



Sirma Group

ANNUAL CONSOLIDATED
MANAGEMENT REPORT OF
SIRMA GROUP HOLDING JSC
FOR 2017



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1 STATEMENT BY THE BOARD OF DIRECTORS OF SIRMA GROUP HOLDING JSC

The present annual consolidated report of the management of SIRMA GROUP HOLDING JSC covers the period, ending on 31 December 2017 and was prepared in accordance with the provisions of Article 39 of the Accountancy Law and Art. 100o, para. 2 and 5 of the the Public Offering of Securities Act (POSA), including also the established events, occurring after the balance sheet date. The structure of this report is in accordance with Appendix 9, 10 and Appendix 11 to Article 32a (2) of Ordinance No. 2 of the Financial Supervision Commission (FSC).

The board of directors of the holding confirms that:

- there were no irregularities in which managers or employees were involved, which may be material to the consolidated financial statements;
- all material transactions are duly accounted for and reflected in the annual financial statements as at 31 December 2017;
- there is no actual or potential breach of laws and (or) other regulatory provisions which would have a material impact on the consolidated financial statements or could serve as a basis for reporting contingent loss;
- there are no legal or other restrictions on the flow of funds;
- there are no known trends, requests, commitments, events or occasional circumstances for which there is reason to expect that they may affect the company as a whole.

This management report contains estimates and information based on our beliefs and assumptions, using currently available information about them. Any statements contained in this report which are not historical facts are predictions. We have based these statements on the future of our current expectations, assumptions and predictions about future conditions and events. As a result, our predictions and information are exposed to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materialize or if the underlying management assumptions prove to be incorrect, our actual results may differ materially from those described in the report. We describe these risks and uncertainties in the report in the Risk Section.

This report includes IT industry statistics and global economic trends which come from information published

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

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

The financial information presented in the Sirma Group Holding JSC report includes our separate financial statements, our report to the Board of Directors and some financial aspects derived from our management accountability. The non-financial data presented in the report includes aspects of intellectual, human and social rights and relationships derived from our materiality assessment.

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

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

The reporting period is the financial period ending on 31.12.2017. The report includes Sirma Group Holding JSC and all subsidiary companies of the group without Flash Media, EngView Systems Systems USA, Engview Systems Systems Latin America, Sirma Sha - Albania, e-Dom and GMG Systems, which are excluded from consolidation due to lack of relevance.



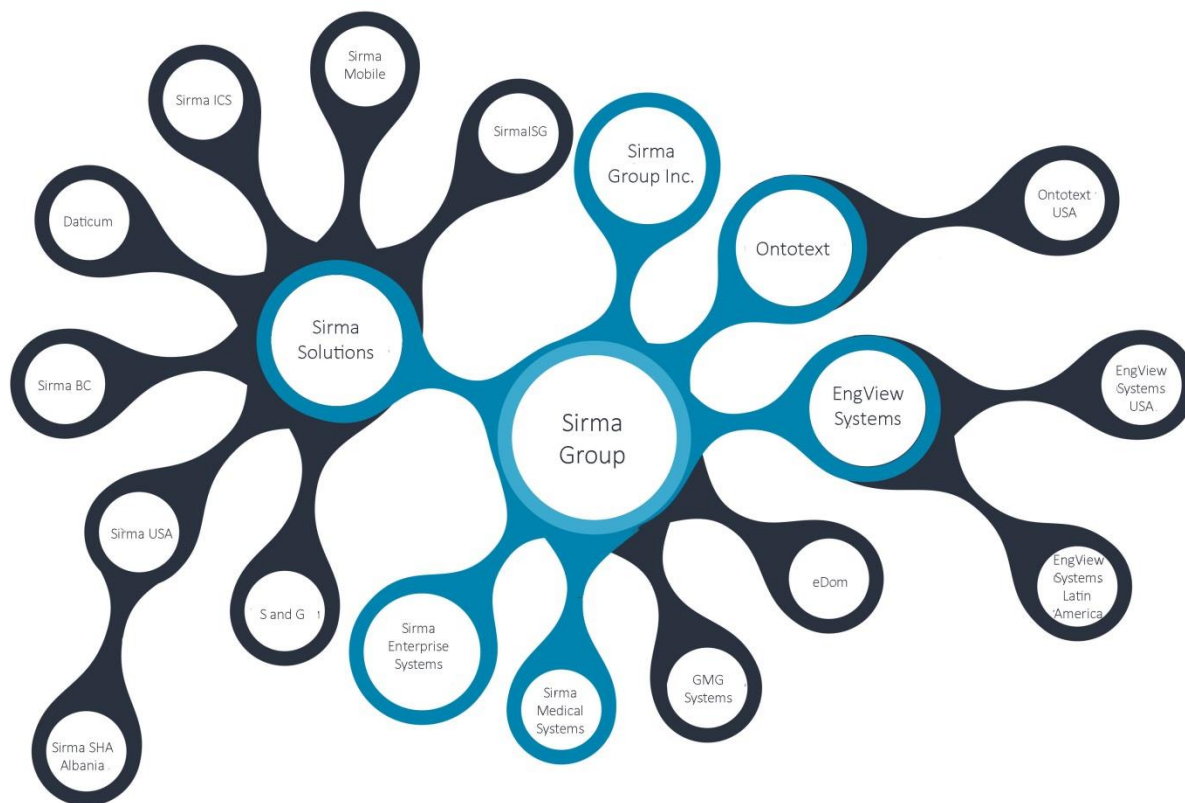
2 ORGANIZATION AND WAY OF PRESENTATION

Sirma Group Holding JSC is a holding company which 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.

The reports of Flash Media AD, EngView Systems USA, EngView Systems Latin America, Sirma Sha - Albania, e-Dom and GMG Systems are not included due to lack of relevance to the consolidated statements of Sirma Group Holding JSC.



2.1.1 History and development of the company

"Sirma Group Holding" JSC is a holding company registered on 25.04.2008 at the Registry Agency with UIC 200101236, with head office: BULGARIA, Sofia (capital), Sofia municipality, City Sofia 1784, Mladost area, bul. Tsarigradsko Shosse, No 135. The name of the company changed on 23.03.2009 from "SGH" JSC to "Sirma Group Holding" JSC.

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 OF COMPANIES WHICH THE COMPANY HOLDS, FINANCE OF COMPANIES IN WHICH THE COMPANY PARTICIPATES, ORGANIZATION OF ACCOUNTING AND COMPILING FINANCIAL STATEMENTS UNDER THE LAW OF ACCOUNTING. THE COMPANY MAY PERFORM INDEPENDENT BUSINESS ACTIVITIES WHICH ARE NOT PROHIBITED BY LAW.

2.1.2 Changes in the statement of activity:

At the time of its incorporation, the company operated under the following business activities: design, development, marketing, sales, implementation, training and support of software products and complete solutions, including software project management, information and communication technology consultancy services, accounting services, as well as any other activity not prohibited by law.

On 23.03.2009 Sirma Group Holding changed its scope of activity as follows: Acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, surrender of licenses for use of patents of companies in which the holding company participates, financing of the companies in which the holding company participates, organization of the accounting and preparation of financial statements under the

order of the Law for Accounting. The company may also carry out its own commercial activity, which is not prohibited by law. On 04.07.2012 the subject of activity is changed to the actual one.

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

- is not the subject of consolidation;
- no transfer or pledge to the enterprise;
- No claims have been filed for the opening of insolvency proceedings of the company;
- There are no tenders from third parties to the Company or from the Company to other companies;

2.2 CAPITAL

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.

2.2.1 History of Share Capital

History of changes in share capital

- The company was incorporated with BGN 50,000 of capital.

On 15.10.2008, after the adoption of three triple expert appraisals of experts, the share capital was increased from BGN 50,000 to BGN 77,252,478 through non-cash contributions and issuance of new 77,202,478 shares. Non-cash contributions are 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

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 BGN each. The Company's capital was reduced on the basis of Art. 200, para. 2, in conjunction with Art. 187f, par. 1, item 2n of the Bulgarian Commercial Law.

Blvd., owned by "Sirma Group" AD, 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" AD 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

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 appraisers. The shareholder structure of the Company does not change as the shareholder structures of the transforming and that of the newly established companies are mirrored.

On 30.10.2015, after a successful initial public offering, the capital was increased to 59 360 518 BGN by issuing 9 523 362 new shares with nominal value per share 1 BGN and issue value 1,20 BGN.

2.2.2 Structure of share capital and management bodies

SHAREHOLDER STRUCTURE

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 '001
Share capital	59 361	59 361	59 361
Number of shares (par value of 1.00 BGN)	59 361	59 361	59 361
Total number of registered shareholders	984	777	474
Including legal entities	56	42	42
Including Individuals	928	735	432
Number of shares held by legal entities	10 054	65 323	6 533
% of capital of legal entities	16,94%	11,01%	10,33%
Number of shares held by individuals	49 307	52 828	53 228
% of capital held by individuals	83,06%	88,99%	89,67%
Number of repurchased shares	474721	261400	3

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

SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S CAPITAL ARE:

Shareholders	Number of shares at 31.12.2017	% of capital	% of capital 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	% of capital	% of capital 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	% of capital	% of capital 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%

INsofar as it is known to the company, indicate whether the company is directly or indirectly owned or controlled and by whom and how the nature of that control and the measures introduced are introduced to avoid abusing such control.

The Company is not aware of any direct or indirect control over it, other than internal corporate governance and internal control bodies.



3 INFORMATION ON THE CONDITIONS OF EACH ACQUISITION RIGHTS AND / OR OBLIGATIONS FOR ESTABLISHED, BUT NOT EQUIVALENT CAPITAL

Sirma Group Holding JSC does not have information on the terms of any acquisition and / or obligations for statutory but unissued capital.

4 FUNCTIONING OF THE GROUP

The economic group of SIRMA GROUP HOLDING includes the parent company and its subsidiaries and associates - all of them operating in the IT sector. The Group functions as a typical holding structure with the organization, coordination and subordination of the companies characteristic of a similar structure.

Group companies have a common strategic framework, corporate values, financial and accounting policies, a vision of good corporate governance and staff policy.

4.1 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 31.12.2015	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
Ontotext	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
Total	56 392			55 414			50 644			978

4.2 SUBSIDIARIES OF "SIRMA SOLUTIONS" JSC

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
Total	20 785		20 785		20 518		0

4.3 SUBSIDIARIES OF "ONTOTEXT" JSC

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
Ontotext USA	30	100,00%	30	100,00%	30	100,00%	-



4.4 SUBSIDIARIES OF “ENGVIEW SYSTEMS SOFIA” JSC

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
Total	16		16		16		0

4.5 ASSOCIATED COMPANIES OF "SIRMA GROUP HOLDING" JSC

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
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
Total	221		221		236		0

4.6 ASSOCIATED COMPANIES OF “SIRMA SOLUTIONS” JSC

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
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
Total	15		15		65		0

For more information about the companies within Sirma Group see Appendix 1.

The Company is not aware of any arrangements the effect of which could lead to a change in the control of Sirma Group Holding JSC in the future.

5 DESCRIPTION OF ALL AGREEMENTS KNOWN TO THE COMPANY, THE ACTION OF WHICH MAY, ON ANY FOLLOWING DATE, MAKE A CHANGE IN THE CONTROL OF THE COMPANY

THE COMPANY IS NOT AWARE OF ANY ARRANGEMENTS THE EFFECT OF WHICH COULD LEAD TO A CHANGE IN THE CONTROL OF SIRMA GROUP HOLDING JSC IN THE FUTURE.

6 MANAGEMENT BODIES

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

The Board of Directors as of 31.12.2017 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 of their election.

Current term of the Board of Directors is until: 27.07.2019

6.1 COMPETENCE OF MANAGEMENT

The competences of the management are in line with these listed in the Commercial Law, the Statute and the POSA.

At the Annual General Meeting of the Shareholders of Sirma Group Holding JSC, a decision was taken for the buy-back of shares by Sirma Group Holding JSC, as follows:

Sirma Group Holding JSC to buy-back its own shares, the Board of Directors shall carry out the repurchase under the following conditions:

- The maximum number of shares subject to redemption is 1 000 000 shares;

- Minimum price of 0.50 BGN per share and a maximum price of 1.50 BGN per share;

- The buyout deadline is 31.12.2017;

- The buy-back method - through an investment intermediary.

As at 31.12.2017 474 724 own shares were re-purchased.

6.2 STOCK OPTIONS IN THE COMPANY

As of the date of this report, no options are available to the members of the Board of Directors on shares of the Company.

6.3 COMMITTEES TO THE BOARD OF DIRECTORS

Sirma Group Holding JSC creates the following internal committees, which are assigned to manage the respective activities at the operational level, as well as to propose decisions to the Board of Directors of the company:

1. Investment and Risk Committee, composed of:

*Yordan Nedev – chairman
 Tsvetan Alexiev – member
 Radka Peneva – member
 Georgi Marinov – member*

2. Remuneration Committee, composed of:

*Georgi Marinov – chairman
 Petar Statev – member
 Yordan Nedev – member*

3. Information Disclosure Committee, composed of:

*Tsvetan Alexiev – chairman
 Radka Peneva – member
 Stanislav Tanushev – member
 Chavdar Dimitrov – member
 Atanas Kiryakov – member*

4. Audit Committee, composed of:

*Angel Petrov Kraychev – chairman
 Alexander Todorov Kolev – member
 Emilian Ivanov Petrov – member*



ADOPTED INTERNAL DOCUMENTS

In 2015 the company adopts the necessary internal documents related to the company's working and management processes and fulfillment of its obligations as a public company:

- Good Corporate Governance Program;
- Operating Rules of the Board of Directors;
- Instructions and clarifications on the obligations and responsibilities of internal insiders;
- Special code of conduct for financial and accounting positions.

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

<https://www.sirma.bg/investors/корпоративно-управление/корпоративни-документи/>

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

CEO of Sirma Group Holding is Tsvetan Borisov Alexiev.



REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF SIRMA GROUP HOLDING JSC

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
	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
Total		1002777,50

6.4 INFORMATION ON THE CONTRACTS OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES WITH THE COMPANY PROVIDING SEVERANCE PAY

In the contracts of the members of the board of directors, both with the Company itself and with subsidiaries of the Company, where such contracts are available to them, no benefits have been provided upon termination of their contracts.

7 INFORMATION ON THE COMPANY'S AUDIT COMMITTEE OR REMUNERATION COMMITTEE, INCLUDING THE NAMES OF THE MEMBERS OF THE COMMITTEE AND A MANDATE SUMMARY BY WHICH THE COMMITTEE FUNCTIONS

At the General Meeting of the Shareholders of the Company held on 14.06.2016 an Audit Committee was appointed (according to the requirements of paragraph 1, item 11, letter "a" of the FIA) consisting of:

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

The mandate of the Audit Committee is 3 (years).



On 15.06.2017 Sirma Group Holding JSC held its regular Annual General Meeting of Shareholders, based on article 20 from Regulation № 48/ 20.03.2013 regarding the remuneration requirements of FSC, the following members of the Remuneration Committee were appointed:

Georgi Parvanov Marinov – chairman

Yordan Stoyanov Nedev – member

Petar Borisov Statev- member

8 STATEMENT ON WHETHER THE COMPANY COMPLIES OR DOES NOT TO THE REGIME FOR CORPORATE GOVERNANCE

In view of the fact that Sirma Group Holding JSC is entered in the Register under Art. 30, para. 1, item 3 of FSCA, kept by FSC, the Company has implemented a Program prepared in accordance with internationally recognized standards for good corporate governance. In accordance with the provision of Art. 100n, para. 4, item 3 of POSA, the financial statements of Sirma Group Holding JSC comply with its Program for the application of internationally recognized standards for good corporate governance and maintains its accounting policy in accordance with International Accounting Standards.

9 OUR BUSINESS MODEL

In order to accompany our customers in their digital transformation and the massive transition of their business into a secure cyberspace, we took advantage of our technological advantages and skills. We have focused on preparing them for the intelligent enterprise era. An intelligent enterprise can model, bind, classify, and use data as a core asset for doing business. It has smart documents in an excellent collaborative environment, receives additional information to help make critical business decisions. This enhances customer satisfaction, performance and efficiency. We started creating virtual agents in the financial industry. We have entered a new niche in health care - the management of chronic diseases. We have achieved excellent cyber-security success using unique methods to protect the digital space. We have expanded our capabilities through a set of semantic technologies to provide our customers with better content management, knowledge detection, and semantic search. Our vision and mission unlock our ability to create a positive economic, environmental and social effect. By playing this role, we must

have the necessary capital. First, we rely on the financial capital provided by our investors. But what really increases our success is the intellectual and social capital - our employees. They are the gateway to our knowledge, experience and business relationships. For this reason, committed, highly qualified and flexible employees are at the center of our business model and success. Sirma Group Holding is a group of quasi-independent legal entities, holding directly or indirectly 50% to 100% of the capital of the group of companies. The holding usually controls the management, determining the development of the group's companies, their investments and their budgets. It also provides legal, financial and administrative services, coordinates marketing and HR policies. With this model, Sirma manages to develop a strong vertical and regional specialization, to concentrate knowledge on customers, environments and specifics. The group manages to combine technologies and products in different verticals, to build synergies between individual businesses, building a unified corporate culture and values.



10 SIRMA GROUP HOLDING IN 2017

10.1 THE BUSINESS

Established in 1992, Sirma has become one of the largest IT companies in the region for 25 years, owning a range of proprietary, innovative technologies, a diverse product portfolio and growing market share in Europe and North America.

Sirma owns software solutions for a wide range of businesses with a focus on the development of cognitive technologies (AI). The Group has diversified market exposure exclusively to the private sector with a stable customer portfolio. Sirma's products are concentrated in the most promising and high-tech areas - financial technology, semantics, industrial software, IoT, computer vision, telemedicine. In 2017, as part of its renewed strategy, the group began a focused effort to build cross-selling capacity, updated its sales and marketing model in line with the global trends - Software as a Service model.

Sirma is a globally recognizable company in semantic technology and among the top 10 worldwide in the areas of Graph Databases (GrpahDB), Text Analysis, Data Detection, and Federationing (Bloor, 2016). One of Sirma's products - EngView Package Designer Suite CAD is part of the design and packaging solutions of world leaders in the printing industry. The Holding is one of the regional leaders of the IT market, with 60% of the operators in the financial sector being its clients. Sirma is a top class regional cloud service provider with Class 4 Data Center licensed to store data from the Bulgarian National Bank and other organizations requiring increased data security. Through one of its companies, the Holding is the leader in the SaaS delivery to insurance brokers. Sirma has a strong presence on the US market by running a huge number of IT consulting projects. The group has a broad partner and distribution ecosystem in over 50 countries around the world.

Some of Sirma's unique advantages are:

- The Best RDF Triplestore in the World;
- Top Text Analytics Engine for Business (used by BBC, AstraZeneca, Ministry of Defense, USA);
- Face recognition technology - among the top 10 worldwide;
- Extensive expertise in news and social media analysis;
- Extensive expertise in creating Chatbot and AI Assistant applications.

In 2017, the group developed its 5-year "Sirma 2022 Strategy". Sirma focuses on the process of transforming organizations into "intelligent organizations." We have technology and know-how for all stages of this transition - from data collection - internal, external, structured, unstructured, open, connected, "dark" etc., through the development of models and knowledge repositories, the development of analytical models and predictive models based on artificial intelligence, to the provision of "human" interfaces of the next generation.

The main elements of the Strategy are:

- Technological transformation through concentration of R&D and core cognitive technology in the SENPAI (Sirma ENTERprise Platform with AI) - a cloud based platform with a new level of artificial intelligence (cognitive computing), allowing the intelligent evolution of organizations in everything;

- Increasing the commercialization of technologies;

- Expansion and technological leap in Sirma's product portfolio through:

- o Cloud base;

- o Development of new products with a cognitive element;

- o Integration of the existing portfolio with the SENPAI cognitive platform.

- Complementing the sales model - from predominantly on premise to SaaS sales;

- Significant expansion of the distribution network and partner ecosystem to improve the sales model - in addition to direct sales and sales through a major affiliate distribution network, including increasing OEM partnerships;

- Organizational restructuring to implement the strategy.

The transition to the SaaS sales model, the increase of cognitive sales, combined with planned marketing and sales investments will ensure a smooth and steady growth of Sirma to a global level and an increase in the value of the Group.

Our philosophy about our strategic technologies and products is that we embody the sense of human thought - perception, interpretation, forecasting and decision making.

By adopting the 2018-2022 Strategy, in 2017, we began preparing for its implementation. We provided debt finance to eliminate minority holdings in Ontotext - a key company for the Strategy implementation. We have developed detailed development plans for both the cognitive core (SENPAI) and the strategic verticals of the group. We have begun a process of organizational and technological restructuring.







We achieved very good financial results in 2017. The consolidated operating income for the year 2017 is BGN 52.037 million, which is 25.14% more than revenues in 2016. EBITDA increased by 23.66%, compared to the results in 2016, reaching BGN 15.363 million. As a result, Sirma Group Holding achieved a 68.71% growth in consolidated net profit on an annual basis in 2017. The net profit for 2017 is in amount of BGN 6,190 million. Return on equity (ROE) also increased significantly, with 65.46%, compared to last year and reached 5.22% in 2017. EBITDA margin in 2017 is 30.69%. The net profit margin increased by 34.92%, reaching 11.92% in 2017. This resulted in an increase in Sirma Group Holding's EPS of BGN 0.06 in 2016 to BGN 0.10 in 2017, growing by 68.71%.



10.2 SEGMENTS

THE GROUP DEFINED OPERATION IN SEVERAL SEGMENTS:

STRATEGIC VERTICALS

 FINANCE	 HEALTHCARE	 INDUSTRIAL SOLUTIONS	 MEDIA, PUBLISHING AND CULTURAL HERITAGE	 RETAIL	 CROSS INDUSTRY BUSINESS SOLUTIONS
<p>Sirma Consulting Business</p> <p>Leading integrator of FlexCubetm</p> <hr/> <p>S&G Services Technology</p> <p>Leading integrator of Temenos bank software .</p> <hr/> <p>Sirma ICS</p> <p>Leading supplier of a cloud-based platform for insurance brokers.</p>	<p>Sirma Systems Medical</p> <p>Software applications for the management and control of chronic diseases; Leading product: Diabetes M.</p> <hr/> <p>Analysis of clinical drug research reports and data integration for pharmaceutical companies and health insurers.</p>	<p>EngView</p> <p>Leading supplier of CAD / CAM solutions for the packaging industry; Leader in the delivery of products and solutions for the measurement industry; OEM partnership with the world's second-largest measuring machine delivery company - QVI</p> <hr/>	<p>Ontotext</p> <p>Global leader in partnerships and delivery of semantic software solutions for media, business and investment information agencies and scientific publishing houses.</p> <hr/> <p>Sirma Group Inc</p> <p>Provider of software solutions and services for galleries, museums, archives and libraries (GLAM).</p>	<p>Sirma Solutions</p> <p>Among the leading facial recognition solutions; Solutions and services based on machine self-learning algorithms; Loyalty program management platform.</p> <hr/>	<p>Sirma Solutions</p> <p>It has a full range of enterprise IT outsourcing solutions; Among the best system integrators in Bulgaria.</p> <hr/> <p>Daticum</p> <p>Leading provider of cloud services and infrastructure with a certified data center.</p> <hr/> <p>Sirma USA</p> <p>Leader in delivering highly personalized and scalable solutions; Creator of an innovative solution for Cyber Security.</p> <hr/> <p>Sirma Group Inc</p> <p>Open source platform for intelligent organization management and LOW CODE documents for personalization.</p>



10.2.1 Segment key technologies / SENPAI

According to the 5-year development strategy, Sirma focuses on cognitive and AI-based technologies. This is not really new to the group, actually the first company founded 25 years ago - Sirma AI, was created with the idea of developing software in the field of AI. Since then, Sirma's companies have accumulated many such technologies - graph database, text analysis, information retrieval from social networks, analysis algorithms and assumptions, computer vision products, various deep learning solutions, and so on. Sirma's technological solutions are in a different stage of maturity - in an early stage of development, growing, as well as mature and well-established, with commercial application.

