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business.**



**ANNUAL REPORT  
OF ASSECO SOUTH EASTERN EUROPE S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL STATEMENTS  
OF ASSECO SOUTH EASTERN EUROPE S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2016  
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS**

**Rzeszów, 17 February 2017**

**FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE S.A.  
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

| Table of contents  | Page |
|--|------|
| FINANCIAL HIGHLIGHTS.....  | 5    |
| INCOME STATEMENT .....   | 6    |
| STATEMENT OF COMPREHENSIVE INCOME.....   | 6    |
| STATEMENT OF FINANCIAL POSITION .....  | 7    |
| STATEMENT OF CHANGES IN EQUITY .....   | 8    |
| STATEMENT OF CASH FLOWS .....  | 8    |
| SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES .....                                    | 9    |
| I. GENERAL INFORMATION .....   | 9    |
| II. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES ..... | 9    |
| III. INVESTMENTS IN COMPANIES .....  | 10   |
| IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS .....            | 10   |
| 1. Basis for the preparation of financial statements .....                               | 10   |
| 2. Compliance statement.....   | 10   |
| 3. Functional currency and reporting currency.....                                       | 10   |
| 4. Professional judgement and estimates .....  | 11   |
| 5. Changes in the accounting policies applied.....                                       | 11   |
| 6. New standards and interpretations published but not in force yet .....                | 12   |
| 7. Significant accounting policies .....   | 13   |
| i. Translation of items expressed in foreign currencies .....                            | 13   |
| ii. Property, plant and equipment .....  | 13   |
| iii. Intangible assets .....   | 14   |
| iv. Impairment of non-financial assets .....   | 15   |
| v. Shares in subsidiaries, associates and joint ventures.....                            | 15   |
| vi. Combination of businesses under common control .....                                 | 16   |
| vii. Financial instruments .....   | 16   |
| viii. Derivative financial instruments and hedges .....                                  | 17   |
| ix. Impairment of financial assets.....  | 17   |
| xi. Prepayments and accrued income.....  | 18   |
| xii. Trade receivables and other receivables .....                                       | 18   |
| xiii. Cash and cash equivalents.....   | 19   |
| xiv. Interest-bearing bank loans and borrowings .....                                    | 19   |
| xv. Trade payables.....  | 20   |
| xvi. Provisions.....   | 20   |
| xvii. Revenues .....   | 20   |
| xviii. Taxes.....  | 22   |
| xix. Earnings per share.....   | 23   |
| 8. Seasonal nature of business.....  | 23   |
| 9. Changes in the presentation methods applied .....                                     | 23   |
| 10. Corrections of material errors.....  | 23   |
| V. INFORMATION ON OPERATING SEGMENTS .....   | 24   |
| VI. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS .....                                  | 24   |
| 1. Holding activities – Dividend income and service revenues.....                        | 24   |
| 2. Operating activities – Revenues from sales of IT services and software .....          | 24   |
| 3. Breakdown of operating costs .....  | 25   |
| 4. Other operating income and expenses.....  | 25   |
| 5. Financial income and expenses.....  | 25   |
| 6. Corporate income tax.....   | 25   |
| 7. Earnings per share.....   | 28   |
| 8. Information on dividends paid out or declared .....                                   | 28   |
| 9. Property, plant and equipment .....   | 29   |
| 10. Intangible assets .....  | 29   |
| 11. Investments in subsidiaries.....   | 30   |

|   |    |
|---|----|
| 12. Short-term and long-term receivables.....   | 34 |
| 13. Cash and short-term deposits .....  | 35 |
| 14. Financial assets.....   | 35 |
| 15. Share capital.....  | 35 |
| 16. Share premium .....   | 36 |
| 17. Retained earnings.....  | 36 |
| 18. Trade payables, financial and other liabilities .....   | 36 |
| 19. Bank loans.....   | 36 |
| 20. Prepayments, accruals, deferred income and provisions .....                                     | 37 |
| 21. Information and explanations to the statement of cash flows .....                               | 37 |
| 22. Contingent and off-balance-sheet liabilities .....  | 38 |
| 23. Information on related parties.....   | 38 |
| 24. Employment .....  | 40 |
| 25. Remuneration of Members of the Management Board and Supervisory Board of ASEE S.A. ....         | 40 |
| 26. Remuneration of certified auditors or the entity authorized to audit financial statements ..... | 40 |
| 27. Capital management.....   | 40 |
| 28. Objectives and principles of financial risk management .....                                    | 41 |
| 29. Financial instruments .....   | 42 |
| 30. Significant events after the reporting period .....   | 43 |
| 31. Significant events related to prior years .....   | 43 |

**FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE S.A.  
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

These financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A.

**Management Board of Asseco South Eastern Europe S.A.:**

|                  |                                   |
|------------------|-----------------------------------|
| Piotr Jeleński   | President of the Management Board |
| Miljan Mališ     | Member of the Management Board    |
| Miodrag Mirčetić | Member of the Management Board    |
| Marcin Rulnicki  | Member of the Management Board    |

Person responsible for maintaining the accounting books:

Monika Kacprzak

## FINANCIAL HIGHLIGHTS

|   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|---|---|---|---|---|
|   | PLN'000                                 | PLN'000                                 | EUR'000                                 | EUR'000                                 |
| I. Revenues from holding activities                       | 13,608                                  | 62,227                                  | 3,110                                   | 14,870                                  |
| II. Revenues from operating activities                    | 7,479                                   | 7,565                                   | 1,709                                   | 1,808                                   |
| III. Operating profit                                     | 7,828                                   | 56,196                                  | 1,789                                   | 13,429                                  |
| IV. Pre-tax profit  | 856                                     | 58,100                                  | 196                                     | 13,884                                  |
| V. Net profit for the reporting period                    | 19                                      | 55,298                                  | 4                                       | 13,214                                  |
| VI. Net cash provided by (used in) operating activities   | 9,475                                   | 53,659                                  | 2,165                                   | 12,822                                  |
| VII. Net cash provided by (used in) investing activities  | (9,167)                                 | (22,760)                                | (2,095)                                 | (5,439)                                 |
| VIII. Net cash provided by (used in) financing activities | (22,028)                                | (5,858)                                 | (5,034)                                 | (1,400)                                 |
| IX. Cash and short-term deposits                          | 11,208                                  | 32,929                                  | 2,533                                   | 7,727                                   |
| X. Earnings per ordinary share (in PLN/EUR)               | -                                       | 1.07                                    | -                                       | 0.26                                    |
| XI. Diluted earnings per ordinary share (in PLN/EUR)      | -                                       | 1.07                                    | -                                       | 0.26                                    |

The financial highlights disclosed in these annual financial statements were translated into EUR in the following way:

- items of the income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
  - in the period from 1 January 2016 to 31 December 2016: EUR 1 = PLN 4.3757
  - in the period from 1 January 2015 to 31 December 2015: EUR 1 = PLN 4.1848
- cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
  - exchange rate effective on 31 December 2016: EUR 1 = PLN 4.4240
  - exchange rate effective on 31 December 2015: EUR 1 = PLN 4.2615

**INCOME STATEMENT**

|  | Note | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|------|---|---|
| <b>Holding activities</b>  |      | <b>13,608</b>                           | <b>62,227</b>                           |
| Dividend income  | 1    | 5,283                                   | 53,956                                  |
| Revenues from sales of services  | 1    | 8,325                                   | 8,271                                   |
| <b>Operating activities</b>  |      | <b>7,479</b>                            | <b>7,565</b>                            |
| Revenues from sales of IT services and software                                | 2    | 7,479                                   | 7,565                                   |
| <b>Total sales revenues</b>  |      | <b>21,087</b>                           | <b>69,792</b>                           |
| Cost of sales (-)  | 3    | (9,859)                                 | (11,025)                                |
| <b>Gross profit on sales</b>   |      | <b>11,228</b>                           | <b>58,767</b>                           |
| Selling costs (-)  | 3    | (3,390)                                 | (3,087)                                 |
| General and administrative expenses (-)  | 3    | (68)                                    | (84)                                    |
| <b>Net profit on sales</b>   |      | <b>7,770</b>                            | <b>55,596</b>                           |
| Other operating income   | 4    | 61                                      | 924                                     |
| Other operating expenses (-)   | 4    | (3)                                     | (324)                                   |
| <b>Operating profit</b>  |      | <b>7,828</b>                            | <b>56,196</b>                           |
| Financial income   | 5    | 8,332                                   | 2,609                                   |
| Financial expenses (-)   | 5    | (15,304)                                | (705)                                   |
| <b>Pre-tax profit</b>  |      | <b>856</b>                              | <b>58,100</b>                           |
| Corporate income tax (current and deferred tax expense)                        | 6    | (837)                                   | (2,802)                                 |
| <b>Net profit for the reporting period</b>                                     |      | <b>19</b>                               | <b>55,298</b>                           |
| <hr/>  |      |   |   |
| <b>Earnings per share for the reporting period (in PLN):</b>                   |      |   |   |
| Basic earnings per share from continuing operations for the reporting period   | 7    | -                                       | 1.07                                    |
| Diluted earnings per share from continuing operations for the reporting period | 7    | -                                       | 1.07                                    |

**STATEMENT OF COMPREHENSIVE INCOME**

|  | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| <b>Net profit for the reporting period</b>                 | <b>19</b>                               | <b>55,298</b>                           |
| <b>Other comprehensive income</b>                          | -                                       | -                                       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b> | <b>19</b>                               | <b>55,298</b>                           |

**STATEMENT OF FINANCIAL POSITION**

| ASSETS                                      | Note | 31 Dec.<br>2016<br>(audited) | 31 Dec.<br>2015<br>(audited) |
|---|------|------------------------------|------------------------------|
| <b>Non-current assets</b>                   |      |                              |                              |
| Property, plant and equipment               | 9    | 507                          | 386                          |
| Goodwill arising from business combinations | 10   | 4,567                        | 4,567                        |
| Intangible assets                           | 10   | 925                          | 486                          |
| Investments in subsidiaries                 | 11   | 580,101                      | 588,566                      |
| Deferred tax assets                         | 6    | 416                          | 378                          |
| Long-term financial assets                  | 14   | 14,478                       | 17,572                       |
| Other long-term receivables                 | 12   | 5,976                        | 7,217                        |
| <b>Current assets</b>                       |      |                              |                              |
| Inventories                                 |      | 2                            | 2                            |
| Prepayments and accrued income              | 20   | 900                          | 608                          |
| Trade receivables                           | 12   | 1,569                        | 2,703                        |
| Other short-term receivables                | 12   | 1,719                        | 1,529                        |
| Short-term financial assets                 | 14   | 22,910                       | 9,466                        |
| Cash and short-term deposits                | 13   | 11,208                       | 32,929                       |
| <b>TOTAL ASSETS</b>                         |      | <b>645,278</b>               | <b>666,409</b>               |

**STATEMENT OF FINANCIAL POSITION**

| EQUITY AND LIABILITIES                     | Note | 31 Dec.<br>2016<br>(audited) | 31 Dec.<br>2015<br>(audited) |
|--|------|------------------------------|------------------------------|
| <b>Equity</b>                              |      |                              |                              |
| Share capital                              | 15   | 518,942                      | 518,942                      |
| Share premium                              | 16   | 38,825                       | 38,825                       |
| Retained earnings and current net profit   | 17   | 67,626                       | 89,403                       |
| <b>Total equity</b>                        |      | <b>625,393</b>               | <b>647,170</b>               |
| <b>Non-current liabilities</b>             |      |                              |                              |
| Interest-bearing bank loans                | 19   | 11,204                       | 15,052                       |
| Long-term financial liabilities            | 18   | 821                          | 394                          |
| <b>Current liabilities</b>                 |      | <b>7,860</b>                 | <b>3,793</b>                 |
| Interest-bearing bank loans                | 19   | 4,453                        | -                            |
| Trade payables                             | 18   | 831                          | 1,602                        |
| Liabilities to the state and local budgets | 18   | 398                          | 172                          |
| Financial liabilities                      | 18   | 240                          | 31                           |
| Other liabilities                          |      | 101                          | 44                           |
| Deferred income                            | 20   | 783                          | 716                          |
| Accruals                                   | 20   | 951                          | 1,125                        |
| Short-term provisions                      | 20   | 103                          | 103                          |
| <b>TOTAL LIABILITIES</b>                   |      | <b>19,885</b>                | <b>19,239</b>                |
| <b>TOTAL EQUITY AND LIABILITIES</b>        |      | <b>645,278</b>               | <b>666,409</b>               |

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016 and for the year ended 31 December 2015

|  | Share capital  | Share premium | Retained earnings and current net profit | Total equity    |
|--|----------------|---------------|--|-----------------|
| <b>As at 1 January 2016</b>                                | <b>518,942</b> | <b>38,825</b> | <b>89,403</b>                            | <b>647,170</b>  |
| Net profit for the reporting period                        | -              | -             | 19                                       | <b>19</b>       |
| <b>Total comprehensive income for the reporting period</b> | <b>-</b>       | <b>-</b>      | <b>-</b>                                 | <b>-</b>        |
| Dividends  | -              | -             | (21,796)                                 | <b>(21,796)</b> |
| <b>As at 31 December 2016 (audited)</b>                    | <b>518,942</b> | <b>38,825</b> | <b>67,626</b>                            | <b>625,393</b>  |
| <b>As at 1 January 2015</b>                                | <b>518,942</b> | <b>38,825</b> | <b>54,863</b>                            | <b>612,630</b>  |
| Net profit for the reporting period                        | -              | -             | 55,298                                   | <b>55,298</b>   |
| <b>Total comprehensive income for the reporting period</b> | <b>-</b>       | <b>-</b>      | <b>55,298</b>                            | <b>55,298</b>   |
| Dividends  | -              | -             | (20,758)                                 | <b>(20,758)</b> |
| <b>As at 31 December 2015 (audited)</b>                    | <b>518,942</b> | <b>38,825</b> | <b>89,403</b>                            | <b>647,170</b>  |

## STATEMENT OF CASH FLOWS

|   | Note | Year ended 31 Dec. 2016 (audited) | Year ended 31 Dec. 2015 (audited) |
|---|------|-----------------------------------|-----------------------------------|
| <b>Cash flows – operating activities</b>  |      |                                   |                                   |
| Pre-tax profit  |      | 856                               | 58,100                            |
| <b>Total adjustments:</b>   |      |                                   |                                   |
| Depreciation and amortization   |      | 2,162                             | (4,441)                           |
| Change in receivables   | 21   | 273                               | 283                               |
| Change in liabilities, accruals and provisions  | 21   | 1,087                             | (950)                             |
| Interest income and expenses  |      | (1,219)                           | 1,021                             |
| Gain/Loss on foreign exchange differences   |      | (793)                             | (449)                             |
| Change in impairment write-downs on investments                                       | 11   | (1,315)                           | (1,254)                           |
| Gain/Loss on investing activities   | 1    | 8,465                             | -                                 |
| Other   |      | (5,283)                           | (54,205)                          |
| <b>Selected operating cash flows</b>  |      | <b>947</b>                        | <b>(1)</b>                        |
| Acquisition of shares in subsidiaries   | 21   | -                                 | (1,686)                           |
| Disposal of shares in subsidiaries  | 21   | 1,653                             | 498                               |
| Dividends received  | 21   | 5,357                             | 52,302                            |
| <b>Net cash used in operating activities</b>  |      | <b>10,028</b>                     | <b>53,659</b>                     |
| Corporate income tax recovered (paid)   |      | (553)                             | -                                 |
| <b>Net cash provided by (used in) operating activities</b>                            |      | <b>9,475</b>                      | <b>53,659</b>                     |
| <b>Cash flows – investing activities</b>  |      |                                   |                                   |
| Acquisition of property, plant and equipment, and intangible assets                   |      | (781)                             | (460)                             |
| Disposal of property, plant and equipment and intangible assets                       |      | 23                                | 2                                 |
| Disposal/Acquisition of financial assets carried at fair value through profit or loss |      | (319)                             | 64                                |
| Bank deposits withdrawn   |      | -                                 | 9,800                             |
| Bank deposits made  |      | -                                 | (9,800)                           |
| Loans granted   | 14   | (15,784)                          | (24,584)                          |
| Loans collected   | 14   | 6,751                             | 1,829                             |
| Interest received   | 14   | 943                               | 389                               |
| <b>Net cash provided by (used in) investing activities</b>                            |      | <b>(9,167)</b>                    | <b>(22,760)</b>                   |
| <b>Cash flows – financing activities</b>  |      |                                   |                                   |
| Proceeds from bank loans and borrowings obtained                                      | 19   | 2,480                             | 18,565                            |
| Repayments of bank loans and borrowings   | 19   | (2,463)                           | (3,663)                           |
| Interest paid on bank loans and borrowings  | 19   | (249)                             | (4)                               |
| Dividends paid out to shareholders of ASEE S.A.                                       | 8    | (21,796)                          | (20,758)                          |
| Other cash flows from financing activities  |      | -                                 | 2                                 |
| <b>Net cash provided by (used in) financing activities</b>                            |      | <b>(22,028)</b>                   | <b>(5,858)</b>                    |
| Net increase/(decrease) in cash and cash equivalents                                  |      | (21,720)                          | 25,041                            |
| Net foreign exchange differences  |      | (1)                               | (19)                              |
| <b>Cash and cash equivalents as at 1 January</b>                                      |      | <b>32,929</b>                     | <b>7,907</b>                      |
| <b>Cash and cash equivalents as at 31 December</b>                                    | 13   | <b>11,208</b>                     | <b>32,929</b>                     |

## SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

### I. GENERAL INFORMATION

Asseco South Eastern Europe S.A. (the "Company", "Issuer", "Entity", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

According to the Articles of Association, the Company's business profile includes:

- Activities of head offices and holdings;
- Computer programming activities;
- Computer consultancy activities;
- Computer facilities management activities;
- Other information technology and computer service activities;
- Data processing, hosting activities;
- Web portals and call center activities;
- Research and experimental development on natural sciences and engineering;
- Reproduction of recorded media;
- Wholesale of computers, computer peripheral equipment and software;
- Wholesale of electronic and telecommunications equipment;
- Retail sale of computers, peripheral units and software;
- Accounting, book-keeping and tax consultancy;
- Business and other management consultancy activities.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group ("ASEE Group"). The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The period of the Company's operations is indefinite.

