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**ANNUAL REPORT  
OF ASSECO SOUTH EASTERN EUROPE GROUP  
FOR THE YEAR ENDED  
31 DECEMBER 2017**

**CONSOLIDATED FINANCIAL STATEMENTS  
OF ASSECO SOUTH EASTERN EUROPE GROUP  
INCLUDING THE AUDIT REPORT  
BY INDEPENDENT CERTIFIED AUDITORS**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**CONSOLIDATED FINANCIAL STATEMENTS  
OF ASSECO SOUTH EASTERN EUROPE GROUP  
INCLUDING THE AUDIT REPORT BY INDEPENDENT CERTIFIED AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.:

Miljan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki Member of the Management Board

**FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE GROUP**

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
	PLN'000	PLN'000	EUR'000	EUR'000
I. Sales revenues	570,859	570,634	134,487	130,411
II. Operating profit	65,866	56,780	15,517	12,976
III. Pre-tax profit	67,416	60,967	15,882	13,933
IV. Net profit for the reporting period	55,009	51,548	12,959	11,781
V. Net profit attributable to Shareholders of the Parent Company	<b>54,648</b>	<b>51,468</b>	<b>12,874</b>	<b>11,762</b>
VI. Net cash provided by (used in) operating activities	94,336	87,681	22,224	20,038
VII. Net cash provided by (used in) investing activities	(64,758)	(38,287)	(15,256)	(8,750)
VIII. Net cash provided by (used in) financing activities	(23,880)	(29,545)	(5,626)	(6,752)
IX. Cash and cash equivalents at the end of period	115,712	119,546	27,743	27,022
X. Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	1.05	0.99	0.25	0.23
XI. Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	1.05	0.99	0.25	0.23

The financial highlights disclosed in these consolidated financial statements have been translated into EUR in the following way:

- items of the consolidated income statement and consolidated 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 2017 to 31 December 2017: EUR 1 = PLN 4.2447
  - in the period from 1 January 2016 to 31 December 2016: EUR 1 = PLN 4.3757
- the Group's 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 2017: EUR 1 = PLN 4.1709
  - exchange rate effective on 31 December 2016: EUR 1 = PLN 4.4240

**CONSOLIDATED INCOME STATEMENT**

	Note	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Sales revenues</b>	<u>1</u>	<b>570,859</b>	<b>570,634</b>
Cost of sales (-)	<u>2</u>	(427,046)	(434,285)
<b>Gross profit on sales</b>		<b>143,813</b>	<b>136,349</b>
Selling costs (-)	<u>2</u>	(35,096)	(38,121)
General and administrative expenses (-)	<u>2</u>	(42,598)	(42,338)
<b>Net profit on sales</b>		<b>66,119</b>	<b>55,890</b>
Other operating income	<u>3</u>	1,293	1,769
Other operating expenses (-)	<u>3</u>	(1,546)	(1,247)
<i>Share of profits of associates and joint ventures</i>		-	368
<b>Operating profit</b>		<b>65,866</b>	<b>56,780</b>
Financial income	<u>4</u>	6,380	8,284
Financial expenses (-)	<u>4</u>	(4,830)	(4,097)
<b>Pre-tax profit</b>		<b>67,416</b>	<b>60,967</b>
Corporate income tax (current and deferred tax expense)	<u>5</u>	(12,407)	(9,419)
<b>Net profit for the reporting period</b>		<b>55,009</b>	<b>51,548</b>
Attributable to:			
<b>Shareholders of the Parent Company</b>		<b>54,648</b>	<b>51,468</b>
Non-controlling interests		361	80
<b>Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN)</b>			
Basic consolidated earnings per share for the reporting period	<u>6</u>	1.05	0.99
Diluted consolidated earnings per share for the reporting period	<u>6</u>	1.05	0.99

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Net profit for the reporting period</b>	<b>55,009</b>	<b>51,548</b>
<b>Other comprehensive income, of which:</b>	<b>(42,886)</b>	<b>12,313</b>
<i>Components that may be reclassified to profit or loss</i>	<i>(42,886)</i>	<i>12,313</i>
Foreign exchange differences on translation of foreign operations	(42,886)	12,313
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b>	<b>12,123</b>	<b>63,861</b>
<b>Attributable to:</b>		
<i>Shareholders of the Parent Company</i>	11,804	63,781
<i>Non-controlling interests</i>	319	80

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

ASSETS	Note	31 Dec. 2017	31 Dec. 2016
		(audited)	(audited)
<b>Non-current assets</b>		<b>630,553</b>	<b>642,938</b>
Property, plant and equipment	8	131,958	102,161
Investment property		650	1,160
Intangible assets	9	17,946	30,180
Goodwill	10	475,360	505,634
Long-term financial assets	14	279	162
Prepayments for shares in subsidiaries		84	-
Long-term receivables		345	385
Deferred tax assets	5	3,190	2,621
Long-term prepayments and accrued income	15	741	635
<b>Current assets</b>		<b>287,762</b>	<b>303,510</b>
Inventories	11	24,792	23,474
Prepayments and accrued income	15	10,047	14,380
Trade receivables	12	120,154	126,498
Corporate income tax receivable	12	132	166
Other receivables from the state and local budgets	12	770	1,002
Receivables arising from valuation of IT contracts	24	12,025	11,722
Other receivables	12	3,338	3,632
Short-term financial assets	14	792	3,090
Cash and short-term deposits	13	115,712	119,546
<b>TOTAL ASSETS</b>		<b>918,315</b>	<b>946,448</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EQUITY AND LIABILITIES	Note	31 Dec. 2017	31 Dec. 2016
		(audited)	(audited)
<b>Equity (attributable to shareholders of the Parent Company)</b>		<b>717,740</b>	<b>730,201</b>
Share capital	16	518,942	518,942
Share premium	17	38,825	38,825
Other capitals	19, 29	660	-
Foreign exchange differences on translation of foreign operations		(109,270)	(66,426)
Retained earnings and current net profit		268,583	238,860
<b>Non-controlling interests</b>	18	<b>1,572</b>	<b>2,210</b>
<b>Total equity</b>		<b>719,312</b>	<b>732,411</b>
<b>Non-current liabilities</b>		<b>29,418</b>	<b>29,279</b>
Interest-bearing bank loans and borrowings	21	22,281	21,807
Deferred tax liabilities	5	1,462	1,328
Long-term trade payables and other liabilities		529	696
Long-term provisions	19	1,823	1,274
Long-term financial liabilities	20	1,568	2,756
Long-term deferred income	23	1,755	1,418
<b>Current liabilities</b>		<b>169,585</b>	<b>184,758</b>
Interest-bearing bank loans and borrowings	21	22,710	22,789
Trade payables	22	57,585	68,674
Corporate income tax payable	22	2,696	2,539
Other liabilities to the state and local budgets	22	20,400	22,143
Financial liabilities	20	998	1,198
Liabilities and provisions arising from valuation of IT contracts (-)	24	4,105	7,811
Other liabilities	22	26,666	23,373
Short-term provisions	19	1,937	864
Deferred income	23	20,373	21,752
Accruals	23	12,115	13,615
<b>TOTAL LIABILITIES</b>		<b>199,003</b>	<b>214,037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>918,315</b>	<b>946,448</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2017

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Other capitals	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
<b>As at 1 January 2017</b>	<b>518,942</b>	<b>38,825</b>	<b>(66,426)</b>	-	<b>238,860</b>	<b>730,201</b>	<b>2,210</b>	<b>732,411</b>
Net profit (loss) for the reporting period	-	-	-	-	54,648	<b>54,648</b>	361	<b>55,009</b>
Other comprehensive income	-	-	(42,844)	-	-	(42,844)	(42)	(42,886)
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>(42,844)</b>	-	<b>54,648</b>	<b>11,804</b>	<b>319</b>	<b>12,123</b>
<b>Changes in the Group structure, of which:</b>								
Acquisition of non-controlling interests	-	-	-	-	(16)	(16)	(686)	(702)
Valuation of share-based payment plan	29	-	-	-	1,170	-	<b>1,170</b>	-
Change in actuarial assumptions for defined benefit plan	19	-	-	-	(510)	-	(510)	-
Dividend	-	-	-	-	(24,909)	(24,909)	(271)	(25,180)
<b>As at 31 December 2017 (audited)</b>	<b>518,942</b>	<b>38,825</b>	<b>(109,270)</b>	<b>660</b>	<b>268,583</b>	<b>717,740</b>	<b>1,572</b>	<b>719,312</b>

for the year ended 31 December 2016

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
<b>As at 1 January 2016</b>	<b>518,942</b>	<b>38,825</b>	<b>(78,739)</b>	<b>209,247</b>	<b>688,275</b>	-	<b>688,275</b>
Net profit (loss) for the reporting period	-	-	-	51,468	<b>51,468</b>	80	<b>51,548</b>
Other comprehensive income	-	-	12,313	-	<b>12,313</b>	-	<b>12,313</b>
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>12,313</b>	<b>51,468</b>	<b>63,781</b>	<b>80</b>	<b>63,861</b>
<b>Changes in the Group structure, of which:</b>							
Acquisition of shares in a subsidiary	-	-	-	(59)	(59)	<b>2,130</b>	<b>2,071</b>
Acquisition of non-controlling interests	-	-	-	-	-	5,063	<b>5,063</b>
Dividend	-	-	-	(21,796)	(21,796)	-	(21,796)
<b>As at 31 December 2016 (audited)</b>	<b>518,942</b>	<b>38,825</b>	<b>(66,426)</b>	<b>238,860</b>	<b>730,201</b>	<b>2,210</b>	<b>732,411</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)		Note	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Cash flows – operating activities</b>							
Pre-tax profit		67,416	60,967				
<b>Total adjustments:</b>		<b>39,168</b>	<b>34,562</b>				
Depreciation and amortization		40,612	37,250				
Change in inventories		(8,402)	(13,224)				
Change in receivables		(6,915)	(33,229)				
Change in liabilities, accruals and provisions		2,022	47,537				
Interest income and expenses		285	714				
Gain/Loss on foreign exchange differences		3,760	(920)				
Gain/Loss on investing activities		6,546	(3,560)				
Costs of share-based payment plan	<u>29</u>	1,170	-				
Other		90	(6)				
<b>Net cash generated from operating activities</b>		<b>106,584</b>	<b>95,529</b>				
Corporate income tax paid		(12,248)	(7,848)				
<b>Net cash provided by (used in) operating activities</b>		<b>94,336</b>	<b>87,681</b>				
<b>Cash flows – financing activities</b>							
Proceeds from (repayments of) short-term bank loans and borrowings					9		175
Proceeds from other bank loans and borrowings				<u>21</u>	22,017		12,636
Repayments of other bank loans and borrowings				<u>21</u>	(17,787)		(15,326)
Finance lease liabilities paid					(1,111)		(968)
Dividends paid out to shareholders of the Parent Company				<u>2</u>	(24,909)		(21,796)
Dividends paid out to non-controlling shareholders				<u>18</u>	(271)		-
Expenditures for the acquisition of non-controlling interests				<u>27</u>	(702)		(2,970)
Interest paid					(1,126)		(1,296)
<b>Net cash provided by (used in) financing activities</b>					<b>(23,880)</b>		<b>(29,545)</b>
Net increase/(decrease) in cash and cash equivalents							
Net foreign exchange differences						5,698	19,849
Cash and cash equivalents as at 1 January				<u>13</u>		(8,194)	(1,659)
<b>Cash and cash equivalents as at 31 December</b>				<u>13</u>	<b>115,562</b>		<b>118,058</b>
<b>Cash flows – investing activities</b>							
Disposal of property, plant and equipment and intangible assets		799	1,445				
Acquisition of property, plant and equipment, and intangible assets	<u>8.9</u>	(65,143)	(30,256)				
Expenditures for development projects	<u>9</u>	(3,502)	(5,245)				
Expenditures for the acquisition of subsidiaries, less cash acquired	<u>22</u>	-	(4,821)				
Disposal of financial instruments carried at fair value through profit or loss	<u>14</u>	12,341	16,156				
Acquisition of financial instruments carried at fair value through profit or loss	<u>14</u>	(9,495)	(16,669)				
Bank deposits withdrawn	<u>14</u>	-	69				
Bank deposits made	<u>14</u>	-	(4)				
Loans collected	<u>14</u>	13	87				
Loans granted	<u>14</u>	(21)	(124)				
Interest received		249	730				
Dividends received		1	344				
Other		-	1				
<b>Net cash provided by (used in) investing activities</b>		<b>(64,758)</b>	<b>(38,287)</b>				

**SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES**

**I. GENERAL INFORMATION**

Asseco South Eastern Europe Group (the "Group", "ASEE Group", "ASEE") is a group of companies, the Parent Company of which is Asseco South Eastern Europe S.A. (the "Parent Company", "Company", "Issuer", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland.

