA GROUP HOLDING JSC amounted to BGN 59 361 thousand, divided into 59 360 518 dematerialized registered shares with a nominal value of BGN 1.

Shares are ordinary, dematerialized with the right to vote, the right to receive a dividend and a liquidation share.

#### HISTORY OF CHANGES IN SHAREHOLDERS 'EQUITY

- Through an initial public offering, according to a resolution of the GMS dated 04.12.2014, an increase of the capital of Sirma Group Holding JSC was registered on 30.10.2015, increasing the capital to 59 360 518 BGN.
- During the transformation entered in the Commercial Register on 23.10.2014. the Company's capital is reduced to 49 837 156 through the cancellation of 23 503 662 shares. This decrease is a result of the estimated fair value of the shares of Sirma Group Holding JSC by three independent valuers. The shareholding structure of the Company does not change as a result of the separation until the shareholding structures in the transforming and newly established companies are mirrored.
- On 22.10.2010. as a result of the decision of the regular annual general meeting of the Company's shareholders, a reduction of the capital of Sirma Group Holding JSC from 77,252,478 BGN to 73,340,818 BGN was recorded through the cancellation of 3,911,660 shares with a par value of one each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n in [Bulgarian commercial law](#).
- On 15.10.2008 after the adoption of three triple expert appraisals, the share 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 amounting to 3 911 660 BGN:

□ Office building - offices, floor 3th and floor 5th of an office building, located in Sofia, 135 Tsarigradsko shose Blvd., owned by "Sirma Group" JSC, a company registered in the Commercial Register at the Registry Agency UIC 040529004, with headquarters and address of management in Sofia, Mladost district, 135 Tsarigradsko shose Blvd., accepted as shareholder in "SGH" JSC by decision of the General Meeting of "SGH" JSC from 10.07.2008

3) Non-cash contribution representing shares of 11 734 980 BGN:

□ A total of 81,690 shares of the total amount of 11,734,980 BGN (143.6526 BGN per share) of the capital of "Sirma Group" JSC, registered in the Commercial Register at the Registry Agency UIC, 040529004.

## 8.2 RESERVES

	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015	Change	Change
	BGN '000	(adj.) BGN '000	BGN '000	(adj.) BGN '000	BGN '000	2017-2016 BGN '000	2017/2016 %
Emissions premiums	1634	1932	1932	1985	1985	-298	-15,42%
Reserves	3036	1733	1 557	1409	1 233	1303	75,19%
Reserves from restated reports	2156	4614	4790	3689	3865	-2458	-53,27%
<b>Total</b>	<b>6 826</b>	<b>8 279</b>	<b>8 279</b>	<b>7 083</b>	<b>7 083</b>	<b>-1453</b>	<b>-17,55%</b>

## 8.3 RETAINED EARNINGS

	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015	Change	
	BGN '000	(adj.) BGN '000	BGN '000	(adj.) BGN '000	BGN '000	2016-2017 BGN '000	
Retained earnings / (Accumulated loss) from previous years		11213	7492	8081	6364	6364	3721
<i>Change</i>							49,67%
Current financial result		4300	2370	3669	1626	2215	1930
<i>Change</i>							81,43%
including profit from non- controlling interest		0	0	1352	0	786	0
<i>Change</i>							n/a
<b>including profit per equity holders of the parent company</b>		<b>4300</b>	<b>2370</b>	<b>2370</b>	<b>1626</b>	<b>1626</b>	<b>1930</b>
<i>Change</i>							81,43%
including loss from non- controlling interest		0	0	-53	0	-197	0
<i>Change</i>							n/a
<b>Total</b>		<b>15513</b>	<b>9862</b>	<b>11750</b>	<b>7990</b>	<b>8579</b>	<b>5651</b>
<b>Change</b>							<b>57,30%</b>

The adjustment is due to a change in the presentation - there is an undistributed profit from a past period and a current profit on one line - undistributed profit with indicating only the profits of the holders of shares of the parent company.

## 8.4 NON-CONTROLLING INTEREST

	31.12.2017	31.12.2016	31.12.2016	31.12.2015	31.12.2015	Change	Change
	BGN '000	(adj.) BGN '000	BGN '000	(adj.) BGN '000	BGN '000	2017-2016 BGN '000	2017/2016 %
Non-controlling interest	25221	24961	23073	23669	23080	260	1,04%



## 9/ CONSOLIDATED LIABILITIES

Like the consolidated assets, the consolidated liabilities increased by BGN 8 301 thousand or 46,67% in 2017, which can be traced back to the following tables.

### 9.1. NON-CURRENT LIABILITIES

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
<b>Non-current liabilities</b>					
Provisions	177	196	151	-19	-9,69%
Long-term loans	1 924	437	510	1487	340,27%
Finance lease liabilities	199	240	278	-41	-17,08%
Financing (Grants)	159	159	8	0	0,00%
Liabilities to suppliers	28	35	89	-7	-20,00%
Deferred tax liabilities	1335	1124	1131	211	18,77%
<b>Total</b>	<b>3822</b>	<b>2191</b>	<b>2167</b>	<b>1631</b>	<b>74,44%</b>

Non-current liabilities increased by BGN 1 631 thousand or by 74,44% in 2017.

#### 9.1.1. LONG-TERM LOANS AND FINANCIAL LEASING

##### Long-term finance lease liabilities

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Finance lease liabilities	199	240	278	-41	-17,08%

The lease for the purchase of real estate has the following parameters:

Company	Creditor	Currency	Credit amount in currency	Type	Value at 31.12.2017	Interest rate	Contract end date
Sirma Group Holding	Pireos Leasing	Euro	154 082	Leasing	79 803	3M Euribor + 4,75%	30.4.2021

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## Long-term and short-term bank loans