The parent of ASEE S.A. is Asseco Poland S.A. (the higher-level parent company). As at 31 December 2016, Asseco Poland S.A. held a 55.34% stake in the share capital of ASEE S.A.

These financial statements cover the year ended 31 December 2016 and contain comparable data for the year ended 31 December 2015.

The Company draws up its financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

These financial statements for the year ended 31 December 2016 have been approved for publication by the Management Board on 17 February 2017.

The Company also prepared the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2016, which have been approved for publication by the Management Board on 17 February 2017.

### II. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

As at 31 December 2016 as well as on the date of publication of this report, i.e. on 17 February 2017, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

| Supervisory Board     | Management Board | Audit Committee   |
|-----------------------|------------------|-------------------|
| Adam Góral            | Piotr Jeleński   | Artur Kucharski   |
| Jacek Duch            | Miljan Mališ     | Jacek Duch        |
| Jan Dauman            | Miodrag Mirčetić | Gabriela Žukowicz |
| Artur Kucharski       | Marcin Rulnicki  |                   |
| Przemysław Sęczkowski |                  |                   |
| Gabriela Žukowicz     |                  |                   |

During the reporting period, the compositions of the Company's Management Board, Supervisory Board and Audit Committee changed as follows:

On 10 February 2016, the Company received from Mr. Andrzej Mauberg a letter of resignation from the position of Member of the Supervisory Board, effective from 26 February 2016.

On 31 March 2016, Mr. Artur Kucharski was appointed as Member of the Supervisory Board of ASEE S.A. and subsequently, on 12 May 2016, as Chairman of the Audit Committee.

On 7 November 2016, the Company received from Mr. Mihail Petreski a letter of resignation from the position of Member of the Supervisory Board, effective from 31 December 2016.

As at 31 December 2015, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

| Supervisory Board     | Management Board | Audit Committee   |
|-----------------------|------------------|-------------------|
| Adam Góral            | Piotr Jeleński   | Andrzej Mauberg   |
| Jacek Duch            | Miljan Mališ     | Jacek Duch        |
| Jan Dauman            | Miodrag Mirčetić | Gabriela Žukowicz |
| Andrzej Mauberg       | Marcin Rulnicki  |                   |
| Mihail Petreski       |                  |                   |
| Przemysław Sęczkowski |                  |                   |
| Gabriela Žukowicz     |                  |                   |

### III. INVESTMENTS IN COMPANIES

The Company holds investments in the following subsidiaries:

| Company                                      | Short name             | Seat                 | Business profile   | Equity interest held |              |
|--|------------------------|----------------------|--|----------------------|--------------|
|  |                        |                      |  | 31 Dec. 2016         | 31 Dec. 2015 |
| <b>Asseco SEE d.o.o., Beograd</b>            | <b>ASEE Serbia</b>     | Serbia               | Development of applications and provision of comprehensive IT systems for financial institutions. Payment solutions. Integration services.   | 100%                 | 100%         |
| <b>Asseco SEE d.o.o., (Zagreb)</b>           | <b>ASEE Croatia</b>    | Croatia              | Mobile and authentication solutions for financial institutions. Payment solutions.   | 100%                 | 100%         |
| <b>Asseco SEE d.o.o., Podgorica</b>          | <b>ASEE Montenegro</b> | Montenegro           | Payment solutions. Integration services and IT solutions for the financial, industrial, and public administration sectors.   | 100%                 | 100%         |
| <b>Asseco SEE s.r.l., (Bucharest)</b>        | <b>ASEE Romania</b>    | Romania              | Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions. Payment solutions.            | 100%                 | 100%         |
| <b>Asseco SEE Sh.p.k., (Pristina)</b>        | <b>ASEE Kosovo</b>     | Kosovo               | Integration of IT systems as well as development and implementation of software for the banking sector and public administration. Payment solutions.   | 100%                 | 100%         |
| <b>Asseco SEE Teknoloji A.Ş., (Istanbul)</b> | <b>ASEE Turkey</b>     | Turkey               | Development of applications and provision of IT systems for the execution and settlement of on-line payments, detection and prevention of bank frauds, management of dispersed assets, lease management. | 100%                 | 100%         |
| <b>Asseco SEE d.o.o., (Ljubljana)</b>        | <b>ASEE Slovenia</b>   | Slovenia             | Payment solutions.   | 100%                 | 100%         |
| <b>Asseco SEE o.o.d., Sofia</b>              | <b>ASEE Bulgaria</b>   | Bulgaria             | Payment solutions. Provision of IT systems for financial institutions.   | 100%                 | 100%         |
| <b>Asseco SEE d.o.o., (Sarajevo)</b>         | <b>ASEE B&amp;H</b>    | Bosnia & Herzegovina | Provision of IT systems for financial institutions. Payment solutions.   | 100%                 | 100%         |
| <b>Asseco SEE DOOEL, Skopje</b>              | <b>ASEE Macedonia</b>  | Macedonia            | Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions. Payment solutions.            | 100%                 | 100%         |

Both as at 31 December 2016 and 31 December 2015, voting rights held by the Company in its

subsidiaries were equivalent to the Company's equity interests in those entities.

### IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

#### 1. Basis for the preparation of financial statements

These financial statements were prepared in accordance with the historical cost convention, except for derivative instruments.

The presentation currency of these financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN'000), unless stated otherwise.

These financial statements were prepared on the going-concern basis, assuming the Company will continue its business activities in the foreseeable future.

Till the date of approving these financial statements, we have not observed any circumstances that would threaten the Company's ability to continue as a going concern for at least 12 months after the reporting period.

#### 2. Compliance statement

These financial statements have been prepared in compliance with the International Financial Reporting Standards as endorsed by the European Union.

#### 3. Functional currency and reporting currency

The functional currency applied by the Company as well as the reporting currency used in these financial statements is the Polish zloty (PLN).

#### 4. Professional judgement and estimates

Preparation of financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements.

Although the adopted assumptions and estimates have been based on the Company management's best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

Presented below are the main areas which, in the process of applying our accounting policies, were subject not only to accounting estimates but also to the management's professional judgement, and whose estimates, if changed, could significantly affect the Company's future results.

##### i. Rates of depreciation and amortization

The level of depreciation and amortization rates is determined on the basis of anticipated period of useful economic life of the components of tangible and intangible assets. The Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

##### ii. Impairment testing of goodwill

As at 31 December 2016, the Company's Management Board performed an impairment test on goodwill arising from the merger with ITD Poland in 2012. This task required making estimates of the recoverable amount of goodwill. The recoverable amount was estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. The discount rate applied in the model was 7%; whereas, sales revenue growth was assumed at the rate of 12%. Goodwill arising from the merger amounted to PLN 4,567 thousand both as at 31 December 2016 and 31 December 2015. Any reasonable modification of the key assumptions adopted in the model should not indicate any impairment of goodwill.

#### iii. Deferred tax assets

As at 31 December 2016, the Company recognized deferred tax assets in the amount of PLN 416 thousand (vs. PLN 378 thousand as at 31 December 2015). In the period of 12 months ended 31 December 2016, the value of deferred tax assets changed by PLN 38 thousand, as compared with the change of PLN -619 thousand in the comparable period of 2015.

Based on the current financial budget and applicable tax regulations, the Company's management believes that future utilization of deferred tax assets recognized in the Company's financial statements in the amount of PLN 416 thousand is very likely.

#### iv. Impairment of financial assets

At the end of every reporting period, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. The recoverable amount is estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests carried out on our investments as at 31 December 2016 have been described in explanatory note 11 to these financial statements.

#### 5. Changes in the accounting policies applied

The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the annual financial statements for the year ended 31 December 2015, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2016:

- Annual Improvements to IFRSs: 2010-2012 Cycle, including Amendments to IFRS 2 *Share-based Payment*, Amendments to IFRS 3 *Business Combinations*, Amendments to IFRS 8 *Operating Segments*, Amendments to IAS 16 *Property, Plant and Equipment*, Amendments to IAS 38 *Intangible Assets*, Amendments to IFRS 13 *Fair Value Measurement*, Amendments to IAS 24 *Related Party Disclosures*, Amendments to IFRS 7 *Financial Instruments: Disclosures*, as well as Amendments to IAS 19 *Employee Benefits*;

- Annual Improvements to IFRSs: 2012-2014 Cycle, including Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as well as Amendments to IAS 34 *Interim Financial Reporting*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*;
- Amendments to IAS 1 *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*;
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*; and
- Annual Improvements to IFRSs: 2012-2014 Cycle, including Amendments to IFRS 7 *Financial Instruments: Disclosures*, as well as Amendments to IAS 19 *Employee Benefits*.

Adoption of these amendments had no impact on the Group's financial position or the results of its operations.

The Group did not decide on early adoption of any other standard, interpretation or amendment which has been published but has not yet become effective in accordance with the EU regulations.

## 6. New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not yet come into force:

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – effective for annual periods beginning on or after 1 January 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including the amendment of the Effective Date of IFRS 15 (issued on 11 September 2015) – effective for annual periods beginning on or after 1 January 2018;

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- IFRS 16 *Leases* (issued on 13 January 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses* (issued on 19 January 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;
- Annual Improvements to IFRSs: 2014-2016 Cycle (issued on 8 December 2016) – not yet endorsed by the EU till the date of approval of these financial statements – Amendments to IFRS 12 shall be effective for annual periods beginning on or after 1 January 2017, whereas Amendments to IFRS 1 and IAS 28 shall be effective for annual periods beginning on or after 1 January 2018;

- Interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IAS 40 *Transfers of Investment Property* (issued on 8 December 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018.

The Management Board is currently analyzing the impact of the above-mentioned amendments on the Group's financial statements and financial position.

## 7. Significant accounting policies

### i. Translation of items expressed in foreign currencies

Transactions denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rate published by the National Bank of Poland and in effect on the day preceding the transaction date.

As at the end of the reporting period, assets and liabilities denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. Foreign currency differences resulting from such restatement are reported respectively as financial income (expenses) or they may be capitalized as assets in case it is provided for in the adopted accounting policies. Non-cash assets and liabilities carried at historical cost expressed in a foreign currency are disclosed the historical exchange rate of the transaction date. Non-cash assets and liabilities carried at fair value expressed in a foreign currency are reported at the exchange rate from the date when fair value measurement was carried out.

The following exchange rates were applied for the purpose of balance sheet valuation:

| Currency | As at<br>31 Dec. 2016 | As at<br>31 Dec. 2015 |
|----------|-----------------------|-----------------------|
| USD      | 4.1793                | 3.9011                |
| EUR      | 4.4240                | 4.2615                |
| RON      | 0.9749                | 0.9421                |
| HRK      | 0.5853                | 0.5578                |
| RSD      | 0.0358                | 0.0349                |
| BGN      | 2.2619                | 2.1789                |
| MKD      | 0.0717                | 0.0689                |
| BAM      | 2.2562                | 2.1690                |
| TRY      | 1.1867                | 1.3330                |

Average exchange rates for the specified reporting periods were as follows:

| Currency | For the year ended<br>31 Dec. 2016 | For the year ended<br>31 Dec. 2015 |
|----------|------------------------------------|------------------------------------|
| USD      | 3.9680                             | 3.7928                             |
| EUR      | 4.3757                             | 4.1848                             |
| RON      | 0.5808                             | 0.9421                             |
| HRK      | 0.9739                             | 0.5492                             |
| RSD      | 0.0355                             | 0.0346                             |
| BGN      | 2.2372                             | 2.1396                             |
| MKD      | 0.0711                             | 0.0680                             |
| BAM      | 2.2371                             | 2.1400                             |
| TRY      | 1.3109                             | 1.3818                             |

### ii. Property, plant and equipment

Property, plant and equipment are disclosed at purchase cost/production cost decreased by accumulated depreciation and all impairment write-downs. The initial value of a tangible asset corresponds to its purchase cost increased by expenditures related directly to the purchase and adaptation of such asset to its intended use. Such expenditures may also include the cost of replacing parts of machinery or equipment at the time that cost is incurred if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the income statement at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

| Type                                      | Period of useful life |
|---|-----------------------|
| Buildings and structures                  | 40 years              |
| Leasehold improvements                    | 5 years               |
| Computers and telecommunication equipment | 1-5 years             |
| Furniture                                 | 2-8 years             |
| Office equipment                          | 5-10 years            |
| Transportation vehicles                   | 4-6 years             |
| Other tangible assets                     | 2-5 years             |

The residual values, useful lives as well as the methods of depreciation of tangible assets are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Should there be any events or changes indicating that the book value of property, plant and equipment may not be recovered, such assets will be reviewed for their possible impairment. If there are any indications of a possible impairment and the book value exceeds the estimated recoverable amount, the value of such assets or cash-generating units shall be reduced to the recoverable amount. The recoverable amount of property, plant and equipment is the greater of their fair value less costs to sell or their value in use. In order to determine the value in use, estimated future cash flows shall be discounted to the present value by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the asset. In case of an asset which does not generate cash independently, the recoverable amount shall be determined for the cash-generating unit, to which such asset belongs. Impairment write-downs are accounted for as operating expenses in the income statement.

A tangible asset may be derecognized from the balance sheet after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset shall be assessed by comparing the income from such disposal with the present book value of such asset, and it shall be accounted for as operating income/expense. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are made available for use.

### **iii. Intangible assets**

Intangible assets purchased in a separate transaction or generated (if qualifying to be recognized as cost of development work) shall be initially recognized at their purchase cost or production cost. The purchase cost of intangible assets acquired under a business combination shall equal their fair value as at the merger date. After initial recognition, intangible assets are accounted for at their purchase cost or production cost decreased by accumulated amortization and impairment charges. Expenditures for internally generated intangible assets, except for the costs of development work, shall not be

capitalized but expensed in the period when they are incurred.

The Company shall determine whether the period of useful life of an intangible asset is definite or indefinite. Intangible assets with a definite period of useful life are amortized over the expected useful life, and are subject to impairment testing each time there are indications of possible impairment. The periods and methods of amortization of intangible assets with a definite period of useful life are subject to verification at least at the end of each financial year. Any changes in the expected useful life, or the expected consumption of economic benefits derived from an intangible asset, are addressed by changing the relevant period or method of amortization, and are treated as changes in estimates. Amortization charges against intangible assets with a definite period of useful life are expensed in the income statement, in the category which corresponds to the function of each individual intangible asset.

Intangible assets with an indefinite period of useful life, as well as those which are no longer used, are subject to impairment testing on an annual basis, with regard to individual assets or at the level of cash-generating unit.

The useful lives are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

| Type                     | Period of useful life |
|--------------------------|-----------------------|
| Cost of development work | 3-5 years             |
| Computer software        | 2-5 years             |
| Patents and licenses     | 2-5 years             |
| Other                    | 5 years               |

Any gains or losses resulting from removal of intangible assets from the balance sheet (calculated as the difference between the net cash obtained from sales and the book value of such item) are recognized in the income statement for the period when such derecognition is made.

**iv. Impairment of non-financial assets**

At the end of every reporting period, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. If the book value of a given asset exceeds its recoverable amount, impairment charges are made reducing the book value to the level of recoverable amount. The recoverable amount is the higher of the following two values: fair value of an asset or cash-generating unit less costs to sell, or value in use determined for an asset if such asset generates cash flows significantly independent from cash flows generated by other assets or groups of assets or cash-generating units.

At the end of each reporting period, the Company determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Company needs to estimate the recoverable amount of relevant asset. A formerly recognized impairment charge may be reversed only when, from the date of the last recognition of impairment, changes in the estimates applied for determination of the recoverable amount of the relevant asset occurred. If this is the case, the carrying value of such asset shall be increased to its recoverable amount. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset in the prior years. A reversal of an impairment charge shall be immediately recognized as income in the income statement. Following a reversal of an impairment write-down, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

**v. Shares in subsidiaries, associates and joint ventures**

Subsidiary companies are those entities which are controlled by the Company. The Company, irrespective of the nature of its involvement with a given entity, in each case analyzes whether it is a parent taking into account the influence it exerts on such entity.