The Parent Company Asseco South Eastern Europe S.A. was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

Asseco South Eastern Europe Group is engaged in the sale of its own and third-party software as well as in the provision of implementation, integration and outsourcing services. The Group is a provider of IT solutions, authentication solutions, online

payment settlement systems, while it is also engaged in the sale, outsourcing and maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware. The Group conducts business operations in the markets of Poland, South Eastern Europe, and Turkey.

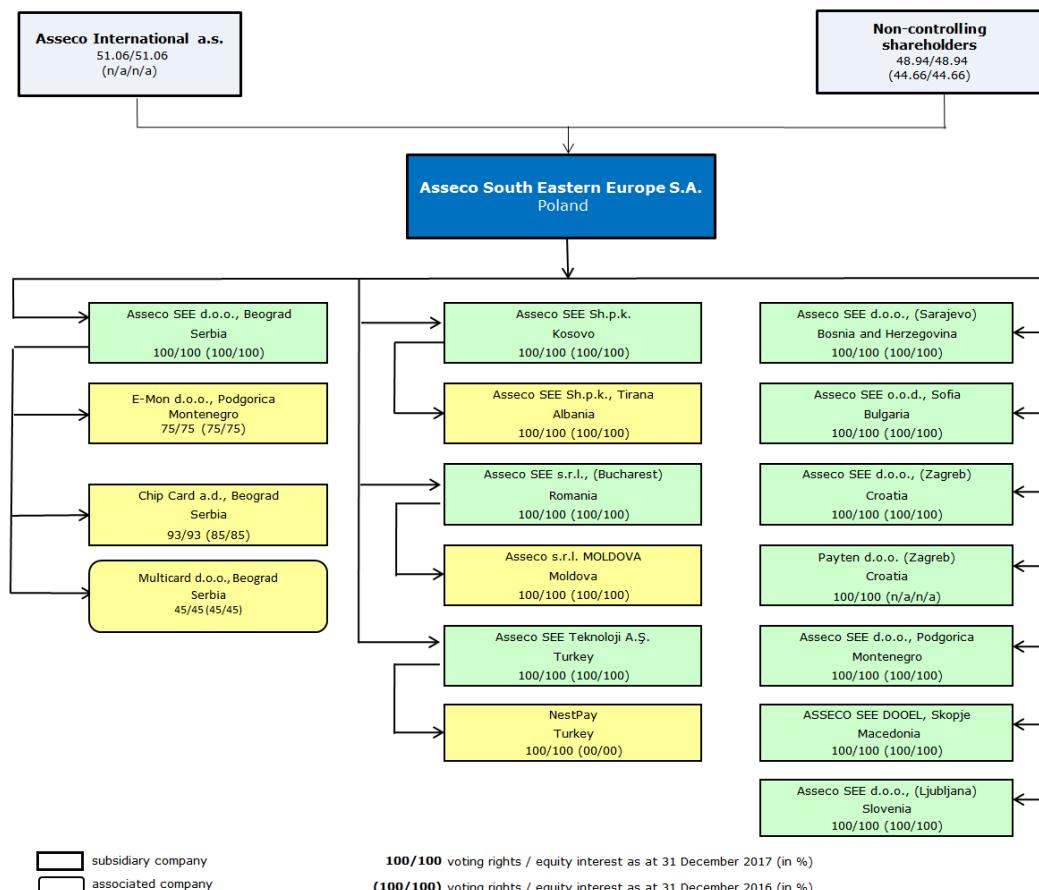
The scope of Asseco South Eastern Europe Group's core business broken down by relevant segments is described in section V of these consolidated financial statements.

These consolidated financial statements cover the year ended 31 December 2017 and contain comparable data for the year ended 31 December 2016.

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

These consolidated financial statements for the year ended 31 December 2017 have been approved for publication by the Management Board on 19 February 2018.

**II. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP**



The chart above presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners as at 31 December 2017.

Both as at 31 December 2017 and 31 December 2016, voting rights held by the Group in ASEE Group companies were equivalent to the Group's equity interests in these entities.

Changes in the Group's composition have been described in explanatory note 31 to these consolidated financial statements.

### **III. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF ASEE S.A. AND THEIR COMMITTEES**

As at 31 December 2017 as well as on the date of publication of this report, i.e. on 19 February 2018, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Józef Klein	Piotr Jeleński	Artur Kucharski
Adam Góral	Miljan Mališ	Adam Pawłowicz
Jacek Duch	Miodrag Mirčetić	Jacek Duch
Artur Kucharski	Marcin Rułnicki	
Adam Pawłowicz		

During the reporting period, the composition of the Company's management and supervisory bodies changed as follows:

The previous term of office of Members of the Supervisory Board of ASEE S.A. expired on 30 March 2017. On the same day, the Ordinary General Meeting of Shareholders passed a resolution to appoint Artur Kucharski as Member of the Supervisory Board for the next term of office, from 31 March 2017 till 31 March 2022. In addition, the Company's shareholders, namely Asseco Poland and the European Bank for Reconstruction and Development, exercised their statutory rights to appoint the following persons: Adam Góral, Gabriela Žukowicz, Józef Klein, and Jacek Duch as Members of the Supervisory Board for the next term of office. Whereas, Jan Dauman and Przemysław Sęczkowski were not appointed for the next term of office at the Supervisory Board.

On 15 May 2017, the Supervisory Board appointed Mr. Józef Klein as Chairman of the Supervisory Board of ASEE S.A., and Mr. Adam Góral as Vice Chairman of the Supervisory Board of ASEE S.A.

Moreover, the Supervisory Board elected the Audit Committee in the following composition: Artur Kucharski – Chairman the Audit Committee, Gabriela Žukowicz and Jacek Duch – Members of the Audit Committee.

On 15 May 2017, the Supervisory Board passed a resolution to appoint the Management Board for the new five-year joint term of office running from 12 July 2017 to 12 July 2022. The existing Members of the Management Board have been appointed to serve over the new term of office.

On 17 October 2017, Mrs. Gabriela Žukowicz filed a resignation from the position of Member of the Supervisory Board of ASEE S.A. with effect from 18 October 2017.

On 17 October 2017, Asseco Poland S.A. appointed Mr. Adam Pawłowicz as Member of the Supervisory Board of ASEE S.A. for the ongoing, joint term of office lasting till 31 March 2022, with effect from 18 October 2017.

The composition of our Audit Committee was changed on 18 October 2017. Due to Mrs. Gabriela Žukowicz's resignation from membership in the Supervisory Board, Mr. Adam Pawłowicz was appointed as Member of the Audit Committee.

In the period from 31 December 2017 till the publication of this report, this is till 19 February 2018, the compositions of the Company's Management Board, Supervisory Board and Audit Committee remained unchanged.

As at 31 December 2016, 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 Rułnicki	
Przemysław Sęczkowski		
Gabriela Žukowicz		

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

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

The consolidated financial statements have been prepared in accordance with the historical cost convention, except for derivative financial instruments and assets that are carried at fair value through profit or loss.

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

These consolidated financial statements have been prepared on a going-concern basis, assuming the Group, Parent Company as well as its subsidiaries will continue their 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 and the Group companies' ability to continue as going concerns for at least 12 months after the reporting period.

##### **2. Compliance statement**

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

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The consolidated financial statements include adjustments not disclosed in the accounting books of the Group's entities, which were introduced to adjust the financial statements of those entities to IFRS.

##### **3. Functional currency and reporting currency**

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

Standalone and consolidated financial statements of the Group companies are drawn up in the functional currencies of their primary business environments.

The functional currencies of direct subsidiaries of ASEE S.A. include the Romanian leu (RON), Croatian kuna (HRK), Serbian dinar (RDS), Macedonian denar (MKD), euro (EUR), Turkish lira (TRY), Bulgarian lev (BGN), and Bosnia and Herzegovina convertible mark (BAM).

##### **4. Professional judgement and estimates**

Preparation of consolidated 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 Group 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 Group's future results.

###### ***i. Operating cash flows assumed for valuation of IT contracts as well as measurement of their completion***

The Group executes a number of contracts for construction and implementation of information technology systems. Valuation of IT contracts requires determination of future operating cash flows in order to provide the fair value of revenues and expenses, as well as measurement of the progress of contract execution. The percentage of contract completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required. As at 31 December 2017, receivables arising from valuation of IT contracts amounted to PLN 12,025 thousand, while liabilities and provisions arising from such valuation equalled PLN 4,105 thousand.

###### ***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 Group 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 2017, the Management Board of the Parent Company performed an impairment test on goodwill arising from the acquisition of subsidiaries.

This task required making estimates of the recoverable amount of goodwill allocated to individual operating segments. 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. As at 31 December 2017, goodwill arising from the acquisition of subsidiaries amounted to PLN 475,360 thousand as compared with PLN 505,634 thousand reported as at 31 December 2016.

**iii. Deferred tax assets**

As at 31 December 2017, the Group recognized deferred tax assets in the amount of PLN 3,190 thousand and deferred tax liabilities in the amount of PLN 1,462 thousand. In the period of 12 months ended 31 December 2017, the balance of deferred tax assets and liabilities changed by PLN 272 thousand, as compared with the change of PLN -89 thousand in the comparable period of 2016.

Based on the current financial budgets of our companies and applicable tax regulations, the Group's management believes that future utilization of deferred tax assets recognized in the Group's consolidated financial statements in the amount of PLN 3,190 thousand is very likely.

**5. 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) – effective for annual periods beginning on or after 1 January 2016 – 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;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including the amendment to IFRS 15 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) – 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) – effective for annual periods beginning on or after 1 January 2018;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) – 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) – effective for annual periods beginning on or after 1 January 2018 – not yet endorsed by the EU till the date of approval of these financial statements;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*, provided as part of the Annual Improvements to IFRSs: 2014-2016 Cycle (issued on 8 December 2016) – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, provided as part of the Annual Improvements to IFRSs: 2014-2016 Cycle (issued on 8 December 2016) – 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) – effective for annual periods beginning on or after 1 January 2018 – not yet endorsed by the EU till the date of approval of these financial statements;
- Amendments to IAS 40 *Transfers of Investment Property* (issued on 8 December 2016) – effective for annual periods beginning on or after 1 January 2018 – not yet endorsed by the EU till the date of approval of these financial statements;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – effective for annual periods beginning on or after 1 January 2021 – not yet endorsed by the EU till the date of approval of these financial statements;
- Interpretation IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU till the date of approval of these financial statements;

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU till the date of approval of these financial statements;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU till the date of approval of these financial statements;
- Annual Improvements to IFRSs: 2015-2017 Cycle (issued on 12 December 2017) – effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU till the date of approval of these financial statements;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU till the date of approval of these financial statements.