The portfolio of technologies includes both transformative technology solutions and technologies that deliver better

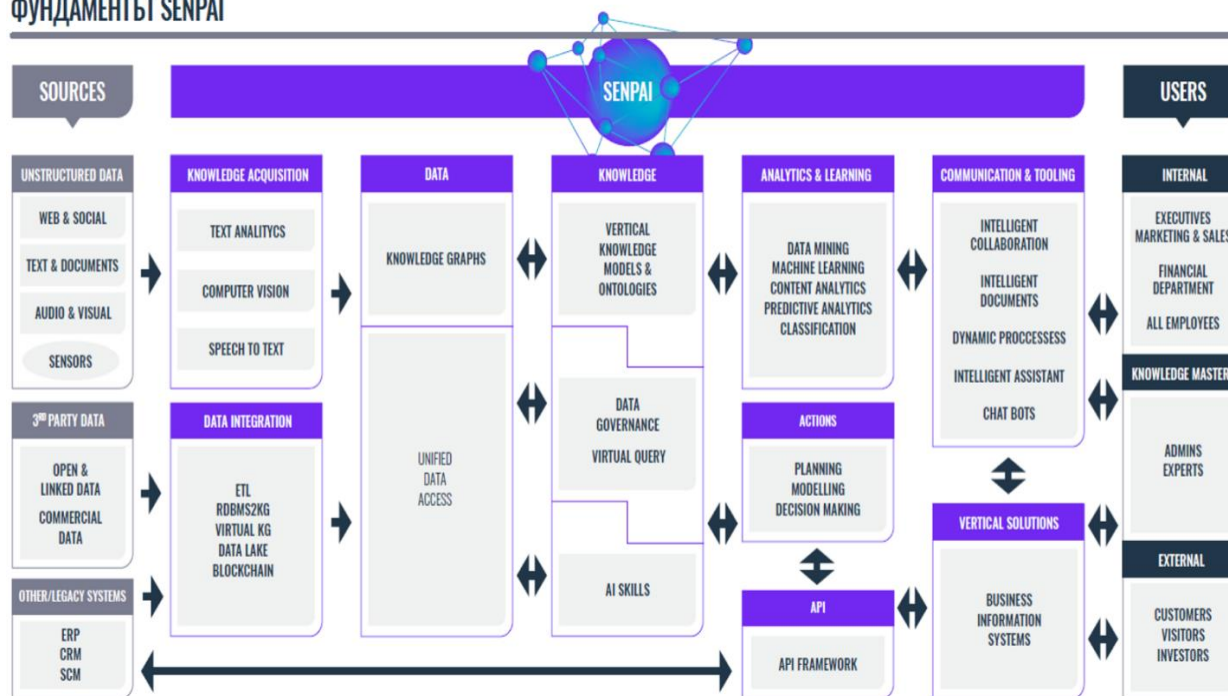
business value and allow for rapid penetration due to acceptance from a wide range of industries.

Sirma owns some developments that follow an opportunistic strategy - they will develop when a business case arises. This approach provides us with a robust product pipeline, where development and resources can be refocused at any moment to the most promising and sought solutions.

"The software cognitive / AI platform market is booming in 2016, and we expect it to continue over the next five years," says David Schubmel, research director at IDC. "IDC predicts that the overall market will grow significantly in 2021, exceeding revenue of \$ 8 billion, with CAGR exceeding 39%."

BUSINESS DEVELOPMENT IN 2017

ФУНДАМЕНТЪТ SENPAI



SENPAI

PRODUCTS, PLATFORMS, SERVICES

SENPAI provides:

- Base Cloud Software Environment (Infrastructure) - connection to other cloud platforms or system software; customer management, access plans, control and reporting of resources used;
- Cognitive analysis services for unstructured information - a set of technologies which include analysis of images, text or other data, as well as demographic analysis in video stream (age, race, and gender) recognizing a predefined list of people in a video stream or images;



- Database as a service - layer for storage, indexing and query for knowledge, data and results from the analysis services;
- Data as a service - access to databases (open or licensed) as knowledge graphs. Added value includes integration, updates, clearing and structuring of data. Federated of open and own data;
- Knowledge models - a combination of public and private data in large graphs of knowledge in specific areas, as well as text analysis models predictive analysis and interfaces based on natural language;
- Content management - analyzing, indexing, searching and recommending documents and other information content using Enhanced Knowledge Models;
- Platform for Business Interactions SEIP - platform for building business applications through LOW CODE (without additional programming). SEIP is part of SENPAI and provides capabilities for process management, collaboration, content creation and management, and natural-language interfaces (e.g., bots).

Data as a Service and Knowledge Models will be developed and marketed in several domains. Two specific areas in which such services are provided are:

- Business information for organizations, people, locations and markets;
- Health and Life Sciences.

SEIP services combine in a variety of workflows, and the client applications based on them are cloud-based for necessary data storage, analysis, and search.

SEIP business platform is used in cloud environment in two ways:

- Building individual solutions for the needs of a particular customer;
- Developing standardized software-as-a-service solutions that are available on multi-tenant.

OBJECTIVES OF SENPAI: 2018-2022

- Average revenue growth of 67%;
- Achieving a 29% EBITDA to revenue ratio.

WHAT WE DID IN 2017?

We have begun a process of integrating our vast legacy of cognitive and AI technologies into a common ecosystem which we have called the SENPAI – an AI platform that will allow us to integrate powerful Artificial Intelligence-based solutions into organizations to support their transition to the “intelligent enterprise”. Integration is not only technological, but also structural and organizational. We have begun a process of merging our intellectual property into an intermediary company, which will be named in honor of the first parent company “Sirma AI”. But this is only a process at the end of which the assets of the group, the key cognitive technologies and the teams which develop them will move to the holding company.

Although we are at the beginning of our 5-year strategy, we are now selling and profiting from our AI technologies. And we continue to invest a lot in R & D to make our technologies leaders in their segments.

In 2017, several significant contracts were concluded in the field of financial services and market information, including a contract with a top-3 US bank, for the use of semantic technologies which help financial organizations manage regulatory compliance.

A long-standing contract has been signed with a leading global market-intelligence agency to use intelligent technologies for a more accurate prediction of commodity prices. The advantages of semantic data analysis

technologies and the extraction of useful insights have also been appreciated by one of the Big 4 consultancy firms which has partnered with us to better analyze the merger and acquisition market.

In 2017, we continued our successful participation in a number of international, interdisciplinary (application-research and academic) projects funded under EU programs, for example in the field of fake news on the Internet, medical data extraction, data in intersectoral verticals, use of open and related data from governments and public organizations, and many others. Ontotext also won funding for new research project for over BGN 800,000.

As an assessment of Ontotext's innovative products, developments, and the established presence of Ontotext in global technology chains, the company was awarded the Innovative Enterprise of the Year Award in the Market Leadership field at the Thirteenth National Innovation Forum, where the President of the Republic of Bulgaria Mr. Rumen Radev personally handed the award to Atanas Kiryakov, CEO of Ontotext JSC.

PRODUCT DEVELOPMENT

Four updates were made to the eighth version of GraphDB, which was released on the market at the very end of 2016. Improvements in the platform's functionality have provided users with faster data recovery, enhanced user experience, improved workload and visualization data, speed, usability,



parallel data loading, and logical conclusions. Most appreciated by the major clients were GraphDB's improvements in the speed and manageability of the Enterprise Edition cluster.

In August, a new database service was launched as a database-as-a-service (DBaaS) for GraphDB Cloud, which

builds on existing cloud services. GraphDB Cloud helps organizations outsource the management of their databases. This allows customers to avoid investing in purchasing licenses and training technical staff for installation, configuration, and maintenance.

FINANCIAL RESULTS OF THE SEGMENT

Segment	Indicator	Detailed indicator	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000
Core Technologies	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
	Revenues Total		5 257	3 771	3 802
	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
	Expenses without depreciation Total		-8 157	-3 305	-3 562
	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
	Capitalization 613 Total		5 242	1 998	3 025
	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
	Unfinished production 611 Total		471	5	0
	Depreciation and amortization	Depreciation and amortization expenses	-1 465	-1 438	-1 502
	Depreciation and amortization Total		-1 465	-1 438	-1 502
Result			1 349	1 031	1 763

In 2017 the segment result grew by 30,87% or 318 thousand BGN compared to 2016.



STRATEGIC DEVELOPMENT OF SENPAI IN 2018:

The strategic objectives for the development of SENPAI for 2018 can be summarized as follows:

- Positioning Sirma as a leading provider of artificial intelligence technology, in line with Sirma Group's strategy. This requires expanding Sirma's current positioning as a provider of knowledge and text analysis technology. Sirma must become recognizable as a supplier of a cognitive platform for integration and data analysis of the so-called "Intelligent enterprises".

- Developing partnerships with large system integrators and software vendors for large organizations.

- Further development and further maturation of current products and technologies. One particular goal is to reduce the effort needed to create prototypes and prepare proposals for solutions which use cognitive technologies.

10.2.2 Segment Cross-industry solutions

This is Sirma's largest segment. It includes consulting, system integration, and public sector. Companies of Sirma Group operating in the Cross-industry segment are: Sirma Solutions JSC, Sirma USA, Sirma Group Inc., Datium JSC.

SIRMA GROUP PRODUCTS, SERVICES AND SOLUTIONS IN THE CROSS INDUSTRY SEGMENT:

Vertical	Product, Solution, Service	Application
Cross-Industry Solutions	Sirma Enterprise Intelligent Platform	Intelligent processes and documents
	Computer vision	Finance management
http://www.sirma.bg/products/cross-industry/	E-services and e-government	Human Resources
	Cyber security for applications	Marketing and sales
	DevOps	Managing and developing products and services
	Tiimz	Information security
	Mobile Parental Control/Bipper;	Cloud Services, Data Center
	Digital Signature Solution;	
	GoDigital	
	Manage "DevOps" processes	
	System integration	
	IT consulting services;	
	Sirma Enterprise Solutions;	
	Cloud services/IaaS	
	Daticum Cloud Platform	
	Sirma Complete Cloud	
	VipCloud	
	Cloud infrastructure as a service (IaaS)	
	Managed services	
	Backup as a service (BaaS)	
	Disaster Recovery as a service (DRaaS)	
	Leased servers and equipment	
	Colocation of hardware equipment	
	Construction and operation of backup data centers	
	Custom Software Development	



MARKET POSITIONING OF SIRMA GROUP COMPANIES IN THE MULTI-INDUSTRIAL SEGMENT:

- Positioning as a provider of a cognitive platform for integration and data analysis of the so-called "Intelligent enterprises".
- Create market niches for new basic cognitive services.
- Technological partner of major consulting and analytical companies.
- Positioning on the market for software rating companies.
- Provider of contract management software.
- Leading system integrator on the local market.
- Positioning in the cyber security applications segment.
- Expanding the US market for outsourcing IT activities.
- A premium provider of the fastest and largest cloud services - SDD storage (dozens of TB).
- The only provider of Flash storage in the region which runs at the speed of the RAM and allows 1M IOPS speed to business customers on the cloud platform.

MAIN TYPES OF CLIENTS OF SIRMA IN THE SEGMENT: companies from all industries, municipal organizations, government organizations.

MAIN COMPETITORS:

DGM, Stone Computers, ICN, Superhosting, Netera, Evolink AD, Telepoint OOD, 3DC and international companies providing cloud services such as Amazon, Rackspace, Microsoft, IBM, and others.

DIVISION IT CONSULTING AND OUTSOURCING (NORTH AMERICA, EMEA) - companies from regions of the world which offer lower hourly rates - Macedonia, Ukraine, Belarus, India, and others.

Competitors in Bulgaria are: Musalasoft, ScaleFocus, Rila, Ciela, Stemo, Lirex, Index, Kontrax and others.

DIVISION SYSTEM INTEGRATION AND PUBLIC SECTOR (BULGARIA AND EU):

SYSTEM INTEGRATION: Stemo, Paraflow, Kontrax, Stone Computers, CNsys, Lirex, Index, Menemonica, S&t, Telelink, IBS, Efellows

COMPETITORS PUBLIC SECTOR: The competition in the Bulgarian IT services market in the public sector is serious. In addition to all major Bulgarian IT companies, companies representing foreign companies in Bulgaria, as well as very recently established companies for participation in a particular tender, are also present. To a great extent, competition strongly depends on the political situation in the country and the connections of a company with the strong of the day. In foreign markets - we compete with local companies or large holdings which win most of the government procurement; in Europe and the United States, lobbying circles are strong and largely distort normal market distribution.

REGULATORY FRAMEWORK AND SEGMENT REGIMES:

regulatory framework and regimes in the field of cybersecurity, collection, storage and protection of personal data (GDPR), data transfer rules.

MAIN PARTNERSHIPS IN 2017 OF SIRMA'S COMPANIES IN THE CROSS-INDUSTRY SEGMENT:

The System Integration Unit has developed its partnerships to the highest possible level with the respective manufacturer in a variety of fields:

- Data storage and computing servers: IBM, Cisco, HPE, Lenovo, Oracle, EMC/Dell, Netapp
- Network Infrastructure: Cisco, Juniper, HPE, Huawei
- Virtualization and backup: VMWare, Microsoft, Veeam
- Infrastructure for data centers: APC, Emerson and others
- Terminal devices: Lenovo, HP, Samsung, Dell
- Information security: F5, PaloAlto, Cisco, Radware, Imperva, Forcepoint, Checkpoint, CyberArk, RSA and others

- Long-term partnership agreements with two of the world's largest system integrators - Atos and Infosys, for whose customers our semantic technologies will solve complex problems in different areas.

- Since mid-2017, intensive work has been done to develop strategic partnerships with system integrators and large IT consultants, large providers of data, information and document and database management software.

- Business partnership with a Finnish company Planiks was achieved for the sale of cultural heritage solutions.

BUSINESS DEVELOPMENT OF SIRMA IN 2017 IN THE CROSS INDUSTRY SEGMENT:

- For a consecutive year, System Integration at Sirma Solutions generated a two-digit growth in sales. The company has launched a number of complex projects on the development of data centers, cloud infrastructures and security systems on the territory of Bulgaria, Austria, Germany, Belgium, the United Kingdom and Canada.
- We have many new customers, including two logistics companies, a new large private chain of hospitals, and several international IT companies.
- We have built a complex Cyber-Security platform which provides real-time visibility and a quick response to an incident.
- We created a device which the US-based customer calls the "first unified universal device for cyber-threat management at home". This device is an innovative home product which was recognized and classified in the "Best of the Best" category at the prestigious Las Vegas event, CES 2018.



- The unit successfully continued its work on several other outsourcing projects: EOS, Lifebook, OCCAS Mtel.
- The biggest success in this vertical was the winning of a huge multi-year project with the Financial Mechanism Office of the EEA and Norway Grants (Brussels). We won the project in a very competitive tender with 19 European companies of all sizes. Winning such a project is not only a great success for Sirma but also recognition for the entire Bulgarian IT industry. The project will continue until 2025, and we have already started with a very strong and successful launch.
- Another important project we implemented was the development of an IT audit system for the Bulgarian justice system. The development was based on our SEP technology (Sirma Enterprise Platform), which allowed us to deliver a sophisticated software product which would normally take dozens of man-years to develop, for a very short time.
- Based on the SEP platform, Sirma has developed its own contract and document management product, and this product has been successfully implemented in Sirma contract management system and in some of our major customers.
- Daticum has launched Disaster recovery as a Service on its cloud platform, which can benefit all clients at an extremely attractive price.
- A second geographic location of the cloud and backup platforms, 400 km away from Sofia, is under construction to provide geographically reserved services to our customers.

PERSPECTIVES OF THE CROSS INDUSTRY SEGMENT:

- The expected average annual growth in corporate costs for cognitive technologies is about 40% until 2021, according to the IDC estimates.
- Demand for integrated tools for extracting, processing and deepening understanding of unstructured content - text, images, speech and video for using these applications based on artificial intelligence.
- Demand for complete software solutions providing a 360 ° view of the data.
- Significant investment by retailers in security technologies - encryption, e-mail security, identity access control, and multi-factor authentication.
- The cloud service segment continues to grow at a rapid pace, and in the next three to four years, most modern IT services will be available as a SaaS model, according to Gartner. Revenue from SaaS services is US \$ 58.6 billion or a 21% growth from 2016.
- The global public cloud service market in 2017 grew by 18.5% or US \$ 260.20 billion compared to 2016.
- Leading segments of the market, SaaS, PaaS, and Infrastructure as a Service (IaaS) will continue to grow in 2018.
- PaaS services in 2017 were 11.4 billion USD compared to 9.0 billion USD in 2016 worldwide, due to the trend of more and more companies to choose the PaaS model as the main application development.
- The largest contribution to cloud services growth in 2017 is due to the service-based infrastructure (IaaS) with 36.6% worldwide growth, 34.7 billion USD compared to 2016 the IaaS segment has CAGR of 23.31%. It is expected to outperform the CAGR of the common market for cloud services with 13.38% by 2020.
- By 2021, 70% of the total public cloud service market will be controlled by the world's top 10 suppliers. In the IaaS segment this is expected to be Amazon, Microsoft, Google and Alibaba, which in 2017 hold a major percentage of the market.
- In the SaaS and PaaS segments, Oracle, SAP and Microsoft are expected to play a leading role.
- On a regional scale, we report a steady growth in the IaaS segment, with 22.89% CAGR for the last 3 years (2015-2017).
- Cybersecurity Ventures predicts global cost of cyber security products and services to exceed \$ 1 trillion cumulatively by 2021.
- As Cloud Services develop, there are also changes in consumer demand. Complex cloud services are sought, with emphasis on malicious attacks (DDOS). This service is still too expensive for the majority of companies which have the traditional IT infrastructure model. As a result, companies are increasingly looking for a cloud provider to provide such services in their portfolio.
- Daticum's cloud-based service platform generated growth of nearly 19% in 2017, with expectations of sustaining growth rates in the coming years.

PUBLIC SECTOR DEVISION:

POSITIVE PRESPECTIVES:

- Develop a sustainable and simplified legislation in full compliance with the new European directives;
- Establishing lawful practices;
- Enhancing the transparency by introducing fully electronic methods and tools for awarding public procurement contracts;
- Creating sustainable administrative capacity and increased professionalism;
- Enhancing the effectiveness of pre-emptive, ongoing and ex-post controls on public procurement;
- Results from the fight against corruption;
- Development of electronic administrative services;
- Entry of BI services into the state administration;
- Entrance of semantic technologies in the public sector;
- Entry of a "personally mobile workplace";
- "Big Data" - continues to present to the government sector issues related to managing and processing information which will go beyond traditional IT capabilities to support the use of the information assets.
- Cross-Domain Interoperability - Inter-Community Interoperability - Intelligent Government Initiatives depend on interoperable information. Data received from external and internal sources as well as processing and delivery networks which effectively integrate planning, performance analysis and business operations. To achieve economies of scale, the state seeks to standardize and consolidate assets and processes.
- The trend of Internet of things also goes into the public sector. The Internet expands beyond PCs and mobile devices into corporate assets. Governments, as well as most businesses and technology vendors, have not yet explored the opportunities for an expanded Internet and are not operationally or organizationally ready.



- Hybrid IT and clouds - global governments continue to strive for both public and private cloud services, but the focus is shifting from developing cloud-based services to agencies which are able to buy commercial services

EXTERNAL RISKS AND THREATS TO THE MULTI-INDUSTRIAL SEGMENT OF SIRMA GROUP:

HOSTING AND INFRASTRUCTURE:

The dominance over the global market of large companies such as Amazon, IBM, Microsoft, Rackspace and others. In the case of negative actions / inactions or errors of some of them, it may affect negatively the entire industry and the other companies operating in it.

Another major risk is related to EU legislation and the European Commission's directives on the cloud service sector. The provision of high fines for a violation by a particular cloud infrastructure provider may have a different dimension for different business entities.

A major threat can be caused by increasing pressure from customers and users to reduce infrastructure service prices.

Which reflects on the return on investment and financial performance.

SYSTEM INTEGRATION AND PUBLIC SECTOR:

- BREIT from the EU, leading to a difficulty in this market depending on whether the UK will impose duties on computer equipment and software.
- Severe competition from local companies.
- By reducing the administrative burden on public procurement and facilitating the application process, there is a strong likelihood of large foreign firms entering the Bulgarian market.
- Corruption - a common phenomenon in the public sector in Bulgaria.
- Difficulty in finding qualified staff.

IT CONSULTING

The main threat is the lack of sufficiently qualified staff and a steadily rising average salary in the sector. The second risk is the poor recognition of Bulgaria as a reliable supplier country.



FINANCIAL RESULTS OF THE SEGMENT

			31.12.2017	31.12.2016	31.12.2015
Segment	Indicator	Detailed indicator	BGN '000	BGN '000	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
	Revenues				
	Total		33 922	24 817	19 551
	Expenses without depreciation	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
		Expenses without depreciation			
		Total		-23 614	-14 942
	Capitalization 613	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
	Capitalization 613				
	Total		5 401	6 863	2 284
	Unfinished production 611	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
		Unfinished production 611			
	Total		274	102	494
	Depreciation and amortization	Depreciation and amortization expenses	-1 687	-1 428	-1 066
		Depreciation and amortization Total		-1 687	-1 428
Result			14 296	15 412	2 130

In 2017, the segment posted revenue growth of BGN 9 105 thousand compared to 2016. The result was a decrease of BGN 1 116 thousand or 7,24% compared to 2016 due to a change in the structure of the business - increasing the relative share of integration projects.



STRATEGIC DEVELOPMENT

PRODUCT AND BUSINESS DEVELOPMENT
FOCUS OF "CROSS INDUSTRY" SOLUTIONS

- Extend the portfolio of managed services;
- System Integration;
- Cybersecurity;
- Productisation of services ;
- Migration to Cloud-based products and services;
- Upgrading products and solutions with cognitive capabilities through integration with SENPAI.

FOCUS PRODUCTION AND BUSINESS
DEVELOPMENT "HOSTING AND INFRASTRUCTURE"

- Development of self-service module;
- Complete integration with existing systems for improved user experience and access to customer-required information;
- Expansion of the DRaaS (Data Recovery as a Service) module with additional functionality to provide Business Continuity as a service;
- Positioning the data center as a reliable service provider with guaranteed high productivity and flexibility at an extremely competitive price.

REVENUE GROWTH WILL BE ACHIEVED THROUGH

- Increased sales of managed services;
- Complex cognitive services for transformation of enterprises, incl. cloudy based;
- Providing XaaS;
- Sales of Cybersecurity Services;
- Supplementing service delivery models;
- Development of specific projects for clients;
- Increased sales in the US and Bulgaria;
- Increased data center capacity;
- Maintaining an excellent price / quality ratio of Daticum Cloud Platform services;
- Enrich the functionality of the DCP platform and add new revenue to packet sales;
- Positioning the division among the leading European cloud infrastructure market (IaaS);
- Marketing campaign to position Sirma as a preferred provider of cloud services for the enterprise segment;
- Direct sales and development of the distribution network..

OBJECTIVES 2018-2022.

- Average annual revenue growth of 29%;
- Achieving a 23% EBITDA to revenue ratio.

10.2.3 Financial Segment

THE COMPANIES FROM SIRMA GROUP WHICH OPERATE IN THE FINANCIAL SEGMENT: Sirma Business Consulting JSC, S&G Technology Services, Sirma ICS JSC.

PRODUCTS, SOLUTIONS AND SERVICES OF SIRMA GROUP FOR THE FINANCIAL SEGMENT

Vertical	Product, solution, service	Use
Finance https://www.sirma.bg/products/finance/	Implementation of Oracle FlexCube & Temenos	Automation of the back-office functions
	Software for insurance broker ICS Platform	Prevention of money laundering
	System for regulatory reporting RepXpress	Prevention of fraud
	UBX Central Credit Register	Risk assessment
	System for regulatory reporting CeGate	Compliance evaluation
	Card management and transactions as a service	Personalized services
	Migration of key financial systems, products and services to the cloud	Client service, improvement of client satisfaction and engagement using all communication channels and sales
	Multi-functional and multi-channel platforms	Client service, cross and up sales
	Chatbot and intelligent assistants	Customer knowledge, sales and behavior forecast
	Forecast and analytical instruments for client behavior.	



MARKET POSITIONING OF THE COMPANIES OF SIRMA GROUP IN THE FINANCIAL SEGMENT:

- Leading implementator of the world's most common core banking systems - FlexCube and Temenos.
- Provider of Omni Channel solutions to core banking systems.
- Software vendor to facilitate meeting regulatory requirements in the industry.
- Leader on the Bulgarian insurance brokerage software market.
- Strategic partner of the major insurance companies in Bulgaria.
- Entering the segment for research and management of human behavior on the financial markets.

MAIN TYPES OF CLIENTS OF SIRMA GROUP IN THE FINANCIAL SEGMENT: banks, non-bank financial institutions, brokers, financial intermediaries, funds, insurance companies, audit companies, rating agencies, companies for market analysis.

MAIN COMPETITORS FOR BANKING SOFTWARE:

Borica, Steadsoft/DS CrMS, RCC Solutions/Report Express, Exprivia, Technologica, NBT, Synergy Solutions, Software Group AG, Accidia.

