

Notes

to Annual Individual Financial Report
of "Sirma Group Holding" JSC
for the period 01.01.2017 – 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 levs, 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 lv.
23.10.2014	49 837 156 lv.
22.10.2010	73 340 818 lv.
15.10.2008	77 252 478 lv.
25.4.2008	50 000 lv.

The company's capital is paid 100%.

Non-monetary contributions - description:

1. Software representing 29 (twenty nine) software modules

Value: 61 555 838 Levs

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 Levs

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 Levs

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
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	984	777
Including legal entities	56	42
individuals	928	735
Number of shares held by legal entities	10 053 825	6 532 738
% Of participation of entities	16,94%	11,01%
Number of shares held by individuals	49 306 693	52 827 780
% Participation of individuals	83,06%	88,99%

As of 31.12.2017 Sirma Group Holding posses repurchased 474 724 own shares.

Share capital allocation, including deduction of own shares:

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

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%



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 Dimitrov Velizarov
 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

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

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

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	Nominal VALUE	Value	% Shareholding	% shareholding with deducted repurchased own shares
Atanas Kostadinov Kiryakov	2859965	5258015	1 lv.	2 859 965 lv.	4,82%	4,86%
Georgi Parvanov Marinov	5257402	5257402	1 lv.	5 257 402 lv.	8,86%	8,93%
Tsvetan Borisov Alexiev	4851376	5252376	1 lv.	4 851 376 lv.	8,17%	8,24%
Chavdar Dimitrov Velizarov	4750786	5250786	1 lv.	4 750 786 lv.	8,00%	8,07%
Petar Borisov Statev	10100	100	1 lv.	10 100 lv.	0,02%	0,02%
Yordan Stoyanov Nedev	3433	3433	1 lv.	3 433 lv.	0,01%	0,01%
Total	17733062	21022112		17 733 062 lv.	29,87%	30,11%

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 Dimitrov Velizarov transferred/sold 500 000 shares of SIRMA GROUP HOLDING JSC
- Tsvetan Borisov Alexiev transferred/sold 401 000 shares of SIRMA GROUP HOLDING JSC



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

Name	Entity	31.12.2017 BGN
Tsvetan Borisov Alexiev	SIRMA GROUP HOLDING JSC	144 000
Chavdar Dimitrov Velizarov	SIRMA GROUP HOLDING JSC	59 465
Tsvetomir Angelov Doskov	SIRMA GROUP HOLDING JSC	18 600
Atanas Kostadinov Kiryakov	SIRMA GROUP HOLDING JSC	19 200
Georgi Parvanov Marinov	SIRMA GROUP HOLDING JSC	25 200
Sasha Konstantinova Bezuhanova	SIRMA GROUP HOLDING JSC	18 000
Yordan Stoyanov Nedev	SIRMA GROUP HOLDING JSC	77 880
Petar Borisov Statev	SIRMA GROUP HOLDING JSC	19 200
Total		381 545

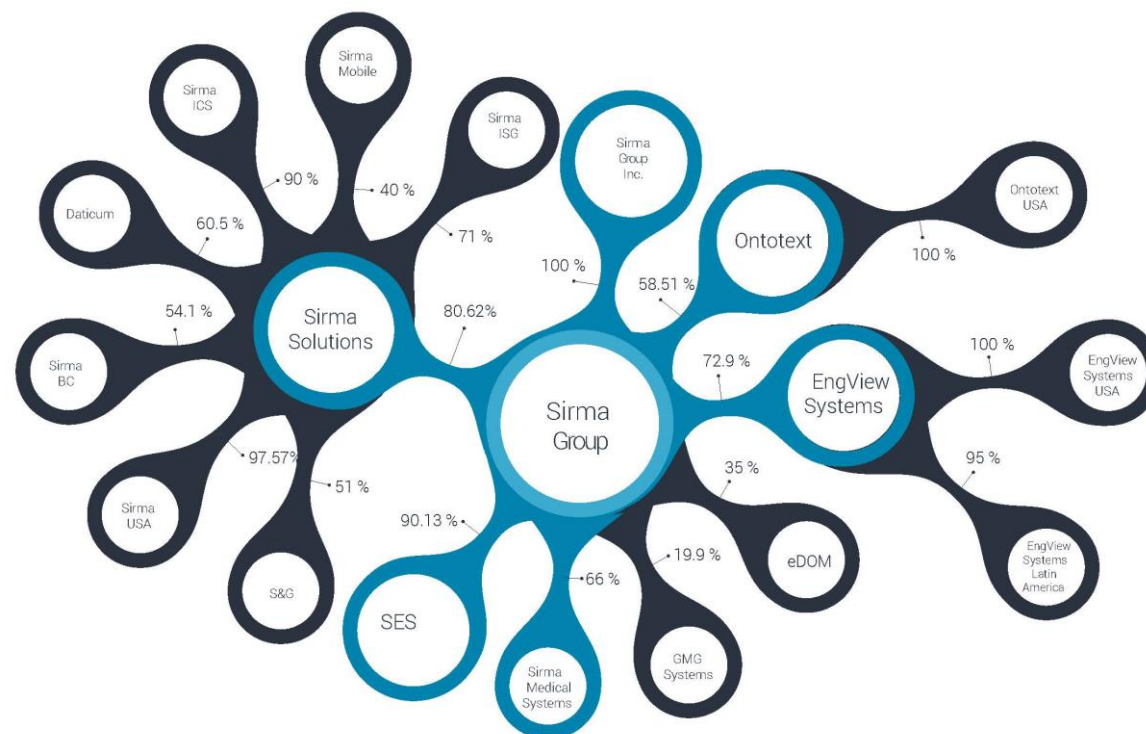
Investor's Relationship Director is Stanislav Borisov Tanushev