The specified effective dates have been set forth in the standards published by the International Accounting Standards Board. The actual dates of adopting these standards in the European Union may differ from those set forth in the standards and they shall be announced once they are approved for application by the European Union.

The following paragraphs provide a description of the implementation of IFRS 9, IFRS 15, and IFRS 16. The Management Board is currently analyzing the impact of other amendments on the Group's financial statements and financial position.

## 6. IFRS 9, IFRS 15, IFRS 16

### **IFRS 15 Revenue from Contracts with Customers**

The International Financial Reporting Standard 15 Revenue from Contracts with Customers ("IFRS 15"), which was issued in May 2014 and subsequently amended in April 2016, provides the so-called Five-Step Model for revenue recognition in contracts with customers. According to IFRS 15, revenue shall be recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers.

The new standard will replace all existing requirements for revenue recognition in compliance with IFRS. This standard applies to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

In 2017, ASEE Group carried out an assessment of the impact of adopting IFRS 15 on the accounting policies applied by the Group with regard to its business operations or financial results. This assessment is based on currently available information and may be subject to changes if reasonable additional evidence is obtained during the period when IFRS 15 is applied by the Group for the first time.

ASEE Group intends to adopt this new standard as of the required effective date, thus it will be first applied in our consolidated financial statements for the reporting period beginning on 1 January 2018.

According to the transition guidance provided in the standard, entities are allowed to choose from two methods for the presentation of comparable data:

- a retrospective approach to each prior period reported in compliance with IAS 8, or
- b) retrospective approach while recognizing the cumulative effect of applying the new standard as at the date of its initial application.

The Group will apply the modified retrospective approach described in item b), which involves recognition of an adjustment to the opening balance of retained earnings in the financial statements for reporting periods starting from 1 January 2018 onwards. Under this approach, the principles established by the new standard will only apply to contracts that, in accordance with IFRS 15, meet the definition of being not yet complete when the standard is first applied, i.e. as at 1 January 2018.

The Group's revenues are generated in three main areas: sale of proprietary software which is often accompanied by own services (including basically implementation and modification, and subsequently maintenance services), sale of third-party licenses and related services, as well as sale of hardware and related services. As part of preparations to implement this new standard, following the criteria of distinct goods and services, the Group has analyzed its revenue streams in order to identify possible types of performance obligations under the Group's existing contracts, and has also indicated if and how the new regulations are going to change the method of revenue recognition for each of these obligations.

Revenues from own services and software licenses are recognized by the Group using the percentage of completion method, in correspondence with item "Receivables from valuation of IT contracts". As for the impact of new regulations on the accounting for long-term IT contracts, in the Group's opinion, revenues which, according to the current principles, are recognized on a cost-to-cost basis, will in the vast majority of cases be suitable to be recognized in the same way. This is due to the fact that under contracts that are presently in the scope of IAS 11, Asseco Group companies in principle undertake to perform obligations which do not create assets with an alternative use to the provider company. Concurrently, the analysis carried out so far showed that the majority of such contracts most probably meet the criterion of granting an enforceable right to payment for obligations performed. If the conclusion about the existence of an enforceable right to payment was different, it should be considered that also the method of revenue recognition for such contracts would be changed. As a result of the adoption of IFRS 15, "Receivables from valuation of IT contracts" will be presented under "Contract assets".

In situations where a promise to grant a license is distinct from services related to the sale of such license, revenue will be recognized in accordance with the type of license that has been sold. For this purpose, we will each time analyze the nature of licenses sold by the Group, making a differentiation between the right to use and the right to access. Such differentiation will determine the method of revenue recognition for licenses that meet the criteria of being distinct. In the case of licenses with the right to use, the customer can direct the use of a license and obtain substantially all the benefits from such license. Whereas, licenses with the right to access require their provider to undertake activities that will significantly affect the intellectual property to which the customer is entitled under the license agreement, expose the customer to both positive and negative effects of activities undertaken by the provider, and do not lead to further transfer of goods or services to the customer. The method of revenue recognition in this area will not change, i.e. in the case of licenses sold without significant related services for an indefinite period, revenue will still be recognized at the point in time at which the risks and benefits (control) of the licence is transferred to the customer. In the case of licenses sold for a definite period, revenue will be recognized over time. However, if it turns out that a license granted for a definite period is a license with the right to use, then the method of revenue recognition will change and instead of being recognized over

time, revenue will be recognized at the point in time at which the license is transferred to the customer.

Recognition of revenue from third-party licenses will be each time subject to the analysis of contractual provisions in order to determine whether a third-party license is just resold and thereby the performance obligation is satisfied at the point in time at which control of the licence is transferred to the customer, or whether (if at all) such a license can be part of a bigger whole and should be treated as a component of a larger performance obligation. It is anticipated that the approach to recognition of license revenues will not be substantially changed.

As far as revenue from own services is concerned, the conducted analysis showed that revenues from the provision of own services (primarily maintenance services) that are recognized by the Group companies over time in accordance with the current principles, will also be accounted for in the same way after the adoption of IFRS 15. This is because the Group has concluded that the customer simultaneously receives and consumes the benefits resulting from the provision of such services as they are performed by the provider, and therefore such revenues can be recognized over time. The same approach is applied to third-party maintenance services.

In addition, as part of the analysis of maintenance services, we analyzed the impact of the new standard on warranties which are regulated more precisely in the new standard than in the previously applicable regulations. It seems that in cases where a warranty is provided concurrently with a maintenance service, which in principle is a broader category than a warranty itself, the accounting approach will remain unchanged. Whereas, in cases where a warranty is provided after completion of the project and is not accompanied by any maintenance service, then the new standard requires to analyze the nature of such warranty, i.e. determine whether the warranty is a service or it is the provider's assurance that the product will function as specified. In the first case, the warranty will be treated as a separate performance obligation and a portion of revenue will be deferred until the warranty service is fulfilled. In the second case, a provision (liability) will be recognized for such warranty. According to our existing accounting policy, both the approaches are applied. The analysis results seem to indicate that some of our warranties for which revenue was deferred should be recognized as provisions. Due to the short-term nature of warranties granted under our implementation contracts, changes resulting from the revised approach will not be significant.

In the case of other own IT services, including the sale of SaaS and IaaS, as well as services that involve hiring of qualified employees being accounted for by hours actually worked, the Group has not identified any change in the approach to revenue recognition.

Revenues from the last mentioned group, i.e. the sale of hardware and related services which are not part of a complex infrastructure project (sale of a comprehensive system where well-functioning infrastructure is one of the key elements of the project) will be recognized on an analogous basis as today, i.e.: equipment – at the moment of transferring control to the customer, equipment-related services – according to the percentage of completion method.

Moreover, as part of implementation of the new standard, we have also analyzed other issues that will be subject to changes once the new standard becomes effective. This concerned, among others, the issue of estimating the amount of provisions for contract losses. Because IAS 11 was replaced by IFRS 15, it has become necessary to follow the guidelines of IAS 37 in this respect. However, as of today IAS 37 does not provide clear guidance from the International Accounting Standards Board regarding the approach to calculating the so-called unavoidable costs, and the positions discussed by the Board, in principle, allow for two extremely opposite approaches. Therefore, we will continue to use our current approach to the recognition of losses. As at the date of publication of this report, we have not identified any factors that would fundamentally affect the financial data presented therein. The work on implementation and impact assessment of this standard will be continued in the first quarter of 2018.

#### ***IFRS 9 Financial Instruments***

In July 2014, the International Accounting Standards Board issued the International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). IFRS 9 specifies three aspects involved in accounting for financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group intends to adopt IFRS 9 as of its effective date, without restatement of the comparable data.

In 2017, the Group carried out an assessment of the impact of IFRS 9 on the accounting policies applied by the Group with regard to its business operations or financial results. This assessment is based on currently available information and may be subject to changes if additional reasonable and supportable information is obtained during the period when IFRS 9 is applied by the Group for the first time.

At the time of publication of this report, the Group does not expect any significant impact of the introduction of IFRS 9 on the statement of financial position or on its equity. Application of this standard will not cause any changes in the classification of our financial instruments.

#### ***IFRS 16 Leases***

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 Leases ("IFRS 16") that replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with a lease term of more than 12 months, unless the underlying asset has a low value. Upon lease commencement, a lessee shall recognize a right-of-use of underlying asset and a lease liability representing the obligation to make lease payments.

The lessee shall separately recognize depreciation of the right-of-use asset as well as interest on the lease liability.

The lease liability shall be subsequently remeasured upon certain events, e.g. changes in the lease term, changes in future lease payments resulting from a change in an index or a rate used to determine those payments. As a general rule, a remeasurement of the lease liability shall be recognized by the lessee as an adjustment to the right-of-use asset.

The Group is a lessee in the case of lease agreements for office space and business cars. Accounting by lessors under IFRS 16 remained substantially unchanged from the approach required by IAS 17. Lessors will continue to treat all lease agreements according to the same criteria as specified in IAS 17, hence each lease shall be classified as an operating lease or a finance lease. Both lessees and lessors are required to make broader disclosures under IFRS 16 than in the case of IAS 17.

A lessee may choose to apply the standard with full or modified retrospective approach, as the transition provisions provide for some practical expedients. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if an entity has also applied IFRS 15 from the date of first application of IFRS 16 or before. The Group has not decided on early adoption of IFRS 16.

As at the date of approving these consolidated financial statements for publication, the Management has not yet fully assessed the impact of adopting IFRS 16 on the accounting policies applied by the Group with regard to its business operations or financial results.

## 7. Significant accounting policies

### i. Consolidation rules

These consolidated financial statements comprise the financial statements of the Parent Company, Asseco South Eastern Europe S.A., as well as the financial data of its subsidiaries in each case prepared for the period from 1 January 2017 to 31 December 2017. The financial data of subsidiaries have been prepared using consistent accounting policies and based on uniform accounting policies applied to transactions and business events of similar nature.

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.

All balances of settlements and transactions between the Group companies, including unrealized profits resulting from transactions within the Group, are fully eliminated during the consolidation. Losses are eliminated to the extent in which they do not indicate impairment.

Subsidiaries are subject to consolidation from the date the Group obtains control over such entities until such control ceases.

Any changes in equity interest / voting rights in a subsidiary that do not result in a loss of control are accounted for as capital transactions. In such events, in order to reflect changes in the ownership of a respective subsidiary, the Group shall adjust the carrying value of controlling interests and non-controlling interests. Any differences between the change in non-controlling interests and the fair value of consideration paid or received are recognized directly in equity and attributed to the owners of the parent company.

The Group's interests in associates and joint ventures are accounted for using the equity method.

Investments in associates and joint ventures are disclosed in the balance sheet at purchase cost increased by further changes in the Group's share in net assets of these entities, and decreased by any impairment charges. The income statement reflects the Group's share in the results of its associates and joint ventures. In the case of any changes recognized directly in the equity of associates or joint ventures, the Group recognizes its share in each such change and, if applicable, discloses it in the statement of changes in equity. Investment in an associated entity or joint venture shall comprise goodwill arising from their acquisition. Should the Group's participation in losses of an associated entity or joint venture equal or exceed the investment value, the Group does not recognize any further losses unless it committed itself to settle the liabilities of or to make payments to such associated entity or joint venture.

From the date on which an entity ceases to be a joint venture and does not become a subsidiary or an associate of the Group, the Group shall account for its interest in such entity at fair value. Any differences between the carrying value of a former joint venture and the fair value of the present investment, as well as any proceeds from disposal shall be recognized in the income statement. In the event the remaining portion of investment is significant, it shall be accounted for as an investment in an associate.

**ii. Combinations 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 Group by the pooling of interests method.

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 Asseco South Eastern Europe 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 financial results of the Company or the Group.