The Company maintains control over an investee entity if and only if it has:

- Power over the investee;
- Exposure, or rights, to variable financial results of the investee; and
- The ability to use power over the investee to affect the amount of returns generated from its investment.

Associates are entities in which the Company holds between 20% and 50% of voting rights at the general meeting of shareholders and on which the Company exerts a significant influence, however, without the ability to control them. This means they are neither subsidiaries nor joint ventures.

Joint ventures are entities that are neither subsidiaries nor associates, in which the Company holds no more than 50% of voting rights at the general meeting, or is otherwise able to direct the financial and operating policy of such entities together with other shareholders.

The Company's investments in subsidiaries, joint ventures and associates are recognized at purchase cost. At the end of every reporting period, the Company verifies its investments in related companies concerning possible indications of impairment. Furthermore, at the end of each financial year the Company estimates the recoverable amount of its financial assets by analyzing and measuring the future cash flows to be generated by such assets.

#### **vi. Combination of businesses under common control**

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Company by the pooling of interests method.

In particular, as far as the Company's mergers with its subsidiaries are concerned, the applied approach assumes that:

- Assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the consolidated financial statements of the parent determined as at the date of obtaining control. This means that goodwill recognized initially in the consolidated financial statements as well as any other intangible assets recognized in the merger accounting process, are transferred to the standalone financial statements and their values are tested for impairment on a periodic basis;
- Merger-related transaction costs are expensed in the income statement;
- Mutual balances of accounts receivable/payable are eliminated;
- Any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);
- The income statement presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of ASEE S.A. are combined, the carrying value of investment in the acquiree subsidiary is only transferred to the value of investment in the acquirer subsidiary. Hence, a takeover of one subsidiary by another subsidiary has no impact on the Company's financial results whatsoever.

Where under an acquisition of a subsidiary the acquirer recognizes a conditional payment, any changes in the fair value of such conditional consideration occurring after the acquisition date shall be recognized as financial income or expenses.

#### **vii. Financial instruments**

Financial instruments are divided into the following categories:

- Financial assets held to maturity,
- Financial instruments carried at fair value through profit or loss,
- Loans and receivables,
- Financial assets available for sale, and
- Financial liabilities.

All the financial assets are initially recognized at purchase cost equal to fair value of the effected payment, including the costs related to the purchase of a financial asset, except for financial instruments carried at fair value through profit or loss.

Financial assets held to maturity are investments with fixed or determinable payments and with fixed maturity that the Company intends and is able to hold until maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity shall be classified as fixed assets if their maturity exceeds 12 months from the end of a reporting period.

Financial instruments acquired in order to generate profits by taking advantage of short-term price fluctuations shall be classified as financial instruments carried at fair value through profit or loss. Financial instruments carried at fair value through profit or loss are measured at their market value as at the end of the reporting period. Changes in the values of such financial instruments are recognized as financial income or expenses. Financial assets carried at fair value through profit or loss shall be classified as current assets if the Management Board intends to sell them within 12 months from the end of a reporting period.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the end of a reporting period. Loans granted and receivables with maturity periods longer than 12 months from the end of a reporting period are recognized as fixed assets.

Any other financial assets constitute financial assets available for sale. Financial assets available for sale are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the end of the reporting period. If financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, such financial assets available for sale shall be measured

at purchase cost adjusted by impairment charges. Any positive or negative differences between the fair value of financial assets available for sale (on condition the price of such assets is determined in a regulated active market or their fair value can be measured in another reliable way) and their purchase cost, shall be recognized net of deferred tax in other comprehensive income. A decrease in the value of assets available for sale, resulting from their impairment, shall be disclosed as a financial expense in the income statement.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At the initial recognition they are valued at purchase cost, this is at fair value plus the transaction-related costs.

Financial liabilities other than financial instruments carried at fair value through profit or loss, are measured at amortized cost using the effective interest rate.

A financial instrument shall be derecognized from the balance sheet if the Company no longer controls the contractual rights arising from such financial instrument; this usually takes place when the instrument is sold or when all cash flows generated by that instrument are transferred to an independent third party.

#### **viii. Derivative financial instruments and hedges**

Derivative instruments utilized by the Company in order to hedge against the risk of changes in foreign currency exchange rates include primarily currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

Gains and losses on changes in fair value of derivatives, which do not qualify for hedge accounting, are recognized directly in profit or loss for the financial year.

Fair value of currency forward contracts is determined on the basis of the forward exchange rates available currently for contracts with similar maturity.

#### **ix. Impairment of financial assets**

At the end of each reporting period, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

##### *Financial assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans granted or receivables carried at amortized cost has been incurred, the amount of an allowance is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying value of such assets shall be reduced either directly or by recognizing an impairment write-down. The amount of the loss shall be recognized in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are assessed for impairment individually, and for which an impairment loss is or continues to be recognized, are not included in the collective assessment of impairment of a group of assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. Such reversal of the impairment write-down shall be recognized in profit or loss to the extent that the carrying value of the financial asset does not exceed its amortized cost at the date when the impairment is reversed.

##### *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying value of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

*Financial assets available for sale*

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognized in profit or loss, shall be removed from equity and recognized in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the amount of such impairment loss shall be reversed in the income statement.

**x. Inventories**

Inventories are measured at the lower of the following two values: purchase cost/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company uses the method of precise identification for valuation of outgoing inventories.

The Company is obliged to perform an ageing analysis of their inventories at the end of each reporting period, separately for the main groups (licenses, goods for resale, maintenance service inventories). Such analysis provides the rationale for making impairment write-downs on tangible current assets subject to the following rules:

- 100% write-down on goods stored for longer than 2 years,
- 75% write-down on goods stored for between 1.5 and 2 years,
- 50% write-down on goods stored for between 1 and 1.5 years,
- 25% write-down on goods stored for between half a year and 1 year.

The initial value of service parts is expensed on a straight-line basis over the duration of the maintenance service contract, for which such parts have been purchased.

Every year the Company verifies whether the adopted principles for recognition of write-downs correspond to the actual impairment of its inventories.

Write-downs on inventories shall be recognized as operating expenses.

**xi. Prepayments and accrued income**

Prepayments comprise expenses incurred before the end of the reporting period that relate to future periods.

Prepayments may in particular include the following items:

- Rents paid in advance,
- Insurances,
- Subscriptions,
- Prepaid third-party services which shall be provided in future periods,
- Any other expenses incurred in the current period, but related to future periods.

Accrued income includes mainly maintenance services relating to future periods. The Company recognizes prepayments and accrued income if their amounts relate to future reporting periods.

**xii. Trade receivables and other receivables**

Trade receivables are recognized and disclosed at the amounts initially invoiced, less any allowances for doubtful receivables. Receivables with remote payment terms are recognized at the present value of expected payments.

Allowances for doubtful receivables are estimated when it is no longer probable that the entire amount of original receivables will be collected. The amount of allowances represents the difference between the nominal amount of receivables and their recoverable amount, which corresponds to the net present value of expected cash flows discounted using the interest rate applicable to similar debtors. Doubtful receivables are expensed as operating costs at the time when they are deemed uncollectible.

Receivables are reevaluated taking into account the probabilities of their collection, by making allowances for:

- receivables from debtors who went into liquidation or bankruptcy – up to the amount receivable not covered by any guarantee or other collateral, reported to the liquidator or magistrate in bankruptcy proceedings;
- receivables from debtors in case the declaration of bankruptcy is dismissed and the debtor's assets are insufficient to satisfy the costs of bankruptcy proceedings – in full amount receivable;
- receivables disputed by debtors and past-due where, following an assessment of the debtor's property and financial condition, collection of full contractual amounts is unlikely – up to the amount receivable not covered by any guarantee or other collateral;

- receivables that constitute an increase of other receivables subject to prior allowances – in full amount receivable until they are received or written-off as uncollectible;
- past-due (or not yet due) receivables, where it is highly probable they will become uncollectible because of the type of business or structure of customers – in the amount of reliably measured or full allowance for doubtful receivables.

Furthermore, the minimum levels of allowances for receivables as recognized by the Company are:

- 100% in relation to receivables in litigation, unless the Management Board believes that obtaining a favourable judgment by the Company is almost certain;
- 100% in relation to receivables past-due over 12 months (from the payment deadline), taking into account any partial payments or arrangements made after the end of the reporting period;
- 50% in relation to receivables past-due between 6 and 12 months (from the payment deadline), taking into account any partial payments or arrangements made after the end of the reporting period.

When deciding on any allowances, the Group takes into consideration not only events that took place before the end of the reporting period, but also later events that took place prior to the preparation of financial statements if such events are related to receivables carried in the books as at the end of the reporting period. Every year the Company verifies whether the adopted principles for recognition of allowances correspond to the actual impairment of its receivables.

Allowances for trade receivables are recognized as operating expenses. Allowances for other receivables are recognized as other operating expenses. Allowances for accrued interest receivable are recognized as financial expenses.

If the cause for recognition of an allowance is no longer valid, such allowance shall be reversed, in the whole amount or in appropriate portion, being recognized as an increase in the value of a relevant asset or as an adjustment to respective cost items.

### **xiii. Cash and cash equivalents**

Cash and cash equivalents presented in the balance sheet consist of cash kept in banks and on hand by the Company, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Company decided not to include bank overdraft facilities (used as an element of financing) in the balance of cash and cash equivalents.

### **xiv. Interest-bearing bank loans and borrowings**

All bank loans, borrowings and debt securities are initially recognized at their purchase cost, being the fair value of cash received net of any costs associated with obtaining a bank loan or borrowing, or with issuing debt securities.

Subsequently to initial recognition, bank loans, borrowings and debt securities are measured at amortized purchase cost using the effective interest rate. Determination of the amortized cost shall take into account the costs related to obtaining a bank loan or borrowing, or issuing debt securities, as well as any discounts or bonuses obtained on repayment of the liability.

The difference between the amount of cash received (net of any costs related to obtaining a bank loan or borrowing, or issuing debt securities) and the amount to be repaid shall be disclosed in the income statement over the term of such financing. Any gains or losses shall be recognized in the income statement after the liability has been removed from the balance sheet. All expenses relating to bank loans, borrowings or debt securities issued, shall be recognized in the income statement for the period they relate to.

#### **xv. Trade payables**

Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to. Other liabilities to a significant extent also relate to operating activities yet, in contrast to trade payables, they were not invoiced.

Where the effect of the time value of money is material, the amount of payables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting method is used, the increase in liabilities due to the passage of time is recognized as a financial expense.

#### **xvi. Provisions**

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be disclosed in the income statement, net of the amount of any reimbursements.

The Company recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received therefrom.

Where the effect of the time value of money is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

#### **xvii. Revenues**

##### *Sales revenues*

Sales revenues are recognized if the amount of revenue can be reliably measured and if it is highly probable that economic benefits associated with the transaction will flow to the Group.

Should it be impossible to reliably estimate the amount of revenue from a service transaction, such revenue shall only be recognized in the amount of costs incurred which the Group expects to recover. The Group identifies the following types of revenues:

- Revenues from the sale of proprietary licenses and services,
- Revenues from the sale of third-party licenses and services, and
- Revenues from the sale of hardware.

The category of "Proprietary licenses and services" includes revenues from contracts with customers under which we supply our own software and provide related services. Such services may be performed by the Company's employees (internal resources) as well as by subcontractors (external resources). In addition, this category includes revenues from the provision of own services for third-party software and infrastructure.

The category of "Third-party licenses and services" includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance and outsourcing services provided by their manufacturers).

Revenues from the sale of own software licenses and/or services, which are supplied/rendered under an implementation contract, shall be recognized proportionally to the completion of the entire contract.

In the case of other own software licenses and/or services, revenues are recognized in the period in which the Group expects to be required to provide such services to the client. Revenues from the sale of third-party software licenses and/or services may be recognized as sales of goods or as sales of services, depending on the nature of the contract with the client.

In the case of third-party software licenses and/or services for which the significant risks and rewards of ownership are transferred to the buyer at the time of the sale, revenues are recognized as sales of goods, this is in a lump sum at the time of the sale, regardless of whether a third-party license and/or service is provided for a specified or unspecified period of time. The Group considers that significant risks are transferred to the buyer when, after the delivery of a license/service, the Group is not obligated to provide any additional benefits to the client.

In other cases, i.e. when after the delivery of a license/service, the Group is obligated to provide additional benefits to the client, revenues are recognized as sales of services, this is over a period in which such services are performed and proportionally to the completion of the entire transaction.

Revenues from the sale of hardware are recognized as sales of goods, provided that the significant risks and rewards resulting from a contract have been transferred to the buyer and the amount of revenue can be measured reliably.

*Revenues and costs related to the execution of implementation contracts*

Revenues from implementation contracts shall include highly probable revenues resulting from the concluded contracts and/or orders, which can be measured reliably. Therefore, the pool of such revenues does not include any proceeds that are considered as doubtful despite being determined in a signed contract (e.g. the Group anticipates that a client may decide to resign from a portion of contracted work).

Contract revenues include the following:

- Revenues resulting from issued invoices,
- Future revenues resulting from signed agreements and/or orders placed on the basis of framework agreements.

Contract costs include the following:

- Costs of goods, materials and third-party services sold (COGS), and
- Costs of internal resources being involved in the contract execution.

The costs of internal resources employed in the contract execution are calculated on the basis of actual workload (for ended periods) or estimated workload (for forecast periods), and appropriate standard (cost) rate covering the production costs.

The standard rate corresponds to the cost of man-hour (or man-day) of our own production resources calculated on the basis of production costs budgeted for a given year.

*Valuation of implementation contracts*

The purpose for valuation of an IT implementation contract is to determine the amount of revenues to be recognized in a given period. The Group performs such valuation using the percentage of completion method.

Should the percentage progress of incurred costs, decreased by expected losses and increased by profits included in the income statement, exceed the percentage progress of invoiced sales, the amount of uninvoiced sales resulting from such difference shall be disclosed as other receivables in the statement of financial position, under "Receivables arising from valuation of IT contracts". Conversely, if the percentage progress of invoiced sales exceeds the percentage progress of costs incurred, decreased by expected losses and increased by profits included in the income statement, then future-related (unearned) revenues resulting from such difference shall be disclosed as other liabilities, under "Liabilities arising from valuation of IT contracts".

*Loss generating contracts*

Loss generating contract is a contract, under which total revenues are lower than total costs.

In the event it is highly probable that the total contract execution costs exceed the total contract revenues, the anticipated loss shall be recognized as cost in the reporting period in which it has been detected, by creating a provision for contractual losses. The amount of such provision and/or its legitimacy are subject to verification at each subsequent reporting date, until the completion of the contract.

The amount of created provisions for losses shall increase the balance of other liabilities and be disclosed under "Liabilities arising from valuation of IT contracts".

*Methods for measuring the percentage of contract completion*

In order to measure the progress of contract completion, the Company applies a variety of methods allowing to reliably determine the percentage of work that has already been executed under the contract. Depending on the contract nature, these methods may include:

- determination of the proportion of costs incurred for work performed up to the end of the reporting period to the estimated total contract costs;
- measurement of work performed; or
- comparison of work performed as a physical proportion of total work under the contract.

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenues and contract costs. The effects of changes in estimates of contract revenues or contract costs are recognized in the period in which such changes occur.

*Combining and segmenting of implementation contracts*

Valuation is usually performed on single contracts or contracts with annexes thereto, if such annexes modify the main contract by extending or limiting the subject thereof. In the event an annex represents an additional order, going beyond the subject of the main contract, and the price of such order is determined without reference to the main contract price, such annex shall be valued separately.

When a contract covers a number of elements, the implementation of each element should be treated as a separate contract, only if the following conditions are jointly met:

- a. separate offers have been submitted for each of the identified elements;
- b. each element has been subject to separate negotiations; and
- c. the costs and revenues of each element can be identified – revenues must be specified in the contract and/or order.

Whereas, a group of contracts may be treated as a single contract, if the following conditions are jointly met:

- a. the group of contracts is negotiated as a single package;
- b. the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- c. the contracts are performed concurrently or in a continuous sequence.

*Interest*

Interest income shall be recognized on a time proportion basis (taking into account the effective yield, this is the interest rate which accurately discounts future cash flows during the estimated useful life of a financial instrument) on the net book value of a financial asset.

Interest income may comprise interest on loans granted, investments in securities held to maturity, bank deposits and other items.

*Dividends*

Dividends shall be recognized when the shareholders' right to receive payment is vested.

**xviii. Taxes**

*Current income tax*

Liabilities and receivables resulting from current income tax, for the current and prior periods, are measured at the amounts of expected payments to the taxation authorities (or repayments from the taxation authorities), applying the tax rates and tax regulations legally or factually in force at the end of the reporting period.

*Deferred income tax*

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the end of the reporting period, between the tax base of an asset or liability and its carrying value disclosed in the financial statements. Deferred tax liabilities are recognized in relation to all positive temporary differences – except for situations when a deferred tax liability arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized in relation to all negative temporary differences, as well as unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized – except for situations when deferred tax assets arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss; as well as in relation to negative temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures, in which cases deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying value of an individual deferred tax asset shall be verified at the end of each reporting period and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred tax assets and deferred tax liabilities shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax liability is reversed, based on the tax rates (and tax regulations) legally or factually in force at the end of the reporting period.