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.



1.3 Structure of the group and scope of activity *

The structure of the Group includes SIRMA GROUP HOLDING JSC as a parent company and the following companies:



* In the chart, the shareholding in net of repurchased own shares.

Subsidiaries of "Sirma Group Holding" JSC

Company	Value of the investment at 31.12.2017 (in thousands Levs)	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 (in thousands Levs)	Percentage of capital at 31.12.2016	Percentage of capital with adjusted repurchased own shares at 31.12.2016	Changes In thousands Levs
Sirma Solutions	36 260	75,61%	80,62%	36 260	75,61%	81,44%	0
Sirma Enterprise Systems	6 895	88,71%	90,13%	6 895	88,71%	91,72%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	100,00%	100,00%	3 471	100,00%	100,00%	0
Ontotext	9 650	58,51%	58,51%	8 672	56,21%	56,21%	978
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	56 392			55 414		978	

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

Company	Value of the investment at 31.12.2017 (in thousands Levs)	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016 (in thousands Levs)	Percentage of capital at 31.12.2016	Changes In thousands Levs
GMG Systems (IN LIQUIDATION)	214	19,93%	214	19,93%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	221		221		0

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 purchasing 843 030 ordinary shares with nominal value of 1.00 lev at emission price of 1.16 levs per share.

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, memners 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 6000 levs.
- A dividend distribution was voted for 2016 at 0.01 levs per share. The total amount of the dividnets is 593 605,18 levs.
- Repurchase of own shares was voted.Maximum 1000 000 shares will be repurchased. The price range is between 0.5 lv and 1.5 lv 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, dividnets for 2016 will be 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 levs, the median of the weekly turnover is 36 651 levs, 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.



2/ SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

The separate financial statements of Sirma Group Holding AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2017 and have been accepted by the Commission of the European Union

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

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2017, has not caused changes in the accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

For more information, please see – Appendix №2.

3/ REVENUE

The revenues of the Company are:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Sales revenue	4569	3030	1539	50,79%
Interest income	248	309	-61	-19,74%
Revenue from participations	859	777	82	10,55%
Income from financing	54	55	-1	-1,82%
Other Income	5	0	5	n/a
Total	5735	4171	1564	37,50%

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

For 2017 the revenues of Sirma Group Holding increased by 1 564 thousand levs or by 37.50% compared to 2016. The main share in the increase of the revenues has the sales revenues, which increased by 1 539 thousand levs or by 50.79% compared to the previous period and the revenues from participations, which increased by 82 thousand levs or by 10.55% compared to a previous period.



Revenue by regions and countries:

	31.12.2017 BGN '000	Relative share	31.12.2016 BGN '000	Relative share
USA	147	3,22%	149	4,92%
Bulgaria	4422	96,78%	2881	95,08%
Total	4569		3030	

Revenue generated by the biggest clients of the company:

	31.12.2017 BGN '000	Relative share	Relationship	31.12.2016 BGN '000	Relative share	Relationship
Client 1	1681	36,79%	Non-related party	1151	37,99%	Related party
Client 2	1143	25,02%	Related party	866	28,58%	Related party
Client 3	873	19,11%	Non-related party	518	17,10%	Non-related party

Sales revenue includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Rents of investment properties	317	260	57	21,92%
Consulting services	133	0	133	n/a
Administrative service	863	1026	-163	-15,89%
Software services	1044	0	1044	n/a
Sales of licenses	625	868	-243	-28,00%
Cloud Services	1510	731	779	106,57%
Others	77	145	-68	-46,90%
Total	4569	3030	1539	50,79%

4/ OTHER REVENUE

Other revenue includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Income from financing	54	55	-1	-1,82%
Other revenue	5	0	5	n/a
Total	59	55	4	7,27%

Income from financing is related to grant agreement БИ-02-16/02.02.2012. The grant is provided from Operational program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is for the purchase of tangible fixed assets and incubating new startup companies.



EXPENSES

In 2017 the costs of Sirma Group Holding JSC increased by 178 thousand levs or by 7.45% as compared to 2016. The main share in the expenses is the expenses for external services, increased by 3 206 thousand levs or by 490.21% compared to a previous period, and staff costs increased by 331 thousand levs or 28.66% over the previous period.