**iii. Goodwill**

Goodwill arising from the acquisition of an entity is initially recognized at purchase cost, which represents the excess of:

- the aggregate of:
  - (i) the value of the consideration transferred;
  - (ii) the amount of any non-controlling interest in the acquired entity; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquired entity.
- over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis, or more frequently if there are indications to do so. Goodwill is not subject to amortization.

As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects of the related business combination.

Each cash-generating unit or group of units to which the goodwill is so allocated shall:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment identified in accordance with IFRS 8 Operating Segments.

An impairment write-down is determined by estimating the recoverable amount of a cash-generating unit to which goodwill has been allocated. In the event the recoverable amount of a cash-generating unit is lower than its carrying value, an impairment charge shall be recognized. In the event a cash-generating unit contains goodwill and a part of business of this cash-generating unit is sold, goodwill related to the disposed business shall be included in its carrying value for the purpose of determining a gain or loss on disposal of that business. In such circumstances the value of goodwill sold shall be measured as a proportion of the value of business disposed to the value of the cash-generating unit retained.

**iv. Translation of items expressed in foreign currencies**

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

Standalone and consolidated financial statements of the Group companies are drawn up in the currency of their primary business environment (in their functional currencies). The functional currencies of direct subsidiaries of ASEE S.A. include the Romanian leu (RON), Croatian kuna (HRK), Serbian dinar (RDS), Macedonian denar (MKD), euro (EUR), Turkish lira (TRY), Bulgarian lev (BGN), and Bosnia and Herzegovina convertible mark (BAM).

Transactions denominated in foreign currencies are first recognized at the functional currency exchange rate of the transaction date. Assets and liabilities expressed in foreign currencies are converted into the functional currency at the exchange rate effective at the end of the reporting period. Foreign currency non-cash items carried at historical cost are converted at the exchange rate effective on the original transaction date. Foreign currency non-cash items carried at fair value are converted using the exchange rate as of the date when such fair value is determined.

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 exchange differences resulting from such translation are reported respectively as financial income (expenses) or in equity.

As at the end of the reporting period, assets and liabilities of those foreign subsidiaries have been translated into the presentation currency of Asseco South Eastern Europe Group using the exchange rate effective at the end of the reporting period, and their income statements have been restated at the average exchange rate for the reporting period. Foreign exchange differences resulting from such restatement are reported directly under own equity, as a separate component thereof. On the date of disposal of a foreign company, the accumulated deferred foreign exchange differences carried under own equity and relating to that foreign company shall be recognized in the income statement.

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

Currency	As at	
	31 Dec. 2017	31 Dec. 2016
USD	3.4813	4.1793
EUR	4.1709	4.4240
RON	0.8953	0.9749
HRK	0.5595	0.5853
RSD	0.0354	0.0358
BGN	2.1326	2.2619
MKD	0.0681	0.0717
BAM	2.1428	2.2562
TRY	0.9235	1.1867

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

Currency	For the year ended	
	31 Dec. 2017	31 Dec. 2016
USD	3.7439	3.9680
EUR	4.2447	4.3757
RON	0.9282	0.9739
HRK	0.5690	0.5808
RSD	0.0351	0.0355
BGN	2.1703	2.2372
MKD	0.0690	0.0710
BAM	2.1728	2.2371
TRY	1.0295	1.3109

#### v. 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.

#### ***vi. Investment property***

Investment property is initially recognized at purchase cost or production cost.

Subsequently to initial recognition, an investment property owned by the Group is accounted for in accordance with the requirements applicable to tangible fixed assets, this is at purchase cost or production cost decreased by accumulated depreciation and accumulated impairment write-downs, except for the investment property that meets the criteria to be qualified as held for sale or is disclosed in the group of assets classified as held for sale.

An investment property shall be removed from the balance sheet after it is disposed of or definitely withdrawn from use, when no future economic benefits are expected from its sale. Any gain or loss resulting from removal of an investment property from the balance sheet shall be disclosed in the income statement for the period in which such derecognition is made.

Such assets are depreciated using the straight-line method over their expected useful lives.

#### ***vii. Intangible assets***

##### *Purchased separately or as a result of merger of companies*

Intangible assets purchased in a separate transaction shall be capitalized at purchase cost. Intangible assets acquired as a result of a company takeover shall be capitalized at fair value as at the takeover date.

The period of useful life of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over the expected useful life, and amortization charges are expensed adequately in the income statement. The periods of useful life, being the basis for determination of amortization rates, are subject to annual verification and, if needed, they are adjusted starting from the next financial year.

Except for development work, intangible assets generated internally by the Group shall not be capitalized, but expenditures on their production shall be expensed in the income statement for the period in which they were incurred.

Impairment tests shall be performed every year for intangible assets with an indefinite period of useful life and those which are no longer used. The remaining intangible assets shall be tested for impairment if there are indications of a possible impairment in value. Should the carrying value exceed the estimated recoverable amount (the higher of the following two amounts: net sales price or value in use), the value of these assets shall be reduced to the recoverable amount.

##### *Cost of development work*

An intangible asset generated as a result of development work (or completion of the development phase of an internal project) should be recognized if, and only if, the Group is able to demonstrate:

- the technical feasibility of completing such intangible asset so that it would be suitable for use or sale;
- the intention of finishing the construction of such intangible asset and the intention to use or sell the item;
- the ability to use or sell such intangible asset;
- how such intangible asset is going to generate probable future economic benefits. First of all the company should demonstrate there is a market for products made with the use of the given intangible asset, or that such intangible asset may itself be sold, or that such intangible asset is useful if it is to be used by the company;
- the availability of relevant technical, financial and other resources required to finish the development work and to make the intangible asset ready for use or sale;
- its ability to reliably measure the expenditure for the development work attributable to such intangible asset.

Costs of development work which do not satisfy the above criteria shall be expensed in the income statement.

Costs of development work which satisfy the above-mentioned criteria are recognized at purchase cost less accumulated amortization and accumulated impairment write-downs. All the expenditures carried forward to future periods are subject to amortization over the estimated period in which the related undertaking generates sales revenues. The costs of development work shall be amortized over the period of economic use of an intangible asset, but not longer than for 5 years.

The costs of development work are reviewed concerning a possible impairment on an annual basis – if the related asset has not been made available for use, or more frequently – if during the reporting period there is an indication of impairment, as a result of which the book value may not be recovered.

All the intangible assets subject to amortization are amortized under the straight-line method. Presented below are the periods of useful life adopted for intangible assets:

Type	Period of useful life
Cost of development work	2-5 years
Computer software	2-5 years
Patents and licenses	2-5 years
Other	3-10 years

Any gains or losses resulting from derecognition of an intangible asset from the statement of financial position (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the income statement at the time when such derecognition is made.

### **viii. Leases**

Finance lease contracts, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, are recognized in the balance sheet at the commencement of the lease term, at fair value of the leased tangible asset or at present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining amount of the liability. Finance charges are charged directly as expenses in the income statement.

Property, plant and equipment used under finance lease contracts are subject to depreciation over the estimated useful life or the lease term, whichever is shorter.

Lease contracts, whereby the Group retains substantially all the risks and rewards incidental to ownership of the leased asset, are considered as operating leases. The initial direct costs incurred during the negotiation of operating lease contracts are added to the carrying value of the leased asset and are subsequently recognized over the lease term, on the same basis as revenues from rental. The conditional leasing fees are recognized as income for the period when they become receivable.

### **ix. Borrowing costs**

The costs of external financing are capitalized as a part of the production cost of tangible assets, investment property, or intangible assets, as the case may be. The costs of external financing include any interest computed using the effective interest rate, financial charges under finance lease contracts, or foreign exchange differences that are incurred as a result of external financing up to the amount of interest expense adjustment.

### **x. 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 Group intends and is able to hold until maturity. Financial assets held to maturity are carried 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 and their purchase cost (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), 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 measured 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 Group 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.

***xi. Derivative financial instruments and hedges***

Derivative instruments utilized by the Group 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 if their value is positive, or as liabilities if their value is 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.

***xii. Impairment of financial assets***

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

**xiii. 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 Group measures the value of consumed inventories at the price (cost) of earlier purchased (generated) assets, following the first-in first-out principle.

The Group companies are obliged to perform an ageing analysis of their inventories at the end of each reporting period, separately for the main groups (goods for resale, maintenance service inventories). Such analysis provides the rationale for making write-downs on inventories 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 Group 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.

**xiv. 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:

- prepaid third-party services (inclusive of prepaid maintenance services) which shall be provided in future periods,
- rents paid in advance,
- insurances,
- any other expenses incurred in the current period, but related to future periods.

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

**xv. Trade 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 revaluated 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 Group are:

- 100% in relation to receivables in litigation, unless the Management Board believes that obtaining a favourable judgment by the Group 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 Group 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.

**xvi. 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 consolidated statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Group decided not to include bank overdraft facilities (used as an element of financing) nor restricted cash in the balance of cash and cash equivalents.

**xvii. Interest-bearing bank loans and borrowings**

All bank loans and borrowings are initially recognized at purchase cost, being the fair value of cash received net of any costs associated with obtaining the loan.

Subsequently to initial recognition, bank loans and borrowings are measured at amortized purchase cost using the effective interest rate method. Determination of the amortized purchase cost shall take into account any costs associated with obtaining a loan.

The difference between the amount of cash received (net of any costs related to obtaining a bank loan or borrowing) 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 and borrowings are recognized in the income statement for the period they relate to.

**xviii. 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.

**xix. Provisions**

A provision should be recognized when the Group 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 Group 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 Group 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 under it.

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.

*Provision for warranty repairs*

The provision for warranty repairs is created to cover anticipated future costs of warranty or service obligations resulting from the executed IT contracts. The costs of fulfilment of our warranty obligations comprise mainly labour costs (number of man-days multiplied by the standard rate) as well as the cost of goods, materials and third-party services used in performing such warranty obligations.

This provision is set aside in the cases where:

- the client has not signed any contract for maintenance services;
- the scope of the maintenance services contract does not fully cover all anticipated costs of the fulfilment of warranty obligations;
- the scope of the manufacturer's warranty for any equipment resold is narrower than the scope of warranty the Group is contractually committed to provide to its client.

The provision amount recognized at the end of the reporting period shall be proportional to the progress of the IT contract execution.

Any costs associated with the provision of our warranty services shall be, when incurred, deducted from the created provision (utilization of the provision). At the end of each reporting period, the Group verifies the amount of carried provision for warranty repairs. If the actual costs of warranty services or anticipated future costs are lower/higher than assumed at the time of initial recognition of a provision, such provision shall be decreased/increased accordingly to reflect the Group's current expectations in respect of fulfilment of its warranty obligations in future periods.

*Retirement benefits, other post-employment benefits and accrual for unused holiday leaves*

The Group creates a provision for the present value of liabilities relating to future payments of retirement benefits. Furthermore, the Group recognizes an accrual for unused holiday leaves, which relate to periods prior to the reporting period and which will be used in the future. Here the amount of related payment depends on the average monthly remuneration and the number of due but untaken leave days as at the end of the reporting period. Costs of both termination benefits and untaken leaves are based on estimates and recognized in accordance with the accrual accounting. Accrual for unused holiday leaves is presented under accruals.

**xx. 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:

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

Contract costs include the following:

- a. costs of goods, materials and third-party services sold (COGS), and
- b. 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 uninvited sales resulting from such difference shall be disclosed 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 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 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:

- a. determination of the proportion of costs incurred for work performed up to the end of the reporting period to the estimated total contract costs;
- b. measurement of work performed; or
- c. 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.