MAIN COMPETITORS FOR INSURANCE SOFTWARE: Fadata/INSIS, CSC Bulgaria, ENDAVA

REGULATORY FRAMEWORK AND REGIMES FOR THE SEGMENT:

In the field of cyber-security, data collection and data storage and protection of personal data (GDPR), data transfer rules, the payment directive PSD2. Regulatory framework for insurers - Solvency II, FATCA, IMD, AML. Changes by FSC to Ordinance 54. Changes related to IFRS 9 (International Financial Reporting Standard), related to booking of all financial instruments at fair value. Changes related to the requirements for credit institutions for regular reporting under Regulation (EC) No 575/2013 of the European Parliament and of the Council and Commission Implementing Regulation (EC) No 680/2014. Changes related to the introduction of bonus-malus - a relationship with insurance companies is maintained to maximize early planning and implementation of the relevant functionality.

MAIN PARTNERSHIPS IN 2017 OF THE COMPANIES OF SIRMA GROUP IN THE FINANCIAL SEGMENT:

- Partner of FlexCube and Temenos - system integration and implementation of the world's most common banking systems.
- Strategic partnerships with suppliers such as Axiomme, Exprivia, BluePoint Consulting Romania, Facilision Albania, Accenture Greece and OFSS.
- Technological partner of the major insurance companies in Bulgaria.

BUSINESS DEVELOPMENT IN 2017 OF THE ACTIVITY OF SIRMA IN THE FINANCIAL SEGMENT:

- Over the past year, we have implemented several successful projects where, besides a lead performer with its CBS Flexcube expertise, additional activities related to database upgrading and 3 successful migrations have been assigned and executed.
- At the end of 2017, we completed the implementation under several international projects, which significantly increase revenues from abroad and provide a good basis for business growth in the Balkan countries.
- In Bulgaria we have won new clients, including three banking institutions and one insurance company.
- In the banking sector, thanks to the expertise we have with Temenos T24, we were able to conclude key contracts with KBC Ireland, BIL, as well as one of the main consultants in the merger of UBB and CIBank in Bulgaria. At the end of the year, we joined a large project for Raiffeisen Bank, where we jointly develop a new front-end system for the bank together with the Austrian bank and an Austrian partner.
- We have started to work with one of the leading companies in the US providing risk mitigation services and solutions to banks, payment service providers, online marketers and others.
- The strategic partnerships with Axiomme, Exprivia, BluePoint Consulting Romania, Facilision Albania, Accenture Greece and OFSS have been strengthened throughout the year.
- In 2017, several large-scale contracts were concluded in the field of financial services and market information, including a contract with a top-3 US bank, to use SENPAI technologies to help financial organizations manage regulatory compliance.
- A long-standing contract with a leading global market intelligence agency for the use of intelligent SENPAI technology has been signed for more accurate commodity price predictions. The advantages of semantic data analysis technologies and the extraction of useful insights have been appreciated by one of the major 4 consultancy firms to better analyze the merger and acquisition market.
- During the year, contracts were signed to build individual products for insurance companies - end-user portals, brokerage and employee portals, and mobile apps.
- Customers using Sirma's insurance brokerage software (the product is only sold in Bulgaria) grew from 80 to 105, with Sirma ICS accounting for approximately 30% of the country's market.
- During the year an order was executed for the creation of a website, a portal for intermediaries and a portal for consumers from the biggest insurance company in Bulgaria.
- Throughout the year, new solutions were released - API as a product for brokers who wish to build and use their own integration with insurance companies.



R&D OF THE COMPANIES OF SIRMA GROUP DURING 2017 IN THE FINANCIAL SEGMENT:

- We have begun building an intelligent platform based on Machine Learning algorithms to identify invoices in the cost recovery process of insurance company customers.
- We continue expanding our CBS Flexcube integration capabilities with all of the satellite applications of the company, as well as working to replace user interface for end users.
- Besides services related to parameterization and implementation of CBS Flexcube, Sirma BC extends its activity in offering services related to the operational support and monitoring of the Flexcube banking system to various clients in Bulgaria and abroad.
- The SCARDS card system has been enhanced by extending the Host-to-Host (H2H) Authorization functionality to PSD2 compatibility;
- RepXpress Reporting System - Creating a new validation policy framework, updating and extending functionality by adding reports for ALM, LCRDA, and creating a new Minimal Requirements of Eligible Liabilities (MREL) report.
- A new product scoring module has been developed.
- In 2017, SirmaBC further developed a banking service, WitBank, a smart program which can communicate with bank customers via standard online messaging channels (Skype, Facebook, Viber, etc.), providing them with easy access to information and services. The bot is in a period of testing and stabilization. In the strategy of SirmaBC, integration of WitBank with a large part of the company's products, such as SCARDS (card management system) and WeBank (multi-channel services for end-users), is also envisaged;
- R & D activities with respect to IFRS9 were aimed at creating an application to generate reports in line with the standard.
- During the year the first and unique /for Bulgaria/ new products were launched for "Online ordering and closing of insurance" and "Online underwriting of TPL insurance"
- The Insurance - Brokerage Software is a major strategic priority for the Company. A number of improvements and new functionalities have been made, and a number of problems have been cleared.
- Multiple product improvements - DB Normalization, new functionalities and products, administrative improvements were effected.
- During the year, product additions were made to the requirements of Regulation 54 and preparations for the implementation of the changes required by the GDPR Regulation

OPPORTUNITIES FOR THE ACTIVITY OF SIRMA GROUP IN THE FINANCIAL SEGMENT:

- Financial institutions plan large-scale investments in their digital transformation, renovation of legacy systems and infrastructure. The insurance software market is growing at around 20% per year, with growth prospects good due to obsolete legacy systems which do not meet current customer and regulatory requirements.
- With the introduction of new European regulations, all banks will have to be prepared to report within a

"new" reporting framework. In practice, market potential is greater than supply, and growth is expected for the next two to three years.

- The regulatory environment is becoming more complex - financial institutions are looking for AI solutions to make sense from larger regulatory data volumes.
- New data management requirements such as GDPR and the Payment Services Directive II (PSD2) encourage the introduction of more sophisticated and more open business models with better data and visualization tools. This requires a new data infrastructure, new ways to extract extra value from data, generate and visualize data.
- The adopted Payment Services Directive II (PSD2) opens the sector to partnerships with third parties as technology vendors in order to focus on customers. Using open APIs will add even more value to users.
- Entry into the financial sector of chat robots - computer programs simulating human conversation or chat, through artificial intelligence for easy, affordable, but secure banking. Growth of applications for robotic assistants with application of machine learning, AI in the development of sales channels and communication with clients.
- Enhance the adoption of cloud and SaaS applications which include content analytics to retrieve objects and entities and extract links and analysis. A strong focus of applications on security and regulatory compliance.
- Building open architectural solutions which effectively support the organization's business objectives while keeping track of the growing security requirements, inviolability of personal data, rapid identification of customers, and ensuring consistency of collected information for analysis and forecasts, related to customer demand and behavior.
- User experience dictates IT investments - a user-centric design combined with a creative engineering approach for a better customer experience.
- Real-time risk solutions - assisting in risk management by improving the enterprise's overall risk analysis.
- User-oriented design combined with a creative engineering approach for a better customer experience.
- Real-time risk solutions - AI will help manage risk by improving the overall risk analysis of the enterprise.
- New digital banks are becoming a real threat to traditional players in the sector.
- Technology solutions based on the blockchain technology.
- Entering the non-traditional lenders (non-bank financial institutions) segment using technology-based algorithms and software integration to assess customer credit profiles, using unstructured data - photos and social media check-ins, GPS data, e-commerce and online purchases, mobile data, and bill payments.



MAIN THREATS FOR THE ACTIVITY OF SIRMA IN THE FINANCIAL SEGMENT:

- Difficulties in achieving the optimal balance between automation and human presence.
- Lack of long-term planning for investments and efficiency.
- Weak dynamics of IT budgets in the financial segment and depletion of IT investment reserves for customers.
- Acute shortage of skilled workers in the banking segment.
- The challenge of better synchronization of system architectures with business needs.
- Challenges for syncing and standardizing different services across sales channels.

STRATEGY FOR DEVELOPMENT IN 2018:

- Increase of clients for the insurance broker software from 105+ to 120+
- Sales of the new product - API and the "Online insurance" module to at least 5 clients.
- Continuing successful sales of the process, document and query management software.
- Continuation of long-term strategic projects started with major insurance companies.
- Increasing human resources in the company - programmers.
- Development of core brokerage software
- Creating a new organization and planning for product development and project implementation

10.2.4 Financial results of the 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
	Revenues Total		6 261	4 617	3 634
	Expenses without depreciation	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
	Expenses without depreciation				
	Total		-5 434	-4 204	-3 793
	Capitalization 613	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
	Capitalization 613				
	Total		681	748	727
	Unfinished production 611	Revenues from sales of services	0	-12	-98
		Wage expenses (wages)	0	11	88
		Social Security expenses	0	1	10
	Unfinished production 611				
	Total		0	0	0
	Depreciation and amortization	Depreciation and amortization expenses	-543	-793	-665
	Depreciation and amortization Total		-543	-793	-665
Result			965	368	-97

The Segment performed excellent in 2017, achieving a growth of its result of 162,41% or BGN 597 thousand, compared with 2016.



STRATEGY FOR DEVELOPMENT OF THE FINANCIAL SEGMENT OF SIRMA:

FOCUS OF PRODUCT AND BUSINESS DEVELOPMENT IN THE FINANCIAL SEGMENT

- Expansion of the product portfolio through:
 - Solutions and services with an intelligent document system;
 - Quality control system;
 - Fraud detection system;
 - Regulatory compliance system;
 - Authentication system;
 - Know Your Customer system.
- Integration of the existing products and solutions with SENPAI;
- Cooperation with global platforms for offering of complex financial services, aggregated with specific ecosystems.

THE GROWTH IN REVENUE WILL BE ACHIEVED THROUGH:

- Sale of new products, solutions and services with a cognitive element;
- Addition of a new model for service offering and new models for pricing;
- Entry to the European market offering software services for insurance;
- Increasing the sales and marketing capacity.

OBJECTIVES 2018-2022

- Average annual growth of revenue of 25%;
- Achieving a 34% EBITDA to revenue ratio.

10.2.5 SEGMENT PRODUCTS, SERVICES AND SOLUTIONS FOR MEDIA, PUBLISHING AND CULTURAL HERITAGE

COMPANIES OF SIRMA GROUP WHICH OPERATE IN THE SEGMENT: ONTOTEXT JSC, SIRMA GROUP INC.

PRODUCT, SERVICES AND SOLUTIONS OF SIRMA GROUP IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE

Vertical	Product, solution, service	Use
Media, publishing and cultural heritage https://www.sirma.bg/products/publishing-media/	GraphDB	Extraction, linking, structuring and enriching of information from various sources
	Instrument for text analysis	Text analysis of unstructured data
	Platform for dynamic semantic publishing	Data base integration within big graphs of data
	Digital assistant for fact-checking - Hercule	Analysis of documents, extraction of information and meta-data generation, which link text with structured data
	Text and data management	Linking company knowledge, information extracted from text and public open data.
	Content management and collaboration	Content query and indexation
	Public Content Management	Context and personalized content suggestion.
	Sirma Enterprise Platform	Helps research various content, published on the Internet, such as news, video and publication in social networks.
	Museum Space	Intelligent query, personalized content, suggestions, discovery of fake news, fact check, popularity ranking
	Collection Management	Intelligent transformation of every kind of organization
	SEIP	Creation of vertical business solutions based on specific areas of knowledge
	Data, Knowledge and Analytical services	Creation, storage and restoration of versions of important documents for cultural heritage objects



Digital Asset Management

Safeguards important objects and digital archives of becoming victims of inadequate policies for protection of records, changes in the documents, accidents or disasters caused by man or nature.

MARKET POSITIONING OF THE COMPANIES OF SIRMA GROUP IN THE MEDIA, PUBLISHING AND CULTURAL HERITAGE SEGMENT:

- Leading provider of artificial intelligence technologies and services. Repositioning – from a technology provider for knowledge graphs and text analysis to a cognitive platform provider for data integration and analysis for the so called "Intelligent enterprises".
- Leading technology provider for GraphDB's semantic content management database for STM (Science, Technology and Medicine) publishers.
- Positioning as a technology partner of major consulting and analytical companies.
- Partnership agreements concluded with two of the world's largest system integrators - Athos and Infosys, for whose customers our semantic technologies will solve complex problems in different areas.
- World-class technological leadership established in benchmarking, such as that of the Bloor Research Group for Database Counts.
- Leading provider of business software solutions for media, publishers and galleries.
- Validation as a technology provider of semantic solutions in data analysis and extraction of useful insights into the merger and acquisition market.
- Entry to the Financial Services and Market Information Segment, using semantic technologies which help financial organizations manage regulatory compatibility.
- Entry to the technology segment for exploration and moderation of attitudes of virtual communities.

MAIN TYPES OF CLIENTS OF SIRMA GROUP IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE: publishers, media, consultancy firms, rating agencies, market analysis companies, galleries, museums and libraries.

MAIN COMPETITORS OF SIRMA GROUP IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE:

- Text Analysis: Text Analysis and Content Management Systems such as IBM Watson, Cogito, OpenText, SAP Hana.
- For "Conservation Space", respectively "Museum space": solutions for the complete management of museum documentation and cultural objects - Artbase, Gallery Systems, Argus, Zatcom. No products are available online.
- About "Collection Management": there are two or three well-established systems in the US and Europe, but they are mainly used by large museums and require serious maintenance. There are no known online systems which may also be used by small museums at an affordable subscription price.
- Regulatory frameworks and segments Media: General Data Protection Regulation (GDPR).

MAIN PARTNERSHIPS DURING 2017 OF THE COMPANIES OF SIRMA WORKING IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE:

- Leading technology partner of STM (Science, Technology and Medicine) publishing companies. Strategic partnership with Springer-Nature and GraphDB selection for its SciGraph. The contracts with Elsevier, John Wiley & Sons, IET, Oxford University Press and DK have been expanded and extended.
- Long-term partnership agreements with two of the world's largest system integrators - Athos and Infosys, for whose customers our semantic technologies will solve complex problems in various areas.
- Since mid-2017, intensive work has been done to develop strategic partnerships with system integrators and large IT consultants, large providers of data, information, and document and database management software.
- Commercial partnership with the Finnish company Planics for the sale of cultural heritage solutions.

BUSINESS DEVELOPMENT OF SIRMA IN 2017 IN THE SEGMENT MEDIA, PUBLISHERS AND CULTURAL HERITAGE:

- The strategic task for increasing sales for the main company operating in this vertical line - Ontotext was achieved. In 2017 contracts (covered orders) were signed for BGN 8.8 million, compared to BGN 3.7 million in 2016.
- In May, the division started work on the second phase of the "Conservation Space" project, funded by the Andrew Mellon Foundation - software for the restoration of museum exhibits. The software is fully platform-based (SEP), making the solution unique and far superior to competitive solutions in the field. By the end of the year Conservation Space had been deployed and actively used in one of the largest museums in the United States - the National Gallery of Art (Washington) and several other museums in the United States and Europe: IMA, The Courtauld, SMK, Denver Art Museum, Yale University and others.
- In 2017, the company continued its successful participation in a number of international, interdisciplinary projects (applied research and academics) funded under EU programs, for example in the field of fake news on the Internet, medical data extraction, large data in intersectoral verticals, the use of open and related data by governments and public organizations, and many others. Ontotext also won funding for new research projects for over BGN 800,000.
- As an assessment of Ontotext's innovative products, and its established presence in the global technology



chains, the company was awarded the “Innovative Enterprise of the Year” award in the “Market Leadership” field at the “Thirteenth National Innovation Forum” where the President of the Republic of Bulgaria Rumen Radev, personally handed the award to Atanas Kiryakov, Executive Director of Ontotext JSC.

R&D IN 2017 OF SIRMA GROUP IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE:

- With regard to product development, four updates were made to the eighth version of GraphDB, which was released on the market at the very end of 2016. Improvements in platform functionalities offer users faster data recovery, richer user experience, improved performance and data visualization, speed, usability, parallel data loading, and logical conclusions.
- The most important for major GraphDB customers were improvements in the speed and manageability of the Enterprise Edition cluster.
- A new database service was launched in August as a database-as-a-service (DBaaS) for GraphDB Cloud, which builds on existing Ontotext S4 cloud services. GraphDB Cloud helps organizations outsource the management of their databases. This allows customers to avoid investing in purchasing licenses and training technical staff for installation, configuration, and maintenance.

OPPORTUNITIES FOR SIRMA IN THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE:

Opportunities for „media and market information“:

- The market for NoSQL databases (part of which is GraphDB) in 2017 is estimated at 6.0 billion USD with a growth forecast to 9.1 billion US dollars in 2020. In 2017, several of the leading IT companies demonstrated strong intent to enter this market, which validates its growth potential and raises the awareness of customers. An example is Amazon – who at the end of 2017 announced their new database-as-a-service Neptune.
- The market for Artificial Intelligence and Cognitive Analysis platforms is estimated at 2.3 billion in 2017 with a forecast to grow to 6.3 billion in 2020. Evolution to the next level - increases the interest in using knowledge graphs which give more and deeper data interpretation capacities, replacing the prevailing previous years' use of purely statistical methods (machine learning) on large volumes of data (Deep learning on Big Data).
- Accelerated production of new developments in semantic technology. Reducing the so-called Learning Curve and rapidly integrating technology into the real work environment by improving usability.
- Many leading publishers are now focusing on semantic enriching, linking and recommending texts as a way to add more value to their readers.
- Increased use of cloud services for text analysis.
- The volume and quality of Linked Open Data is growing at a rapid pace. More and more sources of information

are available to organizations and their affiliates and other organizations, such as Open Corporates and GLEI.

- Many GraphDB customers use it to manage content and metadata generated manually or through competing text analysis technologies. There is great potential for selling the Ontotext Platform and build solutions for such customers.
- Organizations need fast and qualitative search and retrieval of information from vast array of documents and databases in subject areas with complex terminology and multiple interrelationships between concepts, objects, and documents. In particular:
- Financial institutions need to adapt their processes and documents to the dynamically changing requirements of regulators (eg FSC and SEC), and can prove that their reports are in compliance with the current laws and regulations.
- Financial institutions must ensure that they are investigating their clients for the purpose of money laundering and other fraud (Basel III, Know-your-customer, AML).
- Pharmaceutical companies need a holistic view of scientific publications, laboratory and clinical research. This is necessary, both in the drug development process and in the drug distribution process, for the comprehensive response to regulatory authorities (eg the FDA).
- Investment funds need to analyze diverse information about companies from their portfolio and potential investment targets.
- Business organizations need to effectively analyze text and other market information to make timely business decisions.

Opportunities for „cultural heritage“:

- Museums are trying to introduce digitization of their collections to cope with the reduction of visits and the interest of the public. Museum workers and trustees realize that developing customer experience is critical to developing their offering (products and services), so that the audience can experience their visits as entertaining and useful. Museums which collect visiting fees invest in interactive experience, mobile apps, and so on.
- Financial resources are provided to support the digitization of cultural heritage by local and central authorities - subsidies, reliefs, funds under European programs - grant schemes.
- Private foundations invest in technological software solutions to better manage museum assets, restoration processes, exhibit selection and exhibition management.

EXTERNAL RISKS AND THREATS: The tendency for clients to use such platforms by larger vendors or to develop such systems internally.

Technological companies such as Google have access to large volumes of data, which allow them to make better use of machine learning for improving their analysis algorithms.



FINANCIAL RESULTS OF THE 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
	Revenues Total		2 125	3 993	4 133
	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
	Expenses without depreciation Total		-1 312	-2 750	-3 697
	Capitalization 613 Capitalization 613	Depreciation and amortization expenses	1	4	5
	Total		1	4	5
	Depreciation and amortization	Depreciation and amortization expenses	-65	-5	-288
	Depreciation and amortization Total		-65	-5	-288
Result			749	1 242	153

In 2017, the segment recorded a decrease in its result of 39.71% or BGN 493 thousand, compared to 2016.

STRATEGIC DEVELOPMENT OF THE SEGMENT MEDIA, PUBLISHING AND CULTURAL HERITAGE

FOCUS ON PRODUCT AND BUSINESS DEVELOPMENT

Creating a SaaS solution for publishers and media with features for:

- Automatic addition of linked tags to text;
- Retrieve information about objects and concepts from open data;
- Intelligent press-clipping;
- Intelligent search and definition of personal "channels";
- Personalized content recommendation;
- Automatic identification and tracking of stories;
- Authentication of news and facts;
- Ranking by company popularity in a particular industry or region, with or without reporting to related companies and products;
- Integration with SENPAI;
- Positioning as a world leader in the delivery of software for museums, galleries and libraries;
- Creating a line of cloud products and services for museums around the world;
- Exhibition Management, Collection Management, Curation Management, Public Content Management, Content Management & Collaboration, Digital Asset Management.

GROWTH OF REVENUE WILL BE ACHIEVED THROUGH

- Shorter sales cycle;
- Easier and cheaper integration of GraphDB;
- Expand customer targets by offering GraphDB capabilities as a set of cloud services which are easy to use and combine;
- Development of solutions which shorten the term for creation of new products and allow multiple use and enrichment of the content;
- Selling a range of cloud products and related consulting services;
- Addition of new models for offering services and new pricing models;
- Expanding the presence in the EU markets for this segment;
- Increasing marketing and sales capacity.

OBJECTIVES 2018-2022

- Average annual growth of revenue of 30%;
- Achievement of a 32% EBITDA to revenue ratio.



10.2.6 SEGMENT SOFTWARE PRODUCTS, SOLUTIONS AND SERVICES FOR INDUSTRY

The company within Sirma Group, which primarily operates in the Industrial segment: EngView Systems Sofia JSC.

PRODUCTS, SERVICES AND SOLUTIONS OF SIRMA GROUP IN THE INDUSTRIAL SEGMENT:

Vertical	Product, service, solution	Use
Industrial applications http://www.sirma.bg/products/industrial-applications/	EngView Package & Display Designer Suite	CAD tools for design of packaging and displays
	packGate	Online portal for packaging and display manufacturing connecting customers with manufacturers
	e-Callipre	Electronic caliper
	ScanFit & Measure	Intelligent video measurement software.
	E-QMA	Quality management
	TurnCheck	Specialized software for the measurement of shafts and rotary parts, part of OEM solution for quality control in their production.

MARKET POSITIONING OF SIRMA GROUP IN THE INDUSTRIAL SEGMENT:

- Expansion of the market share through strategic partnerships OEM contracts with leading manufacturers of digital cutting machines for the packaging industry, OEM software - EngView Package and Display Design Suite modules.
- Expanding the scope of the strategic partnership in the packaging industry with Heidelberg to new areas and new technological solutions.
- Expansion of Measure Fit's market share in the segment of measuring machines and quality control technologies, new products and software solutions (OEMs) incorporated in measuring systems and machines for the QVI product range.

MAIN TYPES OF CLIENTS OF SIRMA GROUP IN THE INDUSTRIAL SEGMENT: producers of packaging and displays, producers of technology details.

MAIN COMPETITORS OF SIRMA GROUP IN THE INDUSTRIAL SEGMENT:

Esco - ArtiosCAD, Impact – Arden software, Cesmake – AG CAD.

COMPETITORS FOR SCANFIT & MEASURE: Ascona, Romidot, Werth

COMPETITORS OF PACKGATE: the product does not have an analogue on the market yet. Competitors may arise

from the competitors of the CAD system, which may relatively quickly create a similar online solution.