#### *Value added tax*

Revenues, expenses and assets shall be disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of goods or services is not recoverable from the taxation authorities; in such event the value added tax paid shall be recognized as a part of the purchase cost of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to the taxation authorities shall be included in the balance sheet as a part of receivables or liabilities.

#### *Assessment of uncertainty over tax treatments*

If the Company believes it is probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Company shall determine the taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the Company concludes it is not probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Company shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax base, unused tax losses, unused tax credits or tax rates. Such effect is reflected by the Company using the following method:

- The Company determines the most likely scenario – the single most likely amount in a range of possible outcomes.

#### **xix. Earnings per share**

Basic earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the weighted average number of shares outstanding in the given reporting period. Diluted earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the sum of the weighted average number of shares outstanding in the given reporting period and all potential shares of new issues.

#### **8. Seasonal nature of business**

Because we are a holding company, the distribution of our financial results during a fiscal year depends largely on the dates when our subsidiaries adopt resolutions to pay out dividends.

#### **9. Changes in the presentation methods applied**

We have not introduced any changes in the presentation of data for the year 2016 as well as for the comparable period.

#### **10. Corrections of material errors**

In the reporting period, no events occurred that would require making corrections of any misstatements.

## V. INFORMATION ON OPERATING SEGMENTS

The Company's operating activities comprise both holding operations and sales of IT services and software.

The Holding Activities segment includes revenues and expenses related to managing the Group. The segment's revenues comprise primarily dividends and sales of business and technical support services to the Company's subsidiaries.

The IT Services segment includes revenues and expenses related to our information technology operations in two areas: authentication solutions (banking) and voice automation solutions (systems integration).

| For the year ended<br>31 December 2016<br>in thousands of PLN (audited) | Holding<br>activities | IT services  | Total          |
|---|-----------------------|--------------|----------------|
| Dividend income   | 5,283                 | -            | <b>5,283</b>   |
| Revenues from sales of services   | 8,325                 | -            | <b>8,325</b>   |
| Revenues from sales of IT services and software                         | -                     | 7,479        | <b>7,479</b>   |
| <b>Total sales revenues</b>   | <b>13,608</b>         | <b>7,479</b> | <b>21,087</b>  |
| <b>Gross profit on sales</b>  | <b>8,673</b>          | <b>2,555</b> | <b>11,228</b>  |
| Selling costs (-)   | (2,634)               | (756)        | <b>(3,390)</b> |
| General and administrative expenses (-)                                 | -                     | (68)         | <b>(68)</b>    |
| <b>Net profit on sales</b>  | <b>6,039</b>          | <b>1,731</b> | <b>7,770</b>   |

| For the year ended<br>31 December 2015<br>in thousands of PLN (audited) | Holding<br>activities | IT services  | Total          |
|---|-----------------------|--------------|----------------|
| Dividend income   | 53,956                | -            | <b>53,956</b>  |
| Revenues from sales of services   | 8,271                 | -            | <b>8,271</b>   |
| Revenues from sales of IT services and software                         | -                     | 7,565        | <b>7,565</b>   |
| <b>Total sales revenues</b>   | <b>62,227</b>         | <b>7,565</b> | <b>69,792</b>  |
| <b>Gross profit on sales</b>  | <b>56,297</b>         | <b>2,470</b> | <b>58,767</b>  |
| Selling costs (-)   | (1,910)               | (1,177)      | <b>(3,087)</b> |
| General and administrative expenses (-)                                 | (84)                  | -            | <b>(84)</b>    |
| <b>Net profit on sales</b>  | <b>54,303</b>         | <b>1,293</b> | <b>55,596</b>  |

## VI. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### 1. Holding activities – Dividend income and service revenues

Operating revenues from holding activities comprise dividends received from subsidiaries as well as revenues from the sale of consulting, business and technical support services which are provided to subsidiaries of ASEE Group. As the Company is primarily engaged in holding operations, the above-mentioned categories of revenues are presented in operating activities.

|   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|---|---|---|
| Dividends from related parties, of which: |   |   |
| ASEE B&H                                  | 917                                     | 1,086                                   |
| ASEE Croatia                              | 2,383                                   | 2,475                                   |
| ASEE Kosovo                               | -                                       | 3,903                                   |
| ASEE Macedonia                            | -                                       | 21,940                                  |
| ASEE Romania                              | 1,983                                   | 3,286                                   |
| ASEE Serbia                               | -                                       | 20,229                                  |
| ASEE Slovenia                             | -                                       | 1,037                                   |
|   | <b>5,283</b>                            | <b>53,956</b>                           |

It is the policy of ASEE to distribute surplus cash from our operating companies to the holding company on a regular basis. Because at the end of 2015 our operating companies had a very good liquidity position, they made a number of dividend payments to the holding company, thus reducing their spare cash balances. As a result, in 2016 dividend income of ASEE was significantly lower than in the previous year as our operating companies

decided to rebuild their cash positions and thus limited their dividend payments.

Cash inflows generated from dividends received amounted to PLN 5,357 thousand in 2016, as compared with PLN 52,302 thousand received in 2015. The difference between recognized revenues and actually received inflows resulted from withholding tax charged by our subsidiaries as well as foreign exchange differences.

|                                 | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|---------------------------------|---|---|
| Revenues from sales of services | 8,325                                   | 8,271                                   |

### 2. Operating activities – Revenues from sales of IT services and software

|   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|---|---|---|
| Revenues from sales of software and IT services | 7,479                                   | 7,565                                   |

Both in the year ended 31 December 2016 and in the comparable period, operating activities included revenues from licensing fees as well as from maintenance, implementation and consulting services.

### 3. Breakdown of operating costs

|   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|---|---|---|
| Employee benefits (-)                                 | (3,667)                                 | (5,073)                                 |
| Third-party services and outsourcing of employees (-) | (3,629)                                 | (3,319)                                 |
| Depreciation and amortization (-)                     | (273)                                   | (283)                                   |
| Maintenance costs of property and business cars (-)   | (1,307)                                 | (1,110)                                 |
| Business trips (-)                                    | (517)                                   | (535)                                   |
| Advertising (-)                                       | (146)                                   | (53)                                    |
| Other expenses (-)                                    | (283)                                   | (295)                                   |
|   | <b>(9,822)</b>                          | <b>(10,668)</b>                         |
| <b>Cost of sales, of which:</b>                       | <b>(9,859)</b>                          | <b>(11,025)</b>                         |
| Cost of goods and third-party services sold (-)       | (3,495)                                 | (3,528)                                 |
| Production costs (-)                                  | (6,364)                                 | (7,497)                                 |
| <b>Selling costs (-)</b>                              | <b>(3,390)</b>                          | <b>(3,087)</b>                          |
| <b>General and administrative expenses (-)</b>        | <b>(68)</b>                             | <b>(84)</b>                             |

### 4. Other operating income and expenses

| Other operating income   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Reimbursement of excessive tax paid on civil law transactions                | -                                       | 915                                     |
| Other operating income   | 61                                      | 9                                       |
|  | <b>61</b>                               | <b>924</b>                              |
| Other operating expenses   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
| Expenses related to recovery of excessive tax paid on civil law transactions | -                                       | (320)                                   |
| Other operating expenses   | (3)                                     | (4)                                     |
|  | <b>(3)</b>                              | <b>(324)</b>                            |

### 5. Financial income and expenses

| Financial income   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Positive foreign exchange differences                    | 1,314                                   | 1,024                                   |
| Interest received on cash deposits and loans granted     | 1,304                                   | 539                                     |
| Commissions received on guarantees granted               | 122                                     | 137                                     |
| Gain on valuation of derivative instruments              | 792                                     | 274                                     |
| Interest on excessive tax paid on civil law transactions | -                                       | 502                                     |
| Reversal of an impairment write-down on investments      | 4,800                                   | -                                       |
| Other  | -                                       | 133                                     |
|  | <b>8,332</b>                            | <b>2,609</b>                            |

Financial income for the year 2016 includes the amount of PLN 4,800 thousand due to reversing an impairment write-down on our investment in Croatia. This has been described in detail in explanatory note 11 to these financial statements. Financial income for the year 2015 includes interest on excessive tax paid

on civil law transactions for the years 2008–2010, amounting to PLN 502 thousand.

| Financial expenses                                   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Loss on valuation of derivative instruments (-)      | (1,747)                                 | (584)                                   |
| Interest expense on bank loans and borrowings (-)    | (273)                                   | (22)                                    |
| Commissions paid on bank guarantees (-)              | (19)                                    | (99)                                    |
| Impairment write-down on investments in subsidiaries | (13,265)                                | -                                       |
|  | <b>(15,304)</b>                         | <b>(705)</b>                            |

Financial expenses for the year 2016 include primarily impairment write-downs on our investments in Kosovo (PLN 9,000 thousand) and in Bulgaria (PLN 4,265 thousand). This has been described in detail in explanatory note 11 to these financial statements.

### 6. Corporate income tax

The main charges on pre-tax profit resulting from corporate income tax (current and deferred portions):

|  | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Deferred income tax related to origination and reversal of temporary differences | 38                                      | (619)                                   |
| Income tax on current operations   | (829)                                   | -                                       |
| Income tax on dividends  | (46)                                    | (2,183)                                 |
| <b>Income tax expense as disclosed in the income statement</b>                   | <b>(837)</b>                            | <b>(2,802)</b>                          |

Income tax expense for the year 2016 resulted from income tax on current operations amounting to PLN 829 thousand, as well as withholding tax on dividends from our subsidiaries which amounted to PLN 46 thousand.

The effective tax rate for the period of 12 months ended 31 December 2016 equalled 97.78%. Such a high effective tax rate for 2016 has resulted primarily from changes in impairment write-downs recognized on our investments in subsidiary companies (a total increase by PLN 8,465 thousand) which have significantly decreased the amount of our pre-tax profit, but are not treated as tax-deductible expenses.

The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 849 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 110 thousand), tax-exempt income (reversal of an impairment write-down on investments amounting to PLN 912 thousand), as well as non-tax-deductible expenses (recognition of an impairment write-down on investments amounting to PLN 2,520 thousand).

Income tax expense for the year 2015 resulted basically from withholding tax on dividends from our subsidiaries in the amount of PLN 2,183 thousand, as well as from the reversal of temporary differences in the amount of PLN 619 thousand, including the utilization of deferred tax assets arising from tax-deductible losses.

The effective tax rate for the period of 12 months ended 31 December 2015 equalled 4.82%. The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 1,317 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 2,870 thousand), tax-exempt income (reimbursement of excessive tax paid on civil law transactions, PLN 269 thousand), as well as utilization of tax losses and changes in our estimates of tax-deductible losses included in deferred tax assets (impact on the effective tax rate amounted to PLN 3,818 thousand).

Reconciliation of corporate income tax payable on pre-tax profit according to the statutory tax rates with corporate income tax computed at the Company's effective tax rate:

|  | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| <b>Pre-tax profit</b>  | <b>856</b>                              | <b>58,100</b>                           |
| Statutory corporate income tax rate  | 19%                                     | 19%                                     |
| <b>Corporate income tax computed at the statutory tax rate</b>   | <b>(163)</b>                            | <b>(11,039)</b>                         |
| <b>Non-tax-deductible expenses, of which:</b>  | <b>(2,545)</b>                          | <b>(42)</b>                             |
| <i>Impairment write-down on investments in subsidiaries</i>  | (2,520)                                 | -                                       |
| <i>Depreciation and amortization</i>   | (10)                                    | (11)                                    |
| <i>Other</i>   | (15)                                    | (31)                                    |
| <b>Non-taxable income, of which</b>  | <b>912</b>                              | <b>274</b>                              |
| <i>Reimbursement of excessive tax paid on civil law transactions</i>                                     | -                                       | 174                                     |
| <i>Interest on excessive tax paid on civil law transactions</i>  | -                                       | 95                                      |
| <i>Reversal of an impairment write-down on investments</i>   | 912                                     | -                                       |
| <i>Other</i>   | -                                       | 5                                       |
| <b>Tax exempt income, of which:</b>  | <b>849</b>                              | <b>1,317</b>                            |
| <i>Dividends received</i>  | 849                                     | 1,317                                   |
| <b>Tax deduction, of which:</b>  | <b>110</b>                              | <b>2,870</b>                            |
| <i>Dividend income tax paid by subsidiaries</i>  | 110                                     | 2,870                                   |
| <b>Utilization of tax-deductible losses</b>  | <b>-</b>                                | <b>3,818</b>                            |
| <b>Corporate income tax computed at the effective tax rate<br/>of 97.78 % in 2016 and 4.82 % in 2015</b> | <b>(837)</b>                            | <b>(2,802)</b>                          |

Tax exempt income amounting to PLN 849 thousand in 2016 and PLN 1,317 thousand in 2015 corresponds to dividends received from the European Union countries, which are exempted from taxation under Art. 22 of the Corporate Income Tax Act. Whereas, the deduction of dividend income tax paid by subsidiaries amounting to PLN 110 thousand in 2016 and PLN 2,870 thousand in 2015 is related to our subsidiaries, dividends from which are taxable in Poland, but which had already paid income taxes in their countries (tax deduction pursuant to Art. 20 of the Corporate Income Tax Act).

|   | STATEMENT OF FINANCIAL POSITION |                           | INCOME STATEMENT<br>for the year ended |                           |
|---|---------------------------------|---------------------------|--|---------------------------|
|   | 31 Dec. 2016<br>(audited)       | 31 Dec. 2015<br>(audited) | 31 Dec. 2016<br>(audited)              | 31 Dec. 2015<br>(audited) |
| <b>Deferred tax liabilities</b>   |                                 |                           |  |                           |
| Interest accrued on cash equivalents  | (2)                             | (16)                      | 14                                     | (11)                      |
| Other differences   | (35)                            | (13)                      | (22)                                   | (13)                      |
| <b>Deferred tax liabilities, gross</b>  | <b>(37)</b>                     | <b>(29)</b>               |  |                           |
| <b>Deferred tax assets</b>  |                                 |                           |  |                           |
| Losses deductible against future taxable income                                 | -                               | -                         | -                                      | (693)                     |
| Accrual for salaries  | 145                             | 177                       | (32)                                   | 97                        |
| Accrual for unused holiday leaves   | 36                              | 37                        | (1)                                    | 8                         |
| Valuation of financial assets and liabilities at fair value                     | 207                             | 81                        | 126                                    | 71                        |
| Provision for other operating costs   | 65                              | 112                       | (47)                                   | (78)                      |
| <b>Deferred tax assets, gross</b>   | <b>453</b>                      | <b>407</b>                |  |                           |
| Write-down due to inability to realize a deferred tax asset                     | -                               | -                         |  |                           |
| <b>Deferred tax assets, net</b>   | <b>453</b>                      | <b>407</b>                |  |                           |
| Assets (+) / Liabilities (-), net   | 416                             | 378                       |  |                           |
| <b>Change in deferred income tax in the reporting period, of which:</b>         |                                 |                           | <b>38</b>                              | <b>(619)</b>              |
| change in deferred income tax recognized directly in other comprehensive income |                                 |                           | -                                      | -                         |
| change in deferred income tax recognized in profit or loss                      |                                 |                           | 38                                     | (619)                     |

## 7. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding during that financial year.

Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share.

The table below presents net profits and numbers of shares used for the calculation of basic and diluted earnings per share:

|  | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| <b>Net profit for the reporting period</b>   | <b>19</b>                               | <b>55,298</b>                           |
| Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share | 51,864,251                              | 51,894,251                              |
| <b>Earnings per share for the reporting period (in PLN):</b>   |   |   |
| Basic earnings per share   | -                                       | 1.07                                    |
| Diluted earnings per share   | -                                       | 1.07                                    |

## 8. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of ASEE S.A. seated in Rzeszów, by its resolution passed on 31 March 2016, decided that the net profit for the financial year 2015 amounting to PLN 55,298,295.23, as well as retained earnings for the financial year 2013 amounting to PLN 2,825,183.42 and retained earnings for the financial year 2014 amounting to PLN 17,260,325.40 shall be distributed as follows:

- a) the amount of PLN 4,423,863.62 from the net profit for the financial year 2015 was allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;
- b) the amount of PLN 21,795,585.42 was distributed among all the Company's shareholders through payment of a dividend amounting to PLN 0.42 per share;
- c) the remaining portion of the net profit for 2015 amounting to PLN 49,164,355.01 was allocated to the capital reserve created by the Company in order to pay out dividends in future years and provide financing for the Company's investments.

The Company's Ordinary General Meeting of Shareholders established 30 June 2016 as the dividend record date. The dividend amounting in total to PLN 21,796 thousand was paid out on 15 July 2016. The number of shares eligible for dividend was 51,894,251.