Recipient of credit	In Bank	Type of loan	Currency	Total amount of credit	Remaining obligation to 31.12.2017	Date of making the loan	Interest rate	Number of remaining installments	The amount of monthly installment	End date of the contract	Collateral
Loans in which the Issuer is a debtor											
Sirma Group Holding JSC	Eurobank Bulgaria	overdraft	BGN	2 200 000,00	2 193 502,00	11.8.2017	2,50%			31.7.2018	Pledge on shares – 1 373 548 of the share of Sirma Business Consulting JSC, owned by Sirma Solutions, Pledge of Future and Current Cash Receivables and Stocks on the Open Account in Eurobank, Receivables Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Contractual mortgage of a real estate located in Sofia, Mladost district, Tsarigradsko Shose Blvd 135, namely the 5th floor of the building (EUR 2 282 021)
Sirma Group Holding JSC	Societe Generale Expressbank	overdraft	BGN	2 000 000,00	1 994 272,00	8.8.2017	1 m. SOFIBOR +1,8%			31.8.2018	Pledge of 1 392 740 registered shares of the capital of Datium JSC, owned by Sirma Solutions JSC
Sirma Group Holding JSC	Unicredit Bulbank	investment	BGN	1 781 507,00	1 637 638,00	7.4.2017	3 m. SOFIBOR; premium 2.5%	107	16 495,00	7.4.2027	Office №1, 2, 3, 4, 5, 6, 7, 9, 11
Sirma Group Holding JSC	Allianz Bank Bulgaria	investment	EUR	123 000,00	73 560,00	18.12.2013	6m. LIBOR EUR + 4.75%, but not less than 4.75%	71	1 030,00	25.11.2023	Office №8 , 3th floor+pledge of receivables totaling EUR 123,000
Sirma Group Holding JSC	Unicredit Bulbank	investment	EUR	300 000,00	150 015,00	8.10.2013	3 m. EURIBOR + 4.45%	72	2 083,00	8.12.2023	Office №19; Office №20; Office №21 +pledge of receivables



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Loans in which the Issuer is a guarantor									
Sirma Solutions		overdraft	BGN	420 000,00	416 336,00	30.5.2015	1 m. SOFIBOR + 2,9%	31.5.2018	Office №19; Office №20; Office №21 + pledge of receivables
Ontotext		overdraft	EUR	460 000,00	242 382,00	30.5.2016	1 m. EURIBOR (but not less than 3.5%) in euro or 1 m. SOFIBOR (but not less than 2,9%) in BGN	30.5.2018	Ontotext - Contracts for 391 041 GBP + 848 316 GBP;
Sirma Enterprise Systems		overdraft	BGN	550 000,00	548 740,00	8.10.2013	1 m. SOFIBOR + 2,9%, but not less than 2,9%	31.3.2018	Office №19; Office №20; Office №21 + pledge on receivables + contract EUR 400 000.
Sirma Solutions	Unicredit Bulbank	overdraft	EUR	810 000,00	750 407,00	30.5.2015	1 m. EURIBOR + 2,9%	30.5.2018	3th Floor, 135 Tsarigradsko shose office building Sofia + pledge on receivables \$ 700,000 / annually by Sirma USA and all other receivables
Sirma Solutions		overdraft	EUR	700 000,00	607 360,00	30.5.2015	1 m. EURIBOR + 2,9%	30.5.2018	Another mortgage 3th floor, office building Tsarigradsko shose 135; Next mortgage Office №19; office №20; office №21 floor 4; Pledge under the terms of the Contract on receivables under Contracts concluded between Sirma Solutions JSC and its clients in the total amount of BGN 9 210 022



## 9.1.2. DEFERRED TAX LIABILITIES

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Depreciation	35	9	2	26	288,89%
Unpaid amounts to individuals	20	17	18	3	17,65%
Taxable temporary differences due - from Tax balance and Acc.balance value	1280	1098	1111	182	16,58%
<b>Total</b>	<b>1335</b>	<b>1124</b>	<b>1131</b>	<b>211</b>	<b>18,77%</b>

## 9.1.3. LONG-TERM LIABILITIES TO SUPPLIERS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Long-term obligations to suppliers	28	35	8	-7	-20,00%

## 9.1.4. LONG-TERM FINANCING

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Financing	159	159	89	0	0%

## 9.1.5. LONG-TERM PROVISIONS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Long-term provisions	177	196	151	-19	-9,69%

## 9.2. CURRENT LIABILITIES

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
<b>Current liabilities</b>					
Provisions	714	711	698	3	0,42%
Pension obligations to the staff	1 434	1 731	1 043	-297	-17,16%
Short-term loans	8 452	2 966	1 588	5486	184,96%
Finance lease liabilities	41	42	66	-1	-2,38%
Trade and other payables	4 815	6 792	5 247	-1977	-29,11%
Short-term obligations affiliates	1	1	16	0	0,00%
Tax obligations	1 078	730	538	348	47,67%
Advances received	2 583	1 676	1 892	907	54,12%
Deferred income and financing	414	452	635	-38	-8,41%
Other liabilities	2735	496	275	2239	451,41%
<b>Total Current liabilities</b>	<b>22 267</b>	<b>15 597</b>	<b>11 998</b>	<b>6670</b>	<b>42,76%</b>

Current liabilities increased by 42,76% in 2017.



## 9.2.1. SHORT-TERM LOANS AND FINANCIAL LEASING

### Short-term loans

Company	Bank	31.12.2017	31.12.2016	31.12.2015	Change	Change
		BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
					BGN '000	%
EngView Systems Sofia	Bulbank	2	3	3	-1	-33,33%
Ontotext	EUR/ Bulbank	474	829	710	-355	-42,82%
Sirma Enterprise Systems	Bulbank	549	215	653	334	155,35%
Sirma Group Holding	Societe Generale Expresbank	1994	0	0	1994	100,00%
Sirma Group Holding	Eurobank	2194	298	0	1896	100,00%
Sirma Group Holding	Allianz Bank Bulgaria	24	24	222	0	100,00%
Sirma Group Holding	Bulbank	49	49	0	0	100,00%
Sirma USA	Bank	16	2	0	14	700,00%
Sirma Solutions	EUR/Bulbank	1546	994	0	552	55,53%
Sirma Solutions	Bulbank	1188	0	0	1188	100,00%
Sirma Solutions	EUR/Bulbank	416	552	0	-136	-24,64%
<b>Total</b>		<b>8452</b>	<b>2966</b>	<b>1588</b>	<b>5486</b>	<b>184,96%</b>

### Short-term finance lease liabilities

	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
				BGN '000	%
Short-term finance lease liabilities	41	42	66	-1	-2,38%