MAIN PARTNERSHIPS IN 2017 OF SIRMA GROUP IN THE INDUSTRIAL SEGMENT:

- Strategic Partnerships OEM contracts with major manufacturers of digital cutting machines for the packaging industry, OEM software - EngView Package and Display Design Suite modules.
- Strategic partnerships in the packaging industry with Heidelberg in new areas and new technological solutions.
- Deepening partnerships with some of the major manufacturers of digital cutting machines - re-branded versions of the CAD / CAM system (white label).
- Building a network of strategic partnerships with industry leaders in the vertical - for the packaging industry - Heidelberg Druckmaschinen AG, Canon Inc., ARISTO GRAPHIC SYSTEME Austria, Zünd Swiss Cutting Systems; for Measurement Technologies and Quality Tracking Technology - Quality Vision International (QVI) USA

BUSINESS DEVELOPMENT IN 2017 OF SIRMA IN THE INDUSTRIAL SEGMENT:



- Teams of Sirma Solutions and EngView signed a contract for the development of a trading system for ordering and manufacturing of packaging, where a contract was won for software development for Heidelberg, one of the leading German companies in the field of printing.
- At the end of 2017, the commercial efforts in this vertical focus on the German speaking countries for this purpose the system SEP / Sirma Enterprise Platform / was translated into German and several key partnerships were concluded with distribution companies in the region.
- In 2017, EngView continued to be present on the global market with its core products, the EngView Package and Display Designer Suite and Scan Tool Matching products. This year, revenue from sales of licenses and services continued to grow by about 15%, mainly for the packaging products. Furthermore EngView Systems expanded market share through a number of strategic partnerships with manufacturers of digital cutting machines for the packaging industry, with which OEM contracts were signed for rebranded packs of modules from EngView Package and Display Designer Suite, which are sold with each machine.
- EngView Systems is also present on the market for measurement machines and quality control technologies, where the developed products over which the company has intellectual property rights (Measure Fit) are distributed together with the high-quality machines of the strategic partner QVI. In addition to this, QVI's partnership also developed in 2017, increasing the software development services which EngView performed for QVI.
- Launched a new joint project with QVI, in which EngView Systems took the lead in developing the software part of a new machine for the QVI product range.
- The preparation for the marketing of another new product – a product related to the family of products based on the proprietary CAD / CAM technology. This is PackGate - an extremely innovative product, fully suited to the introduction of digital production. PackGate practically optimizes and eliminates the risks of errors and loss of information at a very important stage in the packaging production cycle - the initial communication between the end customer and the manufacturer. This stage is directly related to one of the main goals pursued with digitization - saving time and resources, increasing quality and eliminating the risks of dropped orders or overpriced production. The mass market entry for

PackGate is still pending, but preliminary studies show that it still has no significant direct competitor. This opens up its prospects of becoming a market leader in its niche.

OPPORTUNITIES FOR SIRMA GROUP IN THE INDUSTRIAL SEGMENT:

Production of packaging:

- Consumption of packaging is growing steadily, broad penetration of digital technologies in the production and management of business processes in the packaging industry. Flexible offers, print choices, personalization, a variety of specialty printing technologies, time to make and deliver.
- Intensive transition to digital printing, searching for solutions (complementing new digital technologies) to save time and resources - Internet and cloud technologies to optimize customer communication and shorten the Web-to-print and Web-to-pack cycle.
- Deepening partnerships with some of the major manufacturers of digital cutting machines - re-branded versions of the CAD / CAM system.
- Building a network of strategic partnerships with industrial leaders in the vertical - Heidelberg / Germany.

Quality control and measurement systems:

- Increased quality control requirements for production and introduction of an ISO standard.
- There is some delay in the global development of technologies for tracking and managing the quality of serial production.
- Clear trends for more intense integration between classic measurement technologies and communication, mobile, internet / cloud technologies. The aim is to speed up the transfer, storage and processing of information received by the measuring machines in order to increase the efficiency and reliability of existing quality monitoring systems.

Threats:

- Established products with significant market share may engage in aggressive marketing;
- PackGate – launch of a similar product before Sirma can successfully establish its solution on the market.
- Breach of patent protection for products such as mCaliper.



FINANCIAL RESULTS FOR THE 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
	Revenues Total		2 897	3 178	2 598
	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
	Expenses without depreciation Total		-3 230	-2 514	-2 476
	Capitalization 613	Expenses for external services	289		0
		Wage expenses (wages)	596	254	575
		Social Security expenses	62	29	62
	Capitalization 613 Total		946	282	637
	Depreciation and amortization	Depreciation and amortization expenses	-162	-103	-102
	Depreciation and amortization Total		-162	-103	-18
Result			451	844	741

In 2017, the segment posted a decline in its result of 46,49% or BGN 392 thousand compared to 2016, due to an increase in the amount of investments.

STRATEGIC TARGETS FOR THE INDUSTRIAL SEGMENT OF SIRMA GROUP:

FOCUS ON PRODUCT AND BUSINESS DEVELOPMENT

- Development of new products / platforms: packGate, eCalliper, TurnCheck, part of which do not have an analogue on the global market;
- Connecting the systems for measurement with the systems for quality control;
- Integration with SENPAI.

REVENUE GROWTH WILL BE ACHIEVED THROUGH:

- Transferring the current products to the cloud;
- Changing business models and sales patterns - from individual clients to simultaneous - to many clients;
- Increasing marketing and sales capacities;
- Set up of offices in Asia. Expansion on the American and Asian markets;
- Creating additional partnerships with potential manufacturers and distributors.

OBJECTIVES 2018-2022

- Average annual growth of revenue by 31,9%;
- Achievement of a 34% EBITDA to revenue ratio.



THE MAIN AIMS IN FRONT OF THE INDUSTRIAL SEGMENT OF SIRMA GROUP FOR 2018 ARE:

- The successful launch of the new version of the flagship product - Engview Package & Display Designer Suite. The new version 7 is expected to raise revenue from this product. We expect the strengthening of Engview Package and Display Design Suite in relation to its core competitors.
- The search for new partnerships will be continued with machine manufacturers, training institutions for employees in the packaging industry.
- Successful market launch for new products for the mass market - packGate, mCaliper. Partnerships will be sought for their successful realization, with the main goal of becoming the first large-scale consumer products in EngView Systems' portfolio.

10.2.7 SEGMENT PRODUCTS, SERVICES AND SOLUTIONS FOR THE RETAIL SEGMENT

Companies in Sirma Group, which operate in the segment Retail: Sirma Solutions, Sirma USA.

Vertical	Product, service, solution	Use
Retail https://www.sirma.bg/products/retail/	Comprehensive solution for in-store marketing – MarketVidia	Facial recognition with high precision
	Platform for management of loyalty programs LOYAX	Demographic identification
	Marketing and forecast analytics for consumer behaviour	Automated data collection
	Mobile OCR	Heatmap analysis in stores
	Chatbot, intelligent assistants	Improvement of customer experience
		Multi-channel communication
		Security – national, corporate

MARKET POSITIONING OF THE SIRMA GROUP COMPANIES IN THE RETAIL SEGMENT:

- The companies are in their initial stage of market entry
- Creating a software platform with a new philosophy to attract and retain customers in physical stores
- Creating an ecosystem of related products / services for multi-channel sales management and communication directed at retailers
- Rebranded Solutions Provider - Loyalty Programs, Sales Chat, Smart Assistants to manage customer communication
- Provider of an integrated technology solution using computer vision for in-store marketing.

MAIN TYPES OF CLIENTS IN THE RETAIL SEGMENT: retail chains, corporate buildings using physical access systems.

MAIN COMPETITORS IN THE RETAIL SEGMENT:

Direct competitors of the product are: KAIROS, FACE++, Hoxton Analytics, Mavenstat, Aislelabsp BetaFace, BioID, etc.

Competitors of the Computer Vision Technology: All technology giants have developments in this highly promising area with a growing market - Google, Microsoft, Amazon,

Facebook, NEC Corporation, Morpho S.A.S. (Safran Group), Cognitec Systems Pty Ltd, Aware, Inc., Animetrics, Inc., Ayonix, Inc., Cross Match Technologies, Inc., 3M Cogent Inc., FaceFirst, Inc. (Airborne Biometrics Group Inc.), AxxonSoft, Neurotechnology, ZK Software, Inc., Aurora Computer Services Ltd, and so on.

Major players are focused on developing effective technology to ensure better identification, monitoring and tracking of people.

COMPETITORS OF THE SOFTWARE PLATFORM FOR LOYALTY PROGRAMS:

The main competitors of Loyax are: software developers of loyalty systems, which provide configurable platforms for management of loyalty programs.

REGULATORY FRAMEWORK OF THE RETAIL SEGMENT: Directive for collection, storage and management of data - GDPR

BUSINESS DEVELOPMENT IN 2017 OF SIRMA GROUP IN THE RETAIL SEGMENT:

- At the end of 2017 and the beginning of 2018, we restructured, bringing together the core product teams in this segment - Loyalty (www.loyax.com), MarketVidia



- (www.marketvidia.com) and the sales chatbot the revenue they generate is small, but we believe in their potential. Some of the successes in this area are: A customer loyalty project for Sakin International in Abu Dhabi; In the United States, we built and implemented a complex loyalty platform for SB Axxess, Santa Barbara, California. The latter platform was launched in September 2017, serving over 50,000 customers and 1500 merchants.

OPPORTUNITIES FOR THE ACTIVITY OF SIRMA IN THE RETAIL SEGMENT:

OPPORTUNITIES FOR TECHNOLOGY SOLUTIONS BASED ON COMPUTER VISION:

The computer vision technology is applicable to all markets. Key industries which seek and implement solutions based on face recognition technologies:

- Consumer goods and retail:
 - In-store tracking (counting, tracking on site)
 - Face Recognition
 - Demographic analysis
 - In-store retail analytics
 - Personalized and Target Campaigns
 - Intelligent displays
 - AI systems for automatic inventory completion
 - IT systems for collecting and analyzing data generated by AI applications. Smart and intuitive machine learning experiences.
- Security and surveillance
 - Object monitoring, corporate security, crime prevention
 - Time and attendance management systems

OPPORTUNITIES FOR THE SOFTWARE FOR MANAGEMENT OF LOYALTY PROGRAMS:

The global recession has greatly changed customer behavior in terms of spending and consumption. The modern user is

development team. All three products are still young, looking for added value and additional benefits that go beyond standard transactions. Modern loyalty solutions seek to move from the transaction model to engaging users at every step of their interaction with the brand.

Due to the growing technology developments in recent years, loyalty programs have evolved considerably. Industry surveys show that brands want to develop their loyalty strategies beyond giving loyalty points and prizes, but to develop long-term engagement and retention strategies for their clients. Brands which know their customers well and give them personalized attitude improve their customer satisfaction, loyalty, and customer retention.

- Engaging customers in real time;
- Personalization and individual attitude towards clients;
- Increasing importance of customer behavior analysis;
- Awarding clients according to specific client behavior and preferences;
- Building coalition programs to create joint campaigns between businesses and delivering complete customer service.

The market for loyalty program management is expected to grow from \$ 1.4 billion in 2015 to \$ 4.0 billion in 2020, with an average annual growth rate of 23.2%. The accelerated growth of mobile technologies, the number of cardholders and the increased focus on loyalty programs aiming at segmentation and analysis of customers are just some of the factors which drive the growth of this market.

OPPORTUNITIES FOR THE RETAIL SEGMENT:

Restrictive local legal framework in respect of personal inviolability and data collection. The rapid commercialization of the technology is of critical importance for the early adoption of the technology and fast market penetration of the vertical solutions based on it.



FINANCIAL RESULTS OF THE 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
	Revenues Total		1 321	763	106
	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
	Expenses without depreciation				
	Total		-1 113	-1 370	-995
	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
	Capitalization 613				
	Total		4536	4411	3426
	Depreciation and amortization	Depreciation and amortization expenses	-4 036	-3 626	-2 753
	Depreciation and amortization Total		-4 036	-3 626	-2 753
Result			708	178	-216

The segment is performing well in 2017 with a result increase of 297.17% or BGN 530 thousand, compared to 2016.

STRATEGIC DEVELOPMENT IN THE RETAIL SEGMENT:

FOCUS ON PRODUCT AND BUSINESS DEVELOPMENT

- Integration of existing innovative products in the area of retail - Loyax and Loyax
- MarketVidia with cognitive technologies in the field of Analytics / Predictive Analytics and Chat-based, intelligent assistant in a technology platform for marketing and sales in the retail segment;
- Improvement of the computer vision technology - facial recognition and demographic analysis;
- Development of new cognitive solutions related to chatbot communications, intelligent assistants, analysis and profiling;
- Diversification of business model and sales models;
- Building a network of trade and technology partners

REVENUE GROWTH WILL BE ACHIEVED THROUGH:

- Increase of sales of the loyalty platform Loyax;
- SaaS model and WhiteLabel solutions;
- Entry to the American and Asian markets;
- Entry to the Arab markets, opening commercial offices or setting up joint ventures;
- Cross sales with vendors from the sector with other Group projects;
- Increasing marketing and sales capacities;
- Partnerships with marketing consulting companies

OBJECTIVES 2018-2022

- Average annual growth rate of revenue of 61%;
- Achievement of a 37% EBITDA to revenue ratio.



10.2.8 Products, services and solutions for the Healthcare segment

The company within Sirma Group, which mainly operates in the segment Healthcare: Sirma Medical Systems JSC.

PRODUCTS, SERVICES AND SOLUTIONS OF SIRMA GROUP IN THE SEGMENT HEALTHCARE:

Vertical	Product, service, solution	Use
Healthcare https://www.sirma.bg/products/life-sciences/	Intelligent mobile application for control of diabetes – Diabetes: M	Diabetes management
	Platform for comprehensive monitoring of chronic diseases	Process optimization in various clinics and hospitals
	Software platform for management of healthcare institutions	Collection, access and sharing of information for health or sickness
	Personal health terminal – electronic patient file	

MARKET POSITIONING OF SIRMA GROUP IN THE SEGMENT HEALTHCARE:

- Diabetes: M occupies the first / second place on Google Play and is extremely well appreciated and accepted by end users and specialists.
- The application is transformed into a comprehensive diabetes management system, including two mobile apps for Android and iOS, a web app for users and a web app for monitoring.
- The calculator for calculating insulin doses is the best (licensing for a medical device is upcoming, aiming penetration of clinics and professionals).
- Positioning the division as a provider of chronic disease management software.

MAIN TYPES OF CLIENTS OF SIRMA GROUP IN THE SEGMENT HEALTHCARE: physical persons with a diabetes condition and medical personnel taking care of them.

MAIN COMPETITORS OF DIABETES:M:

Currently, there are about 1,500 applications in both digital markets (iTunes and Google Play) directly or indirectly targeting diabetic patients. Leaders in the category are undoubtedly manufacturers of blood glucose measuring devices (glucose meters, pumps and sensors). They account for about 50% of the total diabetes market. Among them are Abbot, Dexcom, H2 Inc, Medtronic, as well as services like Glooko and Livongo.

Segmentation outside that of the major manufacturers of medical equipment, shows the presence of over 200 applications having Diabetes: M features. Approximately 20 of these are applications which in one way or another can be considered direct competition to Diabetes: M.

Survey of the two markets shows that the most serious competitors are the applications of mySugr, Glucose Buddy, Sugar Sense, Diabetes Tracker, Glooko, One Touch Reveal and OnTrack. From the listed, mySugr it is distinguished as the current market leader in this segment.

REGULATORY FRAMEWORK IN THE SEGMENT HEALTHCARE:

certification of Diabetes-M under CE, FDA and HIPAA if we are targeting entry in the segment of licensed medical appliances with built-in software.

MAJOR PARTNERSHIP IN 2017 ГОДИНА НА ДРУЖЕСТВАТА ОТ СИРМА В СЕГМЕНТ ЗДРАВЕОПАЗВАНЕ:

- Intensive research is underway for partners - licensed medical equipment manufacturers, to integrate the software with physical medical devices such as glucose meters, the so-called smart insulin pens, and possibly some insulin pumps.
- Strategic partnership with one of the leading information databases in the field of pharma and biotechnology DrugBank.

BUSINESS DEVELOPMENT IN 2017 OF SIRMA IN THE SEGMENT HEALTHCARE:

- Diabetes: M continues to occupy the first / second place on Google Play and is extremely well appreciated and accepted by consumers. There are positive assessments from doctors. The calculator for insulin doses is still the best, but unfortunately the lack of certification for a medical device prevents it from being used officially by specialists.
- The main goal of Sirma Medical Systems in 2017 was the launch of a complete diabetes control system. This goal was successfully reached in April.
- Unfortunately end-user revenue proved insufficient to cover the company's running costs. Although there are already more than 47,000 users using the app and 30,000 active users per month, users with a paid subscription are only 2000. Their number is growing steadily, but the pace is unsatisfactory. The main reason for the small earnings is that the safest way to reach end-users is through doctors, but reaching physicians themselves requires untapped marketing resources for the time being. Another problem is



- the lack of certification for a medical device, which prevents the system from being used in clinics.
- During the past year, Sirma Medical Systems released a complete and expanded version of the previously known Diabetes: M. The application is transformed into a comprehensive diabetes management system that includes two mobile apps for Android and iOS, a web application for users and a web monitoring application to be used by doctors as well as parents of children with diabetes to monitor their condition at every moment. An artificial intelligence system is also integrated, for adaptive notifications for diabetics, reminding the measurement of blood sugar in certain situations.

PRODUCT DEVELOPMENT

The final, testing phase is the development of an innovative statter – therapy under the MPI system of two senior professors from the University of Santa Barbara in the US.

OPPORTUNITIES FOR SIRMA GROUP IN THE SEGMENT HEALTHCARE:

- Automation of the data collection process for diabetes management systems.
- Using artificial intelligence algorithms, analytical tools, and recommendations for controlling and ensuring effective self-management.
- Intensive R & D to create a system which resembles the normal functioning of the body (so called artificial pancreas).

- Using drugs with complementary mechanisms of action which improve glycemic control by targeting various pathophysiological defects of diabetes.
- Use of joint diabetes treatment teams: doctors, pharmacists, nursing practitioners, doctors' assistants, dieticians, certified diabetes educators (CDEs), medical assistants and social workers.
- Providing personalized patient care which meets specific goals to overcome barriers and challenges unique to a particular patient.
- Training patients to be able to make decisions for their own care - much of diabetes depends more on patient behavior than on clinical interventions.

EXTERNAL RISKS AND THREATS:

The CE certification, FDA and HIPAA certification is underway, as well as integration with physical medical devices such as glucose meters, the so-called smart insulin pens, and possibly some insulin pumps. Research for a partnership with one of the leading companies specializing in the treatment of diabetes is also under way. The eventual delay of the two activities will affect the possibility of market penetration and the rapid imposition of the product on the specialized market.

The change in technology is one of the main factors which must be constantly monitored. As the success of the business model depends almost entirely on third party platforms (Apple, Google), it has to react very fast in a very dynamic market.

As the mHealth segment is new and is still being developed, there is still no established regulation legislation in many countries. This is a significant risk factor, as fragmented localization may be need in the future. A timely response to the emergence of new technologies and standards will be a key factor in the success of the company.



FINANCIAL RESULTS OF THE 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
	Revenues Total		252	315	172
	Expenses without depreciation	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
	Expenses without depreciation				
	Total		-569	-281	-123
	Capitalization 613	Depreciation and amortization expenses	21	10	0
		Wage expenses (wages)	290	161	0
		Social Security expenses	27	14	0
	Capitalization 613				
	Total		339	185	0
	Unfinished production 611	Revenues from sales of services	0	-19	-15
		Wage expenses (wages)	0	18	19
		Social Security expenses	0	1	1
	Unfinished production 611				
	Total		0	0	5
	Depreciation and amortization	Depreciation and amortization expenses	-21	-10	0
	Depreciation and amortization Total		-21	-10	0
Result			0	209	54

MAIN TARGETS FOR 2018 ARE:

- Starting a CE, FDA and HIPAA certification process, and integration with physical medical devices like glucose meters, the so-called smart insulin pens, and possibly some insulin pumps.
- Partnering with one of the leading companies specializing in the treatment of diabetes.
- Launch the MPI-2 Styling Therapy System in the second quarter of 2018.

STRATEGIC DEVELOPMENT OF THE HEALTHCARE SEGMENT:

FOCUS ON PRODUCT AND BUSINESS DEVELOPMENT

- Development of applications for managing chronic diseases;
- Linking the integrated solution to licensed measuring devices;
- Embedding unique algorithms and recommendations for monitoring chronic diseases;
- Integration with SENPAI;
- Development of comprehensive solutions for clinical management;
- Gradual set up of the EMR personal terminal.

REVENUE GROWTH WILL BE REACHED THROUGH:

- IoT connectivity;
- Increase of the sales and marketing capacity;
- Set up of a partner ecosystem;
- Ballancing of the model between B2B and B2C.

OBJECTIVES 2018-2022 Г.

- Average annual revenue growth of 156,54%;
- Achievement of a 25% EBITDA to revenue ratio.



10.3 Group companies and their individual results

10.3.1 DATICUM

- <https://www.daticum.com/>
- **Daticum JSC is a subsidiary of Sirma Solutions AD**
- **Capital:** BGN 2 302 049 divided into 2 302 049 registered materialized shares with a nominal value of BGN 1 with the right to vote, the right to dividend and a liquidation share according to the participation in the capital. Sirma Solutions JSC holds 1 392 740 shares or 60.5% of the capital.

In the beginning of 2009, Daticum was transformed from a business unit of Sirma Solutions AD into an independent company, attracting financing from Asarel Medet AD.

The company operates as a center for reliable data storage from the highest possible generation. The core services it provides are cloud services, including public and private, collocation, hosting, virtualization, hardware rental, communications and network services, the construction and operation of backup data centers, archiving and storage services, provision of services for building and maintenance of hardware and software systems, building of data centers, system integration, building of test environments, etc.

Daticum is a certified partner of Microsoft and VMware.

MAIN MARKETS:

Bulgaria, North and South America, Europe

MAIN CLIENTS:

The main clients of the company are the following industries - insurance, ICT, utilities, media and information services, industrial production, wholesale and retail, transport and courier services.

MAIN COMPETITORS:

Neterra OOD, Evolink AD, Teleponet OOD, 3D EAD and international companies providing cloud services such as Amazon, Rhapsy, Microsoft, IBM and others.

BUSINESS MODEL OF THE COMPANY.

The Company's core business model is to build infrastructure to provide computing resources for data processing and storage and to provide these resources for a fee to a wide range of customers who prefer not to maintain such infrastructure or have a temporary need for these resources.

RESOURCES OF THE COMPANY

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

NEW PRODUCTS, NEW BUSINESS OR BUSINESS MODELS FOR THE PERIOD.

The company focused on consolidating its market positions and expanding its IaaS and PaaS cloud services. Thanks to our partners, we can now offer a new Remote Backup as a Service, through which we can back up our data center data from client servers and end user devices regardless of their geographic location. In the next reporting period, we will develop and offer a Key Management Software as a Service in relation to meeting GDPR requirements. Along with the increasing tendency of customers to use leased computing resources on a monthly use basis, there is a similar tendency on the part of the company's suppliers to switch to business

models for the provision of licenses and services based on monthly consumption.

HR POLICY.

Preserve current staff. Maintaining and increasing its qualification through training, courses and participation in affiliate programs. We perform a selective increase in staff, following requirements arising from the increase in the volume of activity. Staff costs are rising in line with an increase in business volumes by up to 10-15% per year.

MARKET FORECASTS FOR THE MARKETS WHERE THE COMPANY OPERATES AND THE COMPANY'S BUSINESS OVER THE NEXT 3 YEARS

According to Gartner's analysis by 2021, 70% of the total public cloud service market will be controlled by the world's top 10 suppliers. In the IaaS segment this is expected to be Amazon, Microsoft, Google and Alibaba, which in 2017 hold a major market share. In SaaS and PaaS segments, Oracle, SAP and Microsoft are expected to play a leading role.

Compared to the world leaders in the IaaS segment, Daticum has a relatively small share of the global market, but has seen steady growth in providing cloud services. The Compound Annual Growth Rate (CAGR) for the past 3 years (2015-2017) of Daticum Cloud Services is 22.89%.

Daticum's cloud platform has generated a growth of nearly 19% over the past year, with expectations for growth rates to follow in the coming years, following world market trends and cloud services development as expected by analysts. It is likely that the growth will slow down in 2019-2020.

DATICUM IN 2017

In the past 2017, Daticum successfully completed the Phase 2 IT project at Unie Hospital Panagurishte - a medical facility with state-of-the-art IT equipment.

Daticum has become part of one of Europe's largest internet exchange networks, providing even better connectivity for our customers and, in particular, our cloud service customers.

Daticum was the only Bulgarian company to take part in the round table held in the European Parliament to discuss and adopt the Code of Conduct to protect European cloud service providers.

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

We've invested in Flash Storage, which serves the public cloud platform. And before this investment, Daticum had the fastest and largest cloud in the region because we were the only ones to offer our clients a clean SDD storage of tens of TB, now we are the only one that we already offer Flash



storage to our clients with the speed of RAM and allows a 1M IOPS speed of our business customers on the cloud platform.

Daticum has launched a new Disaster recovery as a Service service on its cloud platform, which can benefit all client companies at an extremely attractive price.

In partnership with one of the leading ERP vendors in the market, we jointly launched an innovative service for the

Bulgarian market - Microsoft Navision ERP as a Service, pre-parameterized and calculated to the number of customers.

We have invested in a new backup storage and are able to offer our customers a backup service of more than 1PB date space.

We are in the process of building a second geographic location of our cloud and backup platforms 400 km from Sofia to provide geographically reserved services to our clients.

FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	2 525	2 850	4 702	-325	-11,40%
EBITDA	680	906	832	-226	-24,94%
Depreciation	(221)	(369)	(386)	148	-40,11%
Net Result	400	474	368	-74	-15,61%
EBITDA margin	26,93%	31,79%	17,69%	-0,05	-15,28%
Net Profit margin	15,84%	16,63%	7,83%	-0,01	-4,75%
Sales per share	1,0969	1,2381	2,0426	-0,14	-11,40%
EPS	0,1738	0,2059	0,1599	-0,03	-15,61%
ROE	0,1408	0,1657	0,1352	-0,02	-15,02%
Total Assets	3 107	3 308	3 168	-201	-6,08%
Intangibles	1 001	1 103	1 105	-102	-9,25%
Book value	1 840	1 758	1 616	82	4,66%
Equity	2 841	2 861	2 721	-20	-0,70%
Total Liabilities	266	447	447	-181	-40,49%
Interest bearing	-	-	-	0,00	n/a
D/E	0,0936	0,1562	0,1643	-0,06	-40,07%
ROA	0,1287	0,1433	0,1162	-0,01	-10,15%

10.3.2 SIRMA SOLUTIONS

- <http://www.sirmasolutions.com>
- Sirma Solutions is a subsidiary of Sirma Group Holding JSC
- Capital: BGN 32 319 700; Contribution in kind: software - 13 software modules worth: BGN 33 997 530
- Shares:
 - Ordinary, Number: 3,139,256, Nominal: BGN 10 Rights: Every ordinary share entitles one vote to the general meeting of shareholders as well as a right to dividend and a liquidation quota proportional to the nominal value of the share.
 - Class A, Number: 15 000, Nominal: BGN 10 Rights: Class A shares are preferred non-voting shares with a guaranteed dividend amounting to 12% of the nominal value.
 - Class B, Issue: 77,714, Nominal: BGN 10 Rights: Class B shares are right and have a voting right and a liquidation quota in proportion to the nominal value of the share.

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

ACTIVITY IN 2017:

In 2017, Sirma Solutions was once again one of the most successful companies in the group. The realized revenues amounted to BGN 34.54 million and a net profit of BGN 1.68 million.

In 2017, parallel to the 5-year strategic program of the holding, changes were initiated in all companies to prepare for the implementation of the strategy.

Sirma Solutions's role in the group's strategy is that it is set to become the core of the integrative business which will evolve around Sirma's key cognitive technology. This implies training integrator teams, know-how transfer, and technology expertise from companies such as Ontotext and SES to Sirma Solutions. In pursuance of the Group's strategy in early 2017, Sirma Enterprise Systems' developer team came into Sirma Solutions. The integration of the team took place for 9-10 months and, after the inevitable initial problems,



Sirma Solutions again has a unified and homogeneous structure.

In the beginning of 2018, Sirma Solutions formed two of the Group's six strategic verticals: Cross Industry Business Solutions and Retail Software Solutions

In 2017, five major divisions were active in the company:

SYSTEM INTEGRATION

For a consecutive year, System Integration at Sirma Solutions generated a two-digit growth in sales. The company has realized many complex projects again on the development of data centers, cloud infrastructures and security systems in the territory of Bulgaria, Austria, Germany, Belgium, the United Kingdom and Canada.

The unit has developed its partnerships to the highest level of the respective manufacturer in a variety of fields:

- Data storage and computing servers: IBM, Cisco, HPE, Lenovo, Oracle, EMC / Dell, Netapp
- Network Infrastructure: Cisco, Juniper, HPE, Huawei
- Virtualization and backup: VMWare, Microsoft, Veeam
- Data Center Infrastructure: APC, Emerson, and others
- Terminal devices: Lenovo, HP, Samsung, Dell
- Information Security: F5, PaloAlto, Cisco, Radware, Imperva, Forcepoint, Checkpoint, CyberArk, RSA and others

Given the today's dynamic requirements of security, Sirma emphasized the training of its engineers in this field and managed to implement major projects with the listed manufacturers on the territory of the six countries in which we worked.

We have won many new clients, including three banking institutions, an insurance company, two logistics companies, a new large private chain of hospitals, several international IT companies.

The sales and engineering team increased, with the plan being to double the team by the end of 2018. We will continue to invest in training and certifications in key technology.

The goals for the 2018 division are again two-digit growth, new clients in financial, insurance, transport, mining, healthcare, IT and other sectors and new partnerships with hardware and software makers.

US SOFTWARE CONSULTING

In 2017, Sirma Solutions's team managed to deliver many successful projects to their client across the ocean. Here are some of them:

- We have built a comprehensive Cyber-Security platform which provides real-time visibility and enables quick response to an incident.
- We created a device which the client company calls the "first unified universal device for cyber threat management at home". This device is an innovative home product, which was recognized and placed in the "Best of the Best" category at the prestigious Las Vegas event, CES 2018.
- We have started to work with one of the leading companies in the US to provide risk reduction services and solutions for banks, payment service providers, online marketers and others.
- We built and implemented a complex loyalty platform for SB Axxess, Santa Barbara, California. The platform was launched in September 2017, serving over 50000 customers and 1500 merchants.
- We have started building an intelligent platform based on Machine Learning algorithms to identify invoices in the cost recovery process of customers of an insurance company.

The merchants responsible for winning new US consulting projects are working more efficiently. We manage to increase our portfolio of clients. The technical teams of the division in Bulgaria and the United States are able to deliver qualitatively and on time. For many years, the division has not had a failed project.

EUROPEAN PROJECTS

In 2017, the EU division recorded growth in revenue and earnings compared to previous years achieving business growth in several areas.

In the banking sector, thanks to the expertise we have at Temenus T24, we have been able to enter into key contracts with KBC Ireland, BIL, as well as one of the main consultants in the unification of UBB and Sibun in Bulgaria. At the end of the year, we joined a large project for Raiffeisen Bank, where we jointly develop a new front-end system for the bank together with the Austrian bank and Austrian partner.

The challenge for Sirma was also the opportunity to integrate the Sirma SHA (Albania) team into Sirma Solutions' projects, showing that we can work effectively with people from around the world, no matter in which city and country they are.



We have been involved in developing a merchandising ordering and packaging system, where we have been able to win a software development contract with InWew for Heidelberg, one of the leading German printing companies.

The unit successfully continued its work on several other outsourcing projects: EOS, Lifebook, OCCAS Mtel.

PUBLIC SECTOR

Undoubtedly, the division's biggest success was winning a huge multi-year project with the Financial Mechanism Office of the EEA and Norway Grants (Brussels). We won the project in a very controversial competition with 19 European companies of all sizes. Winning such a project is not only a great success for Sirma but also recognition for the entire Bulgarian IT industry. The project will continue until 2025, and we have already started with a very strong and successful start.

Another important project we implemented was the development of an IT audit system for the Bulgarian justice system. We delivered the software for a short while, and the development was based on our SEP (Sirma Enterprise Platform) technology. Generally, the development of such software takes dozens of man-years.

SIRMA ENTERPRISE PLATFORM

In 2017, Sirma Enterprise Systems personnel switched to Sirma Solutions, forming a new division which focused on the

development of the 'Sirma Enterprise Platform'. Sirma has invested in developing this platform for more than 5 years. SEP is currently part of the strategy for building Sirma's fundamental cognitive platform SENPAY.

In May, the division began work on the second phase of the Conservation Space project, funded by the Andrew Mellon Foundation - software for the restoration of museum exhibits. The software is fully platform-based (SEP), making the solution unique and far superior to competitive solutions in the field. By the end of the year Conservation Space had been deployed and actively used in one of the largest museums in the United States - the National Gallery of Art (Washington) and several other museums in the United States and Europe: IMA, The Courtauld, SMK, Denver Art Museum, Yale University and others.

On the basis of the platform, Sirma developed its own contract and document management product, and this product was successfully implemented in both Sirma's contract management system and some of our major clients.

At the end of 2017, SEP focused on German-speaking countries, and for this purpose the system was translated into German and we managed to conclude several key partnerships with distributors in the region. In 2018, we are expected to continue investing in this market by focusing on the two niches that we have identified as promising: implementation of museum software and sales of contract management.

FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	34 536	22 571	15 708	11 965	53,01%
EBITDA	7 100	7 303	4 724	-203	-2,78%
Depreciation	(5 235)	(4 841)	(3 460)	-394	8,14%
Net Result	1 677	2 411	1 363	-734	-30,44%
EBITDA margin	20,56%	32,36%	30,07%	-0,12	-36,46%
Net Profit margin	4,86%	10,68%	8,68%	-0,06	-54,54%
Sales per share	1,0686	6,9836	1 234	-5,92	-84,70%
EPS	0,0519	0,0746	0,0438	-0,02	-30,44%
ROE	0,0383	0,0560	0,0344	-0,02	-31,56%
Total Assets	58 420	52 165	47 581	6 255	11,99%
Intangibles	26 418	24 622	20 565	1796	7,29%
Book value	17 315	18 407	19 087	-1092	-5,93%
Equity	43 733	43 029	39 652	704	1,64%
Total Liabilities	14 687	9 136	7 929	5 551	60,76%
Interest bearing	3 201	1 617	99	1 584	97,96%
D/E	0,0732	0,0376	0,0025	0,04	94,77%
ROA	0,0287	0,0462	0,0286	-0,02	-37,89%



10.3.3 Sirma Enterprise Systems

- <http://www.sirmaitt.com/> - subsidiary of Sirma Group Holding JSC
- **Share Capital: BGN 1 410 460.**
- Shares:
 - **Ordinary Shares**, Number: 127 144, Nominal: BGN 10, available, with voting rights, dividend and liquidation share.
 - **Class A**, Number: 13 902, Nominal: BGN 10 - Own shares of the company that can be transferred to employees

only. Available, with the right to vote and dividend..

The Company owns as of 31.12.2017 own Class A shares - 2 217 shares. with a nominal value of BGN 10.

Sirma Group Holding owns 125 120 shares representing 90.13% of the capital.

FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	3 310	2 256	1 816	1 054	46,72%
EBITDA	2 927	1 042	999	1 885	180,90%
Depreciation	(564)	(687)	(583)	123	-17,90%
Net Result	1 950	210	327	1740	828,57%
EBITDA margin	88,43%	46,19%	55,01%	0,42	91,45%
Net Profit margin	58,91%	9,31%	18,01%	0,50	532,89%
Sales per share	23	16	13	7,48	46,72%
EPS	13,8298	1,4894	2,3191	12,34	828,57%
ROE	0,4851	0,1014	0,1781	0,38	378,14%
Total Assets	8 860	6 508	4 716	2 352	36,14%
Intangibles	8 429	5 427	3 605	3 002	55,32%
Book value	(4 409)	(3 357)	(1 769)	-1 052	31,34%
Equity	4 020	2 070	1 836	1 950	94,20%
Total Liabilities	4 840	4 438	2 880	402	9,06%
Interest bearing	552	532	536	20	3,76%
D/E	1,2040	2,1440	1,5686	-0,94	-43,84%
ROA	0,2201	0,0323	0,0693	0,19	582,07%

In 2018 the company will accumulate the intellectual property of the group and later in 2019 it will merge with Sirma Group Holding

10.3.4 Ontotext and Ontotext USA

- <http://www.ontotext.com>
- **Ontotext is a subsidiary of Sirma Group Holding JSC**
- **Share Capital: BGN 16 068 801**

Shares: 16 068 801

Classes of shares:

CLASS A 1, Number: 4 187 087, Nominal value: BGN 1 - materialized with right to vote, dividend, different economic rights incl. the right to a different liquidation share upon termination of the company depending on its market

capitalization and different share of the income from the sale of shares, etc. economic rights..

ORDINARY, Number: 11 038 684, Nominal: BGN 1 - materialized, with voting rights, dividend, liquidation quota, right of first refusal, right of access

As of 31.12.2017 the distribution of the share capital of the company is as follows:



Shareholders	Class shares	Number of shares as of 31.12.2017	Number of shares as of 31.12.2016	Nominal value in BGN	% in the equity
Sirma Group Holding JSC	ordinary	9 401 155	8 558 125	1 лв.	58,51%
Kiril Simov	ordinary	220 778	220 778	1 лв.	1,37%
Hamish Kaningam	ordinary	255 901	255 901	1 лв.	1,59%
Kalina Boncheva	ordinary	255 901	255 901	1 лв.	1,59%
Diter Fensel	ordinary	307 082	307 082	1 лв.	1,91%
Marin Dimitrov	ordinary	307 082	307 082	1 лв.	1,91%
Borislav Popov	ordinary	311 006	311 006	1 лв.	1,94%
Dimitar Manov	ordinary	307 082	307 082	1 лв.	1,91%
Damyan Ognianov	ordinary	153 541	153 541	1 лв.	0,96%
Zlatina Marinova	ordinary	153 541	153 541	1 лв.	0,96%
Vasil Momchev	ordinary	106 284	106 284	1 лв.	0,66%
Milena Yankova	ordinary	102 361	102 361	1 лв.	0,64%
NEVEQ	class A1	4 187 087	4 187 087	1 лв.	26,06%
Total		16 068 801	15 225 771		100,00%

OPTION FUND:

Holders of ordinary shares of the capital of Ontotext AD, incl. Sirma Group Holding JSC, agree to create an option fund of 1 210 215 (one million two hundred and ten thousand two hundred and fifteen) shares for a term up to 31.03.2019, under which they are obliged to sell the shares included in the Optional Fund to the option holders at a price per share equal to BGN 1.17. Options of the Option Fund will be sold to key employees of the Company, key employees of subsidiaries and consultants of the Company and its subsidiaries according to the price fixed in the previous sentence according to a decision of the Board of Directors of Ontotext AD for determining the right persons to acquire options taken by a simple majority but with the participation of at least one member-nominated by the shareholders, sitting on the Board of Directors, who voted for the decision. The Board of Directors is authorized, for a period of 3 (three) years from the announcement of this amendment to the articles of incorporation in the Commercial Register, to manage the opt-ion fund, to determine a price per 1 option for acquisition of one share, which can not be higher than three euro cents, to determine the persons entitled to acquire options and to sell options from the option fund for the acquisition of shares of the Company. The sale of ordinary shares under the Options Release Scheme will be made in proportion to all Shareholders holding Ordinary Shares included in the Option Fund.

SUBSIDIARY

Ontotext has a 100% subsidiary - Ontotext United States with BGN 30 000 capital.

MAIN TRENDS IN THE MARKET IN 2017

Ontotext has two main business lines:

- Licensing of the GraphDB, Semantic Graph Database and related maintenance, training, and other services.
- Building solutions for cognitive analysis and management of large volumes of data and information content.

According to IDC, the market for NoSQL databases (some of which is GraphDB) in 2017 is estimated at \$ 6.0 billion with a growth forecast of 9.1 billion in 2020. In 2017, several of the leading IT companies demonstrated strong intent to enter this market, validating its growth potential and raising customer focus. An example is Amazon, which at the end of 2017 announced its new database-as-a-service Neptune service.

The Market for Artificial Intelligence and Cognitive Analysis platforms is estimated at 2.3 billion in 2017, with a forecast to grow to 6.3 billion in 2020. Here, there is a growing interest in the use of knowledge graphs that provide more and deeper data interpretation capabilities than the prevailing paradigm of using purely statistical methods (machine self-learning) over large volumes of data (Deep learning on Big Data).

POSITIONING OF ONTOTEXT

The company has strengthened its position among STM (Science, Technology and Medicine) publishers - three of the five largest publishers use the semantic GraphDB database to manage their content. In 2017, Ontotext signed a contract with Springer-Nature, which chose GraphDB for its SciGraph



project. The contracts with Elsevier, John Wiley & Sons, IET, Oxford University Press and DK were continued.

Partnership agreements were signed with two of the world's largest system integrators: Atos and Infosys. Under these agreements, contracts have already been signed with end-users, where Ontotext's semantic technologies will solve complex problems in different areas.

Ontotext won several new projects worth more than 1 million leva in the field of health and life sciences (medicine, biology, pharmacy), after sales in this sector were down sharply in previous years.

OBJECTIVES FOR 2017 AND THEIR ACHIEVMENT

Ontotext's financial goals for 2017 were met as follows:

- Orders: 98%.
- Revenue: 90%. The main reasons for the partial fulfillment of the target are:
 - Delay in signing the contract of a major deal related to the Ministry of Interior of Spain
 - Delay in the formal procedures for accepting the activities carried out for the first three years of a Eurostats contract by the SME Agency.
- Operating revenue growth is above 15%.
- Operating profit: more than 150%..
- Cash Flow (FCF): Over 1000%. The large over-performance is due to: the planned low value of the free cash at the end of the year (less than BGN 100 thousand, so called black zero), as well as an advance on a new research project in the last days of 2017.

OTHER OBJECTIVES OF THE 2017 PLAN:

- Ontotext technologies become easier to learn and get started. Achieved. GraphDB's documentation and tools have been greatly improved. The improved GraphDB Cloud service was released as part of the Ontotext Cognitive Cloud.
- Reinforcing technological leadership. Ontotext retained its position in comparative analytics such as that of the Bloor Research Group for database computing and improved GraphDB positioning on sites that compare the popularity of database management systems such as DB-Engines. Ontotext's website generate as much traffic as GraphDB's direct competitors sites (52% of the number of visits to the sites of the top 5 vendors, according to the SimilarWeb service).
- An increasing degree of production of Ontotext technology - partially achieved. GraphDB has been complemented with new functionality that makes it easy to convert tabular data into a graph format. Ontotext

platform for content analysis and management is in the process of reorganization.

- Improving the efficiency of operations - achieved. The reorganization of the teams and their responsibilities at the end of 2016 was completed in 2017, as a result of which the efficiency of the projects was improved and an operating profit was generated above the planned one..
- Improve the effectiveness of marketing and sales - partially achieved. Several deals were made in 2017, a direct result of new opportunities generated entirely through the digital marketing channels. Several deals have been successfully achieved in which Ontotext products have replaced competing technologies. There still needs to be improved the efficiency of converting contact generated from digital marketing into sales.
- Strategic partnerships with large data, information, and document and database management software - Unfulfilled. Developing such partnerships requires more effort and time than those planned for 2017. With the current state of the market, Ontotext's most suitable partners are system integrators and large IT consultants. Such partnerships have already been achieved in Atos and Infosys.
- Increase sales - achieved. In 2017, contracts (orders) were signed for BGN 8.8 million, compared to BGN 3.7 million in 2016.

MAIN ACHIEVEMENTS IN 2017

In 2017, Ontotext entered into a number of serious contracts in the area of financial services and market information, including a contract with the top three US bank, to use Ontotext technology, which help financial organizations manage regulatory compliance.

A long-term contract with a leading global market intelligence agency has been signed to use Ontotext's intelligent technology to more accurately predict commodity prices.

The advantages of semantic data analysis technologies and the extraction of useful insights have also been appreciated by one of the major 4 consultancy firms, which has partnered with Ontotext to better analyze the merger and acquisition market.

In 2017, we continued our successful participation in a number of international, interdisciplinary (application-research and academic) projects funded under EU programs, for example in the field of fake news on the Internet, medical data extraction, data in intersectoral verticals, use of open and related data from governments and public organizations, and many others. Ontotext also won funding for new research projects for over BGN 800,000.

As an assessment of Ontotext's innovative products, developments, and the established presence of Ontotext in



global technology chains, the company was awarded the Innovative Enterprise of the Year Award in the Market Leadership field at the Thirteenth National Innovation Forum, where the President of the Republic of Bulgaria Mr. Rumen Radev personally handed the award to Atanas Kiryakov, CEO of Ontotext AD.

PRODUCT DEVELOPMENT

Four updates were made to the eighth version of GraphDB, which was released on the market at the very end of 2016. Improvements in the platform's functionality have provided users with faster data recovery, enhanced user experience, improved workload and visualization data, speed, usability, parallel data loading, and logical conclusions. GraphDB's major clients were improvements in the speed and manageability of the Enterprise Edition cluster.

In August, a new database service was launched as a database-as-a-service (DBaaS) for GraphDB Cloud, which builds on existing cloud services. GraphDB Cloud helps organizations outsource the management of their databases. This allows customers to avoid investing in purchasing licenses and training technical staff for installation, configuration, and maintenance.

OBJECTIVES FOR 2018

The strategic objectives of Ontotext AD for 2018 can be summarized as follows:

- Positioning Ontotext as a leading provider of artificial intelligence technologies, in line with Sirma Group's strategy. This requires expanding Ontotext's current positioning as a knowledge and text analysis technology

provider. Sirma must become recognizable as a supplier of a cognitive platform for integration and data analysis of the so-called "Intelligent enterprises".

- Developing partnerships with large system integrators and software vendors for large organizations.
- Further development of current products and technologies. One particular goal is to reduce the effort needed to create prototypes and prepare proposals for solutions that use cognitive technologies.

The financial targets include:

- Revenue growth of 35%;
- Keep Recurring Revenue Volume over 20%;
- Operating profit of 20%

ADDITIONAL RESOURCES NEEDED TO MEET THE 2018 TARGETS

To achieve 2018 goals, Ontotext should increase the average annual number of employees with at least 7 employees. This means that at least 10 additional staff and contactors should be provided at the end of 2018 compared to the availability at the beginning of the year. These resources will be provided through the appointment of new employees, partnership with other companies at Sirma Group and hiring of subcontractors.

The implementation of Ontotext product and research plans in 2018 will require costs and investments totaling around BGN 1.6 million.



INDIVIDUAL FINANCIAL RESULTS

ONTOTEXT

BGN '000	2017	2016	2015	Change 2017/2016	Change 2017/2016
				BGN '000	%
Revenues	6 886	6 480	5 371	406	6,27%
EBITDA	4 002	2 130	204	1872	87,89%
Depreciation	(1 275)	(1 478)	(1 790)	203	-13,73%
Net Result	2 356	486	148	1870	384,77%
EBITDA margin	58,12%	32,87%	3,80%	0,25	76,81%
Net Profit margin	34,21%	7,50%	2,76%	0,27	356,19%
Sales per share	0,4285	0,4256	0,3528	0,00	0,69%
EPS	0,1466	0,0302	0,0092	0,12	384,77%
ROE	0,1132	0,0276	0,0085	0,09	310,56%
Total Assets	24 768	22 683	20 369	2085	9,19%
Intangibles	20 168	19 299	13 991	869	4,50%
Book value	651	(1 667)	3 369	2318	-139,05%
Equity	20 819	17 632	17 360	3187	18,08%
Total Liabilities	3 949	5 051	3 009	-1102	-21,82%
Interest bearing	474	829	710	-355	-42,82%
D/E	0,1897	0,2865	0,1733	-0,10	-33,79%
ROA	0,0951	0,0214	0,0073	0,07	343,96%

ONTOTEXT USA

BGN '000	2017	2016	2015	Change 2017/2016	Change 2017/2016
				BGN '000	%
Revenues	2 124	722	881	1402,00	194,18%
EBITDA	191	2	(374)	189,00	9450,00%
Depreciation	-	-	-	0,00	n/a
Net Result	(82)	(7)	(377)	-75,00	1071,43%
EBITDA margin	8,99%	0,28%	-42,45%	0,09	3146,28%
Net Profit margin	-3,86%	-0,97%	-42,83%	-0,03	298,20%
Sales per share	71	24	29	46,73	194,18%
EPS	-2,7333	-0,2333	-12,5779	-2,50	1071,43%
ROE	3,7273	-0,0737	-3,6994	3,80	-5158,44%
Total Assets	506	350	298	156,00	44,57%
Intangibles	-	-	-	0,00	n/a
Book value	(22)	95	102	-117,00	-123,16%
Equity	(22)	95	102	-117,00	-123,16%
Total Liabilities	528	255	196	273,00	107,06%
Interest bearing	-	-	-	0,00	n/a
D/E	-24,0000	2,6842	1,9216	-26,68	-994,12%
ROA	-0,1621	-0,0200	-1,2662	-0,14	710,28%



CONSOLIDATED FINANCIAL RESULTS OF THE ONTOTEXT GROUP

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	7 121	6 778	5 471	343	5,06%
EBITDA	3 946	1 618	1 618	2 328	143,88%
Depreciation	(1 275)	(1 478)	(1 790)	203	-13,73%
Net Result	2 274	479	(229)	1 795	374,74%
EBITDA margin	55,41%	23,87%	29,57%	0,315	132,13%
Net Profit margin	31,93%	7,07%	-4,19%	0,249	351,87%
Sales per share	0,4432	0,4452	0,3593	-0,002	-0,45%
EPS	0,1415	0,0315	-0,0150	0,110	349,83%
ROE	0,1095	0,0271	-0,0108	0,082	304,44%
Total Assets	24 930	22 893	20 512	2037	8,90%
Intangibles	20 168	19 299	13 990	869	4,50%
Book value	604	(1 603)	4 010	2207	-137,68%
Equity	20 772	17 696	21 126	3076	17,38%
Total Liabilities	4 158	5 197	2 512	-1039,000	-19,99%
Interest bearing	474	829	-	-355	-42,82%
D/E	0,0228	0,0468	0,0000	-0,024	-51,29%
ROA	0,0912	0,0209	-0,0112	0,070	335,95%

10.3.5 EngView Systems Sofia

- **EngView Systems Sofia JSC is a daughter company of Sirma Group Holding JSC**
- **Capital : BGN 68 587.**

Shares: **68 587 ordinary named voting shares, with right to dividend and liquidation share, proportional to the participation in the capital.**

Sirma Group Holding owns 50 000 shares or 72,9 % of the company capital.