## 9. Property, plant and equipment

| for the year ended 31 December 2016<br>(audited)                 | Computers<br>and other<br>office<br>equipment | Transportation<br>vehicles | Other<br>tangible<br>assets | Total      |
|--|---|----------------------------|-----------------------------|------------|
| <b>As at 1 January 2016, less accumulated depreciation</b>       |   |                            |                             |            |
| Additions, of which:   |   |                            |                             |            |
| Purchases  | 26  | 260                        | 2                           | 288        |
| Reductions, of which:  |   |                            |                             |            |
| Depreciation charges for the reporting period (-)                | (32)  | (133)                      | (2)                         | (167)      |
| Liquidation and disposal – gross value (-)                       | (5)   | (55)                       | -                           | (60)       |
| Liquidation and disposal – depreciation                          | 5   | 55                         | -                           | 60         |
| <b>As at 31 December 2016,<br/>less accumulated depreciation</b> | <b>26</b>                                     | <b>481</b>                 | <b>-</b>                    | <b>507</b> |
| As at 1 January 2016   |   |                            |                             |            |
| Gross value  | 389   | 829                        | 167                         | 1,385      |
| Accumulated depreciation (-)                                     | (357)   | (475)                      | (167)                       | (999)      |
| <b>Net book value as at 1 January 2016</b>                       | <b>32</b>                                     | <b>354</b>                 | <b>-</b>                    | <b>386</b> |
| As at 31 December 2016   |   |                            |                             |            |
| Gross value  | 410   | 1,034                      | 169                         | 1,613      |
| Accumulated depreciation (-)                                     | (384)   | (553)                      | (169)                       | (1,106)    |
| <b>Net book value as at 31 December 2016</b>                     | <b>26</b>                                     | <b>481</b>                 | <b>-</b>                    | <b>507</b> |

Both as at 31 December 2016 and 31 December 2015, property, plant and equipment did not serve as security for any bank loans.

| for the year ended 31 December 2015<br>(audited)                 | Computers<br>and other<br>office<br>equipment | Transportation<br>vehicles | Other<br>tangible<br>assets | Total      |
|--|---|----------------------------|-----------------------------|------------|
| <b>As at 1 January 2015, less accumulated depreciation</b>       |   |                            |                             |            |
| Additions, of which:   |   |                            |                             |            |
| Purchases  | 24  | 44                         | -                           | 68         |
| Reductions, of which:  |   |                            |                             |            |
| Depreciation charges for the reporting period (-)                | (44)  | (152)                      | -                           | (196)      |
| Liquidation and disposal – gross value (-)                       | (17)  | -                          | -                           | (17)       |
| Liquidation and disposal – depreciation                          | 17  | -                          | -                           | 17         |
| <b>As at 31 December 2015,<br/>less accumulated depreciation</b> | <b>32</b>                                     | <b>354</b>                 | <b>-</b>                    | <b>386</b> |
| As at 1 January 2015   |   |                            |                             |            |
| Gross value  | 382   | 785                        | 167                         | 1,334      |
| Accumulated depreciation (-)                                     | (330)   | (323)                      | (167)                       | (820)      |
| <b>Net book value as at 1 January 2015</b>                       | <b>52</b>                                     | <b>462</b>                 | <b>-</b>                    | <b>514</b> |
| As at 31 December 2015   |   |                            |                             |            |
| Gross value  | 389   | 829                        | 167                         | 1,385      |
| Accumulated depreciation (-)                                     | (357)   | (475)                      | (167)                       | (999)      |
| <b>Net book value as at 31 December 2015</b>                     | <b>32</b>                                     | <b>354</b>                 | <b>-</b>                    | <b>386</b> |

## 10. Intangible assets

| for the year ended 31 December 2016<br>(audited)             | CRM and PMS<br>software | Goodwill     | Other<br>intangible<br>assets | Total        |
|--|-------------------------|--------------|-------------------------------|--------------|
| <b>As at 1 January 2016, less accumulated amortization</b>   |                         |              |                               |              |
| Additions, of which:   |                         |              |                               |              |
| Purchases  | 532                     | -            | 13                            | 545          |
| Reductions, of which:  |                         |              |                               |              |
| Amortization charges for the reporting period (-)            | (94)                    | -            | (12)                          | (106)        |
| <b>As at 31 December 2016, less accumulated amortization</b> | <b>915</b>              | <b>4,567</b> | <b>10</b>                     | <b>5,492</b> |
| As at 1 January 2016   |                         |              |                               |              |
| Gross value  | 761                     | 4,567        | 153                           | 5,481        |
| Accumulated amortization (-)                                 | (284)                   | -            | (144)                         | (428)        |
| <b>Net book value as at 1 January 2016</b>                   | <b>477</b>              | <b>4,567</b> | <b>9</b>                      | <b>5,053</b> |
| As at 31 December 2016                                       |                         |              |                               |              |
| Gross value  | 1,293                   | 4,567        | 166                           | 6,026        |
| Accumulated amortization (-)                                 | (378)                   | -            | (156)                         | (534)        |
| <b>Net book value as at 31 December 2016</b>                 | <b>915</b>              | <b>4,567</b> | <b>10</b>                     | <b>5,492</b> |

5\*CRM – 'Customer Relationship Management' software; PMS – 'Performance Management System' software.

Both as at 31 December 2016 and 31 December 2015, intangible assets did not serve as security for any bank loans.

| for the year ended 31 December 2015<br>(restated)            | CRM software | Goodwill     | Other<br>intangible<br>assets | Total        |
|--|--------------|--------------|-------------------------------|--------------|
| <b>As at 1 January 2015, less accumulated amortization</b>   |              |              |                               |              |
| Additions, of which:   |              |              |                               |              |
| Purchases  | 408          | -            | 4                             | 412          |
| Reductions, of which:  |              |              |                               |              |
| Amortization charges for the reporting period (-)            | (71)         | -            | (16)                          | (87)         |
| <b>As at 31 December 2015, less accumulated amortization</b> | <b>477</b>   | <b>4,567</b> | <b>9</b>                      | <b>5,053</b> |
| As at 1 January 2015   |              |              |                               |              |
| Gross value  | 353          | 4,567        | 149                           | 5,069        |
| Accumulated amortization (-)                                 | (213)        | -            | (128)                         | (341)        |
| <b>Net book value as at 1 January 2015</b>                   | <b>140</b>   | <b>4,567</b> | <b>21</b>                     | <b>4,728</b> |
| As at 31 December 2015                                       |              |              |                               |              |
| Gross value  | 761          | 4,567        | 153                           | 5,481        |
| Accumulated amortization (-)                                 | (284)        | -            | (144)                         | (428)        |
| <b>Net book value as at 31 December 2015</b>                 | <b>477</b>   | <b>4,567</b> | <b>9</b>                      | <b>5,053</b> |

## 11. Investments in subsidiaries

| Full name of company                    | Short name      | 31 Dec.<br>2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|---|-----------------|------------------------------|---------------------------|
| Asseco SEE d.o.o.,<br>(Sarajevo)        | ASEE B&H        | 25,830                       | 25,830                    |
| Asseco SEE o.o.d.,<br>Sofia             | ASEE Bulgaria   | -                            | 4,265                     |
| Asseco SEE d.o.o.<br>(Zagreb)           | ASEE Croatia    | 122,967                      | 118,167                   |
| Asseco SEE Sh.p.k.<br>(Pristina)        | ASEE Kosovo     | 30,241                       | 39,241                    |
| Asseco SEE DOEL,<br>(Skopje)            | ASEE Macedonia  | 98,480                       | 98,480                    |
| Asseco SEE s.r.l.,<br>(Bucharest)       | ASEE Romania    | 147,485                      | 147,485                   |
| Asseco SEE d.o.o.,<br>(Beograd)         | ASEE Serbia     | 80,297                       | 80,297                    |
| Asseco SEE d.o.o.,<br>(Ljubljana)       | ASEE Slovenia   | 2,332                        | 2,332                     |
| Asseco SEE Teknoloji<br>A.S. (Istanbul) | ASEE Turkey     | 71,460                       | 71,460                    |
| Asseco SEE d.o.o.,<br>(Podgorica)       | ASEE Montenegro | 1,009                        | 1,009                     |
|   |                 | <b>580,101</b>               | <b>588,566</b>            |

### ASEE BOSNIA AND HERZEGOVINA

The company of ASEE Bosnia and Herzegovina resulted from the merger of Cardinfo BDS d.o.o. (ASEE B&H Sarajevo) and ASEE B&H (Banja Luka).

#### *History of acquisitions in Bosnia and Herzegovina*

The agreement for the acquisition of a 50% stake in Cardinfo BDS d.o.o. worth PLN 4,631 thousand was signed by ASEE S.A. on 13 September 2010. The remaining 50% of shares in Cardinfo BDS d.o.o. worth PLN 9,693 thousand as well as shares in ASEE B&H (Banja Luka) worth PLN 11,506 thousand were transferred within the Group's structure, from ASEE Serbia directly to ASEE S.A. Such transfer was carried out as part of the Group's reorganization process which was finalized by the merger of ASEE S.A. with its subsidiary ITD Poland Sp. z o.o. on 1 June 2012.

On 19 July 2012, there was registered a merger between our two subsidiaries seated in Bosnia and Herzegovina. As a result of that merger, the value of our investment in ASEE B&H (Banja Luka) amounting to PLN 11,506 thousand was added to our investment in ASEE B&H (Sarajevo). Following the merger, the total value of our investments in Bosnia and Herzegovina equals PLN 25,830 thousand.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE B&H remained unchanged.

### ASEE BULGARIA

ASEE Bulgaria was created by the merger of ASEE Bulgaria (former Pexim Solutions o.o.d) and Altius, Bulgaria.

#### *History of acquisitions in Bulgaria*

On 23 September 2010, ASEE S.A. acquired a 49% stake in ASEE Bulgaria. The remaining 51% of shares were purchased by ASEE S.A. from its subsidiary ASEE Macedonia on 1 December 2011. Following both the transactions, ASEE S.A. has become a direct owner of 100% of shares in its Bulgarian subsidiary. The total cost of investment recognized amounted to PLN 2,499 thousand.

On 19 October 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of 100% of shares in Altius Bulgaria EOOD. Our investment in this company amounted to PLN 1,766 thousand.

The merger of both the above-mentioned companies was registered on 10 February 2012. Following this business combination, the total value of our investment in ASEE Bulgaria reached PLN 4,265 thousand.

As at 31 December 2016, we recognized an impairment write-down on our investment in ASEE Bulgaria in the amount of PLN 4,265 thousand, due to lower than expected financial performance of that company and on the basis of conducted impairment tests which are described below.

The carrying value of our investment in Bulgaria equals PLN 0, net of impairment write-downs.

### ASEE CROATIA

ASEE Croatia was created by merging our four subsidiaries based in Croatia: Arbor Informatika d.o.o., Logos d.o.o., Biro Data Servis d.o.o. and EŽR.

#### *History of acquisitions in Croatia*

On 20 December 2007, ASEE S.A. concluded an agreement for the acquisition of a 60% stake in Logos d.o.o. and a 70% stake in Arbor Informatika d.o.o. The control over Arbor Informatika d.o.o. was obtained on 22 January 2008; whereas, Logos d.o.o. has been controlled as of 8 April 2008.

The remaining non-controlling interests in these companies, i.e. 40% of shares in Logos d.o.o. and 30% of shares in Arbor Informatika d.o.o., were acquired by ASEE S.A. in 2009, in each case by conversion of those shares into shares of ASEE S.A. Following such swap transactions, ASEE S.A. has become the owner of 100% of shares in both the companies.

On 4 January 2010, the subsidiary Logos d.o.o. was renamed as Asseco SEE d.o.o. (ASEE Croatia). Concurrently, the merger of ASEE Croatia (as the taking-over company) with Arbor Informatika d.o.o. (as the acquired company) was registered.

Afterwards, ASEE S.A. acquired a 100% stake in Biro Data Servis d.o.o. (BDS) under an agreement signed on 13 September 2010. The merger of ASEE Croatia with BDS was registered on 3 January 2011.

In the period of 12 months ended 31 December 2013, we recognized an impairment write-down, decreasing the value of our investment in ASEE Croatia by PLN 4,800 thousand. Such write-down was recognized due to lower than expected financial performance of that company.

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia. The consideration for the shares has been divided into two portions. The first instalment amounting to EUR 2,500 thousand (of which EUR 2,362 thousand due to the seller and EUR 138 thousand for the share capital increase) was paid on the date of signing the share acquisition agreement. The second instalment depended on the acquired company's financial results and finally amounted to EUR 402 thousand (PLN 1,686 thousand). The total value of investment recognized on this transaction amounted to PLN 12,287 thousand.

On 2 January 2014, a merger of ASEE Croatia (the taking-over company) and EŽR Croatia (the acquired company) was registered. Following the conducted mergers, the total value of our investments in Croatia reached PLN 118,167 thousand, net of impairment write-downs.

As at 31 December 2016, since the company has improved its financial performance and is expected to maintain this trend, we reversed the impairment write-down amounting to PLN 4,800 thousand that was recognized on our investment in Croatia in prior years.

Hence, as at 31 December 2016 the value of our investment in ASEE Croatia equalled PLN 122,967 thousand.

### ASEE MONTENEGRO

On 18 June 2014, ASEE S.A. acquired 1% of shares in ASEE Montenegro from ASEE Serbia, and the remaining 99% of shares on 19 August 2014. The total value of these transactions was EUR 250 thousand. After the currency conversion, the value of investment recognized by ASEE S.A. amounted to PLN 1,009 thousand. The transaction was conducted at market value. Following this transaction, within the Group's organizational structure, ASEE Montenegro has become a direct subsidiary of ASEE S.A. and not of ASEE Serbia.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE Montenegro remained unchanged.

### ASEE KOSOVO

#### *History of acquisitions in Kosovo*

The agreement for the acquisition of 100% of shares in Pronet Sh.p.k was signed on 5 November 2009. Asseco South Eastern Europe S.A. gained control over that company as of 1 July 2009. On 25 January 2010, the subsidiary Pronet Sh.p.k. was renamed as Asseco SEE Sh.p.k. (ASEE Kosovo).

In 2010, taking into account the audited consolidated financial statements of ASEE Kosovo for the year 2009, we finally completed the purchase price allocation process, which resulted in reducing the value of this investment by PLN 388 thousand. Whereas, in the first half of 2011, we recognized an impairment write-down on our Kosovo investment, decreasing its value by PLN 6,033 thousand, because the achieved financial results were weaker than expected. In the period of 12 months ended 31 December 2013, the above-mentioned write-down was reversed entirely as the company's earnings improved. In the period of 12 months ended 31 December 2014, due to the expectation of weaker financial performance of ASEE Kosovo, we have again decided to write down the value of this investment by PLN 5,120 thousand. In 2016, we recognized additional impairment write-downs on our investment in ASEE Kosovo in the amount of PLN 4,000 thousand as at 30 June 2016 and in the amount of PLN 5,000 thousand as at 31 December 2016, due to lower than expected financial performance of that company and on the basis of conducted impairment tests.

The carrying value of our investment in Kosovo equals PLN 30,241 thousand, net of impairment write-downs.

### ASEE MACEDONIA

#### *History of acquisitions in Macedonia*

ASEE Macedonia joined ASEE Group in 2007, being a subsidiary of the acquired Serbian company. As a result of a division of ASEE Serbia and establishing of IPSA BHM Investments, as well as due to further reorganization of ASEE Group finalized by the merger with ITD Poland, the investment in ASEE Macedonia was transferred directly to ASEE S.A. and evaluated at PLN 98,480 thousand.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE Macedonia remained unchanged.

## **ASEE ROMANIA**

ASEE Romania was created by merging our three Romanian subsidiaries: Fiba Software s.r.l., Net Consulting s.r.l., and Probass S.A.

### *History of acquisitions in Romania*

On 26 April 2007, Asseco Romania S.A. (a subsidiary of Asseco Poland S.A.) acquired 70% stakes in the companies of Fiba Software s.r.l. and Net Consulting s.r.l. As a result of the acquisition of shares in Asseco Romania S.A. by Asseco South Eastern Europe S.A. in January 2008 and subsequent merger of those companies executed on 8 May 2008, ASEE S.A. obtained control both over Fiba Software s.r.l. and Net Consulting s.r.l.

The remaining 30% non-controlling interests in each of these companies were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following such swap transactions, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in both the Romanian companies.

On 29 December 2009, Net Consulting s.r.l. was renamed as Asseco SEE s.r.l. (ASEE Romania) and, subsequently, ASEE Romania acted as the taking-over company in the merger of our Romanian subsidiaries that was carried out on 31 December 2010.

On 11 December 2009, Asseco South Eastern Europe S.A. signed an agreement for the acquisition of 100% of shares in Probass S.A. On 1 June 2010, there was registered a merger of ASEE Romania (the taking-over company) with Probass S.A. (the acquired company).

After the mergers, the total value of our investments in Romania reached PLN 147,485 thousand.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE Romania remained unchanged.

## **ASEE SERBIA**

ASEE Serbia was created by merging our three subsidiaries based in Serbia: Pexim d.o.o., Beograd, Antegra d.o.o., Beograd, and Pexim Cardinfo d.o.o., Beograd.