## 9.2.2. TRADE AND OTHER PAYABLES

	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
				BGN '000	%
Obligations to suppliers	4 112	6 159	3 713	-2047	-33,24%
Other estimates with suppliers	703	633	1534	70	11,06%
<b>Total</b>	<b>4815</b>	<b>6792</b>	<b>5247</b>	<b>-1977</b>	<b>-29,11%</b>

## 9.2.3. DUTIES ON ADVANCES

	31.12.2017	31.12.2016	31.12.2015	Change	Change
	BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
				BGN '000	%
Clients on advances in BGN	929	752	704	177	23,54%
Clients on advances in foreign currency	1654	924	1188	730	79,00%
<b>Total</b>	<b>2583</b>	<b>1676</b>	<b>1892</b>	<b>1255</b>	<b>54,12%</b>



## 9.2.4. SHORT-TERM PAYABLES TO RELATED PARTIES

Short-term obligations to affiliates by type are as follows:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Delivery of services	0	0	16	0	n/a
Liabilities on borrowings received	1	1	0	0	0,00%
<b>Общо</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>0</b>	<b>0,00%</b>

## 9.2.5. TAX OBLIGATIONS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
VAT receipts	32	219	98	-187	-85,39%
Profit tax receipts	651	131	82	520	396,95%
Other budget receipts	20	22	0	-2	-9,09%
TTA receipts	375	358	358	17	4,75%
<b>Total</b>	<b>1078</b>	<b>730</b>	<b>538</b>	<b>348</b>	<b>47,67%</b>

## 9.2.6. PENSION AND OTHER OBLIGATIONS TO THE STAFF AND SOCIAL SECURITY

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Social securities for unused leaves	63	65	56	-2	-3,08%
Staff recruited under a civil contract	5	14	7	-9	-64,29%
Staff hired under contract for management and control	136	177	125	-41	-23,16%
Staff recruited under a labor contract	861	900	480	-39	-4,33%
Payables to insurance enterprises	369	575	370	-206	-35,83%
Employees hired under a labour contract abroad	0	0	5	0	n/a
<b>Total</b>	<b>1434</b>	<b>1731</b>	<b>1043</b>	<b>-297</b>	<b>-17,16%</b>

## 9.2.7. OTHER CURRENT LIABILITIES

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Other liabilities	2735	496	275	2239	451,41%





## 9.2.8. CURRENT PROVISIONS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Accruals on unused leaves	602	571	432	31	5,43%
Contributions for unused leaves	63	82	39	-19	-23,17%
Bonus provisions	49	58	227	-9	-15,52%
<b>Total</b>	<b>714</b>	<b>711</b>	<b>698</b>	<b>3</b>	<b>0,42%</b>

## 9.2.9. DEFERRED INCOME AND FINANCING

	31.12.2017	31.12.2016	31.12.2015	Change 2017- 2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Deferred income and financing	414	452	635	-38	-8,4%

# 10/ PROFIT / LOSS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Current financial result	6190	3669	2215	2521	68,71%
including profit non-controlling interest	2036	1352	786	684	50,59%
including non-controlling interest loss	-146	-53	-197	-93	175,47%
including profit per equity holders of the parent company	4300	2370	1626	1930	81,43%

	31.12.2017	31.12.2016 (adj.)	31.12.2016	31.12.2015 (adj.)	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	%
Basic earnings per share	0,0730	0,0401	0,0401	0,0274	0,0274	0,033	82,09%
Basic earnings per share, incl. other comprehensive income	0,0367	0,0525	0,1433	0,0866	0,1011	0,0274	-74,42%



# 11/ INDICATORS AND COEFFICIENTS

№	Indicators	31.12.2017	31.12.2016	31.12.2015	Change	Change
		BGN '000	BGN '000	BGN '000	2017-2016	2017/2016
					BGN '000	%
1	Revenue from operating activities	52 036	41 583	33 977	10453,00	25,14%
2	Cost of sales	(42 663)	(35 919)	(30 139)	-6744,00	18,78%
3	Gross profit / loss	9 373	5 664	3 838	3709,00	65,48%
4	Other operating costs	(1 579)	(1 333)	( 990)	-246,00	18,45%
5	Operating profit / loss	7 794	4 331	2 848	3463,00	79,96%
6	Financial income	439	344	419	95,00	27,62%
7	Financial costs	(1 049)	( 482)	( 693)	-567,00	117,63%
8	Profit / loss before tax expense	7 184	4 193	2 574	2991,00	71,33%
9	Tax costs	( 994)	( 524)	( 359)	-470,00	89,69%
10	Net profit / loss	6 190	3 669	2 215	2521,00	68,71%
11	Dividend	594	0	0	594,00	n/a
12	Cash and cash equivalents	6 119	6 075	11 176	44,00	0,72%
13	Inventories	2 576	766	892	1810,00	236,29%
14	Short-term assets	21 917	18 683	21 642	3234,00	17,31%
15	Total amount of assets	132 535	119 989	112 268	12546,00	10,46%
16	Average arithmetic total asset value for 5 quarters	123 799	113 018	101 849	10781,00	9,54%
17	Current liabilities	22 267	15 597	11 998	6670,00	42,76%
18	Debt	10 616	3 685	2 442	6931,00	188,09%
19	Liabilities (borrowed funds)	26 089	17 788	14 165	8301,00	46,67%
20	Equity	106 446	102 201	98 103	4245,00	4,15%
21	Equity averaged 5 quarters	104 445	98 189	87 919	6256,22	6,37%
22	Turnover capital	-350	3 086	9 644	-3436,00	-111,34%
23	Number of shares at the end of the period (in thousands)	59 361	59 361	59 361	0,00	0,00%
24	Gain / loss minority interest	1890	1299	589	591,00	45,50%
25	Interest expenses	216	208	245	8	3,85%
26	Weighted average price of last trading session	1,085	1,1795	1,2025	-0,0945	-8,01%
27	Last price per share of last trading session	1,088	1,189	1,2	-0,101	-8,49%