5/ COST OF MATERIALS

The cost of materials includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Electricity	5	11	-6	-54,55%
Heating	2	1	1	100,00%
Office supplies	4	4	0	0,00%
Office repair and maintenance materials	2	7	-5	-71,43%
Computer Components	20	1	19	1900,00%
Inventory	4	23	-19	-82,61%
Promotional materials	7	7	0	0,00%
Hygienic materials	7	0	7	n/a
Others	25	16	9	56,25%
Total	76	70	6	8,57%

6/ COSTS FOR EXTERNAL SERVICES

Expenditure on external services includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Mobile phones	11	13	-2	-15,38%
Fixed phones	1	10	-9	-90,00%
Internet	18	10	8	80,00%
Hosting	1	0	1	n/a
Consulting services	299	419	-120	-28,64%
Audit	16	11	5	45,45%
Security	10	2	8	400,00%
Cleaning	18	0	18	n/a
Maintenance and repair of automobiles	15	10	5	50,00%
Maintenance and repair of the office	16	9	7	77,78%
Parking	4	3	1	33,33%
Insurance	8	7	1	14,29%
Subscriptions	37	6	31	516,67%
Advertising	130	31	99	319,35%
Seminars and training	7	3	4	133,33%
Software services	3202	38	3164	8326,32%
Rental software license	20	3	17	566,67%
Fees and commissions	31	9	22	244,44%
Others	16	70	-54	-77,14%
Total	3860	654	3206	490,21%



7/ STAFF COSTS

Staff costs include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Employment contract	1357	1055	302	28,6%
Contract for management and control	129	100	29	29,00%
Total	1486	1155	331	28,66%

The average number of staff as of 31.12.2017:

Sirma Group Holding JSC	2017 Average number of employees	31.12.2016 Average number of employees
LC	24	27
CMC	8	8
Total	32	35

8/ OTHER OPERATING EXPENSES

Other operating expenses include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Entertainment expenses	14	1	13	1300,00%
Social costs	14	6	8	133,33%
Local taxes and fees	127	109	18	16,51%
Business trips	4	1	3	300,00%
Donations	7	0	7	n/a
Others	8	46	-38	-82,61%
Total	174	163	11	6,75%

9/ CAPITALIZED EXPENSES

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Capitalized own expenses	3361	42	3319	7902,38%



10/ DEPRECIATION AND AMORTIZATION EXPENSES

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Depreciation, amortization and impairment of non-financial assets	324	382	-58	-15,2%

11/ INTEREST EXPENSES

Interest expenses on deposits of related companies include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Interest expenses	7	6	1	16,67%

12/ FINANCIAL EXPENSES

Financial expenses include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Interest expense on loans received from unrelated parties	107	39	68	174,36%
Expenses on foreign exchange operations	34	10	24	240,00%
Other financial costs	19	15	4	26,67%
Total	160	64	96	150,00%

13/ FINANCIAL INCOME

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Interest income from unrelated parties	10	3	7	233,33%
Income from foreign exchange operations	1	15	-14	-93,33%
Total	11	18	-7	-38,89%



14/ PROPERTY, PLANT AND EQUIPMENT

31.12.2017	PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
Cost			
Cost at 1 st of January	828	9	837
Additions	27	15	42
Cost at 31 st of December	855	24	879
Depreciation			
Depreciation at 1 st of January	285	2	287
Depreciation charge for the year	164	1	165
Depreciation at 31 st of December	449	3	452
Net Book Value at 31 st of December	406	21	427
Net Book Value at 1 st of January	543	7	550

31.12.2016	PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
Cost			
Cost at 1 st of January	766	5	771
Additions	62	4	66
Cost at 31 st of December	828	9	837
Depreciation			
Depreciation at 1 st of January	114	1	115
Depreciation charge for the year	171	1	172
Depreciation at 31 st of December	285	2	287
Net Book Value at 31 st of December	543	7	550
Net Book Value at 1 st of January	652	4	656

The book value of fully depreciated machines and equipment in use is 70 thousand levs (2016 - is 24 thousand levs).

As of 31.12.2017 there are established pledge on the tangible fixed assets of the company in relation to borrowings as follows:

- Mortgages - 7664 thousand levs (31 December 2016: 6146 thousand levs).

Additional information is given in Note 27 - Long-term and short-term loans.