EngView Systems Sofia JSC is a joint-stock company, member of Sirma Group Holding JSC, with main activity - development of software products and services in the field of two main vertical markets:

- **Packaging industry.** The products developed by the company are based on proprietary innovative technology for variation and parametric CAD / CAM and are designed for automation and optimization of the production processes, mainly connected with packages and displays of different sheet materials.
- **Quality control of serial production in various industries,** mainly related to machine building, mechanics, aluminum and plastic parts, etc. In this field, the company develops entirely proprietary market solutions as well as technological solutions designed for specific measurement machines for the main strategic partner - QVI.

EngView Systems Sofia JSC carries out its activities on a global scale, through its subsidiary structure and partner network of representatives. Towards the end of 2017, the company has two subsidiaries - EngView USA and EngView Latin America, through which the marketing, distribution and customer support processes in the main markets are managed. In addition, a network of independent partners

covering a number of regional markets around the world is maintained. A major trend in recent years, continued in 2017, is the deepening of partnership with some of the major manufacturers of digital cutting machines in the form of re-branded versions of the CAD / CAM system.

Another important detail of the company's activities is the development of strategic partnerships with companies with leading market positions in the two verticals - Heidelberg, Germany in the packaging industry and QVI, USA in measuring technologies and quality monitoring technologies.

KEY DEVELOPMENTS DURING 2017 ON THE GLOBAL AND REGIONAL MARKETS WITHIN THE SEGMENT OF SPEICALIZATION OF THE COMPANY.

In 2017, the trend towards a wider penetration of digital manufacturing technologies and business processes in the industry continued to develop in the packaging industry. The proliferation of digital technologies is growing at an increasing pace. More and more companies are investing in digital printing and production machines. Competition is growing. The fight over customers requires more and more flexible offers, all restrictions on print runs have been dropped, customization of packaging is a must, a variety of specialty printing technologies are used, time for manufacturing and delivery is reduced.



This also guides the industry's predominant investment guidelines - along with investments in machines, industrial companies are looking for solutions to further save time and resources, to improve their competitiveness. Such solutions are Internet and cloud technologies which optimize customer communication and shorten the web-to-pack cycle, which is made possible in combination with new digital technologies.

In the mass-production quality tracking technology, the dynamics are smaller. The trend toward a greater integration between classic measurement technologies and communication, mobile, information and internet / cloud technologies, is also present. This speeds up the transfer, storage and processing of information received by the measuring machines and, as a result, increases the efficiency and reliability of quality tracking systems.

MARKET POSITIONING OF THE COMPANY

In 2017, the company continued to be present on the global market with its core products: the EngView Package and Display Design Suite family, as well as Scan Fit & Measure, Alex Tool Matching products. This year, revenue from sales of licenses and services continued to grow by about 15%, mainly for the packaging products. In addition, EngView Systems has expanded its market share through a number of strategic partnerships with manufacturers of digital cutting machines for the packaging industry, with which OEM contracts have been signed for re-branding EngView Package and Display Design Suite modules which are sold with each machine.

The long-standing strategic partnership with Heidelberg is also contributing to the strengthening of EngView Systems' position in the packaging industry market. It continued to develop in 2017 as new areas of cooperation were identified and new EngView projects were launched with technological solutions for Heidelberg's new products.

EngView Systems is also present on the market for measuring machines and quality control technologies. The proprietary products over which the company has intellectual property rights (Measure Fit) are distributed alongside the strategic partner's - QVI high-quality machines. In addition to this, QVI's partnership also expanded in 2017, increasing the software development services which EngView performed for QVI.

It is worth noting the launch of a new joint project with QVI, in which EngView Systems takes the lead in developing the software part of a new machine in the QVI product range.

The main focus, in line with the 2017 trends, is the development and preparation for marketing of yet another new product based on its proprietary CAD / CAM technology. This is PackGate - an extremely innovative product, fully suited to the introduction of digital production. PackGate practically

optimizes and eliminates the risks of errors and loss of information at a very important stage in the packaging production cycle - the initial communication between the end customer and the manufacturer. This stage is directly related to one of the main goals pursued with digitization - saving time and resources, increasing quality and eliminating the risks of dropping orders or overpricing production.

The mass market launch of PackGate is still pending, but preliminary studies show that it still has no significant direct competitor. This opens up its prospects of becoming a market leader in its niche.

EngView Systems has entered the market for control technology thanks to its long-standing collaboration with one of the global leaders - QVI, USA. In the process of this collaboration, many products and solutions have been created which are incorporated into the measurement systems and machines distributed by the American giant. In 2017, this strategic collaboration continued to develop and launched a new project to develop a new shaft measuring machine. EngView participates with its own developments, based on the ScanFit & Measure product. Strategic cooperation with a market leader such as QVI guarantees EngView's presence on this market but also helps identify new market potentials and develop solutions in new areas which do not compete with the strategic partner.

Such a product is mCaliper - an innovative solution in the field of hand-held measuring instruments - callipers, micrometers and more. mCaliper adds value to users of one of the industry's most comprehensive measurement and quality control tool. Through data transfer and cloud technologies the process, which has been widely embedded in machine production amongst other industries, is optimized and sped up.

OBJECTIVES FOR 2017 AND THEIR ACHIEVEMENT

The main objectives of EngView Systems for 2017 were:

- Developing and preparation for marketing of new products
- Expansion of markets - mainly for EngView Package & Display Suite products. Stepping up new markets, boosting sales of existing ones.
- Strengthen strategic partnerships and search for new channels for product development
- Increase revenue from sales and achieve profits

EngView Systems managed to deal with the tasks. Revenue from sales of licenses and services grew by 14%, and despite the increased costs, profits were made.



The conclusion of contracts with major manufacturers of digital cutting machines for the packaging industry broadens the possibilities of conquering new markets and increasing sales of licenses and revenues.

In 2017, EngView started the development of new products - packGate and mCaliper. Several installations have been made with pilot customers in various strategically important markets and an in-depth analysis of their ideas, reviews and criticisms of the products has been made. The slower than expected development of the project, which was initially intended to be on mass sale before the end of 2017, is reported.

In 2017 a project with market potential for mCaliper was realized. Prototype and testing with external users was enacted. Under this project work on market and marketing analyzes and the selection of a marketing strategy is forthcoming.

MAIN ACHIEVEMENTS OF THE COMPANY IN 2017

The main achievements of EngView Systems Sofia JSC in 2017 are related to the deepening of the relations with its strategic partners.

Heidelberg specifies new applications of CAD / CAM technologies and their integration into Heidelberg's market decisions. Along with the production of packaging, new products for the production of labels are also being developed.

The partnership with QVI is also expanding into new projects for measuring machines. The development of the relationship with QVI will also receive an additional incentive from EngView Systems USA's affiliated subsidiary.

Another success in 2017 is the increase in revenue from sales of EngView Package & Display Designer Suite licenses and services. The main reason for this is the concluded OEM contracts with major manufacturers of digital cutting machines (plotters) and the use of their distribution networks to capture a larger share of the market.

In 2017, we failed to release packGate to mass market, but the collaboration with pilot customers - leading packaging companies in Brazil, China and Europe - virtually guarantees the successful launch of the product in 2018.

PRODUCT DEVELOPMENT

Engview Package & Display Designer Suite - continues to develop the core product of EngView Systems. Release of version 7 scheduled for 2017 is postponed until 2018 due to the inclusion of some of the resources in the development of the company's other new projects. The new features keep the product ranking among the top three in the world, and some

new features - such as the MAC version, have brought some competitive advantages over major competitors. Compatibility with other industry-standard products such as Adobe Illustrator has also been enhanced.

Market launch for packGate. The idea of an internet-based product for order specification for packaging companies has been developed since 2015. A simplified version of such a product was launched in 2016 by a customer of EngView Systems in China. A sophisticated product with almost complete functionality and concept of mass sales, customer support, and so on, was operational in 2017 and was successfully tested among several pilot customers in Europe, China, Brazil and Australia.

Presentation to the general public is planned for 2018, with already marked and planned marketing events.

First demonstrations of the mCaliper product were made on specialized exhibitions. The product is a technology for transferring measurement results from various handheld measuring instruments (callipers, micrometers, etc.) to a mobile application, with visualization of the measured details and results. The product ensures cloud data storage and offers primary statistical processing. As an additional service, hardware devices will be available to connect the meters with the application, as well as data transfer to different ERPs, SPCs and other systems. In 2017 the product was practically developed to a working prototype and is also ready to be presented to the mass market in 2018.

In 2017, two new projects were launched, implemented jointly with strategic partners. Heidelberg began work on module integration from CAD / CAM technology for label makers. QVI started work on software provisioning for a new machine to measure machine shafts. The product will enter the QVI product line in 2018.

OBJECTIVES FOR 2018

The main objectives of the company for 2018 are the successful launch of the new version of the flagship product - Engview Package & Display Designer Suite. The new version 7 is expected to raise revenue from this product. We expect the Engview Package and Display Designer Suite to strengthen its position against its core competitors.

There will also be a search for new partnerships with machine manufacturers, training institutions preparing experts for the packaging industry.

Another major goal for 2018 will be the successful market launch of new products designed for the mass market - packGate, mCaliper. Partnerships will be sought for their successful realization, with the main goal being to become the



first large-scale consumer product in the EngView Systems portfolio.

From a financial point of view, the goal is for the company to achieve revenue and profit growth of 15%.

NECESSARY ADDITIONAL RESOURCES FOR THE ACHIEVEMENT OF THE OBJECTIVES FOR 2018

By investing in new products and solutions for the various industries, the company is gradually expanding its teams to meet the growing need to develop more attractive functionalities and the ability to market them in the best possible way. New account managers, programmers and testers are expected to be appointed. In all likelihood, in 2018 the company will need external financing in the amount of BGN 500,00

FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	3 190	3 197	2 793	-7	-0,22%
EBITDA	513	582	597	-69	-11,86%
Depreciation	(130)	(103)	(18)	-27	26,21%
Net Result	335	432	545	-97	-22,45%
EBITDA margin	16,08%	18,20%	21,37%	-0,02	-11,66%
Net Profit margin	10,50%	13,51%	19,51%	-0,03	-22,28%
Sales per share	46,2319	46,3333	40,4783	-0,10	-0,22%
EPS	4,8551	6,2609	7,8986	-1,41	-22,45%
ROE	0,1327	0,1898	0,2659	-0,06	-30,07%
Total Assets	2 986	2 606	2 227	380	14,58%
Intangibles	1 519	629	402	890	141,49%
Book value	1 005	1 647	1 648	-642	-38,98%
Equity	2 524	2 276	2 050	248	10,90%
Total Liabilities	462	330	177	132	40,00%
Interest bearing	2	3	3	-1	-33,33%
D/E	0,0008	0,0013	0,0015	0,00	-39,88%
ROA	0,1122	0,1658	0,2447	-0,05	-32,32%

10.3.6 Sirma Business Consulting JSC

- <https://sirmabc.com/>
- Sirma Business Consulting AD is a subsidiary of Sirma Solutions
- Capital: BGN 2,539,768

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

Classes of shares:

CLASS A: Number: 1958 268, Nominal: BGN 1 Rights: regular, voting, right to dividend and liquidation share

CLASS C: Number: 581 500, Nominal: BGN 1 - Privileged, Non-voting, Entitled to Guaranteed Dividend

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



Sirma Business Consulting AD (SirmaBC) is a subsidiary of Sirma Solutions AD, which is highly specialized in the provision of software products and services in the financial sector. The SirmaBC implements Universal Banking Solutions (UBS) based on FlexCube (Oracle platform). This is a complete banking solution that has received worldwide recognition as one of the most preferred systems in the banking and financial industries.

The range of services provided by the company covers mainly banking, retail and wholesale banking, regulatory compliance and risk management as well as the whole range of implementation and advisory services. SirmaBC is the third largest holding company and accounts for about 20% of revenue.

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

The company is practically free of debt, and presents itself solidly, with strong financial results.

MAIN TRENDS IN THE WORLD AND REGIONAL MARKETS IN 2017 IN THE VERTICAL IN WHICH THE COMPANY OPERATES:

The continuing uncertainty about the economy and the economic developments in Europe over the medium term as well as the long-term fall in interest rates and the dollar's position continue to motivate banks and financial institutions to invest cautiously despite huge liquidity. The lack of sufficient human resources in the IT industry is sharpening competition and rising labor costs, which in turn slows the implementation of much of the projects. Only for Bulgaria The shortage of IT specialists in organizations has reached its highest levels in the last 7 years. Employers in the sector need to attract third-party executives to work. At the moment our country ranks among the best outsourcing destinations in Europe, which makes it difficult to keep the highly qualified employees in the local companies and their long-term motivation for career development in the country.

The main driving force for renewal and investment in technology remains the regulatory changes and requirements imposed by the European community with the introduction of the GDPR. It is expected that a strong effect and multifaceted change in the financial resources of financial players will come with the introduction of PSD2.

On the Bulgarian market, the implementation of the merger or change of ownership plan of the "Greek banks" continues, which further creates uncertainty and change in the plans of

local players, both in terms of investments to upgrade IT environments and in the budgeting of personnel costs .

In spite of the dynamic financial environment lacking long-term investment planning, SirmaBC has traditionally pursued its priority business activities, focusing primarily on offering the new version of a major financial and banking system CBS Flexcube 12. It invests in building a team with knowledge and experience to implement the core banking system. In this regard, the SirmaBC Flexcube team has been successfully certified in the implementation of the latest version of the system. In 2016, the company successfully participated in several CBS Flexcube 12 deployment projects, with which the experts implemented the new knowledge and the SIRMA has consolidated its position as a recognizable vendor in this field.

In the past year, the company's priority was also to expand the functionality of its own developments at SIRMA. Strategic partnerships and analysis for the development of innovative products for the Bulgarian market are also primary tasks for the company in which it is invested 2017.

MARKET PRESENCE

The company reaffirms its leadership position on the market. Despite the lack of a ranking or a mechanism to measure exact positioning and market share, we can claim that we have a good brand recognition and company name among financial players, considering the huge number of queries and offers made in 2017 compared to all other previous years . On the other hand, the company's participation in all national finance and banking forums goes without exception with a very good presence and attendance at the company stands and the demonstrations and presentations made. The influence and positioning of the company as a leader is observed in the following areas: core financial systems for business management, data reporting and analysis, payment systems and e-money management systems. The company is also actively involved in national initiatives to popularize and disseminate ideas and methodology for business analysis, expanding the team with four new licensed business analysts for the past year.

OBJECTIVES FOR 2017 AND IMPLEMENTATION OF THEM

The company has executed the annual financial plans and has achieved revenue growth of more than 50%. At the end of 2017, we completed several international projects that helped and significantly increase foreign earnings and to a great extent also provides a good basis for business growth in the Balkan countries. The SirmaBC continued the clear position of the company's shareholders to develop knowledge and offer products and services to financial institutions only, which has strengthened the company as a well-recognized niche player for providing consultancy services and services closely related to CBS Flexcube.

In the past year, we have implemented several successful projects in which, besides a leading role, such as CBS Flexcube expertise, we have also done many activities related to database upgrades as well as 3 successful



migrations. Continue expanding CBS Flexcube integration capabilities with all of the company's satellite applications, as well as the working to replace end user user interface. The company's program and plans to upgrade the expertise of experts and gain experience with CBS Flexcube versions and certifications is carried out without delay. This has led to the creation of an excellent environment for staff training and staffing in this area. Besides services related to parameterization and implementation of CBS Flexcube, the company expands its activity in offering services related to the operational support and monitoring of the Flexcube banking system to different clients in Bulgaria and abroad. Strategic partnerships with suppliers such as Axiomme, Exprivia, BluePoint Consulting Romania, Facilision Albania, Accenture Greece and OFSS have been strengthened. The company continues to position and work with Microsoft's solutions that it uses in the business and realizes it for end-users.

MAJOR ACHIEVEMENTS OF A COMPANY IN 2017

The main focus and major projects of the company for 2017 went in two directions:

Projects related to the overall renovation and migration of the main business management systems. Here we have executed and continue to perform 10 successful customer orders in Bulgaria, Albania, Serbia and Romania for 2018. Over 35% of the revenue in this internal vertical for the company are from projects abroad.

The second successful revenue stream is from joint projects with internationally recognizable players, such as Axiomme and Exprivia, with whom we run major projects for banks of regional importance. More and more often, the company provides direct consulting services to financial institutions in areas such as building digital and IT strategies, building complete or partial IT architectural solutions, and providing high-qualified expertise in analyzing and specifying customer-sought solutions. Along with the work commitments, SirmaBC was a successful sponsor of several industry events in the industry.

OBJECTIVES FOR 2018

The SirmaBC continues to comply with the long-term strategy for the development of the business entirely with its own funds. In addition, the company has taken some steps to provide a better material base for employees and a better regional presence of the company, acquiring its own office in Plovdiv. Investments in own products for 2018 are increased by 25% to the amount of 380 thousand. As in 2017 and 2018, we do not expect the need to raise additional funds from funds or financial investors. In addition, SirmaBK provides:

- Increase revenue by 25%;
- Increase profit by 15%;
- Increase in investment in own products and services by 25%;
- Increasing the cost of training courses and seminars for employees;
- Increase of the number of staff and increase of the average salary in the company by 8-10%;
- Reinforcing strategic partnerships with global leaders in the financial and IT sector.

The main challenge for companies that work and assist financial players in implementing their digital programs is and will remain in 2018 to attract and retain staff. For a consecutive year, the IT sector in Bulgaria is making steady progress, and the country is working on more and more diverse IT projects. According to statistics, this is also the fastest growing segment in the Bulgarian economy. The work of a highly qualified IT specialist generates between 25-30 thousand Euro per year, which is between two and three times the average labor productivity in the country.

Trends will continue after 2017, which means that companies in the sector will still need trained staff who are still in deficit in the sector. The biggest challenge for us remains the attraction and retention of specialists, and the high pay of their labor is no longer crucial. In summary, the main ups and downs in the company's budget will be in the feathers for the wage costs.



FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	4 657	3 719	3 175	938	25,22%
EBITDA	906	528	584	378	71,59%
Depreciation	(437)	(427)	(396)	-10	2,34%
Net Result	350	112	173	238	212,50%
EBITDA margin	19,45%	14,20%	18,39%	0,05	37,03%
Net Profit margin	7,52%	3,01%	5,45%	0,05	149,56%
Sales per share	1,8335	1,4642	1,2500	0,37	25,22%
EPS	0,1378	0,0441	0,0681	0,09	212,50%
ROE	0,1147	0,0400	0,0605	0,07	187,00%
Total Assets	4 082	4 071	3 920	11	0,27%
Intangibles	642	1 011	949	-369	-36,50%
Book value	2 410	1 792	1 909	618	34,49%
Equity	3 052	2 803	2 858	249	8,88%
Total Liabilities	1 030	1 268	1 062	-238	-18,77%
Interest bearing	0	1	0	-1	-100,00%
D/E	0,0000	0,0004	0,0000	0,00	-100,00%
ROA	0,0857	0,0275	0,0441	0,06	211,66%

10.3.7 Sirma USA/dba Panaton

- <http://panatonsoftware.com/>
- Sirma USA is a subsidiary of Sirma Solutions
- Sirma USA operates in the cross-industry segment of specialization
- <http://panatonsoftware.com/>

Sirma USA / Panaton Software is a subsidiary of Sirma Solutions, operating in the United States. The company was created to support the sales of Sirma Solutions software solutions on the US market. The company specializes in software development, system integration, cyber security and product design. The basis for the company's successful

business is its customers, who are returning again. Their excellent references to implemented projects are a guarantee for a successful business.

Therefore, the company strives for the highest standards of personal and professional conduct and ethics.

FINANCIAL RESULTS

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues	4 026	3 550	3 249	476	13,41%
EBITDA	(802)	914	686	-1716	-187,75%
Depreciation	-	-	-	0	n/a
Net Result	(808)	910	628	-1718	-188,79%
EBITDA margin	-19,92%	25,75%	21,11%	-0,46	-177,37%
Net Profit margin	-20,07%	25,63%	19,32%	-0,46	-178,29%
Sales per share	0,1866	0,1645	0,1506	0,02	13,41%
EPS	-0,0374	0,0422	0,0291	-0,08	-188,79%
ROE	-0,0420	0,0400	0,0297	-0,08	-205,00%
Total Assets	22 020	25 474	23 638	-3454	-13,56%
Intangibles	20 304	23 824	22 217	-3520	-14,78%
Book value	(1 088)	(1 101)	(1 091)	13	-1,18%
Equity	19 216	22 723	21 126	-3507	-15,43%
Total Liabilities	2 804	2 751	2 512	53	1,93%
Interest bearing	-	-	-	0	n/a
D/E	0,0000	0,0000	0,0000	0,00	n/a
ROA	-0,0367	0,0357	0,0266	-0,07	-202,72%



10.3.8 Sirma ICS

- <http://sirmaics.com/>
- **Sirma ICS is a subsidiary of Sirma Solutions**
- **Sirma ICS JSC operates in the Finance segment of specialization**
- **Capital:** BGN 300 000 divided into 300 000 number of registered nominal shares with a nominal value of 1 BGN per 1 share with voting right, dividend and liquidation share. Sirma Solutions owns 270,000 number of shares or 90% of the capital.

Sirma ICS in 2017

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

In the past 2017, Sirma ICS planned and accomplished the following strategic goals:

- o Attracting new clients of the platform for insurance brokers - company's core product.
- o Creating new products for "Online purchase/ concluding of insurance policy"
- o Creating a new platform for insurance brokers with more functionalities which can be flexibly managed and individualized.
- o Creating greater interconnection between the separate company products to create "Insurance ecosystem"
- o Implementing new insurance products in the brokers platform and building partnerships with part of the insurance companies
- o Creating individual products for insurance companies - end-user portals, brokerage and employee portals and mobile applications.
- o Transform solutions to products - API as a product for brokers who want to build their own platform and easily integrate it with the insurance companies.

During the year, the following important events occurred in the field of business development:

- o Reinforcing a strong positive reputation for the company
- o Increase the clients of the broker software from 80 to 105
- o Creation of a product "Online purchase of MTPL"
- o Implementing the requirements of Regulation 54 and planning the changes required by the GDPR Regulation

o Creating a website, portal for intermediaries and online portal for end users of the biggest insurance company in Bulgaria.

- o In 2017, we began to offer combined solutions - Online Customer Services and Brokerage Services as SaaS. We have successfully created products from the already implemented solutions for insurance companies. We have developed new functionalities in the Insurance - brokerage software of the company, we have removed the existing problems, we have improved the modules for administrative processes and we further developed the product "Online purchase of MTPL".

Sirma ICS in 2018

In 2018 we expect very good business development in the financial sphere in Bulgaria.

The development strategy for 2018 includes:

- o Increase the customers of the insurance - brokerage software from 105+ to 120+
- o Sales of the new products – "API" and "Online purchase of MTPL" to at least 5 clients.
- o Continuing successful sales of the software "Management of processes, documents and queries".
- o Continuing the already started long-term strategic projects with large insurance companies.
- o Increasing human resources in the company - programmers.
- o Development of the core product insurance -brokerage platform
- o Creating a new organization and planning of the product development and project implementation.