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Indicators				Change	Change
	31.12.2017	31.12.2016	31.12.2015	2017-2016	2017/2016
					%
EBITDA	15 363	12 424	9 664	2939	23,66%
DEPRTIATION	(8 179)	(8 231)	(6 816)	52	-0,63%
EBIT	7 400	4 401	2 460	2999	68,14%
FIN/INVEST NET	( 610)	( 138)	( 274)	-472	342,03%
EBT	7 184	4 193	2 574	2991	71,33%
ROA	0,0319	0,0198	0,0145	0,0122	61,70%
ROA(BSE)	0,0342	0,0210	0,0160	0,0132	63,05%
Debt/EBITDA Ratio	0,6910	0,2966	0,2527	0,3944	132,97%
Quick Ratio	0,8686	1,1487	1,7295	-0,2802	-24,39%
ROE (BSE)	0,0522	0,0316	0,0185	0,0207	65,46%
ROE	0,0593	0,0374	0,0252	0,0219	58,61%
Debt/Equity Ratio (BSE)	0,2451	0,1740	0,1444	0,0710	40,82%
<b>Profitability ratios</b>					
Gross profit margin	0,1801	0,1362	0,1130	0,0439	32,24%
Operating profit margin	0,1498	0,1042	0,0838	0,0456	43,81%
Net profit margin	0,1190	0,0882	0,0652	0,0307	34,82%
<b>Coefficients for assets and liquidity</b>					
Assets turnover ratio	0,4239	0,3710	0,3377	0,0529	14,26%
Assets turnover ratio (BSE)	0,4203	0,3679	0,3336	0,0524	14,24%
Operating cycle	-148,6743	13,4747	3,5231	-162,1490	-1203,36%
Current ratio	0,9843	1,1979	1,8038	-0,2136	-17,83%
Quick ratio	0,8686	1,1487	1,7295	-0,2802	-24,39%
Cash ratio	0,2748	0,3895	0,9315	-0,1147	-29,45%
<b>Odds per share</b>					
P/S ratio	10,4050	19,0832	2,1009	-8,6783	-45,48%
P/E ratio	1,2377	1,6838	32,2265	-0,4460	-26,49%
P/B ratio	0,7751	0,8848	0,7276	-0,1097	-12,40%
Revenue per share	0,8766	0,7005	0,5724	0,1761	25,14%
Earnings per share	0,1043	0,0618	0,0373	0,0425	68,71%
Book value of equity per share	1,7594	1,6541	1,4811	0,1053	6,37%
<b>Dividends ratio</b>					
Divident payout ratio	0,0960	0,0000	0,0000	0,0960	n/a
Earnings retention ratio	0,9040	1,0000	1,0000	-0,0960	-9,60%
Divident per share	0,0100	0,0000	0,0000	0,0100	n/a
<b>Development Ratios</b>					
Revenue growth	0,2514	0,9003	0,2113	-0,6490	-72,08%
Gross profit growth	0,6548	0,7004	-0,3861	-0,0456	-6,50%
Assets growth	0,1046	0,0688	0,1940	0,0358	52,04%
<b>Leverage Ratios</b>					
Debt/taotal assets	0,0857	0,0326	0,0240	0,0531	162,99%
Debt/capital	0,0923	0,0362	0,0270	0,0561	155,08%
Debt/equity	0,1016	0,0375	0,0278	0,0641	170,84%
Total assets/equity	1,1854	1,1510	1,1584	0,0343	2,98%
Market value of the company	64585	70580	71233	-5995,46	-8,49%



# 12/ CASH FLOW

The Group has no liquidity problems and operates with the available resources while maintaining a low level of indebtedness for the period under review. Traditionally, the largest pay-out in revenue streams is paid by customers, while the role of a negative item is paid by payments to suppliers and payments for staff and social security contributions.

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
<b>Operation activity</b>					
Cash receipts from customers	59 754	43 674	34 369	34 369	36,82%
Payments to suppliers	(32 371)	(23 532)	(13 748)	(13 748)	37,56%
Payments to employees and social security institutions	(15 905)	(14 029)	(11 994)	(11 994)	13,37%
Cash flows related to interest, dividends and similar	(193)	(40)	(15)	(15)	382,50%
Paid and refunded income tax	(249)	(475)	(284)	226	-47,58%
Positive / negative differences from foreign exchange operations	(100)	-	-	(100)	n/a
Other receipts / (payments), net	(2 320)	(1 272)	(1 134)	(1 048)	82,39%
<b>Net cash flow from operating activities</b>	<b>8 616</b>	<b>4 326</b>	<b>7194</b>	<b>4 290</b>	<b>99,17%</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
<b>Investment activity</b>					
Payments for acquisition of property, plant and equipment	(2 483)	(889)	(2018)	(1 594)	179,30%
Proceeds from the sale of property, plant and equipment	-	3	621	(3)	-100,00%
Sale of subsidiaries	-	15	-	(15)	-100,00%
Acquisition of subsidiaries	(181)	-	-	(181)	n/a
Acquisition / Sale of intangible assets	(11 542)	(9 392)	(6251)	(2 150)	22,89%
Loans, deposits	387	55	2	332	603,64%
Payments on loans	(401)	(151)	(120)	(250)	165,56%
Cash flows associated with investment deposits	-	(5)	-	5	-100,00%
Interest payments on loans	(4)	(25)	(16)	21	-84,00%
Other	(33)	(158)	(109)	125	-79,11%
<b>Net cash flow from investing activities</b>	<b>(14 257)</b>	<b>(10 547)</b>	<b>(7891)</b>	<b>(3 710)</b>	<b>35,18%</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>	<b>Change</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>2017-2016</b>	<b>2017/2016</b>
				<b>BGN '000</b>	<b>%</b>
<b>Financing activity</b>					
Received or provided loans	(892)	1 667	528	(2 559)	-153,51%
Loans payables	7 603	(369)	(2 892)	7 972	-2160,43%
Cash flows from issuance and reacquisition of securities	5	129	11 424	(124)	-96,12%
Proceeds from interest, dividends and similar	(885)	(84)	(125)	(801)	953,57%
Payments under finance leases	(99)	(105)	(64)	6	-5,71%
Cash flows from positive and negative foreign exchange differences	(5)	(91)	7	86	-94,51%
Other	(42)	(27)	(8)	(15)	55,56%
<b>Net cash flow from financing activities</b>	<b>5 685</b>	<b>1 120</b>	<b>8 870</b>	<b>4 565</b>	<b>407,59%</b>