**xxi. 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 Group believes it is probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Group 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 Group concludes it is not probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Group 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 Group using the following method:

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

## 8. Seasonal nature of business

The Group's business operations are subject to seasonality, which involves revenue fluctuations in individual quarters of the year. Because the bulk of sales revenues are generated from IT services contracts executed for large companies and public institutions, turnovers recorded in the fourth quarter tend to be higher than in the remaining periods. Such phenomenon occurs for the reason that the above-mentioned entities close their annual budgets for implementation of IT projects and carry out investment purchases of hardware and licenses usually in the last quarter.

## V. INFORMATION ON OPERATING SEGMENTS

Asseco South Eastern Europe Group has identified the following reportable segments reflecting the structure of its business operations:

- a) Banking Solutions,
- b) Payment Solutions,
- c) Systems Integration.

### *Banking Solutions*

ASEE Group's offer within the Banking Solutions segment ranges from the Digital Edge omni-channel solution designed to distribute banking products and services over new, alternative distribution channels and to improve business relations and communication with the customer, through integrated core banking systems based on the Oracle and Microsoft platforms, to authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. Moreover, our clients can rely on on-line 24x7 services and consultancy in the area of digital banking and digital transformation.

### *Payment Solutions*

Asseco SEE provides complete payment industry solutions, for non-financial and financial institutions, supporting card and cardless transactions. Our product portfolio includes solutions for e-commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as ATM and POS related services. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio.

## 9. Changes in the accounting policies applied

In the reporting period, the Group did not introduce any changes to the applied accounting policies. The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the consolidated financial statements for the year ended 31 December 2016. No new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2016 have been issued since 1 January 2016.

### *Systems Integration*

The Group serves the financial, industry and public administration sectors with the following business lines: development of IT infrastructure, implementations and support, ensuring continuity of business processes, automation of operations, and customized software development. This segment also includes a group of proprietary solutions of ASEE. Among such solutions are LIVE contact center, BPS content management solution, as well as Fidelity asset lifecycle management solution. Furthermore, the product portfolio of the Systems Integration segment includes LeaseFlex, a fully-fledged lease and asset lifecycle management solution.

For the year ended 31 December 2017 and as at 31 December 2017 in thousands of PLN (audited)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
<b>Sales revenues:</b>	<b>175,334</b>	<b>218,220</b>	<b>210,927</b>	<b>8,878</b>	<b>(42,500)</b>	<b>570,859</b>
Sales to external customers	152,316	211,907	206,636	-	-	<b>570,859</b>
Inter/intra segment sales	23,018	6,313	4,291	8,878	(42,500)	-
<b>Gross profit on sales</b>	<b>45,881</b>	<b>58,187</b>	<b>39,745</b>	-	-	<b>143,813</b>
Selling costs (-)	(10,528)	(10,862)	(13,706)	-	-	<b>(35,096)</b>
General and administrative expenses (-)	(15,217)	(17,521)	(9,860)	-	-	<b>(42,598)</b>
<b>Net profit on sales</b>	<b>20,136</b>	<b>29,804</b>	<b>16,179</b>	-	-	<b>66,119</b>
Goodwill	194,330	106,449	174,581	-	-	<b>475,360</b>

For the year ended 31 December 2017 in thousands of EUR	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
<b>Sales revenues:</b>	<b>41,306</b>	<b>51,410</b>	<b>49,692</b>	<b>2,091</b>	<b>(10,012)</b>	<b>134,487</b>
Sales to external customers	35,883	49,923	48,681	-	-	<b>134,487</b>
Inter/intra segment sales	5,423	1,487	1,011	2,091	(10,012)	-
<b>Gross profit on sales</b>	<b>10,810</b>	<b>13,708</b>	<b>9,363</b>	-	-	<b>33,881</b>
Selling costs (-)	(2,480)	(2,559)	(3,229)	-	-	<b>(8,268)</b>
General and administrative expenses (-)	(3,585)	(4,128)	(2,323)	-	-	<b>(10,036)</b>
<b>Net profit on sales</b>	<b>4,745</b>	<b>7,021</b>	<b>3,811</b>	-	-	<b>15,577</b>

The above figures have been converted at the average exchange rate for the period from 1 January 2017 to 31 December 2017: EUR 1 = PLN 4.2447

For the year ended 31 December 2016 and as at 31 December 2016 in thousands of PLN (restated)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
<b>Sales revenues:</b>	<b>163,382</b>	<b>205,319</b>	<b>228,319</b>	<b>8,324</b>	<b>(34,710)</b>	<b>570,634</b>
Sales to external customers	146,277	199,392	224,965	-	-	<b>570,634</b>
Inter/intra segment sales	17,105	5,927	3,354	8,324	(34,710)	-
<b>Gross profit on sales</b>	<b>47,838</b>	<b>54,642</b>	<b>33,869</b>	-	-	<b>136,349</b>
Selling costs (-)	(10,050)	(11,587)	(16,484)	-	-	<b>(38,121)</b>
General and administrative expenses (-)	(16,193)	(15,053)	(11,092)	-	-	<b>(42,338)</b>
<b>Net profit on sales</b>	<b>21,595</b>	<b>28,002</b>	<b>6,293</b>	-	-	<b>55,890</b>
Goodwill	205,749	111,842	188,043	-	-	<b>505,634</b>

For the year ended 31 December 2016 in thousands of EUR	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
<b>Sales revenues:</b>	<b>37,338</b>	<b>46,923</b>	<b>52,180</b>	<b>1,902</b>	<b>(7,932)</b>	<b>130,411</b>
Sales to external customers	33,430	45,568	51,413	-	-	<b>130,411</b>
Inter/intra segment sales	3,908	1,355	767	1,902	(7,932)	-
<b>Gross profit on sales</b>	<b>10,933</b>	<b>12,488</b>	<b>7,740</b>	-	-	<b>31,161</b>
Selling costs (-)	(2,297)	(2,648)	(3,767)	-	-	<b>(8,712)</b>
General and administrative expenses (-)	(3,701)	(3,440)	(2,535)	-	-	<b>(9,676)</b>
<b>Net profit on sales</b>	<b>4,935</b>	<b>6,400</b>	<b>1,438</b>	-	-	<b>12,773</b>

The above figures have been converted at the average exchange rate for the period from 1 January 2016 to 31 December 2016: EUR 1 = PLN 4.3757

## VI. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Breakdown of sales revenues

During the year ended 31 December 2017 and in the comparable period, operating revenues were as follows:

Sales revenues by type of products	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Proprietary software and services	375,538	347,481
Third-party software and services	86,333	76,735
Hardware and infrastructure	108,988	146,418
<b>570,859</b>	<b>570,634</b>	

Sales revenues generated by ASEE Group in 2017 remained at a similar level as in 2016. However, the shares of different types of products in our revenue structure changed. Revenues from proprietary software and services increased by PLN 28 million and accounted for 66% of the Group's total sales in 2017, while revenues from third-party software and services improved by PLN 9.6 million and represented 15% of the Group's total sales. At the same time, sales of hardware and infrastructure declined by PLN 37 million and had a 19% share in our revenue structure.

### 2. Breakdown of operating costs

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Employee benefits (-)	(181,836)	(182,833)
Third-party non-project services and outsourcing of employees (-)	(21,034)	(24,273)
Depreciation and amortization (-)	(40,612)	(37,250)
Maintenance costs of property and business cars (-)	(38,107)	(32,248)
Business trips (-)	(4,168)	(3,955)
Advertising (-)	(3,522)	(3,844)
Other operating expenses (-)	(12,264)	(5,386)
<b>(301,543)</b>	<b>(289,789)</b>	
<b>Cost of sales, of which:</b>	<b>(427,046)</b>	<b>(434,285)</b>
Cost of goods and third-party services sold (-)	(203,197)	(224,955)
Production costs (-)	(223,849)	(209,330)
Selling costs (-)	(35,096)	(38,121)
General and administrative expenses (-)	(42,598)	(42,338)

Third-party non-project services include consulting services which are not related to specific projects, as well as auditing, legal, banking, postal, courier services, and stock exchange fees.

Maintenance costs of property and business cars include the costs of equipment repairs and spare parts used for the executed projects, costs of repairs and maintenance of tangible assets (including infrastructure provided under our outsourcing contracts), maintenance costs of intangible assets, office space rental and maintenance fees, as well as maintenance of company cars.

### 3. Other operating income and expenses

Other operating income	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Gain on disposal of property, plant and equipment and intangible assets	335	743
Income from leases of space	52	87
Other	906	939
	<b>1,293</b>	<b>1,769</b>

In 2017, the line of "Other" includes primarily compensations received by the Group, proceeds related to past-due liabilities written off, amounts received from sponsors, income from recharge invoices unrelated to the core business of our companies, and amounts returned upon the settlement of social benefits for previous years, as well as discounts and rebates related to prior years that were obtained by our companies.

In 2016, the line of "Other" includes primarily income from recharge invoices unrelated to the core business of our companies, amounts returned upon the settlement of social benefits for previous years, as well as discounts and rebates related to prior years that were obtained by our companies.

Other operating expenses	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Loss on disposal of property, plant and equipment (-)	(31)	(187)
Charitable contributions to unrelated parties (-)	(229)	(164)
Liquidation costs of property, plant and equipment, intangible assets, and inventories (-)	(244)	(256)
Cost of recharge invoices (-)	(70)	(112)
Creation of provisions (-)	(525)	-
Other (-)	(447)	(528)
	<b>(1,546)</b>	<b>(1,247)</b>

### 4. Financial income and expenses

Financial income	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Interest income on loans granted and bank deposits	1,628	1,615
Gain on valuation of derivative instruments	2,538	792
Valuation of shares due to obtaining control	-	4,120
Positive foreign exchange differences	2,186	1,704
Other financial income	28	53
	<b>6,380</b>	<b>8,284</b>

The gain on valuation of derivative instruments amounting to PLN 2,538 thousand in 2017 (vs. PLN 792 thousand in 2016) resulted from the valuation of currency forward contracts held by ASEE S.A. and ASEE Romania which are disclosed under financial assets in 2017, and under financial liabilities in 2016.

In 2016, financial income includes the valuation of shares in the amount of PLN 4,120 thousand relating to the fair value measurement of our 50% shareholding in E-Mon, Montenegro held at the date of obtaining control. The fair value has been determined on the basis of a valuation prepared by an independent expert. Such valuation is related to a step acquisition and has been recognized in accordance with IFRS 3 which requires the equity interest previously held by the acquirer in the acquired entity to be remeasured at fair value at the date of acquisition, and subsequently the resulting profit or loss, if any, to be recognized in the income statement.

Financial expenses	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Interest expense (-)	(1,011)	(1,126)
Bank fees and commissions (-)	(80)	(98)
Negative foreign exchange differences (-)	(2,865)	(836)
Company acquisition related expenses (-)	-	(160)
Interest expenses under finance leases (-)	(114)	(122)
Loss on valuation of derivative instruments (-)	(736)	(1,748)
Other financial expenses (-)	(24)	(7)
<b>(4,830)</b>	<b>(4,097)</b>	

The loss on valuation of derivative instruments amounting to PLN 736 thousand in 2017 (vs. PLN 1,748 thousand in 2016) resulted from the valuation of currency forward contracts held by ASEE S.A. and ASEE Romania which are disclosed under financial assets in 2017, and under financial liabilities in 2016.