### *History of acquisitions in Serbia*

Asseco South Eastern Europe S.A. acquired: 60% of shares in Pexim d.o.o. on 18 December 2007, 60% of shares in Pexim Cardinfo d.o.o. on 6 May 2008, as well as 70% of shares in Antegra d.o.o. on 21 May 2008.

The remaining non-controlling interests were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following that

transaction, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in that company.

On 23 November 2009, our subsidiary Pexim d.o.o. was renamed as Asseco SEE d.o.o., Beograd (ASEE Serbia). On 4 January 2010, there was registered a merger of ASEE Serbia (the taking-over company) with Pexim Cardinfo d.o.o. (the acquired company) and Antegra d.o.o. (the acquired company).

### *Division of ASEE Serbia and establishing of IPSA BHM Investments d.o.o.*

On 22 November 2010, IPSA BHM Investments d.o.o., Beograd (IPSA) was established as a result of the separation of a portion of assets of ASEE Serbia, which at the date of such separation was a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

The separated assets of ASEE Serbia that were transferred to the newly established IPSA comprised shareholdings in the following companies:

- 100% of shares in ASEE B&H (former Pexim Solutions d.o.o.) seated in Banja Luka, Bosnia and Herzegovina;
- 100% of shares in IBIS a.d. seated in Banja Luka, Bosnia and Herzegovina;
- 50% of shares in ASEE B&H (former Cardinfo BDS d.o.o.) seated in Sarajevo, Bosnia and Herzegovina;
- 100% of shares in ASEE Macedonia.

The market value of the separated assets was estimated to equal PLN 124,380 thousand. Following such separation of assets, in 2011 the value of our investment in ASEE Serbia was reduced by the amount corresponding to the estimated market value of assets transferred to IPSA (this is from PLN 204,677 thousand to its current value of PLN 80,297 thousand).

The company of IPSA was liquidated on 31 October 2011. Whereas, all of its shareholdings in the above-mentioned companies were transferred to ITD Poland.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE Serbia remained unchanged.

## **ASEE SLOVENIA**

### *History of acquisitions in Slovenia*

On 13 July 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of a 50% stake in ASEE Slovenia (former SIMT Cardinfo d.o.o.). The agreement became effective upon the fulfilment of a condition precedent, i.e. approval of the above-mentioned transaction by the competent

court of Slovenia. The court's consent became final and binding on 10 October 2011. Our investment in this company amounted to PLN 1,327 thousand.

On 18 April 2012, ASEE S.A. was registered as the holder of 100% of shares in ASEE Slovenia, following a buyout of the remaining 50% stake from its previous owner ASEE Serbia. Following this transaction, the value of our investment in ASEE Slovenia increased by PLN 1,005 thousand to its current level of PLN 2,332 thousand.

During the period of 12 months ended 31 December 2016, the value of our investment in ASEE Slovenia remained unchanged.

#### ASEE TURKEY

ASEE Turkey resulted from the merger of ITD A.Ş., EST A.Ş. and Sigma A.Ş.

##### *History of acquisitions in Turkey*

The companies ITD A.Ş. and EST A.Ş. were acquired by ASEE S.A. on 30 July 2010.

The value of investment in 99.662% of shares in ITD A.Ş. amounted to PLN 33,965 thousand. 29.0429% of shares in ITD A.Ş. were acquired in exchange for 837,472 newly issued, series S shares of Asseco South Eastern Europe S.A., with the issuance value of PLN 8,827 thousand, which was recognized as the investment's purchase cost. The value of investment in 99.997% of shares in EST A.Ş. amounted to PLN 28,267 thousand. Additionally, in March 2011, ASEE S.A. purchased 165 shares from a shareholder in ITD A.Ş., increasing the value of this investment by PLN 108 thousand.

In March 2011, Asseco South Eastern Europe S.A. sold a 23.1% stake in EST A.Ş. to ITD A.Ş.; hence the value of our investment in this company decreased by PLN 6,530 thousand.

The merger of both the Turkish subsidiaries was registered on 6 June 2011. As at the merger date, the value of our investment in ASEE Turkey amounted to PLN 55,810 thousand.

On 14 September 2012, ASEE S.A. acquired an 86.68% stake in the company Sigma Danışmanlık ve Uygulama Merkezi A.Ş. seated in Istanbul. The value of investment recognized on this transaction amounted to PLN 25,333 thousand. (Additional 12% of shares were purchased by our subsidiary ASEE Turkey.)

On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey. Following this transaction, the value of our investment in Sigma decreased by PLN 9,683 thousand to the level of PLN 15,650 thousand.

On 11 September 2013, there was registered a merger between our Turkish subsidiaries: ASEE Turkey (the taking-over company) and Sigma Turkey

(the acquired company). Concurrently to the merger, ASEE Turkey carried out a squeeze-out procedure and purchased a 1.32% non-controlling interest in Sigma. Following this procedure, ASEE S.A. has become the owner of all shares in both the merged companies.

The value of our investment in ASEE Turkey equalled PLN 71,460 thousand, remaining unchanged over the year 2016.

#### Impairment testing of investments

At the end of every reporting period, ASEE S.A. carries out a valuation of its assets concerning possible impairment.

Because the market capitalization of ASEE S.A. was lower than the book value of the Company's net assets, we estimated the recoverable amount of all of our investments in subsidiaries as at 31 December 2016.

The recoverable amount of investments in subsidiaries as at 31 December 2016 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no growth of the achieved margins after the forecast period.

The discount rate applied to determine the present value of expected future cash flows was equivalent to the estimated weighted average cost of capital for each individual company. Particular components of the discount rate were determined taking into account the market values of risk-free interest rates, the beta coefficient that was leveraged to reflect the market debt-equity structure, as well as the expected market yield.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2016:

| 31 Dec. 2016    | Discount rate        | Sales revenue growth rate |
|-----------------|----------------------|---------------------------|
|                 | applied in the model | applied in the model      |
| ASEE B&H        | 10.68%               | 1.33%                     |
| ASEE Bulgaria   | 8.66%                | -21.38%                   |
| ASEE Croatia    | 9.35%                | 8.13%                     |
| ASEE Montenegro | 11.35%               | -7.71%                    |
| ASEE Kosovo     | 9.32%                | 9.27%                     |
| ASEE Macedonia  | 11.68%               | 8.93%                     |
| ASEE Romania    | 7.83%                | 8.96%                     |
| ASEE Serbia     | 9.04%                | 5.07%                     |
| ASEE Slovenia   | 7.45%                | -1.13%                    |
| ASEE Turkey     | 7.85%                | 10.83%                    |

In the case of ASEE Kosovo and ASEE Bulgaria, taking into account the recognized write-downs and

our current assumptions, the carrying values of these investments are equal to their recoverable amounts. Any increase in the applied discount rate or decrease in the assumed revenue growth rate might result in further write-downs on our investments in ASEE Kosovo and ASEE Bulgaria. According to our estimates, the Company does not currently plan to reverse or increase the recognized impairment charge.

In the case of ASEE Croatia, we have reversed an impairment write-down of PLN 4,800 thousand that was recognized in the prior years. The investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was increased by 1.2 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.9 pp with other assumptions remaining constant. As at 31 December 2016, following the above-mentioned reversal of the write-down, the excess of the recoverable amount of our investment in ASEE Croatia over its carrying value equalled PLN 16.85 million.

In the case of ASEE Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 1.3 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.94 pp with other assumptions remaining constant. As at 31 December 2016, the excess of the recoverable amount of our investment in ASEE Romania over its carrying value equalled PLN 26 million.

Any reasonable modification of the key assumptions adopted in the valuation model of our investments in other subsidiaries should not indicate a necessity of recognizing any impairment charges.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2015:

| 31 Dec. 2015    | Discount rate        | Sales revenue growth rate |
|-----------------|----------------------|---------------------------|
|                 | applied in the model | applied in the model      |
| ASEE B&H        | 9.3%                 | 1.4%                      |
| ASEE Bulgaria   | 7.4%                 | 8.6%                      |
| ASEE Croatia    | 8.5%                 | 6.7%                      |
| ASEE Montenegro | 9.9%                 | -7.0%                     |
| ASEE Kosovo     | 9.7%                 | 13.7%                     |
| ASEE Macedonia  | 9.8%                 | 10.0%                     |
| ASEE Romania    | 7.5%                 | 8.6%                      |
| ASEE Serbia     | 9.0%                 | 5.4%                      |
| ASEE Slovenia   | 6.3%                 | 6.5%                      |
| ASEE Turkey     | 7.6%                 | 17.2%                     |

In the case of ASEE Croatia, the investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was increased by 1.9 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.5 pp with other assumptions remaining constant. As at 31 December 2015, the excess of the recoverable amount of our investment in ASEE Croatia over its carrying value equalled PLN 27 million.

In the case of ASEE Kosovo, the investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was increased by 0.4 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.3 pp with other assumptions remaining constant. As at 31 December 2015, the excess of the recoverable amount of our investment in ASEE Kosovo over its carrying value equalled PLN 1.6 million.

In the case of ASEE Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 1.07 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.95 pp with other assumptions remaining constant. As at 31 December 2015, the excess of the recoverable amount of our investment in ASEE Romania over its carrying value equalled PLN 22 million.

The sales revenue growth rate specified in the tables above was calculated as the compound annual growth rate (CAGR), this is an average annual growth rate over the analyzed period, assuming that each year-on-year increase is added to the next period's base.

## 12. Short-term and long-term receivables

| Trade receivables                     | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|---------------------------------------|---------------------------|---------------------------|
| Invoiced deliveries, of which from:   |                           |                           |
| - related parties                     | 1,569                     | 2,357                     |
| - other entities                      | 1,136<br>433              | 1,197<br>1,160            |
| Uninvoiced deliveries, of which from: |                           |                           |
| - related parties                     | -                         | 346                       |
| - other entities                      | -                         | 346                       |
|                                       | <b>1,569</b>              | <b>2,703</b>              |

The amount of PLN 1,136 thousand of receivables from related parties resulted from sales of consulting, business and technical support services to subsidiaries of ASEE Group.

As at 31 December 2016, receivables outstanding under transactions conducted with Asseco Poland S.A. amounted to PLN 1 thousand. As at 31 December 2015, no receivables were outstanding

under transactions conducted with Asseco Poland S.A.

Presented below is the ageing analysis of trade receivables for invoiced deliveries as at 31 December 2016 and 31 December 2015:

| Ageing analysis                     | 31 Dec.<br>2016<br>(audited)          | 31 Dec. 2015<br>(audited)         |
|-------------------------------------|---------------------------------------|-----------------------------------|
| Receivables not yet due             | 1,371                                 | 1,715                             |
| Past-due receivables, of which:     |                                       |                                   |
| - less than 30 days                 | 198                                   | 642                               |
| - from 30 to 90 days                | 5                                     | 488                               |
| - from 90 to 180 days               | 33                                    | 52                                |
| - more than 180 days                | -                                     | 19                                |
|                                     | 160                                   | 83                                |
|                                     | <b>1,569</b>                          | <b>2,357</b>                      |
| <b>Other receivables</b>            | <b>31 Dec.<br/>2016<br/>(audited)</b> | <b>31 Dec. 2015<br/>(audited)</b> |
| Receivables from disposal of shares | 7,481                                 | 8,621                             |
| Other receivables                   | 214                                   | 125                               |
|                                     | <b>7,695</b>                          | <b>8,746</b>                      |
| - short-term                        | 1,719                                 | 1,529                             |
| - long-term                         | 5,976                                 | 7,217                             |

#### 14. Financial assets

| Financial assets                            | 1 January<br>2016 | Granted       | Repaid         | Interest<br>accrued | Interest<br>repaid | Foreign<br>exchange<br>differences | 31 Dec. 2016  |
|---|-------------------|---------------|----------------|---------------------|--------------------|------------------------------------|---------------|
| <b>Loans, of which<br/>receivable from:</b> | <b>27,038</b>     | <b>15,784</b> | <b>(6,751)</b> | <b>1,042</b>        | <b>(943)</b>       | <b>1,218</b>                       | <b>37,388</b> |
| ASEE Croatia                                | 5,204             | 2,461         | (1,333)        | 219                 | (221)              | 240                                | 6,570         |
| ASEE B&H                                    | 3,071             | -             | (466)          | 130                 | (138)              | 107                                | 2,704         |
| ASEE Turkey                                 | 3,125             | -             | (1,604)        | 56                  | (57)               | 155                                | 1,675         |
| ASEE Slovenia                               | 3,843             | -             | (781)          | 88                  | (89)               | 131                                | 3,192         |
| ASEE Serbia                                 | 6,392             | 13,235        | -              | 389                 | (266)              | 378                                | 20,128        |
| ASEE Montenegro                             | 4,630             | -             | (2,301)        | 137                 | (148)              | 177                                | 2,495         |
| ASEE Bulgaria                               | 773               | -             | (266)          | 22                  | (24)               | 30                                 | 535           |
| Other                                       | -                 | 88            | -              | 1                   | -                  | -                                  | 89            |
| Long-term                                   | 17,572            |               |                |                     |                    |                                    | 14,478        |
| Short-term                                  | 9,466             |               |                |                     |                    |                                    | 22,910        |

The book values of financial assets held by the Group as at 31 December 2016 and 31 December 2015 did not differ from their fair values

#### 15. Share capital

| Share capital              | Par value |           | 31 Dec. 2016<br>(audited) |                 | 31 Dec. 2015<br>(audited) |                 |
|----------------------------|-----------|-----------|---------------------------|-----------------|---------------------------|-----------------|
| Shares                     | Series    | per share | Number of shares          | Value of shares | Number of shares          | Value of shares |
| Ordinary registered shares | A*        | 0.1       | 5,000,000                 | 500             | 5,000,000                 | 500             |
| Ordinary registered shares | B*        | 0.1       | 5,000,000                 | 500             | 5,000,000                 | 500             |
| Ordinary registered shares | C*        | 0.1       | 2,567,000,900             | 256,700         | 2,567,000,900             | 256,700         |
| Ordinary registered shares | D         | 10        | 25,770,009                | 257,700         | 25,770,009                | 257,700         |
| Ordinary registered shares | E         | 10        | 956,447                   | 9,565           | 956,447                   | 9,565           |
| Ordinary registered shares | F         | 10        | 1,475,509                 | 14,755          | 1,475,509                 | 14,755          |
| Ordinary registered shares | G         | 10        | 2,708,378                 | 27,084          | 2,708,378                 | 27,084          |
| Ordinary registered shares | H         | 10        | 1,062,030                 | 10,620          | 1,062,030                 | 10,620          |
| Ordinary registered shares | I         | 10        | 1,770,609                 | 17,706          | 1,770,609                 | 17,706          |
| Ordinary registered shares | J         | 10        | 1,714,209                 | 17,142          | 1,714,209                 | 17,142          |
| Ordinary registered shares | K         | 10        | 4,590,470                 | 45,905          | 4,590,470                 | 45,905          |
| Ordinary registered shares | L         | 10        | 2,100,000                 | 21,000          | 2,100,000                 | 21,000          |
| Ordinary registered shares | M         | 10        | 4,810,880                 | 48,109          | 4,810,880                 | 48,109          |
| Ordinary registered shares | N         | 10        | 1,078,909                 | 10,789          | 1,078,909                 | 10,789          |
| Ordinary registered shares | P         | 10        | 1,524,269                 | 15,242          | 1,524,269                 | 15,242          |
| Ordinary registered shares | R         | 10        | 592,941                   | 5,929           | 592,941                   | 5,929           |
| Ordinary registered shares | S         | 10        | 837,472                   | 8,375           | 837,472                   | 8,375           |
| Ordinary registered shares | T         | 10        | 902,119                   | 9,021           | 902,119                   | 9,021           |
|                            |           |           | <b>51,894,251</b>         | <b>518,942</b>  | <b>51,894,251</b>         | <b>518,942</b>  |

\* Following a reverse split of series D shares

As at 31 December 2016, receivables from disposal of shares resulted from the sale of shares in Sigma Turkey and amounted to PLN 7,481 thousand (of which PLN 5,976 thousand is presented in long-term receivables and PLN 1,505 thousand in short-term receivables).

As at 31 December 2015, receivables from disposal of shares resulted from the sale of shares in Sigma Turkey and amounted to PLN 8,621 thousand (of which PLN 7,217 thousand is presented in long-term receivables and PLN 1,404 thousand in short-term receivables).