# 13/ DISCLOSURE OF ADJUSTMENTS

## Consolidated statement of comprehensive income of the company

	31.12.2015	31.12.2015	Adjustment	Explanation of the adjustment	Adjustment %	
	'000 BGN.	'000 BGN. adj.	'000 BGN.			
Material costs	-3167		3167	As a result of the restructuring of the financial statements and a change in their presentation, the expenses from operating activities were reduced to 1 line. Consolidated operations were reversed on Material costs for BGN 3167 thousand; Costs of external services 6910 thousand BGN; Depreciation and impairment of non-financial assets 6816 thousand BGN; Cost of goods sold and other current assets 7475 thousand BGN; Changes in inventories of finished goods and work in progress -499 thousand BGN; Capitalized own expenses -10099 thousand BGN; Other expenses 990 thousand BGN A Consolidated Operation - Operational Expenses -14760 thousand BGN was taken.	-100,00%	
Costs for external services	-6910		6910		-100,00%	
Depreciation and impairment of non-financial assets	-6816		6816		-100,00%	
Cost of goods sold and other current assets	-7475		7475		-100,00%	
Changes in inventories of finished goods and work in progress	499		-499		-100,00%	
Capitalized own expenses	10099		-10099		-100,00%	
Other expenses	-990		990		-100,00%	
Operational expenses		-14760	-14760		100,00%	
<b>Other comprehensive income</b>	<b>3786</b>	<b>4327</b>	<b>541</b>		As a result of the restructuring of the accounts and a change in their presentation, a consolidation operation of BGN -3786 thousand was taken; a consolidation operation of BGN 4327 thousand was taken. and a division of participation in Other comprehensive income of the non-controlling interest and ownership interests of the parent company is made. As a result of these changes, the "Total comprehensive income" summary line is also changed.	<b>14,29%</b>
<i>including other comprehensive income of non-controlling interest</i>	<i>0</i>	<i>810</i>	<i>810</i>			100,00%
<i>including other comprehensive income of equity holders of the parent company</i>	<i>0</i>	<i>3517</i>	<i>3517</i>		100,00%	
<b>Total comprehensive income</b>	<b>6001</b>	<b>6542</b>	<b>541</b>		<b>9,02%</b>	
<i>including other comprehensive income of non-controlling interest</i>	<i>1314</i>	<i>1399</i>	<i>85</i>		6,47%	
<i>including other comprehensive income of equity holders of the parent company</i>	<i>4687</i>	<i>5143</i>	<i>456</i>		9,73%	



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**Consolidated statement of comprehensive income of the company**

	31.12.2016	31.12.2016	Adjustment	Explanation of the adjustment	Adjustment %	
	'000 BGN.	'000 BGN. adj.	'000 BGN.			
Material costs	-4998	0	4998	As a result of the restructuring of the financial statements and a change in their presentation, the expenses from operating activities were reduced to 1 line. Consolidated operations were reversed on Material costs for BGN 4998 thousand; Costs of external services 8619 thousand BGN; Depreciation and impairment of non-financial assets 8231 thousand BGN; Cost of goods sold and other current assets 9613 thousand BGN; Changes in inventories of finished goods and work in progress -107 thousand BGN; Capitalized own expenses -14536 thousand BGN; Other expenses 1333 thousand BGN A Consolidated Operation - Operational Expenses -18151 thousand BGN was taken.	-100,00%	
Costs for external services	-8619	0	8619		-100,00%	
Depreciation and impairment of non-financial assets	-8231	0	8231		-100,00%	
Cost of goods sold and other current assets	-9613	0	9613		-100,00%	
Changes in inventories of finished goods and work in progress	107	0	-107		-100,00%	
Capitalized own expenses	14536	0	-14536		-100,00%	
Other expenses	-1333	0	1333		-100,00%	
Operational expenses		-18151	-18151		100,00%	
<b>Other comprehensive income</b>	<b>4790</b>	<b>925</b>	<b>-3865</b>		As a result of the restructuring of the accounts and a change in their presentation, a consolidation operation of BGN -4790 thousand was taken; a consolidation operation of BGN 925 thousand was taken. and a division of participation in Other comprehensive income of the non-controlling interest and ownership interests of the parent company is made. As a result of these changes, the "Total comprehensive income" summary line is also changed.	<b>-80,69%</b>
<i>including other comprehensive income of non-controlling interest</i>	0	176	176			100,00%
<i>including other comprehensive income of equity holders of the parent company</i>	0	749	749	100,00%		
<b>Total comprehensive income</b>	<b>8459</b>	<b>4594</b>	<b>-3865</b>	<b>-45,69%</b>		
<i>including other comprehensive income of non-controlling interest</i>	0	1475	1475	100,00%		
<i>including other comprehensive income of equity holders of the parent company</i>	0	3119	3119	100,00%		



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**Consolidated statement of financial position of the company**

	31.12.2015	31.12.2015	Adjustment	Explanation of the adjustment	Adjustment %
	'000 BGN.	'000 BGN. adj.	'000 BGN.		
Retained earnings / (Accumulated loss) from previous years	8579	7990	-589	Due to the restructuring of the reports and a change in their presentation for the sake of clarity. Current Profit and Retained earnings / (Accumulated loss) from previous years are now disclosed as a sum of one line. A reversed consolidated operation of BGN -589 thousand was made. To transfer the current profit ownership of the non-controlling interest for the year 2015.	-7%
<b>Total capital attributable to the owners of the capital of the parent company</b>	75023	74434	-589	Added total line for total capital attributable to the owners of the parent company's capital.	-0,79%
<b>Non-controlling interest</b>	23080	23669	589	As a result of the reversed consolidation operation from Retained earnings / (Accumulated loss) from previous years, a consolidation operation of BGN 589 thousand was made in Non-controlling interest.	2,55%

**Consolidated statement of financial position of the company**

	31.12.2015	31.12.2015	Adjustment	Explanation of the adjustment	Adjustment %
	'000 BGN.	'000 BGN. adj.	'000 BGN.		
Retained earnings / (Accumulated loss) from previous years	11750	9862	-1888	Due to the restructuring of the reports and a change in their presentation for the sake of clarity. Current Profit and Retained earnings / (Accumulated loss) from previous years are now disclosed as a sum of one line. A reversed consolidated operation of BGN -1888 thousand was made. To transfer the current profit ownership of the non-controlling interest for the year 2016.	-16,07%
<b>Total capital attributable to the owners of the capital of the parent company</b>	79128	77240	-1888	Added total line for total capital attributable to the owners of the parent company's capital.	100,00%
<b>Non-controlling interest</b>	23073	24961	1888	As a result of the reversed consolidation operation from Retained earnings / (Accumulated loss) from previous years, a consolidation operation of BGN 1888 thousand was made in Non-controlling interest.	8,18%