15/ INTANGIBLE ASSETS

31.12.2017	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1 st of January	1904	57	4		1965
Additions				5103	5103
Disposals	1904				1904
Cost at 31 st of December	0	57	4	5103	5164
Amortization					
Amortization at 1 st of January	163	14	1		178
Amortization charge for the year		12			12
Amortization on disposals	163				163
Amortization at 31 st of December	0	26	1	0	27
Net Book Value at 31 st of December	0	31	3	5103	5137
Net Book Value at 1 st of January	1741	43	3	0	1787



31.12.2016	Rights to the software modules	Software products	Other Intangible Assets	Work in progress(Intangible assets in development)	Total
Cost					
Cost at 1 st of January	315	57	4	113	489
Additions	1589	0	0	-113	1476
Cost at 31 st of December	1904	57	4	0	1965
Amortization					
Amortization at 1 st of January	87	3	1	0	91
Amortization charge for the year	76	11	0	0	87
Amortization at 31 st of December	163	14	1	0	178
Net Book Value at 31 st of December	1741	43	3	0	1787
Net Book Value at 1 st of January	228	54	3	113	398

16/ INVESTMENT PROPERTY

	31.12.2017 BGN '000	31.12.2016 BGN '000
Cost at 1 st of January	6222	6145
Additions	1528	77
Cost at 31 st of December	7750	6222
Depreciation		
Depreciation at 1 st of January	921	799
Depreciation charge for the year	147	122
Difference due to roundings		
Depreciation at 31 st of December	1068	921
Net Book Value at 31 st of December	6682	5301
Net Book Value at 1 st of January	5301	5346

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

The rental income of investment property for 2017 is 304 thousand levs (2016 - 260 thousand levs)

The direct operating costs for the investment property for 2017 are 76 thousand levs (2016 - 53 thousand levs)



17/ INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The carrying amount of investments in subsidiaries is as follows:

Company	Value of the investment at 31.12.2017 (in thousands Levs)	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 (in thousands Levs)	Percentage of capital at 31.12.2016	Percentage of capital with adjusted repurchased own shares at 31.12.2016	Changes In thousands Levs
Sirma Solutions	36 260	75,61%	80,62%	36 260	75,61%	81,44%	0
Sirma Enterprise Systems	6 895	88,71%	90,13%	6 895	88,71%	91,72%	0
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	0
Sirma Group Inc.	3 471	100,00%	100,00%	3 471	100,00%	100,00%	0
Ontotext	9 650	58,51%	58,51%	8 672	56,21%	56,21%	978
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	0
Total	56 392			55 414		978	

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

Company	Value of the investment at 31.12.2017 (in thousands Levs)	Percentage of capital at 31.12.2017	Value of the investment at 31.12.2016 (in thousands Levs)	Percentage of capital at 31.12.2016	Changes In thousands Levs
GMG Systems (IN LIQUIDATION)	214	19,93%	214	19,93%	0
E-DOM MANAGEMENT	7	35,00%	7	35,00%	0
Total	221		221		0

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

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

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

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

Changes in the investment in subsidiaries are presented below:

Cost of acquisition	31.12.2017 BGN '000	31.12.2016 BGN '000
Cost at 1 st of January	55414	55414
Acquired through increase of the share capital	978	
Cost at 31 st of December	56392	55414
Net Book Value at 31 st of December	56392	55414
Net Book Value at 1 st of January	55414	55414

18/ INVESTMENTS AVAILABLE FOR SALE

No records in the registers.



19/ OPERATING LEASE

The Company has provided for rent fixed assets to related parties with carrying amount as at 31.12.2017 amounting to 5 234 thousand levs (31.12.2016 - 6 222 thousand levs).

20/ FINANCE LEASE

As at 31 December 2017, assets with carrying amount of 210 thousand levs were acquired under finance lease contracts (31.12.2016: 214 thousand levs).

21/ MATERIAL STOCKS AND OTHER DATA

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Other tangible assets	29	0	29	n/a

22/ RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Receivables from subsidiaries	7111	6816	295	4,33%
Receivables from entities under indirect common control	1364	788	576	73,10%
Total	8475	7604	871	11,45%

Trade receivables from related parties by types are as follow:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Receivables on sales of products, goods, materials and services	1552	2468	-916	-37,1%

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



The Company has set a 360-day credit period for which it does not charge interest rates on the related parties. The delay after this period was accepted by the company as an indicator of impairment.

The management assesses on an individual basis the collection by analyzing the specific receivables and the circumstances of the delay for accruing impairment.

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

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
up to 30 days	439	1731	-1292	-74,64%
from 31 to 90 days	159	71	88	123,94%
from 91 to 180 days	273	237	36	15,19%
from 181 to 240 days	1	101	-100	-99,01%
Total	872	2140	-1268	-59,25%

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

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
from 180 days to 365 days	439	52	387	744,23%
from 1 year to 2 years	223	63	160	253,97%
over 2 years	18	213	-195	-91,55%
Total	680	328	352	107,32%

Outstanding overdue receivables are mainly from subsidiaries that are in the process of meeting the group's objectives of expanding its market share in the territory in which they operate.

Collection methods and schemes are currently under "company" and "group" level monitoring and are consistent with the Group's market objectives.