## 5. Corporate income tax

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

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Current portion of income tax and prior years' adjustments	(12,679)	(9,330)
Deferred portion of income tax	272	(89)
<b>Income tax expense as disclosed in the income statement, of which:</b>	<b>(12,407)</b>	<b>(9,419)</b>
<i>Income tax attributable to continuing operations</i>	<i>(12,407)</i>	<i>(9,419)</i>

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)	Change
<b>Pre-tax profit</b>	<b>67,416</b>	<b>60,967</b>	<b>6,449</b>
<b>Current portion of income tax</b>			
- withholding tax on dividends	(1,208)	(46)	(1,162)
- current income taxes of companies	(11,471)	(9,284)	(2,187)
<b>(12,679)</b>	<b>(9,330)</b>	<b>(3,349)</b>	
<b>Deferred portion of income tax</b>			
- change in deferred tax assets arising from tax losses	(85)	(88)	88
- other temporary differences	357	(1)	273
<b>272</b>	<b>(89)</b>	<b>361</b>	
<b>Effective tax rate</b>	<b>18.40%</b>	<b>15.45%</b>	<b>2.95%</b>

In 2017, the Group's effective tax rate equalled 18.40% as compared with 15.45% in 2016. Such increase in our effective tax rate for 2017 in comparison with 2016 was chiefly as a consequence of higher withholding tax on dividends paid out by our subsidiaries.

Withholding tax on dividends represents income taxes withheld against dividends received by ASEE S.A. amounting to PLN 1,208 thousand (vs. PLN 46 thousand in 2016), of which: PLN 1,134 thousand on dividends received by ASEE S.A. and PLN 74 thousand on dividends received by ASEE Serbia. Withholding tax on dividends increased as a result of the higher amount of dividends paid out by our subsidiaries which are based outside of the European Union. The Company's dividend strategy for the foreseeable future does not assume making any dividend payments that might have a material impact on its fiscal position.

The current income tax expense for 2017 remained at a similar level as in 2016.

As at 31 December 2017, the Group recognized deferred tax assets in the amount of PLN 3,190 thousand (vs. PLN 2,621 thousand as at 31 December 2016) and deferred tax liabilities of PLN 1,462 thousand (vs. PLN 1,328 thousand as at 31 December 2016).

Reconciliation of corporate income tax payable on pre-tax profit at the statutory tax rate, with corporate income tax computed at the Group's effective tax rate.

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Pre-tax profit</b>	<b>67,416</b>	<b>60,967</b>
Statutory corporate income tax rate	19%	19%
<b>Corporate income tax computed at the statutory tax rate</b>	<b>(12,809)</b>	<b>(11,584)</b>
<b>[A] Non-taxable income recognized in the balance sheet</b>	<b>3,300</b>	<b>4,230</b>
- non-taxable income achieved in a special technological zone	3,051	3,554
- other	249	676
<b>[B] Non-tax-deductible expenses recognized in the balance sheet</b>	<b>(4,249)</b>	<b>(4,634)</b>
- non-tax-deductible expenses incurred in a technological zone	(3,336)	(3,493)
- representation expenses	(122)	(112)
- difference between the tax and accounting depreciation and amortization	(101)	(144)
- write-downs on receivables/inventories/tangible assets	(4)	(352)
- costs of stock option plan	(223)	-
- other	(463)	(533)
<b>[C] Tax-deductible expenses not recognized in the balance sheet</b>	<b>-</b>	<b>327</b>
- losses on contracts	-	307
- other	-	20
<b>[D] Utilization of tax losses and change in deferred tax assets arising from tax losses</b>	<b>(472)</b>	<b>(529)</b>
<b>[E] Utilization of tax credits and other tax deductibles</b>	<b>603</b>	<b>388</b>
<b>[F] Change in estimates of deferred tax assets recognized on the so-called "external temporary differences" resulting from dividend payments within the Group</b>	<b>(1,862)</b>	<b>(46)</b>
<b>[G] Difference due to different rates of corporate income tax paid abroad</b>	<b>2,963</b>	<b>2,505</b>
<b>[H] Correction of an error in the calculation of deferred tax in previous reporting periods (+) / (-)</b>	<b>119</b>	<b>(76)</b>
<b>Corporate income tax at the effective tax rate of 18.40% in 2017, and 15.45% in 2016</b>	<b>(12,407)</b>	<b>(9,419)</b>

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
<b>Deferred tax assets</b>		
Difference between tax depreciation and accounting depreciation	1,447	505
Valuation of financial assets and/or financial liabilities at fair value	71	276
Accruals, provisions and other liabilities	1,582	1,383
Allowances for receivables	225	225
Write-downs on inventories	1,272	1,780
Losses deductible against future taxable income	45	115
Other temporary differences	3	15
<b>Total</b>	<b>4,645</b>	<b>4,299</b>
<b>Deferred tax liabilities</b>		
Difference between tax depreciation and accounting depreciation	2,083	1,770
Valuation of financial assets and/or financial liabilities at fair value	156	-
Prepayments and accrued income	620	804
Other temporary differences	57	432
<b>Total</b>	<b>2,916</b>	<b>3,006</b>
<b>Deferred tax assets (+), net of deferred tax liabilities</b>	<b>3,190</b>	<b>2,621</b>
<b>Deferred tax liabilities (-), net of deferred tax assets</b>	<b>1,462</b>	<b>1,328</b>

## 6. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period attributable to shareholders of the Parent Company 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 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.</b>	<b>54,648</b>	<b>51,468</b>
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
<b>Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN)</b>		
Basic consolidated earnings per share for the reporting period	1.05	0.99
Diluted consolidated earnings per share for the reporting period	1.05	0.99

## 7. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of Asseco South Eastern Europe S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, decided that the net profit for the financial year 2016 amounting to PLN 19,069.06 and a portion of the capital reserve established pursuant to Resolution No. 7 of the Company's Ordinary General Meeting of Shareholders of 31 March 2016, shall be distributed as follows:

- a) the amount of PLN 1,525.52 from the net profit for the financial year 2016 has been allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;
- b) the amount of PLN 17,543.54 from the net profit for the financial year 2016 as well as the amount of PLN 24,891,696.94 representing a portion of the above-mentioned capital reserve have been allocated for distribution among all of the Company's shareholders by payment of a dividend amounting to PLN 0.48 per share.

The Company's Ordinary General Meeting of Shareholders established 30 June 2017 as the dividend record date. The dividend was paid out on 14 July 2017. The number of shares eligible for dividend was 51,894,251.

## 8. Property, plant and equipment

for the year ended 31 December 2017 (audited)	Buildings and land	Outsourcing and other equipment	Transportation vehicles	Other tangible assets	Tangible assets under construction	Total
<b>As at 1 January 2017, less accumulated depreciation</b>	<b>4,307</b>	<b>86,544</b>	<b>6,621</b>	<b>1,240</b>	<b>3,449</b>	<b>102,161</b>
Additions, of which:	424	57,630	2,793	1,452	28,714	<b>91,013</b>
Purchases	-	30,456	1,825	1,389	28,458	<b>62,128</b>
Finance leases	-	-	964	-	-	<b>964</b>
Obtaining control over subsidiaries	-	-	-	-	-	-
Transfers from tangible assets under construction	-	21,737	-	-	-	<b>21,737</b>
Transfers from inventories and investment property	424	5,437	-	-	256	<b>6,117</b>
Other changes	-	-	4	63	-	<b>67</b>
Reductions, of which:	(137)	(30,965)	(2,479)	(493)	(21,737)	<b>(55,811)</b>
Depreciation charges for the reporting period (-)	(113)	(30,424)	(2,178)	(487)	-	<b>(33,202)</b>
Disposal and liquidation (-)	-	(431)	(301)	(6)	-	<b>(738)</b>
Transfers from tangible assets under construction (-)	-	-	-	-	(21,737)	<b>(21,737)</b>
Other changes (-)	(24)	(110)	-	-	-	<b>(134)</b>
Foreign exchange differences on translation of foreign operations (+/-)	(34)	(4,581)	(311)	(229)	(250)	<b>(5,405)</b>
<b>As at 31 December 2017, less accumulated depreciation</b>	<b>4,560</b>	<b>108,628</b>	<b>6,624</b>	<b>1,970</b>	<b>10,176</b>	<b>131,958</b>
As at 1 January 2017						
Gross value	4,902	168,412	14,603	5,561	3,449	<b>196,927</b>
Accumulated depreciation (-)	(595)	(81,868)	(7,982)	(4,321)	-	<b>(94,766)</b>
<b>Net book value as at 1 January 2017</b>	<b>4,307</b>	<b>86,544</b>	<b>6,621</b>	<b>1,240</b>	<b>3,449</b>	<b>102,161</b>
As at 31 December 2017						
Gross value	5,448	208,532	15,283	7,549	10,176	<b>246,988</b>
Accumulated depreciation (-)	(888)	(99,904)	(8,659)	(5,579)	-	<b>(115,030)</b>
<b>Net book value as at 31 December 2017</b>	<b>4,560</b>	<b>108,628</b>	<b>6,624</b>	<b>1,970</b>	<b>10,176</b>	<b>131,958</b>

Some pieces of equipment have been transferred from inventories to tangible assets because they are utilized in the performance of our outsourcing contracts. Tangible assets under construction amounting to PLN 10,176 thousand (vs. PLN 3,449 thousand as at 31 December 2016) comprised mainly infrastructure that is being prepared to be rented in the outsourcing model.

for the year ended 31 December 2016 (audited)	Buildings and land	Outsourcing and other equipment	Transportation vehicles	Other tangible assets	Tangible assets under construction	Total
<b>As at 1 January 2016, less accumulated depreciation</b>	-	<b>78,110</b>	<b>5,082</b>	<b>624</b>	<b>2,553</b>	<b>86,369</b>
Additions, of which:	4,348	31,872	3,375	996	8,382	<b>48,973</b>
Purchases	-	17,283	1,899	996	8,382	<b>28,560</b>
Finance leases	-	-	1,468	-	-	<b>1,468</b>
Obtaining control over subsidiaries	4,348	1,092	5	-	-	<b>5,445</b>
Transfers from tangible assets under construction	-	7,589	-	-	-	<b>7,589</b>
Transfers from inventories and investment property	-	5,908	-	-	-	<b>5,908</b>
Other changes	-	-	3	-	-	<b>3</b>
Reductions, of which:	(75)	(26,185)	(1,978)	(380)	(7,589)	<b>(36,207)</b>
Depreciation charges for the reporting period (-)	(75)	(25,483)	(1,865)	(342)	-	<b>(27,765)</b>
Disposal and liquidation (-)	-	(700)	(113)	(17)	-	<b>(830)</b>
Transfers from tangible assets under construction (-)	-	-	-	-	(7,589)	<b>(7,589)</b>
Other changes (-)	-	(2)	-	(21)	-	<b>(23)</b>
Foreign exchange differences on translation of foreign operations (+/-)	34	2,747	142	-	103	<b>3,026</b>
<b>As at 31 December 2016, less accumulated depreciation</b>	<b>4,307</b>	<b>86,544</b>	<b>6,621</b>	<b>1,240</b>	<b>3,449</b>	<b>102,161</b>
As at 1 January 2016						
Gross value	-	131,771	12,482	4,521	2,553	<b>151,327</b>
Accumulated depreciation (-)	-	(53,661)	(7,400)	(3,897)	-	<b>(64,958)</b>
<b>Net book value as at 1 January 2016</b>	<b>-</b>	<b>78,110</b>	<b>5,082</b>	<b>624</b>	<b>2,553</b>	<b>86,369</b>
As at 31 December 2016						
Gross value	4,902	168,412	14,603	5,561	3,449	<b>196,927</b>
Accumulated depreciation (-)	(595)	(81,868)	(7,982)	(4,321)	-	<b>(94,766)</b>
<b>Net book value as at 31 December 2016</b>	<b>4,307</b>	<b>86,544</b>	<b>6,621</b>	<b>1,240</b>	<b>3,449</b>	<b>102,161</b>

As at 31 December 2017, tangible assets with a book value of PLN 1,043 thousand served as security for bank loans.

As at 31 December 2016, tangible assets with a book value of PLN 2,516 thousand served as security for bank loans.