### Consolidated statement of changes in equity of the company

	31.12.2015	31.12.2015	Adjustment	Explanation of the adjustment	Adjustment
	'000 BGN.	'000 BGN.	'000 BGN.		%
		adj.			
Profit / (Loss) for the year	2215	1626	-589	As a result of the restructuring of the statements and a change in their presentation for the sake of clarity, a consolidated operation of BGN -589 thousand was made. to transfer the current profit ownership of the non-controlling interest for the year 2015.	-26,59%
<b>Non-controlling participation</b>	23080	23669	589	As a result of the reversed consolidation operation from the current financial result, a consolidation operation of BGN 589 thousand was made to non-controlling interest.	2,55%

### Consolidated statement of changes in equity of the company

	31.12.2015	31.12.2015	Adjustment	Explanation of the adjustment	Adjustment
	'000 BGN.	'000 BGN.	'000 BGN.		%
		adj.			
Profit / (Loss) for the year	3669	2370	-1299	As a result of the restructuring of the statements and a change in their presentation for the sake of clarity, a consolidated operation of BGN -1299 thousand was made. to transfer the current profit ownership of the non-controlling interest for the year 2016.	-35,40%
<b>Non-controlling interest</b>	23662	24961	1299	As a result of the reversed consolidation operation from the current financial result, a consolidation operation of BGN 1299 thousand was made to non-controlling interest.	5,49%





# 14/ FINANCIAL RISK MANAGEMENT

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## 14.1. Financial risk management

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

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

## 14.2. Foreign exchange rate risk

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

A significant amount of the Group's revenue is generated by exports of services contracted for payment in US dollars. The currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies.

Companies abroad sell their services and products mainly on local markets.

To control currency risk, there is a system in place throughout the Group for import supply planning, sales in foreign currency Sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and control of forthcoming payments.

Borrowings, when denominated in foreign currency, are mainly denominated in euro.

## 14.3. Price risk

The companies of the Group are exposed to price risk by two main factors:

- (a) increasing competition from countries such as India and China with significantly lower labor costs;
- (b) increasing competition on the Bulgarian market for attracting skilled labor and rising labor costs;

To minimize this impact, the Group's management applies a company strategy to optimize costs.

Pricing policy is a function of three main factors - cost structure, competitor prices and consumer purchasing power.



## 14.4. Credit risk

Credit is the risk that the clients of the Group will not be able to repay fully and within the usual time limits the amounts due from them under the trade receivables. The latter are presented in the consolidated statement of financial position in net amount after deduction of accrued impairment on doubtful and bad debts.

Such impairments are made where and when there are events identifying loss of uncollectability under previous experience.

The Group works with contractors with a history of relationships in its core markets, partnering with a large number of Bulgarian and foreign companies and institutions.

Credit risk is minimized through established selection procedures and ongoing monitoring of liquidity and financial stability of trading partners. If the receivables of these counterparties are overdue, the Group has set a 30-day period after which the collection of receivables starts.

Deferred payments (sales on credit) to counterparties are only available to customers who have a long history and commercial cooperation with the Group, good financial standing and no breaches of compliance with the agreed credit terms.

The Group's credit policy provides for each new client to be considered for creditworthiness before offering standard delivery and payment terms. The analysis performed by the Group includes, but is not limited to, customer visits, collection of monthly turnover data.

The collection of receivables is controlled directly by the executive director of the parent company and respectively the subsidiaries' management. It is their responsibility to control and regulate receivables in accordance with the objective market circumstances and needs of the Group.

The Group has developed policies and procedures for assessing the creditworthiness of its counterparties and setting credit rating and credit limits by group of clients.

The management of the Group is currently monitoring and regulating the resulting concentration of receivables by customers and counterparties.

## 14.5. Liquidity risk

The liquidity risk is expressed in the negative situation that the Group will not be able to meet unconditionally all its obligations according to their maturity.

The Group generates and maintains a significant volume of liquidity. An internal source of liquidity for the Group is the main business of its companies generating sufficient operating flows. External sources of funding are banks and other permanent partners. Substantial effect on the Group's liquidity may be the change in the USD exchange rate in relation to dollar positions.

## 14.6. Risk of interest-bearing cash flows

In the structure of the Group's assets, interest-bearing assets are represented by cash, bank deposits and loans granted at a fixed interest rate. On the other hand, the borrowed funds of the Group in the form of long-term and



short-term loans are usually with variable interest rates. This circumstance partially puts the cash flows of the Group in line with interest rate risk. The coverage of this risk is achieved in two ways:

- (a) optimizing sources and the structure of credit resources to achieve a relatively lower cost of borrowed funds; and
- (b) a combined structure of interest rates on loans, which contains two components - constant and variable, the ratio between which and their absolute value can be achieved and maintained at a favorable rate for the companies of the Group. The permanent component has a relatively low absolute value and a large enough relative share in the total interest rate. This circumstance eliminates the likelihood of a significant change in interest rates with a possible update of the variable component. This also minimizes the likelihood of a change in the unfavorable direction of cash flows.

The management of the Group's companies, together with that of the parent, are currently monitoring and analyzing the exposure of the respective company to changes in interest rates.

## 14.7. Capital management risk

With the management of the capital, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return of the invested funds to the shareholders, the economic benefits of other stakeholders and participants in its business as well as to maintain an optimal capital structure, to reduce the cost of capital. An analogous approach is also applied at the individual company level of the Group in terms of its capital structure and financing.

The Group is currently monitoring the capital adequacy and structure on the basis of the debt ratio. This ratio is calculated between the net debt capital and the total amount of the committed capital. Net debt capital is defined as the difference between all borrowed funds (short and long term) as stated in the balance sheet and cash and cash equivalents.