#### 13. Cash and short-term deposits

|                          | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|--------------------------|---------------------------|---------------------------|
| Cash at bank and in hand | 2,850                     | 2,995                     |
| Short-term bank deposits | 8,358                     | 29,934                    |
|                          | <b>11,208</b>             | <b>32,929</b>             |

The shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the Company's General Meeting of Shareholders were as follows:

#### As at 17 February 2017

| Name of shareholder | Number of shares held and votes at GMS | Equity interest and voting rights at GMS |
|---------------------|--|--|
| Asseco Poland S.A.  | 28,716,032                             | 55.34%                                   |
| Aviva Pension Fund  | 8,609,136                              | 16.59%                                   |
| Other shareholders  | 14,569,083                             | 28.07%                                   |
|                     | <b>51,894,251</b>                      | <b>100.00%</b>                           |

#### As at 31 December 2016

| Name of shareholder | Number of shares held and votes at GMS | Equity interest and voting rights at GMS |
|---------------------|--|--|
| Asseco Poland S.A.  | 28,716,032                             | 55.34%                                   |
| Aviva Pension Fund  | 8,609,136                              | 16.59%                                   |
| Other shareholders  | 14,569,083                             | 28.07%                                   |
|                     | <b>51,894,251</b>                      | <b>100.00%</b>                           |

#### As at 31 December 2015

| Name of shareholder | Number of shares held and votes at GMS | Equity interest and voting rights at GMS |
|---------------------|--|--|
| Asseco Poland S.A.  | 26,494,676                             | 51.06%                                   |
| Aviva Pension Fund  | 6,571,636                              | 12.66%                                   |
| EBRD                | 4,810,880                              | 9.27%                                    |
| Liatris d.o.o.      | 3,364,898                              | 6.48%                                    |
| Other shareholders  | 10,652,161                             | 20.53%                                   |
|                     | <b>51,894,251</b>                      | <b>100.00%</b>                           |

Both as at 31 December 2016 and 31 December 2015, the share capital of ASEE S.A. amounted to PLN 518,942,510 and was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

#### 16. Share premium

Equity includes share premium in the amount of PLN 30,395 thousand arising from the issuances of shares of series L, M and N, which was decreased by the incurred share issuance costs of PLN 3,605 thousand (recognized in 2009), as well as share premium in the amount of PLN 11,759 thousand arising from the issuance of shares of series P, R and S, which was decreased by the incurred share issuance costs of PLN 84 thousand (recognized in 2010). The share premium was additionally increased by the amount of PLN 396 thousand due to the reversal of a provision for issuance related expenses, and decreased by other costs of PLN 36 thousand.

#### 17. Retained earnings

As at 31 December 2016, prior years' retained earnings and current net profit totalled PLN 67,626 thousand and comprised: current year's net profit

amounting to PLN 19 thousand; allocations from the Company's net profits for the years 2009–2015 to the reserve capital in the amount of PLN 17,281 thousand that were made pursuant to resolutions of the General Meeting of Shareholders of Asseco South Eastern Europe S.A.; allocations to the capital reserve in the amount of PLN 49,164 thousand that were made pursuant to the above-mentioned resolutions; the amount of PLN 1,204 thousand arising from the merger with ITD Poland; as well as other components charged against equity in 2009 in the amount of PLN 42 thousand.

#### 18. Trade payables, financial and other liabilities

| Short-term trade payables             | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|---------------------------------------|---------------------------|---------------------------|
| Invoiced deliveries, of which from:   |                           |                           |
| - related parties                     | 613                       | 1,071                     |
| - other entities                      | 218                       | 158                       |
| Uninvoiced deliveries, of which from: |                           |                           |
| - related parties                     | 395                       | 913                       |
| - other entities                      | 218                       | 531                       |
|                                       | -                         | -                         |
|                                       | 218                       | 531                       |
|                                       | <b>831</b>                | <b>1,602</b>              |

As at 31 December 2016, the outstanding balance of trade payables to Asseco Poland S.A. arising from invoiced deliveries amounted to PLN 61 thousand, as compared with PLN 45 thousand as at 31 December 2015. Other related party liabilities as at 31 December 2016 included payables to subsidiaries arising from purchases we made in order to provide IT services in the amount of PLN 27 thousand (as compared with PLN 28 thousand as at 31 December 2015), as well as payables for the performance of Group functions in the amount of PLN 141 thousand (as compared with PLN 85 thousand as at 31 December 2015).

| Financial liabilities                      | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|--|---------------------------|---------------------------|
| Currency forward contracts                 | 1,061                     | 425                       |
|  | <b>1,061</b>              | <b>425</b>                |
| - short-term                               | 240                       | 31                        |
| - long-term                                | 821                       | 394                       |
| Liabilities to the state and local budgets |                           |                           |
| Corporate income tax (CIT)                 | 273                       | -                         |
| Personal income tax (PIT)                  | 48                        | 53                        |
| Social security payable                    | 71                        | 74                        |
| Value added tax                            | -                         | 36                        |
| Other                                      | 6                         | 9                         |
|  | <b>398</b>                | <b>172</b>                |

## 19. Bank loans

| Interest-bearing bank loans and borrowings | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|--|---------------------------|---------------------------|
| Interest-bearing bank loans                | 15,657                    | 15,052                    |
| <b>15,657</b>                              | <b>15,052</b>             |                           |
| - short-term                               | 4,453                     | -                         |
| - long-term                                | 11,204                    | 15,052                    |

Liabilities under interest-bearing bank loans resulted from a bank credit facility provided by ING Bank Śląski for the period of 2 years (till 19 December 2016) and up to the amount of EUR 9 million. This liability shall be repaid in quarterly instalments over the period from 31 December 2016 till 19 December 2020. Interest is payable on the amount of loan actually drawn and shall be based on the 1M EURIBOR rate plus margin. Repayment of the loan to the bank is secured by sureties furnished by our subsidiaries as well as by the assignment of the amounts receivable under loans granted to our subsidiaries. As at 31 December 2016, our liability under this bank loan amounted to PLN 15,657 thousand. As at 31 December 2015, our liability under this bank loan amounted to PLN 15,052 thousand. Funds obtained under this bank loan have been used to grant loans to ASEE Group subsidiaries in order to finance their outsourcing projects.

| Proceeds from bank loans and borrowings obtained | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Proceeds from bank loans and borrowings obtained | 2,480                                   | 18,565                                  |
|  | <b>2,480</b>                            | <b>18,565</b>                           |
| Repayments of bank loans and interest            | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
| Repayments of bank loans                         | (2,463)                                 | (3,663)                                 |
| Interest paid on bank loans                      | (249)                                   | (4)                                     |
| <b>(2,712)</b>                                   | <b>(3,667)</b>                          |   |

## 20. Prepayments, accruals, deferred income and provisions

| Prepayments                                     | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|---|---------------------------|---------------------------|
| Prepaid maintenance services and license fees   | 841                       | 567                       |
| Prepaid insurance                               | 38                        | 19                        |
| Other   | 21                        | 22                        |
| <b>900</b>                                      | <b>608</b>                |                           |
| - short-term                                    | 900                       | 608                       |
| - long-term                                     | -                         | -                         |
| Provisions                                      | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
| Provision for the audit of financial statements | 103                       | 103                       |
| - short-term                                    | 103                       | 103                       |
| - long-term                                     | -                         | -                         |

| Accruals                          | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|-----------------------------------|---------------------------|---------------------------|
| Accrual for unused holiday leaves | 189                       | 194                       |
| Accrual for salaries              | 762                       | 931                       |
|                                   | <b>951</b>                | <b>1,125</b>              |
| - short-term                      | 951                       | 1,125                     |
| - long-term                       | -                         | -                         |

Provisions and accruals disclosed both as at 31 December 2016 and 31 December 2015, comprised the provision for the audit of financial statements, the accrual for salaries along with payroll overheads to be paid out in future periods that resulted from bonus schemes applied by ASEE S.A., as well as the accrual for unused holiday leaves.

| Deferred income              | 31 Dec. 2016<br>(audited) | 31 Dec. 2015<br>(audited) |
|------------------------------|---------------------------|---------------------------|
| Prepaid maintenance services | 783                       | 463                       |
| Other                        | -                         | 253                       |
|                              | <b>783</b>                | <b>716</b>                |
| - short-term                 | 783                       | 716                       |
| - long-term                  | -                         | -                         |

The balance of deferred income relates to prepayments received for ongoing maintenance services as well as for other services to be provided in future periods.

## 21. Information and explanations to the statement of cash flows

The table below presents items comprising changes in working capital as disclosed in the statement of cash flows:

| Changes in working capital                     | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| Change in receivables                          | 1,087                                   | (950)                                   |
| Change in liabilities                          | (820)                                   | (579)                                   |
| Change in prepayments, accruals and provisions | (399)                                   | 1,600                                   |
|  | <b>(132)</b>                            | <b>71</b>                               |

The table below discloses the amounts of dividend income received by ASEE S.A. from its subsidiaries:

| Dividend income received | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--------------------------|---|---|
| ASEE Slovenia            | -                                       | 1,036                                   |
| ASEE Serbia              | -                                       | 19,086                                  |
| ASEE Croatia             | 2,446                                   | 2,491                                   |
| ASEE Romania             | 2,020                                   | 3,404                                   |
| ASEE Kosovo              | -                                       | 3,886                                   |
| ASEE Macedonia           | -                                       | 21,355                                  |
| ASEE B&H                 | 891                                     | 1,044                                   |
|                          | <b>5,357</b>                            | <b>52,302</b>                           |

| Expenditures for the acquisition of shares  | Year ended<br>31 Dec. 2016<br>(audited)          | Year ended<br>31 Dec. 2015<br>(audited)          |
|---|--|--|
| EZR Croatia                                 | -  | (1,686)  |
|   | -  | (1,686)  |
| <b>Proceeds from the disposal of shares</b> | <b>Year ended<br/>31 Dec. 2016<br/>(audited)</b> | <b>Year ended<br/>31 Dec. 2015<br/>(audited)</b> |
| Sigma                                       | 1,653  | 498  |
|   | <b>1,653</b>                                     | <b>498</b>                                       |

The following tables present the reconciliation between changes in working capital recognized in the statement of financial position, and changes that affect operating cash flows as reported in the statement of cash flows:

| Changes in working capital   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| <b>Changes in liabilities as per the statement of financial position</b> | <b>148</b>                              | <b>(2,052)</b>                          |
| Change in liabilities arising from company acquisitions                  | -                                       | 1,850                                   |
| Change in liabilities for purchases of tangible assets                   | (73)                                    | (22)                                    |
| Valuation of forward contracts   | (636)                                   | (374)                                   |
| Corporate income tax payable   | (273)                                   | -                                       |
| Other  | 14                                      | 19                                      |
| <b>Total changes affecting operating cash flows</b>                      | <b>(820)</b>                            | <b>(579)</b>                            |

| Changes in working capital   | Year ended<br>31 Dec. 2016<br>(audited) | Year ended<br>31 Dec. 2015<br>(audited) |
|--|---|---|
| <b>Changes in receivables as per the statement of financial position</b> | <b>2,185</b>                            | <b>(1,364)</b>                          |
| Disposal of shares in Sigma  | (1,653)                                 | (498)                                   |
| Disposal of shares in Sigma – foreign exchange differences               | 512                                     | 912                                     |
| Other  | 43                                      | -                                       |
| <b>Total changes affecting operating cash flows</b>                      | <b>1,087</b>                            | <b>(950)</b>                            |

## 22. Contingent and off-balance-sheet liabilities

The Company granted the following guarantees and sureties:

| Guarantees and sureties                            | 31 Dec.<br>2016 | 31 Dec. 2016    | Date of<br>expiration | 31 Dec.<br>2015 | 31 Dec. 2015    | Date of<br>expiration |
|--|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------------|
|  | PLN'000         | in<br>thousands |                       | PLN'000         | in<br>thousands |                       |
| <b>Bank loans</b>                                  | <b>10,652</b>   |                 |                       | <b>10,152</b>   |                 |                       |
| - ASEE Croatia*                                    | 10,652          | 18,200          | HRK                   | 31.05.2017      | 10,152          | 18,200                |
| <b>Guarantee facilities</b>                        | <b>2,654</b>    |                 |                       | <b>1,278</b>    |                 |                       |
| - ASEE Kosovo                                      | 1,327           | 300             | EUR                   | 11.02.2019      | -               | -                     |
| - ASEE Kosovo                                      | 1,327           | 300             | EUR                   | 20.08.2017      | 1,278           | 300                   |
| <b>Guarantees for due performance of contracts</b> | <b>1,278</b>    |                 |                       | <b>2,430</b>    |                 |                       |
| - ASEE Serbia                                      | 173             | 39              | EUR                   | 31.05.2017      | 1,364           | 320                   |
| - ASEE Slovenia                                    | 442             | 100             | EUR                   | 15.07.2017      | 426             | 100                   |
| - ASEE Slovenia                                    | 265             | 60              | EUR                   | 31.01.2017      | 256             | 60                    |
| - ASEE Slovenia                                    | 398             | 90              | EUR                   | 05.06.2020      | 384             | 90                    |
| <b>Total guarantees and sureties</b>               | <b>14,584</b>   |                 |                       | <b>13,860</b>   |                 |                       |

- As at 31 December 2016, the amount of bank loan secured with the above-mentioned guaranteee is PLN 883 thousand.

All of the granted guarantees constitute off-balance-sheet items. They have been provided on an arm's length basis.

As at 31 December 2016 and 31 December 2015, the Company had no other contingent or off-balance-sheet liabilities.

## 23. Information on related parties

### Related party transactions

The following table discloses the total amounts of transactions concluded with the Company's related parties during the current and prior financial year:

| Related party          | Sales to<br>related parties | Purchases<br>from related<br>parties | Receivables<br>from related<br>parties | Liabilities<br>to related<br>parties |
|------------------------|-----------------------------|--------------------------------------|--|--------------------------------------|
| <b>Parent company:</b> |                             |                                      |  |                                      |
| Asseco Poland S.A.     |                             |                                      |  |                                      |
| 2016                   | 1                           | 343                                  | 48                                     | 61                                   |
| 2015                   | 400                         | 247                                  | 47                                     | 45                                   |
| <b>Subsidiaries:</b>   |                             |                                      |  |                                      |
| 2016                   | 8,447                       | 1,129                                | 1,166                                  | 157                                  |
| 2015                   | 7,795                       | 891                                  | 1,197                                  | 113                                  |

In addition, ASEE S.A. granted loans to its related parties as described in explanatory note 14 of this report. As at 31 December 2016, our receivables

resulting from such loans amounted to PLN 37,299 thousand, as compared with PLN 27,038 thousand as at 31 December 2015.

In addition, other receivables disclosed by ASEE S.A. include receivables from the sale of shares in Sigma Turkey to ASEE Turkey. As at 31 December 2016, such receivables amounted to PLN 7,481 thousand, as compared with PLN 8,621 thousand as at 31 December 2015.

Asseco Poland S.A., being the higher-level parent company, received dividends from ASEE S.A. in the gross amount of PLN 11,128 thousand, as compared with PLN 10,598 thousand in 2015.

**Transactions conducted with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of Asseco South Eastern Europe S.A.**

The values of transactions conducted by ASEE S.A. and companies of Asseco South Eastern Europe Group with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A. during the years ended 31 December 2016 and 31 December 2015, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2016 and 31 December 2015 are presented in the table below:

| Related party  | Sales to related parties | Purchases from related parties | Receivables from related parties | Liabilities to related parties |
|--|--------------------------|--------------------------------|----------------------------------|--------------------------------|
| Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.: |                          |                                |                                  |                                |
| 2016   | 125                      | 5,509                          | 4                                | 29                             |
| 2015   | 30                       | 5,680                          | 3                                | 28                             |

Purchases from and sales to related parties presented in the table above are associated primarily with the rental of space and purchases or sales of hardware and services that were conducted by companies of ASEE Group and ASEE S.A. with parties related through the Key Management Personnel or with the Key Management Personnel themselves.

The above table does not include the remuneration received for performing managerial or supervisory functions in subsidiaries.

<sup>1</sup> Mihail Petreski, serving as Member of the Supervisory Board of ASEE S.A. till 31 December 2016, is a shareholder in Liatris d.o.o. As at 31 December 2016, Liatris d.o.o. held a 2.23% stake in ASEE S.A. (as at 31 December 2015: 6.48%). Mihail Petreski and Liatris d.o.o. hold 40% of shares in MHM d.o.o. as well as 50% of shares in DM3 d.o.o. Furthermore, President of the Management Board of ASEE S.A. holds indirectly a 15% stake in MHM d.o.o. through his wholly-owned Kompania Petyhorska d.o.o. Whereas, 20% of shares in MHM d.o.o. are held by I4 Invention d.o.o. which is also a shareholder in ASEE S.A. 100% of shares in I4 Invention d.o.o. are owned by Miodrag Mirčetić, President of the Management Board of Asseco SEE d.o.o., Beograd and Member of the Management Board of ASEE S.A;

<sup>2</sup> Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which used to be a

The figures disclosed in the table above include the following transactions concluded with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:

During the period of 12 months ended 31 December 2016, ASEE Serbia incurred space rental costs that were paid to its related parties MHM d.o.o., Beograd<sup>1</sup>, DM3 d.o.o., Beograd<sup>1</sup> and Mini Invest d.o.o., Beograd<sup>2</sup>, amounting in total to PLN 4,566 thousand, as compared with PLN 4,804 thousand incurred in the year ended 31 December 2015.

During the period of 12 months ended 31 December 2016, ASEE Macedonia incurred space rental costs that were paid to its related party MPS d.o.o., Skopje<sup>3</sup>, amounting in total to PLN 657 thousand, as compared with PLN 611 thousand incurred in the year ended 31 December 2015.

All the above-mentioned transactions were carried out on an arm's length basis.