**9. Intangible assets**

for the year ended 31 December 2017 (audited)	Own software and licenses	Costs of development projects in progress	Software, patents and licenses purchased	Total
<b>As at 1 January 2017, less accumulated amortization</b>				
	<b>18,841</b>	<b>3,319</b>	<b>8,020</b>	<b>30,180</b>
Additions, of which:				
Purchases	3,849	3,502	2,948	<b>10,299</b>
Capitalization of project development costs	-	-	2,919	<b>2,919</b>
Transfer of the costs of completed development projects	-	3,502	-	<b>3,502</b>
Changes in presentation methods	3,849	-	-	<b>3,849</b>
Reductions, of which:				
Amortization charges for the reporting period (-)	(4,676)	-	(2,865)	<b>(7,541)</b>
Transfer of the costs of completed development projects (-)	-	(3,849)	-	<b>(3,849)</b>
Disposals (-)	-	-	-	-
Liquidation and impairment charges (-)	(7,490)	(368)	-	<b>(7,858)</b>
Foreign exchange differences on translation of foreign operations (+/-)	(2,377)	(393)	(515)	<b>(3,285)</b>
<b>As at 31 December 2017, less accumulated amortization</b>				
	<b>8,147</b>	<b>2,211</b>	<b>7,588</b>	<b>17,946</b>
As at 1 January 2017				
Gross value	41,001	3,319	27,434	<b>71,754</b>
Accumulated amortization (-)	(22,160)	-	(19,414)	<b>(41,574)</b>
<b>Net book value as at 1 January 2017</b>				
	<b>18,841</b>	<b>3,319</b>	<b>8,020</b>	<b>30,180</b>
As at 31 December 2017				
Gross value	33,987	2,211	27,881	<b>64,079</b>
Accumulated amortization (-)	(25,840)	-	(20,293)	<b>(46,133)</b>
<b>Net book value as at 31 December 2017</b>				
	<b>8,147</b>	<b>2,211</b>	<b>7,588</b>	<b>17,946</b>

As at 31 December 2017, intangible assets did not serve as security for any bank loans.

During the period of 12 months ended 31 December 2017, the Group recognized the costs of liquidation and impairment write-downs on its proprietary software and licenses, as well as the costs of development projects in progress in the amount of PLN 7,858 thousand. The liquidated assets have been described below, in the description of development projects.

for the year ended 31 December 2016 (audited)	Own software and licenses	Costs of development projects in progress	Software, patents and licenses purchased	Total
<b>As at 1 January 2016, less accumulated amortization</b>				
	<b>25,262</b>	<b>2,962</b>	<b>5,342</b>	<b>33,566</b>
Additions, of which:				
Purchases	4,904	5,433	5,658	<b>15,995</b>
Obtaining control over subsidiaries	-	-	2,679	<b>2,679</b>
Capitalization of project development costs	-	-	2,949	<b>2,949</b>
Transfer of the costs of completed development projects	-	5,433	-	<b>5,433</b>
Changes in presentation methods	4,904	-	-	<b>4,904</b>
Reductions, of which:				
Amortization charges for the reporting period (-)	(10,031)	(4,904)	(2,852)	<b>(17,787)</b>
Transfer of the costs of completed development projects (-)	(6,798)	-	(2,832)	<b>(9,630)</b>
Disposals (-)	-	(4,904)	-	<b>(4,904)</b>
Liquidation (-)	(3,233)	-	(19)	<b>(3,252)</b>
Foreign exchange differences on translation of foreign operations (+/-)	(1,294)	(172)	(128)	<b>(1,594)</b>
<b>As at 31 December 2016, less accumulated amortization</b>				
	<b>18,841</b>	<b>3,319</b>	<b>8,020</b>	<b>30,180</b>
As at 1 January 2016				
Gross value	46,357	2,962	16,625	<b>65,944</b>
Accumulated amortization (-)	(21,095)	-	(11,283)	<b>(32,378)</b>
<b>Net book value as at 1 January 2016</b>				
	<b>25,262</b>	<b>2,962</b>	<b>5,342</b>	<b>33,566</b>
As at 31 December 2016				
Gross value	41,001	3,319	27,434	<b>71,754</b>
Accumulated amortization (-)	(22,160)	-	(19,414)	<b>(41,574)</b>
<b>Net book value as at 31 December 2016</b>				
	<b>18,841</b>	<b>3,319</b>	<b>8,020</b>	<b>30,180</b>

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

During the period of 12 months ended 31 December 2016, the Group recognized the costs of liquidation of its proprietary software and licenses in the amount of PLN 3,233 thousand.

## Development projects

The Group carries out development projects focusing on the generation of new software or significant modification/extension of applications already marketed by the Group.

In the year ended 31 December 2017, the total capitalized costs of development projects amounted to PLN 3,502 thousand, in comparison to PLN 5,433 thousand spent during the previous year ended 31 December 2016.

In 2017, capitalized costs of development projects were incurred in the following operating segments:

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Banking Solutions	1,882	3,668
Payment Solutions	664	570
Systems Integration	956	1,195
<b>3,502</b>	<b>5,433</b>	

Within the Banking Solutions segment, capitalized expenditures were primarily related to the development of Digital Edge modules (including Digital Edge Web and Digital Edge Mobile channels), which is a digital banking platform with a set of customer engagement capabilities and functionalities available over remote access channels just as at bank branches.

Within the Payment Solutions segment, capitalized expenditures were related to the development of MerchantSafe® Unipay software. MSU is a solution allowing for payment card tokenization, which significantly reduces merchant risks. This solution enables merchants to collect payments remotely from various banks. MSU is an online payment solution offering a secure, easy and convenient checkout experience for both buyers and merchants, from multiple access points such as web, ERP systems, CRM systems and e-mail.

Major products developed by the Systems Integration segment in 2017 included Fidelity (comprehensive solution that automates the full lifecycle of assets and spending processes) and LeaseFlex (fully-fledged lease and asset lifecycle management solution dedicated to leasing companies).

The value of completed development projects amounted to PLN 3,849 thousand in the period of 12 months ended 31 December 2017, as compared with PLN 4,904 thousand in 2016.

In the Banking Solutions segment, the costs of completed development work were related to a series of Experience products as well as Digital Edge solution, which is a digital banking platform with a set of touchpoint applications and a set of

customer engagement capabilities that ensure customer data flows seamlessly across both self-service and assisted touchpoints (Multichannel).

In the Systems Integration segment, the costs of completed development work were related to Fidelity software.

In line with the requirements of IAS 36 Impairment of Assets, the Group measured the recoverable amount of the costs of development projects in progress as at 31 December 2017. Components of intangible assets that are not yet available for use shall be valued on an annual basis, regardless of whether there are indications of possible impairment.

In 2017, the Group decided to liquidate its capitalized costs of development projects (both completed and in progress) with a total amount of PLN 7,858 thousand. The liquidation affected the capitalized costs of development projects in Serbia and Turkey, in the Banking Solutions segment (PLN 5,856 thousand) as well as in the Systems Integration segment (PLN 2,002 thousand). Such write-downs resulted from the Management's assessment of the amount of realizable revenues from individual, internally generated software modules.

## 10. Goodwill and business combinations

During the reporting period and comparable period, the amount of goodwill changed as follows:

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
<b>Goodwill at the beginning of the period</b>	<b>505,634</b>	<b>488,566</b>
Banking Solutions	205,749	193,556
Payment Solutions	111,842	110,292
Systems Integration	188,043	184,718
<b>Change in consolidation goodwill due to the acquisition of shares (+)</b>	<b>-</b>	<b>6,409</b>
Banking Solutions	-	6,315
Payment Solutions	-	94
Systems Integration	-	-
<b>Foreign exchange differences on translation of goodwill in foreign subsidiaries (+/-)</b>	<b>(30,274)</b>	<b>10,659</b>
Banking Solutions	(11,419)	5,878
Payment Solutions	(5,393)	1,456
Systems Integration	(13,462)	3,325
<b>Total book value at the end of period</b>	<b>475,360</b>	<b>505,634</b>
Banking Solutions	194,330	205,749
Payment Solutions	106,449	111,842
Systems Integration	174,581	188,043

### Impairment testing of goodwill

Goodwill is subject to impairment testing on an annual basis.

Goodwill resulting from the acquisition of subsidiaries was tested for impairment of value as at 31 December 2017. The value of cash-generating units (to which goodwill has been allocated) was determined on the basis of their recoverable amount, by applying the model of discounted free cash flow to firm (FCFF).

The calculations were based on the following uniform assumptions:

- the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole Group;
- detailed forecasts covered the period of 5 years with assumed changes in cash flows, while the residual value for later operations of each subsidiary was computed assuming no changes in cash flows;
- the assumed changes in cash flows depend upon the strategy of the entire Group and plans of individual companies, taking due account of conditions prevailing in particular geographical markets and sectors, and at the same time reflecting the present and potential order backlog. The potential order backlog presumes gaining new clients whilst keeping the present ones. The assumed changes are not materially different from average growth observed in relevant markets;
- the forecasts for foreign subsidiaries assumed growth in their functional currencies;
- the discount rate applied was equivalent to the weighted average cost of capital in the market of South Eastern Europe.

Based on the conducted tests, we did not recognize any impairment write-downs on goodwill in the year ended 31 December 2017 nor in the comparable period.

Additionally, the Parent Company carried out a sensitivity analysis of the impairment tests conducted on goodwill arising from the acquisition of shares in its subsidiaries. The analysis of sensitivity shows how much the recoverable amount is going to change if the discount rate is increased by 1 pp with other assumptions remaining constant, or if the revenue growth rate is decreased by 1 pp with other assumptions remaining constant.

The results of such sensitivity analysis carried out as at 31 December 2017 are presented in the following table:

31 Dec. 2017	Discount rate	Sales revenue growth rate
	Change by 1 pp	Change by 1 pp
Banking Solutions	-41,615	-31,527
Payment Solutions	-34,099	-30,308
Systems Integration	-25,168	-26,870

Any reasonable modification of the key assumptions adopted in the model of valuation of goodwill allocated to our operating segments should not indicate a necessity of recognizing any goodwill impairment charges.

Due to a write-down on our investment in ASEE Kosovo that was recognized in the standalone financial statements of ASEE S.A. prepared as at 31 December 2017, we have analyzed net assets of this company disclosed in the consolidated financial statements of ASEE Group as at 31 December 2017 with regard to their possible impairment. The analysis was based on the model for forecasting of free cash flows, as used to estimate the value of investment in ASEE Kosovo disclosed in the standalone financial statements of ASEE S.A. The conducted test did not indicate a necessity to recognize any impairment charges on net assets of this company disclosed in the consolidated financial statements of the Group as at 31 December 2017. Goodwill arising from the acquisition of ASEE Kosovo has been allocated to all the three operating segments identified in the consolidated financial statements of ASEE Group.

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.

## 11. Inventories

Inventories	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Goods for resale	26,177	25,388
Maintenance inventories	10,129	9,870
Write-down on inventories (-)	(11,514)	(11,784)
<b>24,792</b>	<b>23,474</b>	

In the year ended 31 December 2017, the Group recognized impairment write-downs on inventories in the amount of PLN 3,909 thousand, while the amount of reversed write-downs equalled PLN 2,014 thousand. In the year ended 31 December 2016, the Group recognized impairment write-downs on inventories in the amount of PLN 4,070 thousand, while the amount of reversed write-downs equalled PLN 1,259 thousand.

Both as at 31 December 2017 and 31 December 2016, inventories did not serve as security for any bank loans.

## 12. Short-term receivables

Trade receivables	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Trade receivables, of which:		
From related parties	944	837
From other entities	112,465	119,940
Allowance for doubtful receivables (-)	(3,393)	(3,266)
Receivables from uninvoiced deliveries, of which:		
From related parties	-	25
From other entities	10,138	8,962
<b>120,154</b>	<b>126,498</b>	

Trade receivables are non-interest bearing.