## 14.8. Fair Values

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

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

Also, the bulk of the financial assets and liabilities are either short-term in nature (trade receivables and payables, short-term loans) or are reflected in the statement of financial position at market value (bank deposits, investments in securities) fair value is approximately equal to their carrying amount. An exception to this rule is part of the investments in other companies as a non-controlling interest, for which there is no market and objective conditions for the estimation of their fair value in an honest manner, which is why they are presented at cost. As long as there is not yet a sufficiently developed market, with stability and liquidity for purchases and sales of some financial assets and liabilities, there are not enough and reliable quotes available at market prices.

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



# 15/ RELATED PARTIES TRANSACTIONS

Sales:  
31.12.2017

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	1
Sirma Business Consulting	Sale of service	Other related parties	3
Sirma Group Holding	Sale of service	Other related parties	12
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Group Holding	Other sales	Companies under common indirect control	4
Sirma Solutions	Other sales	Companies under common indirect control	2
<b>Total</b>			<b>32</b>

31.12.2016

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	2
Sirma Group Holding	Sale of service	Other related parties	12
Sirma Group Holding	Sale of service	Companies under common indirect control	10
Sirma Solutions	Interest on loans	Other related parties	17
<b>Total</b>			<b>42</b>

31.12.2015

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Sale of goods	Other related parties	14
Sirma Group Holding	Sale of service	Other related parties	13
Sirma Group Holding	Sale of service	Companies under common indirect control	24
Sirma Business Consulting	Interest on loans	Other related parties	3
Sirma Enterprise Systems	Interest on loans	Other related parties	1
<b>Total</b>			<b>55</b>

Purchases:

31.12.2017

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Service delivery	Other related parties	-17
Sirma Group Holding	Service delivery	Companies under common indirect control	-32
<b>Total</b>			<b>-49</b>

31.12.2016

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Service delivery	Other related parties	-17
Sirma Solutions	Service delivery	Companies under common indirect control	-11
<b>Total</b>			<b>-28</b>

31.12.2015

Company	Type	Type of Connectivity	(BGN '000)
EngView Systems Sofia	Service delivery	Other related parties	-12
<b>Total</b>			<b>-12</b>



NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED ON 31.12.2017

Loans:

31.12.2017 г.

Company	Type	Type of Connectivity	(BGN '000)
Sirma Group Holding	loan	Other related parties	608
Sirma Enterprise Systems	loan	Other related parties	18
Sirma Business Consulting	loan	Other related parties	46
Sirma Solutions	loan	Companies under common indirect control	284
Sirma Solutions	loan	Other related parties	331

31.12.2016 г.

Company	Type	Type of Connectivity	(BGN '000)
Sirma Business Consulting	loan	Other related parties	46
Sirma Group Holding	loan	Other related parties	605
Sirma Group Holding	loan	Companies under common indirect control	7
Sirma Enterprise Systems	loan	Other related parties	18
Sirma Solutions	loan	Other related parties	331
Sirma Solutions	loan	Companies under common indirect control	157

31.12.2015 г.

Company	Type	Type of Connectivity	(BGN '000)
Sirma Business Consulting	loan	Other related parties	46
Sirma Group Holding	loan	Other related parties	600
Sirma Group Holding	loan	Companies under common indirect control	8
Sirma Enterprise Systems	loan	Other related parties	18
Sirma Solutions	loan	Other related parties	194
Sirma Solutions	loan	Companies under common indirect control	82



# 16/ REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Board Member	Company	Sums for the period 01.01.2017 - 31.12.2017 (BGN)
Atanas Kostadinov Kiryakov	EngView Systems Sofia	600
	Ontotext	112241,38
	Sirma Enterprise Systems	99,96
	Sirma Group Holding	19200
	Sirma Solutions	6000
Georgi Parvanov Marinov	EngView Systems Sofia	102888
	Sirma Business Consulting	8725
	Sirma Group Holding	25200
Yordan Stoyanov Nedev	Sirma Group Holding	77880
	Sirma Medical Systems	1200
Petar Borisov Statev	Sirma Group Holding	19200
Sasha Konstantinova Bezuhanova	Sirma Group Holding	18000
Tsvetan Borisov Alexiev	Daticum	240
	EngView Systems Sofia	600
	Ontotext	5500
	Sirma Enterprise Systems	99,96
	Sirma Business Consulting	17450
	Sirma Group Holding	144000
	Sirma Solutions	126027
Tsvetomir Angelov Doskov	Sirma Business Consulting	152058,32
	Sirma Group Holding	19200
Chavdar Velizarov Dimitrov	Daticum	240
	EngView Systems Sofia	33791,79
	Sirma Group Holding	58865,43
	Sirma Medical Systems	1200
	Sirma Solutions	52270,66
<b>Total</b>		<b>1002777,50</b>



# 17/ EVENTS AFTER THE END OF THE REPORTING PERIOD

## New bank loan to Sirma Group Holding JSC

On January 26, 2018 Sirma Group Holding JSC entered into a bank loan agreement as follows:

- Type of loan: investment credit;
- Creditor: Unicredit Bulbank AD;
- Borrower: Sirma Group Holding JSC;
- Solvency debtor and collateral in the sense of the FCAA: Sirma Solutions JSC with UIC: UIC 040529004 and Sirma Enterprise Systems JSC with UIC 200421236;
- Loan amount: BGN 9 780 000 (nine million seven hundred and eighty thousand BGN);
- Interest rate: 3M SOFIBOR + 1.35% per annum;
- Deadline for implementation: 30.07.2018;
- Repayment deadline: 14.06.2022;
- Collateral:
  1. A pledge under the terms of the Special Pledges Act in favor of the Creditor on the commercial enterprise of Sirma Solutions JSC with a carrying value of the assets as at 30.10.2017 amounting to 54 706 142.44 (fifty four million seven hundred and six thousand one hundred forty two and 0.44) BGN;
  2. Pursuant to the order of the Commercial Law on the holdings of Sirma Group Holding JSC 2 443 682 ordinary, dematerialized registered voting shares with a nominal value of 10 (ten) BGN each of the capital of Sirma Solutions JSC;
  3. Financial collateral in the form of a pledge on all receivables, current and future, of the Borrower (s) and of the third liable persons who are legal entities in all accounts in national and foreign currency, which are held by the Bank.