Members of the Management Board and parties related through members of the Management Board and Supervisory Board of Asseco South Eastern Europe S.A. received dividends from ASEE S.A. in the total gross amount of PLN 2,050 thousand, as compared with PLN 2,029 thousand distributed in 2015. The above-stated amounts do not include dividends payable to Asseco Poland S.A.<sup>4</sup>. The dividend was paid out on 15 July 2016.

Until the date of approval of these financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be, separately or jointly, deemed significant or would be carried out other than on an arm's length basis.

shareholder in ASEE S.A. As at 17 February 2017, Mini Invest d.o.o. is no longer a shareholder in ASEE S.A.

<sup>3</sup> Mihail Petreski, serving as Member of the Supervisory Board of ASEE S.A. till 31 December 2016, is the sole shareholder in MPS d.o.o., Skopje.

<sup>4</sup> Adam Góral, President of the Management Board of Asseco Poland S.A. serving as Chairman of the Supervisory Board of ASEE S.A., and Jacek Duch, Chairman of the Supervisory Board of Asseco Poland S.A. serving as Member of the Supervisory Board of ASEE S.A., are both shareholders in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A. As at 31 December 2016, Asseco Poland S.A. held 28,716,032 shares in ASEE S.A.

## 24. Employment

| Average workforce in the reporting period | Year ended 31 Dec. 2016<br>(audited) | Year ended 31 Dec. 2015<br>(audited) |
|---|--------------------------------------|--------------------------------------|
| Management Board*                         | 2                                    | 2                                    |
| Production departments                    | 8                                    | 8                                    |
| Sales departments                         | 4                                    | 4                                    |
| Administration departments                | 11                                   | 11                                   |
|   | <b>25</b>                            | <b>25</b>                            |

\* Piotr Jeleński and Marcin Rulnicki serve in the Management Board of ASEE S.A. on the basis of employment contracts. The remaining members of the Company's Management Board perform their duties by assignment.

## 25. Remuneration of Members of the Management Board and Supervisory Board of ASEE S.A.

The table below presents the amounts of remuneration paid to individual Members of the Company's Management Board for performing their duties during the years 2016 and 2015:

| Fixed remuneration for the period of | Year ended 31 Dec. 2016<br>(audited) | Year ended 31 Dec. 2015<br>(audited) |
|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Management Board</b>              |                                      |                                      |
| Piotr Jeleński                       | 365                                  | 365                                  |
| Miljan Mališ                         | 168                                  | 153                                  |
| Miodrag Mirčetić                     | 224                                  | 212                                  |
| Marcin Rulnicki                      | 280                                  | 281                                  |
|                                      | <b>1,037</b>                         | <b>1,011</b>                         |
| <b>Supervisory Board</b>             |                                      |                                      |
| Adam Góral                           | -                                    | -                                    |
| Jacek Duch                           | -                                    | -                                    |
| Jan Dauman                           | -                                    | -                                    |
| Artur Kucharski <sup>1)</sup>        | 64                                   | n/a                                  |
| Andrzej Mauberg <sup>2)</sup>        | -                                    | -                                    |
| Mihail Petreski <sup>3)</sup>        | -                                    | -                                    |
| Przemysław Sęczkowski                | -                                    | -                                    |
| Gabriela Žukowicz                    | -                                    | -                                    |
|                                      | <b>64</b>                            | <b>-</b>                             |

<sup>1)</sup> Mr. Artur Kucharski was appointed as Member of the Supervisory Board on 31 March 2016. The above table presents his remuneration for the period of service.

<sup>2)</sup> Mr. Andrzej Mauberg resigned from the position of Member of the Supervisory Board with effect from 26 February 2016.

<sup>3)</sup> Mr. Mihail Petreski resigned from the position of Member of the Supervisory Board with effect from 31 December 2016. Mr. Mihail Petreski received remuneration in the amount of PLN 96 thousand from ASEE Serbia (in 2015, PLN 186 thousand from ASEE Serbia and ASEE Macedonia) for the provision of advisory services, which has been disclosed in the item Transactions conducted with or through the Key Management Personnel (members of Management Boards and Supervisory Boards) of ASEE Group companies.

| Variable remuneration for the period of | Year ended 31 Dec. 2016<br>(audited) | Year ended 31 Dec. 2015<br>(audited) |
|---|--------------------------------------|--------------------------------------|
| <b>Management Board</b>                 |                                      |                                      |
| Piotr Jeleński                          | 1,587                                | 1,600                                |
| Miljan Mališ                            | 678                                  | 587                                  |
| Miodrag Mirčetić                        | 732                                  | 837                                  |
| Marcin Rulnicki                         | 352                                  | 349                                  |
|   | <b>3,349</b>                         | <b>3,373</b>                         |
| <b>Supervisory Board</b>                |                                      |                                      |
| Adam Góral                              | -                                    | -                                    |
| Jacek Duch                              | -                                    | -                                    |
| Jan Dauman                              | -                                    | -                                    |
| Artur Kucharski                         | -                                    | n/a                                  |
| Andrzej Mauberg                         | -                                    | -                                    |
| Mihail Petreski                         | -                                    | -                                    |
| Przemysław Sęczkowski                   | -                                    | -                                    |
| Gabriela Žukowicz                       | -                                    | -                                    |

The amounts of remuneration disclosed in the above tables are payable for performing managerial and supervisory functions in ASEE S.A. as well as in its subsidiary companies.

## 26. Remuneration of certified auditors or the entity authorized to audit financial statements

The table below discloses the amounts of remuneration paid or payable to the entity authorized to audit financial statements, namely Ernst & Young Audyt Polska Sp. z o.o. (limited partnership), for the years ended 31 December 2016 and 31 December 2015:

| Remuneration for the period of   | Year ended 31 Dec. 2016<br>(audited) | Year ended 31 Dec. 2015<br>(audited) |
|--|--------------------------------------|--------------------------------------|
| Obligatory audit of the annual financial statements and review of semi-annual financial statements | 204                                  | 203                                  |

## 27. Capital management

The primary objective of the Company's capital management is to maintain a favourable credit rating and a safe level of capital ratios in order to support the Company's business operations and maximize shareholder value.

The Company actively manages its capital structure and makes necessary adjustments in response to the changing economic conditions. In order to maintain or adjust its capital structure, the Company may recommend the amount of dividend payment, return some capital to its shareholders, or issue new shares. ASEE may also decide to use bank loans or trade credits for financing of its operations.

During the last two years ended 31 December 2016 and 31 December 2015, we did not introduce any changes to our objectives, policies and processes adopted in this area.

## 28. Objectives and principles of financial risk management

ASEE S.A. is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Company holds its investments as well as from the microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates versus the Polish zloty, and (ii) changes in official interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate.

### Foreign currency risk

The currency used for presentation of the Company's results is the Polish zloty (PLN). Because our subsidiaries conduct business operations in countries with the functional currencies other than our presentation currency, the Company is exposed to changes in such foreign currency exchange rates both with respect to the dividends received from our subsidiaries, and the planned acquisitions.

The analysis of sensitivity of our trade receivables, loans receivable, other receivables and cash at foreign currency bank accounts, as well as liabilities under bank loans, trade payables and other financial liabilities, to fluctuations in the exchange rates of the US dollar against the Polish zloty, indicates that the Company will incur a potential loss of PLN 878 thousand if the dollar depreciates 10% versus our functional currencies. Likewise, if the euro depreciates 10% against the zloty, the Company will potentially lose PLN 2,169 thousand. Hence, if both the dollar and euro were 10% weaker against the zloty, the Company's financial results would deteriorate by a total of PLN 3,047 thousand. Conversely, if the dollar and euro appreciated by 10% versus our functional currencies, the Company would recognize an additional financial gain of PLN 3,047 thousand.

|                                | As at 31 Dec. 2016 (audited) | Amount exposed to risk | Impact on financial results of the Company |     |
|--------------------------------|------------------------------|------------------------|--|-----|
|                                |                              |                        | -10%                                       | 10% |
| <b>EUR:</b>                    |                              |                        |  |     |
| Trade receivables              | 1,157                        | (116)                  | 116  |     |
| Other receivables              | -                            | -                      | -  |     |
| Borrowings                     | 35,713                       | (3,571)                | 3,571                                      |     |
| Foreign currency bank accounts | 924                          | (92)                   | 92   |     |
| Bank loans                     | 15,657                       | 1,566                  | (1,566)                                    |     |
| Trade payables                 | 204                          | 20                     | (20)                                       |     |
| Forward contracts              | 235                          | 24                     | (24)                                       |     |
| <b>Balance</b>                 |                              | <b>(2,169)</b>         | <b>2,169</b>                               |     |

|                                | As at 31 Dec. 2016 (audited) | Amount exposed to risk | Impact on financial results of the Company |     |
|--------------------------------|------------------------------|------------------------|--|-----|
|                                |                              |                        | (-10%)                                     | 10% |
| <b>USD:</b>                    |                              |                        |  |     |
| Trade receivables              | 92                           | (9)                    | 9  |     |
| Other receivables              | 7,481                        | (748)                  | 748  |     |
| Borrowings                     | 1,676                        | (168)                  | 168  |     |
| Foreign currency bank accounts | 682                          | (68)                   | 68   |     |
| Bank loans                     | -                            | -                      | -  |     |
| Trade payables                 | 319                          | 32                     | (32)                                       |     |
| Forward contracts              | 826                          | 83                     | (83)                                       |     |
| <b>Balance</b>                 |                              | <b>(878)</b>           | <b>878</b>                                 |     |

|                                | As at 31 Dec. 2015 (audited) | Amount exposed to risk | Impact on financial results of the Group |     |
|--------------------------------|------------------------------|------------------------|--|-----|
|                                |                              |                        | (10%)                                    | 10% |
| <b>EUR:</b>                    |                              |                        |  |     |
| Trade receivables              | 1,192                        | (119)                  | 119                                      |     |
| Other receivables              | -                            | -                      | -  |     |
| Borrowings                     | 24,055                       | (2,406)                | 2,406                                    |     |
| Foreign currency bank accounts | 757                          | (76)                   | 76                                       |     |
| Trade payables                 | 15,052                       | 1,505                  | (1,505)                                  |     |
| Forward contracts              | 184                          | 18                     | (18)                                     |     |
| <b>Balance</b>                 |                              | <b>(1,072)</b>         | <b>1,072</b>                             |     |
| <b>USD:</b>                    |                              |                        |  |     |
| Trade receivables              | 200                          | (20)                   | 20                                       |     |
| Other receivables              | 8,647                        | (865)                  | 865                                      |     |
| Borrowings                     | 2,983                        | (298)                  | 298                                      |     |
| Foreign currency bank accounts | 1,193                        | (119)                  | 119                                      |     |
| Trade payables                 | 795                          | 80                     | (80)                                     |     |
| Forward contracts              | 361                          | 36                     | (36)                                     |     |
| <b>Balance</b>                 |                              | <b>(1,186)</b>         | <b>1,186</b>                             |     |

The Company has adopted a policy of hedging its open foreign currency positions with forward currency derivatives.

### Credit risk

The Company concludes transactions only with reputable companies which have good credit ratings. All customers who wish to trade on credit terms are subject to the procedures of preliminary verification of their creditworthiness. Furthermore, current monitoring of receivables makes it possible to eliminate the risk of uncollectible receivables almost entirely.

In relation to other financial assets, such as cash and cash equivalents, the Company's credit risk results from the contracting party's inability to settle their payments, whereas the maximum exposure to such risk is limited to the carrying value of such assets.

There is no particular concentration of credit risk in any segment of the Company's operations.

### Financial liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of both financial investments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The tables below present the ageing analysis of the Company's trade payables, as well as liabilities under bank loans and derivative instruments as at 31 December 2016 and 31 December 2015, by maturity based on contractual undiscounted payments:

| Ageing of trade payables                         |            | 31 Dec. 2016<br>(audited) |              | 31 Dec. 2015<br>(audited) |           |
|--|------------|---------------------------|--------------|---------------------------|-----------|
|  |            | Amount                    | Structure    | Amount                    | Structure |
| Liabilities due already                          | 371        | 44.65%                    | 974          | 60.80%                    |           |
| Liabilities falling due within 3 months          | 460        | 55.35%                    | 628          | 39.20%                    |           |
| Liabilities falling due after more than 3 months | -          | -                         | -            | -                         | -         |
|  | <b>831</b> | <b>100.00%</b>            | <b>1,602</b> | <b>100.00%</b>            |           |

  

| Ageing of liabilities under bank loans      |  | 31 Dec. 2016<br>(audited) |           | 31 Dec. 2015<br>(audited) |           |
|---|--|---------------------------|-----------|---------------------------|-----------|
|   |  | Amount                    | Structure | Amount                    | Structure |
| Liabilities falling due within 1 year       |  | 4,453                     |           | -                         |           |
| Liabilities falling due within 1 to 5 years |  | 11,204                    |           | 15,052                    |           |
| Liabilities falling due after 5 years       |  | -                         | -         | -                         | -         |
|   |  | <b>15,657</b>             |           | <b>15,052</b>             |           |

| Ageing of liabilities under derivative instruments | 31 Dec. 2016 | 31 Dec. 2015 |
|--|--------------|--------------|
|  | (audited)    | (audited)    |
| Liabilities falling due within 1 year              | 240          | 31           |
| Liabilities falling due within 1 to 5 years        | 821          | 394          |
| Liabilities falling due after 5 years              | -            | -            |
|  | <b>1,061</b> | <b>425</b>   |

### 29. Financial instruments

#### Fair value

The book values of financial assets and liabilities held by the Company both as at 31 December 2016 and 31 December 2015 did not differ from their fair values.

Assets that are carried at fair value through profit or loss have been assigned to Level 1 in the fair value hierarchy, whereas cash deposits – to Level 2 in this hierarchy.

During both the years ended 31 December 2016 and 31 December 2015, no financial instruments were reclassified from Level 1 to Level 2, or from Level 2 to Level 3, or contrariwise, within the fair value measurement hierarchy.

**Items of income, expenses, gains and losses recognized in the income statement, by category of financial instruments**

| <b>Year ended 31 Dec. 2016<br/>(audited)</b>   | <b>Category<br/>according<br/>to IAS 39</b> | <b>Interest<br/>income/<br/>(expenses)<br/>:</b> | <b>Gain/(loss)<br/>on foreign<br/>exchange<br/>differences</b> | <b>Reversal/<br/>(recognition)<br/>of impairment<br/>write-downs</b> | <b>Gain/(loss)<br/>on<br/>revaluatio<br/>n</b> | <b>Total</b> |
|--|---|--|--|--|--|--------------|
| <b>Financial assets</b>                        |   |  |  |  |  |              |
| Trade receivables and other receivables        | L&R   | -  | 676  | -  | -  | 676          |
| Cash and cash equivalents                      | FVtPL                                       | 262  | (4)  | -  | -  | 258          |
| Cash deposits and loans granted                | OFLaAC                                      | 1,042  | 1,217  | -  | -  | 2,259        |
| <b>Financial liabilities</b>                   |   |  |  |  |  |              |
| Liabilities for the acquisition of shares      | FVtPL                                       | -  | -  | -  | -  | -            |
| Trade payables and other financial liabilities | OFLaAC                                      | (273)  | (575)  | -  | -  | (848)        |
| Currency forward contracts                     | FVtPL                                       | -  | -  | -  | (955)  | (955)        |
|  |   | <b>1,031</b>                                     | <b>1,314</b>   | <b>-</b>   | <b>(955)</b>                                   | <b>1,390</b> |

| <b>Year ended 31 Dec. 2015<br/>(audited)</b>   | <b>Category<br/>according<br/>to IAS 39</b> | <b>Interest<br/>income/<br/>(expenses)<br/>:</b> | <b>Gain/(loss)<br/>on foreign<br/>exchange<br/>differences</b> | <b>Reversal/<br/>(recognition)<br/>of impairment<br/>write-downs</b> | <b>Gain/(los<br/>s) on<br/>revaluati<br/>on</b> | <b>Total</b> |
|--|---|--|--|--|---|--------------|
| <b>Financial assets</b>                        |   |  |  |  |   |              |
| Trade receivables and other receivables        | L&R   | -  | 1,407  | -  | -   | 1,407        |
| Cash and cash equivalents                      | FVtPL                                       | 90   | (510)  | -  | -   | (420)        |
| Cash deposits and loans granted                | OFLaAC                                      | 449  | 366  | -  | -   | 815          |
| <b>Financial liabilities</b>                   |   |  |  |  |   |              |
| Liabilities for the acquisition of shares      | FVtPL                                       | -  | 31   | -  | 133   | 164          |
| Trade payables and other financial liabilities | OFLaAC                                      | (22)   | (270)  | -  | -   | (292)        |
| Currency forward contracts                     | FVtPL                                       | -  | 64   | -  | (374)   | (310)        |
|  |   | <b>517</b>                                       | <b>1,088</b>   | <b>-</b>   | <b>(241)</b>                                    | <b>1,364</b> |

**30. Significant events after the reporting period**

In the period from 31 December 2016 till the date of approval of these financial statements, this is until 17 February 2017, we have not observed any significant events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE S.A.

**31. Significant events related to prior years**

Until the date of preparing these financial statements, this is until 17 February 2017, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.