Granted loans to related companies by type of ownership:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Receivables from entities under indirect common control	1108	730	378	51,78%
Subsidiaries	4386	3964	424	10,65%
Total	5494	4694	802	17,04%

Dividends receivables from related companies by type of ownership:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Subsidiaries	1402	617	785	127,23%



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

Currency BGN	Amount agreed BGN '000	Maturity	Interest rate %	31.12.2017 BGN '000	31.12.2016 BGN '000
Receivables from entities under indirect common control					
Sirma ISG	250	31.12.2018	5,00%	250	114
Sirma Media	18	31.12.2018	6,50%	18	18
Pirina Technologies	590	31.12.2018	6,50%	591	591
Flash Media	0	31.12.2018	6,50%	0	7
Sirma ICS	250	31.12.2018	3,00%	250	0
Subsidiaries					
Sirma Solutions	800	31.12.2018	3,75%	800	415
Sirma Enterprise Systems	3165	31.12.2018	5%, 5.5%	3165	2635
Ontotext	0	31.12.2018	5%, 3%	0	764
Sirma Medical Systems	421	31.12.2018	5,00%	421	150

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

23/ TRADE RECEIVABLES

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Receivables from customers	1512	7	1505	21500,00%
Advances provided	3	0	3	n/a
Total	1515	7	1508	21542,86%

Възрастовата структура на ненадежиралите (редовни) търговски вземания е както следва:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Up to 30 days	1490	7	1483	21185,71%
From 31 to 90 days	1	0	1	n/a
Total	1491	7	1484	21200,00%

Възрастовата структура на просрочени необезценени търговски вземания е както следва:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
from 181 days to 365 days	1	0	1	n/a
over 1 year	23	0	23	n/a
Total	24	0	24	n/a

Suppliers' advances made as of December 31 are for the purchase of:

	31.12.2017 BGN '000	31.12.2016 BGN '000
Services	3	0



24/ OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Prepaid expenses	7	9	-2	-22,22%
Other receivables	336	91	245	269,23%
Total	343	100	243	243,00%

Prepaid expenses includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Insurance	1	2	-1	-50,00%
Subscriptions	6	5	1	20,00%
Others	0	2	-2	-100,00%
Total	7	9	-2	-22,22%

25/ CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Cash at bank	587	1436	-849	-59,12%
Cash in case	17	3	14	466,67%
Total	604	1439	-835	-58,03%

Cash in case is in Bulgarian lev.



26/ EQUITY

MAIN SHARE CAPITAL

As of 31.12.2017, the share capital of Sirma Group Holding amounted to 59 361 thousand levs, divided into 59 360 518 dematerialized registered shares with nominal value of 1 lev.

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

Issued and fully paid ordinary	Number of shares	Share capital, net of treasury shares
		BGN '000
Balance at January 1, 2015	73 340 818	73341
Balance at December 31, 2015	49 837 156	49837
Balance at January 1, 2016	49 837 156	49837
Balance at December 31, 2016	59 360 518	59099
Balance at January 1, 2016	59 360 518	59099
Balance at December 31, 2016	59 360 518	58886

For the reporting period share capital remained unchanged from the previous period. In execution of the decisions of the regular General Meeting of Shareholders in 2017 Sirma Group Holding JSC purchased 210,921 shares. own shares. The board of directors believes in the development of the Sirma Group Holding JSC and the increase of the market value of the shares in the future and therefore decided to purchase these shares at a relatively low price.

The last transactions for the purchase of 35 220 own shares of the company were executed on 28.12.2017, but due to the necessary technical time for the transaction to be recorded, they were entered in the registers of the Central Depository on 02.01.2018. In the statement of financial position of a line of purchased own shares, they are presented at nominal value.

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

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Legal reserves	311	147	164	111,56%
Revaluation reserve of property, plant and equipment	5462	5483	5524	-0,38%
Total	5773	5630	5688	2,54%

The movement of statutory reserves is as follows:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	147	145	2	1%
Profit distribution	164	2	162	8100%
Balance on 31 December	311	147	164	112%

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

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	5483	5524	-41	1%
Reserves from issue of shares	-21	-41	20	49%
Balance on 31 December	5462	5483	-21	0%



The movement of retained earnings is as follows:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Balance on January 1	2813	1172	1641	140,02%
Balance on 31 December	2038	1170	888	75,90%
Distribution of profit for reserves	-164	-2	-162	8100,00%
Dividends	-594	0	-594	n/a
Current result for the period	2809	1643	1166	70,97%
Balance on 31 December	4847	2813	2281	81,09%

Conversion of accounting to tax result:

Accounting result as at 31.12.2017 (in BGN '000)	3020
Increases (in BGN '000)	351
Reductions (in BGN '000)	-1190
Tax effect as of 31.12.2017 (in BGN '000)	2181
Current tax (10%)	218
Temporary differences	-7
Income tax expense	211

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Weighted average number of shares	59062	59361	-299	-0,50%
Net profit for the period (BGN '000)	2809	1643	1166	70,97%
Basic earnings per share (BGN)	0,0476	0,0278	0,02	71,11%