FINANCIAL RESULTS

BGN '000	2017	2016	Change 2017/2016	Change 2017/2016
			BGN '000	%
Revenues	1 327	502	825,00	164,34%
EBITDA	350	70	280,00	400,00%
Depreciation	(15)	(9)	-6,00	66,67%
Net Result	294	54	240,00	444,44%
EBITDA margin	26,38%	13,94%	0,12	89,15%
Net Profit margin	22,16%	10,76%	0,11	105,96%
Sales per share	4,4233	1,6733	2,75	164,34%
EPS	0,9800	0,1800	0,80	444,44%
ROE	0,4537	0,1525	0,30	197,43%
Total Assets	1 078	564	514,00	91,13%
Intangibles	954	361	593,00	164,27%
Book value	(306)	(7)	-299,00	4271,43%
Equity	648	354	294,00	83,05%
Total Liabilities	430	210	220,00	104,76%
Interest bearing	32	37	-5,00	-13,51%
D/E	0,0494	0,1045	-0,06	-52,75%
ROA	0,2727	0,0957	0,18	184,85%

10.3.9 S&G Technology Services

- <http://www.sngservices.co.uk/>
- S & G Technology Services operates in the Financial Segment

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

S & G Technology Services has accumulated tremendous expertise on the banking industry and the development of technology solutions for some of the world's largest banks. This enables the company to better understand the challenges faced by customers, identify the areas in which it can provide innovative solutions and integrate seamlessly into its specific solutions within a broader delivery program. S & G Technology Services specializes in providing IT consulting services, software products and services to the software ecosystem of one of the most popular banking systems - the Temenos T24.

In 2017, the company successfully completed projects in major international banks in Ireland, Kenya, Luxembourg and the UK.



10.3.10 Sirma Group Holding – individual financial results

BGN '000	2017	2016	2015	Change 2017/2016 BGN '000	Change 2017/2016 %
Revenues*	5 726	4 171	1 538	1 555	37,28%
EBITDA	3 493	2 165	381	1 328	61,34%
Depreciation	(324)	(382)	(258)	58	-15,18%
Net Result	2 809	1 643	18	1 166	70,97%
EBITDA margin	61,00%	51,91%	24,76%	0,09	17,52%
Net Profit margin	49,06%	39,39%	1,14%	0,10	24,54%
Sales per share	0,0965	0,0706	0,0261	0,03	36,68%
EPS	0,0473	0,0277	0,0003	0,02	70,97%
ROE	0,0404	0,0243	0,0003	0,02	66,14%
Total Assets	79 836	72 434	68 635	7 402	10,22%
Intangibles	5 136	1 787	286	3 349	187,41%
Book value	64 370	65 755	65 930	-1 385	-2,11%
Equity	69 506	67 542	66 216	1 964	2,91%
Total Liabilities	10 330	4 892	2 419	5 438	111,16%
Interest bearing	6 419	709	978	5 710	805,36%
D/E	0,0924	0,0105	0,0148	0,08	779,78%
ROA	0,0352	0,0227	0,0003	0,01	55,12%

* according to the FSC's instructions, the dividend income is included in the income from the main activity of "Sirma Group Holding" JSC

11 INVESTMENTS BY COMPANIES

For information on company investments, please see Appendix 4.

12 MAIN MARKETS

Consolidated earnings of Sirma Group Holding for the historical period under review are of different nature and geographic origin. Traditionally, revenues from services and goods have the highest share. At the same time, Europe, North America and the United Kingdom are at the forefront of geographic distribution of earnings. Revenues by region and countries are presented in the following table.

REVENUE BY REGIONS AND COUNTRIES:

Region	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
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%
Total	52036	41583	33977	10453	25,14%

"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



	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
Countries	BGN '000	BGN '000	BGN '000	BGN '000	%
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%
Total	52036	41583	33977	10453	25,14%

13 INFORMATION



13.1 IMPACT OF EXCLUSIVE FACTORS

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

13.2 SUMMARY INFORMATION RELATING TO THE STATE OF WHICH THE COMPANY DEPENDS ON PATENTS OR LICENSES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR FROM NEW PRODUCTION PROCESSES

Sirma Group Holding is not dependent on patents or licenses, industrial, commercial or financial contracts, as well as new production processes.

For all employees of the Company, it has the appropriate licenses for operating systems and application software for PCs and servers required for the normal workflow.

13.3 INFORMATION CONCERNING SIGNIFICANT FACTORS INCLUDING NON-ORDINARY OR RARE EVENTS OR NEW DEVELOPMENTS WHICH DETERMINE THE INCOME OF THE COMPANY'S ACTIVITY

There are no significant factors, including unusual or rare events or new developments that materially affect the Company's revenue and future investments.

13.4 SIGNIFICANT CHANGES IN NET SALES OR REVENUES DISCLOSED IN THE ACCOUNTS

Significant changes in net sales or earnings as reported in the Company's statements and detailed in Section 14.1 of this Report are observed during the period considered.

13.5 INFORMATION ON GOVERNMENTAL, ECONOMIC, FISCAL, MONETARY POLICY OR POLITICAL COURSE OR FACTORS WHICH HAVE INFLUENCES SIGNIFICANTLY OR MAY INFLUENCE SIGNIFICANTLY, DIRECTLY OR INDIRECTLY THE ACTIVITY OF THE COMPANY

During the period under review, there were no factors of government, economic, fiscal, monetary or political factors which had a significant impact on the company's operations.

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

13.6 SUMMARY INFORMATION RELATING TO THE STATE OF WHICH THE COMPANY DEPENDS ON PATENTS OR LICENSES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR FROM NEW PROCESSING PROCESSES

In the economic group of Sirma Group Holding there are currently no activities dependent on foreign patents. In their product development, Ontotext and Sirma Enterprise Systems have integrated and developed software components that are based on open source software but are under licensing regimes (LGPL - "General public right GNU Free Software Foundation, BSD License - Berkeley Software

Distribution Licensing Software, USA, Apache License, Apache Software Foundation, US), which do not restrict commercial use or otherwise to restrict their freedom by ordering them Nittel comprehensive software solutions, including transfer copyright on them.

For the jobs of all employees in the Company's economic group, all companies have the appropriate licenses for



operating systems and application software for PCs and servers required for the normal workflow in each particular company.

13.7 MAIN EVENTS AND MAIN BUSINESS NEWS IN 2017

The following major events took place in 2017:

ESTABLISHMENT OF SIRMA SHA IN ALBANIA

On 17 February 2017, the company of Sirma in Albania was established - Sirma Sha. 55% of the company's capital is owned by Sirma USA, and the members of the Board of Directors are Mr. Tsvetan Alexiev and Mr. Yordan Nedev, members of the Board of Directors and of Sirma Group Holding JSC. The main purpose of the newly established company is to hire and train programmers for the purpose of implementing projects earned and developed primarily but not only by Sirma USA as well as other US offices of Sirma Group Holding as well as participating and winning IT projects on public and private procurement in Albania and the surrounding Albanian countries - Kosovo, Macedonia, Serbia, Montenegro, Bosnia.

CAPITAL INCREASE OF ONTOTEXT

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

In April Sirma Group Holding participated in the capital increase of Ontotext by subscribing 843 030 ordinary shares with nominal value of 1.00 BGN 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

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

Sirma Group Holding started dividend payment for 2016, according to a decision of the General Meeting of Shareholders held on 15.06.2017. This is the first payout of a dividend after the successful initial public offering at the end of 2015. Final date of dividend payment - 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 more events and business news in 2017 can be found in Appendix 3.

13.8 MAIN LEGAL INFORMATION IN 2017



13.8.1 References for submitted / registered applications in the Commercial Register

SIRMA GROUP HOLDING JSC

Type of document	Submission date y/m/d	Date of entry y/m/d
Invitation to convene GMS	9.5.2017	15.5.2017
Offer from minority shareholders under Art. 223a, para. 1 and 2 of the Trade Law	29.5.2017	2.6.2017
Continuation of the mandate of the BD by two years	21.6.2017	27.6.2017
Individual AFR	21.6.2017	processing
Consolidated AFR	21.6.2017	processing

DATICUM

Type of document	Submission date y/m/d	Date of entry y/m/d
AFR	29.6.2017	processing

ENGVIEW SYSTEMS SOFIA

Type of document	Submission date y/m/d	Date of entry y/m/d
AFR	22.6.2017	processing

SIRMA ICS

Type of document	Submission date y/m/d	Date of entry y/m/d
Invitation to convene a general meeting of shareholders	12.5.2017	18.5.2017
AFR	26.6.2017	30.6.2017
Extension of the BD mandate		
Change in the composition of the BD	26.6.2017	30.6.2017



SIRMA SOLUTIONS

Type of document	Submission date y/m/d	Date of entry y/m/d
Paid-in capital	24.3.2017 г.	30.3.2017
Invitation to convene GMS	27.4.2017	4.5.2017
Individual AFR	9.6.2017	22.6.2017
Invitation to convene GMS	20.6.2017	26.6.2017
Deletion of CEO	21.6.2017	27.6.2017
Consolidated AFR	30.6.2017	8.8.2017
Change in the composition of the BD	4.8.2017	10.8.2017
Invitation to convene GMS	17.8.2017	23.8.2017

ONTOTEXT

Type of document	Submission date y/m/d	Date of entry y/m/d
Invitation to subscribe for new shares	22.2.2017	28.2.2017
AFR 2014	7.3.2017	13.3.2017
Actual Statutes	7.3.2017	13.3.2017
Increase in capital	18.4.2017	24.4.2017
Individual AFR 2016	27.6.2017	11.7.2017
Consolidated AFR 2016	27.6.2017	11.7.2017
Continuation of the mandate	5.7.2017	11.7.2017

SIRMA ENTERPRISE SYSTEMS

Type of document	Submission date y/m/d	Date of entry y/m/d
Invitation to convene GMS	17.5.2017	23.5.2017
AFR 2016	27.6.2017	processing

SIRMA BUSINESS CONSULTING

Type of document	Submission date y/m/d	Date of entry y/m/d
Extension of the BD mandate	19.6.2017	23.6.2017
AFR 2016	28.8.2017	processing

13.8.2 Transactions with shares for the period 01.01.2017 - 31.12.2017:

In April, Sirma Group Holding participated in the increase of the capital of Ontotext by subscribing 843,030 ordinary shares with a par value of 1 BGN at an issue value of 1.16 BGN.

Sirma Solutions AD submitted to the TR Invitation for the convening of the General Meeting of Shareholders on 17.08.2017, which invitation was registered on 23.08.2017. Draft decision under item 1: GMS increases the capital of Sirma Solutions AD, on the grounds of Art.194 of the TL by issuing new 352 480 ordinary shares.



13.8.3 Litigation for the period 01.01.2017 - 31.12.2017:

JUDICIAL JUDGMENTS

"SIRMA ISG" OOD AGAINST INSURANCES "SOFTWARE RETAIL" EOOD

Claims amount: 158 283 BGN, of which:

- 100 000 BGN - filed as a partial claim for compensation for damages from the total amount due, amounting to 538 971.27 BGN representing damages for non-performance of contractual obligations
- 58 283 BGN. - price of settling claim for establishing the existence of a legal relationship under a license agreement from 01.06.2011 - Reason for the objectively connected claims: Art. 79 of the LOC, Art. 82 LOC

„SIRMA ISG" OOD AGAINST TIANKO SASHKOV LATEV

Claims amount: 69 162,19 BGN of which::

- 50 000 BGN - filed as a partial claim for compensation for damages, expressed as expenses incurred from a total amount due from 311 524 BGN
- 11 162,19 BGN - representing indemnity for damages, expressed as unaccountable material means
- 8 000 BGN - representing damages in the form of the lost benefit

Grounds for claims: Art. 45 of the LOC in relation to Art. 145 TL, Art. 36 LPC and Art. 142 TL

There are no lawsuits filed against the company for the period

13.9 AUDIT REMUNERATION IN 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.



14 CONSOLIDATED FINANCIAL RESULTS

14.1 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%
Total	52036	41583	33977	10453	25,14%

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.



Revenues from sales of services by type:

Type of service	31.12.2017 BGN '000	31.12.2016 BGN '000	31.12.2015 BGN '000	Change 2017-2016 BGN '000	Change 2017/2016 %
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%
Total	40077	30478	23028	9599	131,49%

A significant share in the increase of consolidated revenues from sales of services in 2017 had revenues from system integration, which increased by BGN 5 147 thousand or by 120.96%.



14.2 CONSOLIDATED STAFF COSTS

Consolidated staff costs include:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Hospitals at the expense of the employer	45	46	38	-1	-2,17%
Unused 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 under a management contract	1351	1244	1100	107	8,60%
Expenditure on retirement benefits under IAS 19	-25	52	23	-77	-148,08%
Costs for insurance under the contract	11	10	8	1	10,00%
Expenses for social security payments management	38	38	29	0	0,00%
Unemployment insurance costs	-3	9	-1	-12	-133,33%
Expenditure on social security contributions	1937	1724	1535	213	12,35%
Wage costs	15955	14624	12719	1331	9,10%
Total	20760	19101	16369	1659	8,69%

During 2017 the staff on LC in the Group decreased by 0,25% and the consolidated wage costs 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
TOTAL	352	47	399
Company	LC	CMC	Total



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
TOTAL	355	43	398

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
Общо	323	41	364



14.3 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
Change in %				63,03%
Expenses for external services	-13481	-8619	-6910	-4862
Change in %				56,41%
Depreciation and amortization of non-financial assets	-8179	-8231	-6816	52
Change in %				-0,63%
Cost of goods sold and other current assets	-10170	-9613	-7475	-557
Change in %				5,79%
Changes in stocks of finished products and incomplete production	745	107	499	638
Change in %				596,26%
Capitalized own expenses	17330	14536	10099	2794
Change in %				19,22%
Other expenses	-1579	-1333	-990	-246
Change in %				18,45%
Total expenses	-23 482	-18 151	-14 760	-5331
Change in %				29,37%

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%).

14.4 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%
Financial income / expenses net	-610	-138	-274	-472	342,03%

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.



14.5 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.

14.5.1 NON-CURRENT ASSETS

	31.12.2017	31.12.2016	31.12.2015	Изменение 2017-2016	Изменение 2017/2016
Assets	BGN '000	BGN '000	BGN '000	BGN '000	%
Non-current assets					
Intangible assets	48 471	47 571	36 800	900	1,89%
Property, plant and equipment	5214	3473	3594	1741	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	36737	18429	14988	18308	99,34%
Goodwill	19540	19540	19540	0	0,00%
Total	110618	89463	75438	21155	23,65%

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

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Several companies belonging to the Sirma Holding Group invest in R & D, patents and licenses. These companies are "Ontotext", "Sirma Solutions", "EngView Systems Sofia" and "Sirma Enterprise Systems". They incurred the following costs for the historical period considered:

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Sirma Solutions	1084	932	859	152	16,31%
Ontotext	809	745	724	64	8,59%
EngView Systems Sofia	195	169	145	26	15,38%
Sirma Enterprise Systems	99	173	158	(74)	-42,77%
Total	2187	2019	1886	168	8,32%



14.5.2 CURRENT ASSETS

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
Assets	BGN '000	BGN '000	BGN '000	BGN '000	%
Current assets					
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 costs	164	134	104	30	22,39%
Money and cash equivalents	6 119	6 075	11 176	44	0,72%
Total	21917	18683	21642	3234	17,31%

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

14.6 EQUITY

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

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



14.7 CONSOLIDATED LIABILITIES

Like the consolidated assets, the consolidated liabilities increased by BGN 8 301 thousand or 46,67% in 2017.

14.7.1 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	%
Non-current liabilities					
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	0	0	8	0	n/a
Obligations to suppliers	159	159	89	0	0,00%
Deferred tax liabilities	1335	1124	1131	211	18,77%
Total	3822	2191	2167	1631	74,44%

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



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 Exppressbank	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



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	Unicredit Bulbank	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		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 AD and its clients in the total amount of BGN 9 210 022



14.7.2 CURRENT LIABILITIES

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	%
Provisions					
Pension obligations to the staff	714	711	698	3	0,00
Short-term loans	1434	1731	1 043	-297	-0,17
Finance lease liabilities	8452	2966	1 588	5486	1,85
Trade and other payables	41	42	66	-1	-0,02
Short-term obligations affiliates	4815	6792	5 247	-1977	-0,29
Tax obligations	1	1	16	0	0,00
Duties on advances	1078	730	538	348	0,48
Deferred income and financing	2583	1676	1 892	907	0,54
Other liabilities	414	452	635	-38	-0,08
Total Current liabilities	2735	496	275	2239	4,51
Current liabilities	22 267	15 597	11 998	6670	42,76%

Current liabilities increased by 42,76% in 2017.

14.8 CASH FLOWS

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.

SUMMARY OF CASH FLOW

	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
	BGN '000	BGN '000	BGN '000	BGN '000	%
Net cash flow from operating activities	8 616	4 326	7 194	4290	99,17%
Net cash flow from investing activities	(14 257)	(10 547)	(7 891)	-3710	35,18%
Net cash flow from financing activities	5 685	1 120	8 870	4565	407,59%
Net change in cash and cash equivalents	44	(5 101)	8 173	5145	-100,86%
Cash and cash equivalents at the beginning of the year	6 075	11 176	3 003	-5101	-45,64%
Cash and cash equivalents at the end of the year	6 119	6 075	11 176	44	0,72%



14.9 INDICATORS AND RATIOS

№	Indicators	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 2017/2016
		BGN '000	BGN '000	BGN '000	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%



Indicators	31.12.2017	31.12.2016	31.12.2015	Change 2017-2016	Change 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%
Profitability ratios					
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%
Coefficients for assets and liquidity					
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%
Odds per share					
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%
Dividends ratio					
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
Development Ratios					
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%
Leverage Ratios					
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%



14.10 RELATED COMPANIES 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
Total			32

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
Total			42

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
Total			55

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
Total			-49



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
Total			-28

31.12.2015

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

Loans:

31.12.2017 r.

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 r.

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 r.

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



14.11 PERSONNEL AND ECOLOGY

Sirma Group Holding maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures for separate collection of waste, minimization, recovery and recycling of municipal waste. In 2017, the use of plastic cups stopped, and they were replaced with porcelain and glass.

The Company believes that its employees play a key role in the development of its business and the overall corporate goals and therefore pays special attention to the development of a common human resources management

strategy and policies. Sirma Group Holding's policies in this regard are aimed at stimulating the responsibility and motivation of the staff to fulfill the assigned tasks and objectives.

The company and the companies in the group apply certain selection criteria and consider that they have an ambitious team of professionals capable of pursuing the strategic and operational objectives. Sirma Group Holding invests in various training programs for its employees and provides its employees with opportunities for professional development.

The structure of the personnel of the Group has the following dynamics:

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
TOTAL	352	47	399
Company	LC	CMC	Total

DESCRIPTION OF ALL AGREEMENTS FOR THE PARTICIPATION OF THE EMPLOYEES IN THE CAPITAL OF THE COMPANY.

There are no arrangements for the participation of employees in the capital of Sirma Group Holding JSC. Some of the subsidiary companies of Sirma Group Holding JSC have options for the participation of key employees in the capital of the respective companies. As mentioned above in paragraph 7, the following subsidiaries have taken concrete steps in this direction:

- "Sirma Enterprise Systems" JSC bought back 13,902 registered voting shares (representing 10% of all shares) for the purpose of subsequent sale of key employees of Sirma Enterprise Systems AD (balance as at 30.09.2017 2 220 items). For this purpose, by decision of the sole owner of the capital from 15.09.2014, the redemption shares were transformed into a new class A.

- Sirma Solutions AD bought back 248,687 registered shares of the company, which consisted of 7.7% of the share capital of Sirma Solutions AD, held by the shareholder of Sirma Group Holding JSC. Purpose of redemption - Shares will be sold to key employees. For this purpose, with a decision of the GMS dated March 9, 2015, a part of the own shares were transformed and two

new classes of shares - Class A and Class B were created. At the date of this document, the balance of own shares is: 188,255 shares. shares.

- An amendment to the Articles of Association of Ontotext AD has created an option fund of the holders of ordinary shares, who have agreed to create an option fund of 1 210 215 shares for a term up to 31 March 2019 under which they are obliged to sell the included in the Optional Equity Fund, to option holders at a price per share equal to 1.17 BGN. Options of the Option Fund will be sold to key employees of the Company, key employees of subsidiaries and consultants of the Company and its subsidiaries on the fixed the previous sentence price according to the solution of the board of directors of Ontotext AD. The sale of ordinary shares under the Options Release Scheme will be made in proportion to all Shareholders holding Ordinary Shares included in the Option Fund.

There are no other options and / or arrangements for employee participation in the capital of one of the companies in the Group.



15 RISK FACTORS

THE WORDS USED IN THE REPORT AS "EXPECTS", "BELIEVES", "INTENDS" OR THE LIKE INSTRUCTIONS FOR STATEMENTS THAT ARE FORWARD-LOOKING IN NATURE AND / OR REFER TO FUTURE UNCERTAIN EVENTS AND CONDITIONS WHICH MAY INFLUENCE FUTURE BUSINESS AND FINANCIAL PLANS OF THE COMPANY, THE RESULTS OF ITS ACTIVITY AND THE FINANCIAL POSITION. WE WARN THE INVESTORS THAT THE ABOVE STATEMENTS ARE NOT A GUARANTEE FOR THE FUTURE RESULTS OF THE COMPANY'S ACTIVITY AND ARE THEMSELVES SUBJECT TO RISKS AND UNCERTAINTY. ACTUAL FUTURE RESULTS FROM THE COMPANY'S ACTIVITY MAY DIFFER SUBSTANTIALLY FROM THE FORECAST RESULTS AND EXPECTATIONS AS A RESULT OF MULTIPLE FACTORS INCLUDING THE RISK FACTORS LISTED BELOW. (THE SEQUENCE IN THE PRESENTATION OF THE RISK FACTORS INDICATES THE VIEW OF THE BOARD OF DIRECTORS REGARDING THEIR PARTICULAR SIGNIFICANCE FOR THE ACTIVITY OF THE COMPANY AT THE PRESENT TIME).

RISKS, TO WHICH INVESTORS IN SECURITIES MAY BE EXPOSED CAN BE BROKEN DOWN BY DIFFERENT CRITERIA DEPENDING ON THEIR NATURE, MANIFESTATION, FEATURES OF THE COMPANY, CHANGES IN EQUITY OF THE COMPANY AND THE POSSIBILITY OF RISK MITIGATION OR NOT. THESE MAY BE DIVIDED INTO TWO GROUPS: SYSTEMIC AND NON-SYSTEMATIC RISKS.

RISK MANAGEMENT

The management of the risks of Sirma Group Holding is the responsibility of the Board of Directors. In its activities, it is assisted by the Investment and Risk Committee. The Holding also supports its subsidiaries in risk management.

Risk management is, inherently, the ability to anticipate threats to the company's activities, individual projects and minimize their adverse effects. The process is iterative. It

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

A sophisticated risk management system has been set up in Sirma Group Holding.

RISK MANAGEMENT IN SIRMA GROUP HOLDING INCLUDES:

- Risk Identification - This is a lengthy process which detects potential threats. In order to identify the expected and predictable risks, different methods are used: questionnaires (interview questionnaires), interviews, brainstorming, document analysis, a list of expected and predictable risks, based on a previous experience
- Qualitative and quantitative risk analysis - Once the potential risks have been identified, a qualitative and quantitative analysis of each of them is required. The likelihood of occurrence and impact through predefined scales is estimated, for example Probability: very small, small, medium, large or very large; Impact: catastrophic, critical, permissible, insignificant.

A risk table is prepared with the data. Risks are grouped into categories, their likelihood of occurrence and their impact, as well as case scenarios which are implemented in case the risk occurs. The resulting list is sorted by impact and probability. A threshold is set, the risks over which it will be managed. The risk table is reviewed and reassessed on a regular basis, as there is a possibility that risks may be dropped, new ones added or ratings changed.

- Planning actions to overcome the risk

The next step in risk management is planning. This is the process of documenting the measures which will be applied to managing each of the identified key risks. 3 management strategies are used:

- risk avoidance - a strategy which reduces the likelihood of risk occurring;

- minimizing the risk-taking effect - a strategy that reduces the consequences of the risk;

- Emergency action plans - a strategy whereby the organization accepts the risk and is ready to deal with it if it comes to fruition;

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

- Risk monitoring and control - This is the last activity in risk management process. This process has several main tasks:

- confirm the occurrence of a risk
- Ensure that activities to prevent or deal with risks are implemented
- Identify what risk has caused the relevant problems
- document information to be used in a subsequent risk analysis

15.1 SYSTEM RISKS

The general risks stem from possible changes in the overall economic system and, in particular, a change in the conditions of the financial markets. They can not be diversified, as all economic entities in the country are exposed to them.

Twenty-five years after the end of the planned economy in Bulgaria, a policy of economic reforms and stabilization aimed at the imposition and functioning of the principles of a free market economy is being pursued. As a result, business entities in Bulgaria have a limited history of



activity in free market conditions. In this regard, Bulgarian companies, compared to Western companies, are characterized by a lack of experience in the market economy and limited capital resources, with which to develop their business. Bulgaria also has limited infrastructure to maintain the market system.