The annual financial statement of Sirma Group Holding JSC was approved for publication on 12.02.2018.

## A contract for the purchase of a minority stake in Ontotext

On March 12, 2018, Sirma Group Holding JSC concluded a contract for the purchase of shares by Ontotext JSC with UIC: 20356710 as follows:

- Type of transaction: purchase of all the shares owned by the seller in Ontotext JSC with UIC: 20356710;
- Seller: New Europe Venture Equity EI PI / Assignee of the Nevec venture capital fund;
- Buyer: Sirma Group Holding JSC;
- Number of shares: 4.187.087 (four million one hundred and eighty seven thousand and eighty seven) of the voting shares of Class A1, each with a par value of 1 / one / BGN of the capital of Ontotext JSC representing 100% of the shares grade A1 and 26.06% of the company's capital;
- Purchase price: EUR 4,200,000 (four million two hundred thousand), payable as follows:  
EUR 1,000,000 (EUR 1 million) shall be paid by the Buyer for the end of the Shares, as agreed in the contract;  
EUR 1,000,000 (one million) euro should be paid by Buyer by 30.06.2018;  
EUR 2,200,000 (two million two hundred thousand) euros should be paid within three days after entering the Buyer's capital increase in the Commercial Register, but not later than 15 March 2019;
- Secured Transactions:  
BETWEEN 1:  
Type of assets to be pledged: 1,968,131 book-entry shares of Sirma Group Holding owned by Tsvetan Borisov Alexiev, each with a nominal value of BGN 1 denominated in the Central Depository.  
BETWEEN 2:  
Type of assets to be settled: 1,968,130 dematerialized shares of Sirma Group Holding, owned by Atanas Kostadinov Kiriakov, each with a nominal value of BGN 1 (one lev), reflected in the Central Depository.  
BETWEEN 3:  
Type of property to be settled: 1,968,130 dematerialized shares of Sirma Group Holding, owned by Georgi Parvanov Marinov, each with a nominal value of BGN 1 (one lev), reflected in the Central Depository.



- Date of transfer of the shares: The transfer of the Shares from the Seller to the Purchaser will take place on the business day following the day on which the following conditions are met:
  - Buyer must certify that the bets (described above) are duly established in favor of the Seller;
  - The parties provide all corporate decisions, powers of attorney, certificates, declarations and other supporting documentation that is necessary in connection with the transfer of the Shares from the Seller to the Purchaser;
- Changes in the management bodies of Ontotext JSC: Zlatolina Mukova and Konstantin Petrov leave the Board of Directors of Ontotext JSC.
- Method of financing the first tranche of the purchase: investment bank credit.

Currently, the deal is not closed due to the expiration of the fund and waiting for the record of its continuation.

#### **Decision on the purchase of own shares by Sirma Enterprise Systems**

On 12.03.2018 The General Meeting of Shareholders of Sirma Enterprise Systems adopts a decision Sirma Enterprise Systems to buy back own shares, owned by shareholders in the company. The board of directors will execute the redemption under the following conditions:

- The maximum number of redemption shares is 2024 (two thousand and twenty-four) ordinary shares;
- Price - 49,60 BGN per share and maximum price 49,60 BGN per share.
- The buyout deadline is 30.04.2018.
- Way of redemption - with a purchase contract

Pursuant to Article 6, paragraph 1 of the Statute of Sirma Enterprise Systems provides that the shareholder offers his shares to the Company for redemption upon termination of the employment relationship between the shareholder holding Class A shares and the Company.

Redemption will take place under the following conditions:

- The maximum number of shares to be redeemed is 11 068 (eleven thousand and sixty-eight) of the nominal, Class A shares;
- Price: 1/3 of the nominal value of the shares or 3.33 BGN per share.
- Way of redemption - with a purchase contract.

#### **Creation of Sirma Software Inc. and separation of intangible assets to create the SENPAI cognitive platform in it.**

On March 13, 2018, a new subsidiary of Sirma USA Inc., a part of Sirma Group Holding JSC - Sirma Software Inc., was set up as follows:

- Name: Sirma Software Inc., Delaware;
- Address: Coastal Highway 16192, City of Lewes, County of Sussex, Delaware 19958, USA;
- Capital: USD 11,711,476;
- Shares: 11,711,476 ordinary shares with a nominal price of USD 1.00;
- Owner of the capital: 100% Sirma USA Inc.;
- Management: a one-tier management system with a board of directors;
- Chairman of the Board of Directors - Tsvetan Alexiev;
- Executive Director - Deyan Nenov.

The Company was created for the purpose of separating Sirma Group Holding's assets from Sirma USA in the newly established company, according to the Group's Strategy.

On March 14, 2018, with a share transfer agreement concluded between Sirma USA Inc. on the one hand and Sirma Solutions JSC and Sirma Group Inc. on the other, all 11,711,476 ordinary shares with a nominal price of USD 1.00 from the capital of Sirma Software Inc. was transferred to Sirma Solutions JSC and Sirma Group Inc. in 97.5% of the capital (11,418,689 shares) of Sirma Solutions JSC and 2.5% of the capital (292,787 shares) of " Sirma Group Inc. ". The deal is part of a series of actions to separate Sirma Group Holding's core assets from Sirma USA at Sirma Software Inc., in line with the Group's Strategy.





### Upcoming Restructuring in 2018 according to the strategy of Sirma Group Holding JSC

There is a series of legal actions to concentrate assets and businesses related to cognitive technology at Sirma Enterprise Systems JSC, which will be renamed Sirma AI:

- Completion of the transaction with the purchase of a minority stake in OT - 26% of the capital - EUR 4.2 M;
  - Purchase of TP of Ontotext JSC from Sirma AI - BGN 21 M;
  - Purchase of a separate part of TP of Sirma Solutions JSC from Sirma AI - BGN 12 M
  - Purchase of TP of Sirma Software Inc. from Sirma AI - \$ 11.8 M
  - Purchase of a separate part of TP of Datium JSC from Sirma AI - BGN 1 M;
  - Assignment of SGM Intangible Assets of 5M and receivables of SGM 3M in Sirma AI;
- Increase of the capital of Sirma AI with an amount of receivables amounting to BGN 61M.

Sofia  
27.04.2018

CEO:   
Tsvetan Alexiev