27/ LONG-TERM AND SHORT-TERM BANK LOANS

Long-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	244	339	-95	-28%
Unicredit Bulbank AD (levs)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	1506	0	1506	n/a
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	120	168	-48	-29%

Short-term bank loans

Bank and currency	Agreed amount BGN '000	Maturity	Interest %	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Eurobank Bulgaria AD – overdraft (levs)	2200	31.7.2018	2,50%	2194	0	2194	n/a
Societe Generale Exppressbank - overdraft (levs)	2000	31.8.2018	2,50%	1994	0	1994	n/a
Unicredit Bulbank AD (euro)	587	8.12.2023	BIP 4.45%; LI 3M EURIBOR	49	339	-290	-86%
Unicredit Bulbank AD (levs)	1782	7.4.2027	3M SOFIBOR; premium 2.5%	132	0	132	n/a
Alianz Bank AD (euro)	241	25.11.2023	6M LIBOR premium 4.75%	24	168	-144	-86%

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 AD, 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 AD, owned by Sirma Solutions AD
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

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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
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 levs			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	790 253,00	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 AD and its clients in the total amount of BGN 9 210 022



28/ DEFERRED TAX ASSETS AND LIABILITIES

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

	Temporary difference as at 31.12.2017 (BGN '000)	Tax temporary difference as at 31.12.2017	Temporary difference as at 31.12.2016 (BGN '000)	Tax temporary difference as at 31.12.2016
Property, plant and equipment, incl. Revaluation reserve	403	40	491	49
Unpaid amounts to individuals	197	20	172	17
Total deferred tax liabilities	600	60	663	66
Payables to staff	39	4	21	2
Loss	53	5	53	5
Impaired receivables	21	2	26	3
Estimated costs	6	1	10	1
Total deferred tax assets	119	12	110	11
Net deferred income tax liabilities	481	48	553	55



29/ LONG-TERM PROVISIONS

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Accrued retirement benefits Under IAS 19	10	13	-3	-23,08%

Long-term payables to staff include the present value of the Company's liability to pay benefits to hired personnel at the end of the reporting period at retirement age. According to the Labor Code, each employee is entitled to compensation amounting to two gross salaries on retirement, and if he has worked with the same employer for the last 10 years of his length of service, the compensation is 6 gross salaries at the time of retirement.

Payables to staff at retirement:

Long-term payables to staff include the present value of the Company's liability for the payment of benefits to employees by 31 December 2017 at retirement age. According to the Labor Code, each employee is entitled to compensation amounting to two gross salaries on retirement, and if he has worked with the same employer for the last 10 years of his length of service, the compensation amounts to 6 gross salaries at the time of retirement. For determining these liabilities, the Company has performed an actuarial valuation using the services of a certified actuary Pavel Valeriyev Dimitrov.

On the basis of the report prepared by the actuary, a liability in the statement of financial position as at 31 December 2017 is set at 10 thousand levs.

In determining the final net liability as at 31 December 2017, the following basic actuarial assumptions were made:

- Mortality table;
- Rate of turnover;
- Likelihood of disability;
- Acquisition of pension entitlements for length of service and age;
- Current and future salary levels;
- The discount rate used to calculate the obligation is an effective annual interest rate of 3.0%, which corresponds to a 2.91% annual discount rate.



30/ FINANCIAL LEASING

Finance lease liabilities

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

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Up to one year	42	41	1	2,44%
Over a year	114	158	-44	-27,85%

Company	Creditor	Currency	Credit amount in currency	Type	Value at 31.12.2017	Interest rate	Contract end date
Sirma Group Holding	Pireos Leasing	Euro	154 081,76	Leasing	79 803,00	3M Euribor + 4,75%	30.4.2021

31/ LONG-TERM LIABILITIES TO RELATED PARTIES

Long-term liabilities to related parties include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	141	316	-175	-55,38%

Long-term liabilities to related parties are not secured and are provided under market conditions.

32/ OTHER LONG-TERM LIABILITIES

There is no journal entries for the current period.



33/ CURRENT LIABILITIES TO COMMERCIAL AND OTHER ENTERPRISES

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Obligations to suppliers	41	1064	-1023	-96,15%

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

34/ CURRENT LIABILITIES TO RELATED PARTIES

Current liabilities to related parties include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Liabilities to subsidiaries	2753	2242	511	22,79%
Liabilities to companies under common control through key management personnel	415	50	365	730,00%
Total	3168	2292	876	38,22%

Liabilities to related entities by type are as follows:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Service delivery	1476	66	1410	2136%
Interest payable on deposits	0	7	-7	-100%
Deposits on deposits	279	280	-1	0%
Capital liabilities	1410	1939	-529	-27%
Dividend Obligations	3	0	591	n/a
Total	3168	2292	876	38%

35/ TAX OBLIGATIONS

Tax liabilities include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Taxes on Income of Individuals	28	21	7	33,33%
VAT	3	32	-29	-90,63%
Taxes under CITA	220	43	-43	-100,00%
Total	251	96	155	161,46%