In Bulgaria, as in most transition countries, there is a trade deficit and a current account deficit. Our country is an importer of crude oil and energy resources. In this regard, increases in oil prices and energy resources reduce the competitiveness of the Bulgarian economy and, in addition, its dependence on oil and energy imports further exposes the economy to currency risks from unfavorable changes in the USD exchange rate against the Bulgarian Lev. The capital gains from privatization are expected to gradually decrease as the privatization program is completed.

15.1.1 Economic Growth

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

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

Delayed economic growth, not only in Bulgaria but also in other countries where the Company realizes its output, means reduced activity on the part of economic operators, where there is also a reduced level of investment in general and in particular in software solutions. In this respect, lower economic growth adversely affects the Company's activity and would prevent the future plans from being realized according to predefined parameters.

15.1.2 Political Risk

The political risk is the likelihood of a change in government, or a sudden change in its policy, the emergence of internal political turmoil and unfavorable changes in European and / or national legislation, resulting in a negative change in the environment in which local businesses operate, and investors to suffer losses.

The political risks for Bulgaria at international level are related to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increasing the social stability of the inefficient spending on the one hand, as well as the severe destabilization of the countries The Middle East, the increasing threats of terrorist attacks in Europe, refugee waves, and the volatility of key countries in the immediate vicinity of Bulgaria.

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

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

15.1.3 Credit Risk

The credit risk of the country is related to the ability of the state to repay its obligations regularly. In this respect,

Bulgaria is constantly improving its position on the international debt markets, which facilitates the access of state and economic agents to external financing. The most important effect of the credit rating improvement is the lowering of loan risk premiums, which leads to more favorable interest rates (on equal terms). For this reason, the potential increase in the country's credit rating would have a beneficial impact on the Company's activity and more precisely on its financing. On the other hand, lowering the credit rating of Bulgaria would have a negative impact on the cost of financing the Company unless its loan agreements are fixed-rate. The determination and measurement of this risk is carried out by specialized international credit agencies.

At the date of this document, the credit rating of the Republic of Bulgaria is as follows:

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

Bulgaria continues to fund its needs under relatively good credit conditions, given the reduced long-term ratings. The quantitative easing policy of the European Central Bank implies the maintenance of historically low interest rates in Europe, from which it would stimulate the attraction of credit resources from all economic subjects, including the Company.

15.1.4 Currency Risk

Exposure to the currency risk is the dependence and effects of exchange rate fluctuations. The systemic currency risk is the probability of a possible change in the currency regime of the country (The Currency Board), which would either lead to a depreciation of the BGN or a rise in the BGN against foreign currencies. The currency risk will have an impact on companies with considerable market share, whose payments are made in a currency other than the BGN and the Euro. Since the Bulgarian Lev is fixed to the Euro in EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian BGN in circulation equal to the foreign currency reserves of the bank, the risk of depreciation of the BGN against the European currency is minimal and consists in the eventual early elimination of the Currency Board in the country. This seems unlikely at this stage as the expectations are that the Currency Board will be abolished when the Euro is adopted in Bulgaria as an official legal tender. Theoretically, the currency risk could rise when Bulgaria joins the second stage of the European Monetary Mechanism (ERM II). This is a regime in which the country has to maintain the exchange rate against the Euro within +/- 15% against the central parity. In practice, all countries currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are experiencing fluctuations that are substantially lower than the $\pm 15\%$ allowed. The fixed exchange rate of the BGN to the Euro does not eliminate the risk of unfavorable movements of the Euro against other major currencies (US Dollar, British Pound, Swiss Franc) on the international financial markets, but at present the company does not consider that such a risk would have a significant impact on its activities. The Company may be affected by the currency risk depending on the type of currency of its revenue and the type of currency of potential borrowings of the company.



15.1.5 Interest Rate Risk

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

At its monetary policy meeting on 14 December 2017, the Governing Council of the ECB concluded that a high degree of non-restrictiveness of monetary policy is still needed to ensure that the return of inflation to levels below, but close to 2 %. The information gained since the last monetary policy meeting in the end of October, including the new Eurosystem expert projections, show a strong rate of economic recovery and a significant improvement in the growth outlook. According to the Governing Council's assessment, strong cyclical inertia and a significant reduction of unused production capacities give rise to greater confidence that inflation will move closer to its target level. At the same time, the pressure on domestic prices remains generally weak and persistent signs of a sustained upward trend are not yet showing. Therefore, the Governing Council concluded that a high degree of monetary stimulus is still necessary in order for core inflationary pressure to continue to generate and support the dynamics of overall inflation over the medium term. Continued monetary support is provided through additional net purchases in accordance with the decision taken by the Governing Council at the October monetary policy meeting, through the significant volume of assets acquired and the forthcoming reinvestment and through the interest rate guidance.

The key interest rates set by the BNB for the period 31.12.2016 - 31.12.2017 is 0.00%

period December 2016 - November 2017 compared to December 2015 - November 2016 is 1.0%.

The consumer price index for December 2017 compared to November 2017 was 100.4%, ie, monthly inflation is 0.4%. The annual inflation rate for December 2017 compared to December 2016 was 2.8%. The average annual inflation for January - December 2017 compared to January - December 2016 was 2.1%.

The Harmonized Index of Consumer Prices for December 2017 compared to November 2017 is 100.7%, ie, monthly inflation is 0.7%. The annual inflation rate for December 2017 compared to December 2016 was 1.8%. The average annual inflation for January - December 2017 compared to January - December 2016 is 1.2%.

Inflation for the period 01.01.2017 - 31.12.2017 is the following:

January 2017 r. - 1.3%

February 2017 r. - 0.0%

March 2017 r. - -0.5%

April 2017 r. - 0.7%

May 2017 r. - -0.3%

June 2017 r. - -0.5%

July 2017 r. - 0.3%

August 2017 r. - 0.1%

September 2017 r. - 0.2%

October 2017 r. - 0.6%

November 2017 r. - 0.4%

December 2017 r. - 0.4%

15.1.6 Inflation Risk

The Inflation Risk is a general price increase whereby money is depreciated and there is a likelihood of loss from households and firms.

According to data of NSI, the consumer price index for October 2017 compared to September 2017 is 100.6%; monthly inflation is 0.6%. Inflation from the beginning of the year (October 2017 versus December 2016) was 1.9% and annual inflation in October 2017 compared to October 2016 was 2.5%. The average annual inflation rate for the period November 2016 - October 2017 compared to November 2015 - October 2016 is 1.5%. The Harmonized Index of Consumer Prices for October 2017 versus September 2017 is 100.1%, ie, monthly inflation is 0.1%. Inflation from the beginning of the year (October 2017 versus December 2016) was 0.8% and annual inflation in October 2017 compared to October 2016 was 1.5%. The average annual inflation rate for the period November 2016 - October 2017 compared to November 2015 - October 2016 is 0.8%.

The consumer price index for November 2017 compared to October 2017 was 100.4%, ie, monthly inflation is 0.4%. Inflation from the beginning of the year (November 2017 versus December 2016) was 2.4% and annual inflation in November 2017 compared to November 2016 was 3.0%. The average annual inflation rate for the period December 2016 - November 2017 compared to December 2015 - November 2016 is 1.8%.

The Harmonized Index of Consumer Prices for November 2017 compared to October 2017 was 100.3%; monthly inflation is 0.3%. Inflation from the beginning of the year (November 2017 versus December 2016) was 1.1% and annual inflation in November 2017 compared to November 2016 was 1.9%. The average annual inflation rate for the

15.1.7 Risk from unfavorable changes in tax and other legislation

The taxes paid by Bulgarian merchants include taxes at source, local taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. The tax system in Bulgaria is still developing. This may result in contradictory tax practices, both at state and local level.

Investors should also take into account that the value of the investment in shares may be adversely affected by changes in the current tax legislation, including its interpretation and application. In addition, tax legislation is not the only one that can undergo changes, and these changes adversely affect the Company's business. Although the bulk of Bulgarian legislation is already harmonized with EU law, the application of the law is subject to criticism by the European partners in Bulgaria. Judicial and administrative practice remains problematic: the Bulgarian courts are not able to effectively resolve disputes over property rights, breaches of legal and contractual obligations, etc., resulting in a systemic regulatory risk being relatively high.

Unfavorable changes to tax and other laws would lead to a worsening of the general conditions in which the Company operates, from wherever its future results may deteriorate. In particular, the increase in the corporate income tax and other taxes would reduce the ultimate disposable profit for new investments and / or the distribution of dividends to its shareholders.



15.1.8 Force Majeure Risks

Force majeure events such as natural disasters, sabotage, war and terrorist acts, and others may lead to unpredictable changes in investor and interest in the market for all shares, as well as, in particular, the shares of

Sirma Group Holding. Some force majeure events do not provide for the possibility of insurance.

Force majeure events could seriously affect the Company's performance by reducing its ability to conduct normal business activities and cause an increase in some cost items.

15.2 NON-SYSTEM RISKS

Non-system risks are associated with the overall investment risk specific to the firm and the industry itself. Non-system risks can be divided into two types: sectoral risk related to the uncertainty in the development of the sector as a whole and general business risk - arising from the specifics of the particular company.

15.2.1 Industry Risks

The activity of the Company and of the companies within Sirma Group are exposed to various risks, including: 1) risks typical of the Information and Communication Technology (ICT) industry and 2) risks specific to the Company itself. Revenue and profit of the Company may be adversely affected by a number of factors: the financial market situation and the information and communication technology market; the ability of the Company to ensure effective management, assessment of the different risks and economic feasibility of individual transactions, the economic climate in the country and others.

15.2.2 Specific Company Risk

The company risk is related to the nature of the Company's business, as for every firm it is important that the return on the invested funds and resources is consistent with the risk associated with the investment.

The main company risk for Sirma Group Holding JSC is related to the possibility of reduction of the solvent demand for the products and services offered by the Group, as well as changes in the terms of sale of those products and services. The company risk may have an impact on the growth of service and software solutions development contracts. Uncertainty can be measured by the variability of revenue earned over time. This means that the more volatile the revenues of a company, the greater the uncertainty of the company to realize a positive financial result, ie. the risk for the investors, respectively the creditors, will be higher.

15.2.3 Operation Risk

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

- Making erroneous decisions for the ongoing management of the investment and liquidity of the company by the management staff;
- the inability of the management team to start the implementation of planned projects or lack of suitable personnel for this;
- key employees leaving and impossibility to recruit new ones;
- the risk of excessive spending on management and administration, leading to a reduction in the overall profitability of the company.

Various mechanisms will be used to optimize and manage this risk, including the following:

- sound investment policy;
- optimizing the structure, quality and return on assets of the Company;
- protection against unfavorable and undesirable external factors and attacks, etc.

15.2.4 Intellectual Property Protection

The protection of the intellectual property of the Group is crucial to its success. It uses a variety of tools to identify and control potential risks and to protect its intellectual property. These measures include application for patents, trademarks, and other brands and copyrights to prevent infringement of copyright and trademarks. Despite these efforts, the Group may not be able to prevent third parties from using or selling without permission what it regards as its own technology. All these measures provide only limited protection and its rights could be challenged or otherwise affected. Any intellectual property may be vulnerable to disclosure or misuse by employees, partners or third parties. Third countries can independently develop technologies that are substantially equivalent to or better than the technology of the Company. In addition, a third party may reengineer or otherwise obtain and use technology and information that the Group considers to be its own. In this regard, the Company may not be able to protect its proprietary rights against unauthorized copying or third party use, which could have an adverse effect on the competitive and financial situation and lead to a decline in sales. In addition, the laws and courts of some countries may not offer effective protection of intellectual property rights.

15.2.5 Risk of concluding insider deals at prices differing from the market ones

The company is part of an economic group. The risk of engaging in transactions with Group entities, whose conditions differ from market at the date of the transaction is eliminated to the extent that the Company seeks to maintain a transparent policy regarding its relations and the treatment of related companies. As far as there are transactions in the economic group, they are concluded under standard market conditions at the moment of transaction and do not favor any of the parties.



15.2.6 Risk of asset depreciation

The impairment risk of assets is related to the possibility of reducing the carrying amount of the Company's assets. Possible impairment of tangible and / or intangible fixed assets would result in the need to account for an impairment loss. This, in turn, may worsen the Company's

future financial performance as well as lead to a final negative financial result for an annual period. This in turn leads to the risk of not being able to distribute dividends to existing shareholders at this future moment, as well as a possible decrease in the market price of a shares of the Company due to the deteriorated financial indicators

15.3 RISK FACTORS, CHARACTERISTIC OF SHARE TRADED ON THE STOCK EXCHANGE

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

The main risk and uncertainty for the shareholders of Sirma Group Holding JSC is the probability that the investments in the company's shares will not retain its value, nor generate the expected return on them, due to a decrease in the price of the shares or a lack of other income (dividends) from them.

Sirma Group Holding JSC informs potential investors that investing in shares is associated with certain risks. Investors should carefully read and understand the risks associated with investing in shares of the current issue before making an investment decision.

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

The above makes the company resistant to external negative shocks, but nevertheless has significant risks for its business that could negatively affect the company's results.

15.3.1 Price Risk

The changes in the price of the shares of Sirma Group Holding JSC can be created both from the fundamental state of the Company - current and expected results from the activity and financial results as well as from the economic and market conditions in Bulgaria and from the market and economic conditions in the world economy.

Shareholders should keep in mind that events that may cause sudden fluctuations in market prices of shares that have previously occurred on the Bulgarian capital market and in international financial markets may occur and that such fluctuations are likely to affect unfavorable price movements of the shares of Sirma Group Holding JSC.

The market value of the shares will be determined on the basis of supply and demand, and the share price may increase or decrease. These "price fluctuations" can cause a security to cost at a certain point much less than the value at which it is purchased. This price dynamic is particularly typical for the ordinary stock market, whose stock prices may be subject to sharp fluctuations as a result of publicly disclosed information about the Company's financial performance, changes in legislation and other material events.

A significant number of sales of the shares of Sirma Group Holding JSC for a certain period of time may have an adverse effect on the maintenance of their achieved price level. Such an event would result from a significant excess of the sellers of those shares over buyers in that period. At this point in time, the Issuer or a third party does not commit to maintaining a particular price level and a significant number of sales may lead to a decrease in that level.

The Company does not guarantee to investors that the price of its shares will remain stable and / or increase its value in the future. At the moment of preparation of this document, Sirma Group Holding JSC or, to the best of its knowledge, other persons, do not intend to purchase shares of the Company in order to preserve and / or increase the market price of the Company's shares after the increase of capital.

15.3.2 Liquidity Risk

Liquidity risk is directly related to the liquidity of the securities market itself and expresses the potential for short-term purchase or sale of the securities on the secondary market. The liquidity of the issue depends on the number of investors who will be interested in investing in the issue. The liquidity risk of the shares will also depend on the development of the equity market in terms of the volume and variety of instruments offered, the issuer's financial position, the ability of the local capital market to attract new investors,

Investors should keep in mind that the BSE is significantly smaller and less liquid than the securities markets in most developed market economies. Thus, for the shareholders of Sirma Group Holding JSC there is no guarantee that the listing of the shares of the Company on the BSE will guarantee their active trading and sufficient liquidity.

15.3.3 Inflation Risk

The manifestation of the inflationary risk for the shareholders of Sirma Group Holding JSC would arise in cases when the income from the shares (increase in the price and / or received dividends) were lower than the inflation for the investment period. The inflation processes leads to a decrease in the real yield that investors receive.

Although in the long run equity yields usually outweigh the inflationary processes in Bulgaria and other countries with a developed market economy, there is no guarantee for the investors in the shares of Sirma Group Holding JSC that their investment in shares of the Company will represent a real protection against inflation.



15.3.4 Dillution Risk

Pursuant to the Articles of Association of the Company no limitations on the maximum amount of future issues of shares are envisaged. For this reason, shareholder participation may be reduced as a result of a public offering if they do not exercise their rights and do not subscribe a proportionate share of the new shares. In the event that, as a result of a future public offering, the number of issued shares of the Company increases at a faster rate than the amount of the assets of the Company, it is possible to decrease the value of the assets per share of the Company.

15.3.5 Currency Risk

This current issue is denominated in BGN. Currency risk of the investment exists for investors whose funds are denominated in US dollars or currencies other than Lev and Euro, due to the constant exchange rate movements. Investors who take a currency risk in the purchase of the current issue would increase or reduce the effective return on their investment as a consequence of strengthening or weakening the BGN and EUR exchange rate against the currency in which the investor's funds are denominated.

Stability and high confidence in the credibility of the Currency Board in the country, as well as the relatively stable positions of the euro on international currency markets, reduce the existence of the currency risk to minimum levels.

15.3.6 Lack of an annual dividend payment

For additional information on the risk factors affecting the Group's activity, see Appendix 5.

guaranty

The financial results of the company depend on many factors, including the skills and professionalism of the management team, the development of the market in which the company operates, the economic development of the country and the region, etc. There is a risk for investors due to the lack of a guarantee for annual dividends payment.

15.3.7 Risk of change in the tax treatment of investments in shares

The risk of changing in the taxation of investments in securities is linked to the change in the current taxation regime for such instruments. The latter may be considered favorable, as capital gains are tax-exempt. Changes in capital gains tax, as well as other potential changes in the taxation of securities' investments, may have a negative impact on the final realized net result by an investor.

15.3.8 Risk factors included in the Registration document

The specific risks associated with the core activity of Sirma Group Holding JSC, as well as the general risks that may have an impact on its activities, are detailed on pages of the Registration document, Section "Risk Factors".

16 INFORMATION ABOUT EVENTS AND INDICATORS WITH INCREASED NATURE OF THE COMPANY, HAVING A SIGNIFICANT EFFECT ON THEIR ACTIVITY AND THEIR INCOME AND EXPENDITURE; EVALUATION OF THEIR IMPACT ON RESULTS IN THE CURRENT YEAR.

There are no events and indicators with an unusual nature for the company that have a significant impact on its operations and its realized revenues and expenses; assessing their impact on results during the current year.

17 INFORMATION ABOUT OUT OF THE BALANCE SHEET TRANSACTIONS - NATURE AND BUSINESS PURPOSE, FINANCIAL IMPACT OF THE TRANSACTION ON ACTIVITY IF THE RISKS AND BENEFITS OF THESE TRANSACTIONS ARE ESSENTIAL FOR THE COMPANY AND THE DISCLOSURE OF THIS INFORMATION IS ESSENTIAL FOR ASSESSING THE FINANCIAL POSITION OF THE COMPANY.

There are no deals out of the balance sheet of the Company.



18 ANALYSIS AND FINANCIAL EVALUATION OF THE FINANCIAL RESOURCES MANAGEMENT POLICY WITH THE POSITION OF OPPORTUNITIES FOR THE SERVICE OF THE OBLIGATIONS, THE EVENTUAL THREATS AND MEASURES WHICH THE COMPANY WAS PREVENTED OR PROVIDED TO TAKE FOR THE PURPOSE OF REMOVING THEM.

The company successfully manages its financial resources and serves its duties in a normal and timely manner.

19 ASSESSMENT OF THE POSSIBILITIES FOR THE IMPLEMENTATION OF INVESTMENT INTENTIONS WITH THE SIGNIFICANCE OF THE AMOUNT OF EXPENDITURE AND THE EFFECTIVENESS OF THE POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING THAT ACTIVITY.

The management estimates that it is possible to realize the investment intentions declared with the prospectus for initial public offering.

20 INFORMATION ABOUT OCCURRING CHANGES IN THE REPORTING PERIOD IN THE MAIN PRINCIPLES FOR THE MANAGEMENT OF THE COMPANY AND ITS ECONOMIC GROUP.

There were no changes during the reporting period in the company's main management principles and its economic group.

21 INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE FINANCIAL REPORTING PROCESSING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

Under Bulgarian law, the management should prepare an interim report on the operations and a financial statement for each quarter to give a true and fair view of the Company's financial position as of the end of the year, financial performance and cash flows in accordance with the applicable accounting framework. Management's responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;

- carrying out all operations in compliance with the laws and regulations; coverage of all events and operations in a timely manner, with the exact amount of the amounts in the appropriate accounting articles.

- accounts and the relevant reporting period so as to allow the financial statements to be prepared in accordance with the specific accounting framework;

- observance of the precautionary principle in the valuation of assets, liabilities, income and expenses;

- detection and termination of frauds and errors;

- completeness and regularity of accounting information;

- preparation of reliable financial information;

- adherence to international financial reporting standards and adherence to the going concern principle.

During the reporting period, there have been no changes in the basic principles of management of SIRMA GROUP HOLDING



22 INFORMATION ON CHANGES IN MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR.

During the period considered, after the decision of the General Meeting of Shareholders of Sirma Group Holding, held on 15.06.2017, 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

23 DETAILS OF THE DIRECTOR FOR CONNECTIONS WITH THE INVESTOR, INCLUDING A TELEPHONE AND ADDRESS FOR CORRESPONDENCE.

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24 CHANGES IN THE PRICE OF THE SHARES OF THE COMPANY

Market capitalization – BGN 64 584 243

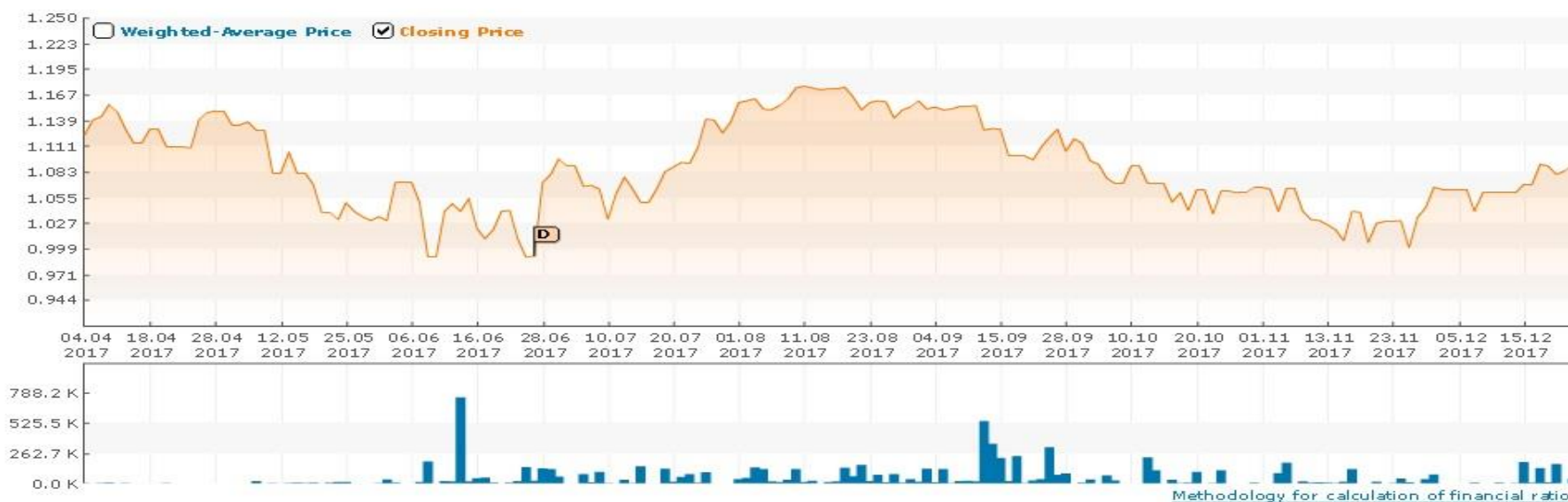
Historical Data and Financial Ratios

1 month	3 months	6 months	1 year	Select Period
Start Price -			1.123 BGN	2017.04.04
Last Price -			1.088 BGN	2017.12.29
MAX Price -			1.176 BGN	2017.08.11
MIN Price -			0.990 BGN	2017.06.14
Percent Change			-3.12% ▼	
Value Change			-0.035 ▼	
Market Capitalisation -			64 584 243 BGN	2017.12.29

ROA	0.04
ROE	0.04
ROA/EBIT	0.05
ROE/EBIT	0.05
Asset turnover	0.08
Current ratio	1.44
D/E	0.09

ROA cons	0.03
ROE cons	0.05
ROA/EBIT cons	0.13
ROE/EBIT cons	0.2
Asset turnover cons	0.42
Current ratio cons	0.98
D/E cons	0.13

Financial ratios provided by



25 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 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 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 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) 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 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.

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 AD with UIC: 20356710 as follows:

- Type of transaction: purchase of all the shares owned by the seller in Ontotext AD 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 AD 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 AD: Zlatolina Mukova and Konstantin Petrov leave the Board of Directors of Ontotext AD.
- 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 AD 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 AD and Sirma Group Inc. in 97.5% of the capital (11,418,689 shares) of Sirma Solutions AD 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 AD, 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 AD from Sirma AI - BGN 21 M;
- Purchase of a separate part of TP of Sirma Solutions AD 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 AD 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