36/ PENSION AND OTHER EMPLOYEE OBLIGATIONS AND SOCIAL SECURITY

Payables to staff and social security are as follows:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Payables to personnel, including:	36	97	-61	-63%
Remuneration obligations	2	79	-77	-97%
Social security obligations	34	18	16	89%
Provisions for unused compensated leave, including:	56	36	20	56%
Accruals for unused compensated leave	50	31	19	61%
Contributions for unused compensated leave	6	5	1	20%

37/ OTHER CURRENT LIABILITIES

Other current liabilities include:

	31.12.2017 BGN '000	31.12.2016 BGN '000	Change (BGN '000)	Change (%)
Other liabilities	12	12	0	0

38/ CONDITIONAL OBLIGATIONS AND COMMITMENTS, FINANCING

There are no legal proceedings against the company.

Guarantees provided

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

	Maturity	Type of currency	Amount	Debt status
Sirma ISG – overdraft Unicredit Bulbank	30.5.2018	BGN	120000	regular
Sirma Enterprise Systems - overdraft Unicredit Bulbank	31.3.2018	BGN	250000	regular
Sirma Solutions - overdraft Unicredit Bulbank	30.5.2018	EUR	810000	regular
Sirma Solutions - overdraft Unicredit Bulbank	30.5.2018	EUR	700000	regular
Ontotext	30.5.2018	EUR	460000	regular

Financing

As of 31.12.2017 the long-term financing of Sirma Group Holding JSC amounted to 81 thousand levs (31.12.2016 : 136 thousand levs) and the short-term loans amounted to 55 thousand levs (31.12.2016 : 55 thousand levs).



39/ FINANCIAL RISK MANAGEMENT

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

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

Categories of financial instruments:

Financial assets	2017 BGN '000	2016 BGN '000	Change (BGN '000)	Change (%)
Credits and receivables				
Short-term receivables from related enterprises	8475	7604	871	11,45%
Trade receivables	1515	7	1508	21542,86%
Other receivables	343	100	243	243,00%
Cash and cash equivalents	604	1439	-835	-58,03%
Total	10937	9150	1787	19,53%

Financial liabilities	2017 BGN '000	2016 BGN '000	Change (BGN '000)	Change (%)
Bank loans				
Long-term bank loans	1870	437	1433	327,92%
Short-term bank loans	4188		4188	n/a
Short-term part of long-term bank loans	205	73	132	180,82%
Other obligations			0	n/a
Long-term trade payables to related parties	141	316	-175	-55,38%
Short-term trade payables to related parties	3168	2292	876	38,22%
Short-term commercial obligations	41	1064	-1023	-96,15%
Finance lease liabilities	156	199	-43	-21,61%
Other obligations	12	12	0	0,00%
Total	9781	4393	5388	122,65%

Currency risk

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

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

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

Price risk



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

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

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

Credit risk

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

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

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

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

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

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

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

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

The Company has a concentration of related party receivables (trade receivables and loans) as follows:

	2017	2016
	BGN '000	BGN '000
Client 1	1048	1086
Client 2	743	626
Client 3	287	168

Liquidity risk

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

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

Maturity analysis



Below are the financial non-derivative assets and liabilities of the company grouped by residual maturity, determined on the agreed maturity date at the date of the statement of financial position. The table is based on undiscounted cash flows and the earliest date at which the receivable and, respectively, the obligation is due. Amounts include principal and interest.

31.12.2017	to 1 m BGN'000	from 1 do 3 m BGN'000	from 3 to 6 m BGN'000	from 6 to 12 m BGN'000	from 1 to 2 y BGN'000	from 2 to 5 y BGN'000	above 5 y BGN'000	Total BGN'000
Loans and receivables	4839	0	0	5494	0	0	0	10333
Cash and cash equivalents	604	0	0	0	0	0	0	604
Total financial assets	5443	0	0	5494	0	0	0	10937
Bank loans	0	0	32	4358	276	828	764	6258
Other obligations	1811	0	0	1452	183	77	0	3523
Total financial liabilities	1811	0	32	5810	459	905	764	9781

31.12.2016	to 1 m BGN'000	from 1 to 3 m BGN'000	from 3 to 6 m BGN'000	from 6 to 12 m BGN'000	from 1 to 2 y BGN'000	from 2 to 5 y BGN'000	above 5 y BGN'000	Total BGN'000
Loans and receivables	3017	0	0	4694	0	0	0	7711
Cash and cash equivalents	1439	0	0	0	0	0	0	1439
Total financial assets	4456	0	0	4694	0	0	0	9150
Bank loans	0	0	0	73	73	219	145	510
Other obligations	1429	0	0	2155	183	116	0	3883
Total financial liabilities	1429	0	0	2228	256	335	145	4393

Risk of interest-bearing cash flows

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

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

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

31.12.2017	interest-free BGN'000	floating rate % BGN '000	fixed interest rate % BGN '000	Total BGN'000
Loans and receivables	4372	0	5961	10333
Cash and cash equivalents	604	0	0	604
Total financial assets	4976	0	5961	10937
Bank loans	0	6263	0	6263
Other obligations	3221	156	141	3518
Total financial liabilities	3221	6419	141	9781

31.12.2016	interest-free BGN'000	floating rate % BGN '000	fixed interest rate % BGN '000	Total BGN'000
Loans and receivables	2991	0	4720	7711
Cash and cash equivalents	1439	0	0	1439
Total financial assets	4430	0	4720	9150
Bank loans	0	510	0	510
Other obligations	3368	199	316	3883
Total financial liabilities	3368	709	316	4393

Capital risk management



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

	2017	2016
	BGN '000	BGN '000
Total debt capital, including:	10333	4892
loans from banks	6263	510
financial leasing obligations	156	199
Reduced by: cash and cash equivalents	604	1439
Net Debt Capital (NC)	9729	3453
Total Equity (EQ)	69506	67542
Total capital (EQ)	79839	72434
Debt ratio (NC/EQ)	0,1400	0,0511

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

Fair Values

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

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

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

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

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

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

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



40/ RELATED PARTY TRANSACTIONS

Affiliates	Type of connectivity	Connectivity period
Sirma Solutions	subsidiary	25.4.2008 until now
Ontotext	subsidiary	31.3.2014 until now
Ontotext USA	entity under indirect common control	31.3.2014 until now
EnfView Systems Sofia	subsidiary	4.11.2009 until now
Sirma Enterprise Systems	subsidiary	25.4.2008 until now
Daticum	entity under indirect common control	19.1.2009 until now
Sirma Business Consulting	entity under indirect common control	25.4.2008 until now
Sirma ISG	entity under indirect common control	30.5.2011 until now
Sirma USA	entity under indirect common control	25.11.2009 until now
Panaton Soft Inc.	entity under indirect common control	1.1.2013 до 15.01.2015
Sirma ICS	entity under indirect common control	24.02.2016 until now
Sirma Medical Systems AD	subsidiary	28.04.2016 until now
Sirma Group Inc.	subsidiary	15.03.2016 until now
Pirina Technologies	subsidiary	01.09.2008 до 31.07.2014
Pirina Technologies	other related parties	31.07.2014 until now
Sirma Media	subsidiary	01.01.2009 до 31.07.2014
Sirma Media	other related parties	31.07.2014 until now
Sirma Sha	entity under indirect common control	17.02.2017 until now

The types of connectivity are:

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

Purchases

Type	Type of Connectivity	Description	31.12.2017	31.12.2016
			BGN '000	BGN '000
Materials	2	Electricity	0	8
Materials	1	Inventory	0	1
Materials	1	Computer Components	1	1
Materials	2	Office supplies	0	1
Materials	1	Office supplies	3	1
Materials	1	Toner	0	2
External services	1	Fees and commissions	1	0
External services	1	Others	0	11
External services	1	Maintenance and repair of the office	11	0
External services	2	Internet	17	9
External services	1	Consulting services	7	168
External services	3	Advertising and marketing	32	0
External services	1	Repair of Comp. and office equipment	0	0
External services	1	Software services	3 177	204
Interest on deposits	1	Interest expense on deposits	7	0
Interest on loans	2	Interest expense on loans	3	0
Interest on loans	1	Interest expense on loans	12	7
Currency operations	1	Expenditure on currency operations	34	0
TOTAL			3 305	412



Sales

Type	Type of Connectivity	Description	31.12.2017 BGN '000	31.12.2016 BGN '000
Services	1	Subscriptions	0	20
Services	2	Subscriptions	0	7
Services	2	Administrative, accounting services	132	118
Services	1	Administrative, accounting services	709	967
Services	3	Administrative, accounting services	20	20
Services	1	Consulting services	133	0
Services	1	Consumables	23	7
Services	1	Rental software license	0	868
Services	2	Cabinet rental	13	0
Services	2	Rentals	54	14
Services	1	Rentals	250	214
Services	1	Rentals	1	1
Services	1	Revenue from the sale of licenses	625	0
Services	2	Technical Support	14	14
Services	1	Technical Support	29	28
Interest on loans	1	Interest income on loans - investment activity	204	261
Interest on loans	3	Interest income on loans - investment activity	34	31
Interest on loans	2	Interest income on loans - investment activity	13	0
TOTAL			2 256	2 569

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

41/ EVENTS AFTER THE END OF THE REPORTING PERIOD

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 AD with UIC: UIC 040529004 and Sirma Enterprise Systems AD with UIC 200421236;
- Loan amount: BGN 9 780 000 (nine million seven hundred and eighty thousand levs);
- 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 AD 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) levs;
 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) levs each of the capital of Sirma Solutions AD;
 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.

CEO:



Tsvetan Alexiev