As at 31 December 2017, receivables in the amount of PLN 3,467 thousand served as security for bank loans and bank guarantee facilities. As at 31 December 2017, we had no liabilities under bank loans secured with such assets; however, bank guarantees extended under a bank guarantee facility secured with those receivables amounted to PLN 2,833 thousand.

As at 31 December 2016, receivables in the amount of PLN 1,720 thousand served as security for bank loans and bank guarantee facilities. As at 31 December 2016, we had no liabilities under bank loans secured with such assets; however, bank guarantees extended under a bank guarantee facility secured with those receivables amounted to PLN 5,283 thousand.

Receivables from the state and local	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Value added tax	126	428
Corporate income tax (CIT)	132	166
Other	644	574
<b>902</b>	<b>1,168</b>	

Other receivables	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Advance payments to suppliers	2,305	2,403
Security deposits receivable	307	354
Other receivables	726	875
<b>3,338</b>	<b>3,632</b>	

Advance payments to suppliers correspond to advances paid to subcontractors on the account of execution of contracts.

Other receivables disclosed as at 31 December 2017 include mainly receivables from employees, restricted cash, receivables from disposal of tangible assets, as well as other amounts receivable.

Other receivables disclosed as at 31 December 2016 include, among others, restricted cash, receivables from employees, receivables from disposal of tangible assets, as well as other amounts receivable.

## 13. Cash and short-term deposits

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Cash at bank and in hand	68,366	80,745
Short-term bank deposits	47,346	38,801
<b>115,712</b>	<b>119,546</b>	
<i>Interest accrued on cash and cash equivalents as at the end of the reporting period</i>	(48)	(47)
<i>Overdraft facilities utilized for liquidity management</i>	(102)	(1,441)
<b>Cash and cash equivalents as disclosed in the cash flow statement</b>	<b>115,562</b>	<b>118,058</b>

**14. Financial assets**

	31 Dec. 2017 (audited)	Acquired / Granted / Deposited	Disposed / Repaid / Withdrawn	Valuation / Interest / Other	Foreign currency translation differences	31 Dec. 2016 (audited)
<b>Assets available for sale</b>						
Shares in companies listed on regulated markets	70	-	-	(42)	(5)	117
Shares in companies not listed on regulated markets	20	-	-		(1)	21
Other	33			32	1	-
<b>Total, of which:</b>	<b>123</b>	-	-	<b>(10)</b>	<b>(5)</b>	<b>138</b>
- long-term	98					111
- short-term	25					27
<b>Loans granted</b>						
Loans granted to unrelated entities	88	13	(13)	4	(5)	89
Loans granted to employees	8	8	-	-	-	-
<b>Total, of which:</b>	<b>96</b>	<b>21</b>	<b>(13)</b>	<b>4</b>	<b>(5)</b>	<b>89</b>
- long-term	8					44
- short-term	88					45
<b>Cash deposits</b>						
Deposits for 3 to 12 months	21	-	-	-	(1)	22
Deposits for over 12 months	7	-	-	-	-	7
<b>Total, of which:</b>	<b>28</b>	-	-	-	<b>(1)</b>	<b>29</b>
- long-term	7					7
- short-term	21					22
<b>Financial assets carried at fair value through profit or loss</b>						
Investment fund units	-	9,219	(12,136)	-	(79)	2,996
Currency forward contracts	824	276	(205)	753	-	-
<b>Total, of which:</b>	<b>824</b>	<b>9,495</b>	<b>(12,341)</b>	<b>753</b>	<b>(79)</b>	<b>2,996</b>
- long-term	166					-
- short-term	658					2,996

As at 31 December 2017, financial assets carried at fair value through profit or loss included currency forward contracts that are held by ASEE S.A. and ASEE Romania; whereas, as at 31 December 2016, they included investment fund units with a value of PLN 2,996 thousand held by ASEE Macedonia.

The book values of financial assets held by the Group as at 31 December 2017 and 31 December 2016 did not differ from their fair values.

The levels of in the fair value hierarchy of financial assets have been presented in explanatory note 37 to these financial statements.

**15. Prepayments and accrued income**

Long-term	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Prepaid maintenance services and license fees	436	527
Other	305	108
<b>741</b>	<b>635</b>	

Short-term	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Prepaid maintenance services and license fees	6,262	9,883
Prepaid insurance	511	644
Prepaid rents	245	391
Prepaid consulting services	558	773
Other prepaid services	1,002	845
Costs of services performed for which revenues have not been recognized yet	267	556
Other	1,202	1,288
<b>10,047</b>	<b>14,380</b>	

Both as at 31 December 2017 and 31 December 2016, prepayments included primarily the costs of maintenance services and licensing fees amounting to PLN 6,698 thousand and PLN 10,410 thousand, respectively, that will be successively expensed in future periods.

## 16. Share capital

Share capital		Par value		31 Dec. 2017 (audited)	31 Dec. 2016 (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

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 19 February 2018 and 31 December 2017

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,809,000	16.97%
Other shareholders	16,590,575	31.97%
	<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>

Both as at 31 December 2017 and 31 December 2016, 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.

## 17. 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.

## 18. Non-controlling interests

The table below presents changes in non-controlling interests:

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
<b>At the beginning of the period</b>	<b>2,210</b>	-
Share in profits of subsidiaries	319	80
Acquisition of shares in subsidiaries		5,063
Acquisition of non-controlling interests	(686)	(2,933)
Foreign exchange differences on translation of foreign operations	-	-
Dividends paid out to non-controlling shareholders	(271)	-
<b>At the end of the period</b>	<b>1,572</b>	<b>2,210</b>

In 2016, acquisition of shares in subsidiaries was related to the recognition of minority interests upon taking control of Chip Card company (non-controlling interests of 46.19% with a value of PLN 4,359 thousand) as well as taking control of E-Mon company (non-controlling interests of 25% with a value of PLN 704 thousand). Acquisition of non-controlling interests resulted from the increase of shareholding in Chip Card company by ASEE Serbia (acquisition of additional 31.2% of shares).

In 2017, acquisition of non-controlling interests resulted from the subsequent increase of shareholding in Chip Card company by ASEE Serbia (acquisition of additional 7.49% of shares).

## 19. Provisions

	Provisions for warranty repairs and product returns	Provisions for contractual penalties	Costs related to ongoing court litigation	Post-employment benefits	Other provisions	Total
<b>As at 1 January 2017</b>						
Created during the financial year	566	-	166	1,330	76	2,138
Utilized (-)	307	943	469	439	225	2,383
Reversed (-)	(52)	-	-	(456)	(197)	(705)
Changes in presentation methods (+/-)	(282)	-	-	(20)	(30)	(332)
Discount change, actuarial gains/losses (+/-)	(22)	-	-	-	-	(22)
Foreign exchange differences on translation of foreign operations (+/-)	-	-	-	638	-	638
	(20)	10	(55)	(271)	(4)	(340)
<b>As at 31 December 2017 (audited)</b>						
Short-term	497	953	580	1,660	70	3,760
Long-term	-	-	264	153	70	1,937
316			316	1,507	-	1,823
<b>As at 31 December 2016 (audited)</b>						
Short-term	566	-	166	1,330	76	2,138
Long-term	-	-	-	222	76	864
			166	1,108	-	1,274

### Warranty repairs

The provision for the costs of warranty repairs was created in connection with our obligations to provide contractually guaranteed repair services on software and hardware products supplied to our clients. The amount of reversed provisions represents our project-related provisions that were created in previous periods (based on historical data) and, subsequently, were not utilized for such projects.

### Provision for contractual penalties

The provision for contractual penalties was created with regard to a contract executed in Serbia, under which software licenses were delivered while further contract stages (including implementation of the solution) were not performed. Discussions are being held in order to complete the contract by mutual agreement. The company has created provisions for potential customer claims related to the contract completion.

### Post-employment benefits

The provision for post-employment benefits represents retirement benefits which are to be paid to the Group's employees when they go into retirement or leave the company, provided such entitlement was acquired in accordance with the country's applicable regulations.

In 2017, the provision for retirement benefits was increased by actuarial gains/losses amounting to PLN 638 thousand which resulted from a change in actuarial assumptions for the calculation of this provision in Turkey. In this respect, we recognized the amount of PLN 510 thousand (net of deferred tax) in our equity.

## 20. Long-term and short-term financial liabilities

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Long-term		
Currency forward contracts	-	821
Finance lease liabilities	1,568	1,935
	<b>1,568</b>	<b>2,756</b>
Short-term		
Currency forward contracts	-	240
Finance lease liabilities	976	923
Other	22	35
	<b>998</b>	<b>1,198</b>

## 21. Interest-bearing bank loans and borrowings

Effective interest rate %	Currency	Repayment date	Amounts drawn as at			
			31 Dec. 2017 (audited) long-term portion	31 Dec. 2017 (audited) short-term portion	31 Dec. 2016 (audited) long-term portion	31 Dec. 2016 (audited) short-term portion
<b>BANK OVERDRAFT FACILITIES</b>						
fixed interest rate	MKD	31-12-2017	-	10	-	13
fixed interest rate	MKD	31-12-2017	-	34	-	26
6M EURIBOR + margin	EUR	31-03-2018	-	58	-	960
fixed interest rate	EUR	10-03-2017	-	-	-	442
<b>OTHER BANK LOANS</b>						
1M EURIBOR + margin	EUR	15-06-2018	-	9,556	-	9,975
-	TRY	01-01-2018	-	5	-	6
3M EURIBOR + margin	HRK/EUR	30-04-2019	1,177	3,531	4,955	3,716
3M EURIBOR + margin	HRK/EUR	31-12-2021	2,207	736	3,161	709
3M EURIBOR + margin	HRK/EUR	31-12-2022	3,699	925	-	-
3M EURIBOR + margin	EUR	30-04-2019	146	442	624	916
fixed interest rate	EUR	31-03-2021	2,002	888	-	-
fixed interest rate	BAM	08-05-2017	-	-	-	158
12M EURIBOR + margin	HRK/EUR	31-03-2017	-	-	-	883
EURIBOR + margin	EUR	30-06-2021	-	-	1,863	532
1M EURIBOR + margin	EUR	18-12-2020	9,489	4,085	11,204	4,453
6M EURIBOR + margin	EUR	13-03-2020	538	430	-	-
3M EURIBOR + margin	EUR	21.09.2020	1,485	612	-	-
fixed interest rate	EUR	13.11.2019	1,538	1,398	-	-
			<b>22,281</b>	<b>22,710</b>	<b>21,807</b>	<b>22,789</b>

The Group's total debt amounted to PLN 44,991 thousand as at 31 December 2017 (vs. PLN 44,596 thousand as at 31 December 2016), of which loans obtained in order to finance our projects of payment processes outsourcing amounted to PLN 44,884 thousand (vs. PLN 43,149 thousand in the comparable period).

Total proceeds from and repayments of bank loans disclosed in the statement of cash flows for the year 2017 amounted to PLN 22 million (proceeds) and PLN 17.8 million (repayments). New bank loans have been utilized for our capital expenditures for POS terminals and ATMs in Croatia, Serbia, and Slovenia. Whereas, the repayments were related primarily to bank loans obtained by our companies to finance their purchases of POS terminals and ATMs in previous years.

As at 31 December 2017, tangible assets with a book value of PLN 1,043 thousand served as security for bank loans. As at 31 December 2017, liabilities that were secured with such assets amounted to PLN 9,556 thousand. As at 31 December 2016, tangible assets with a book value of PLN 2,516 thousand served as security for bank loans. As at 31 December 2016, liabilities that were secured with such assets amounted to PLN 10,133 thousand.

In the reporting period, the margins realized by lenders to ASEE Group companies ranged from 1.3 to 3.5 percentage points on an annual basis.

Whereas, in the comparable period such margins ranged from 1.5 to 4.8 percentage points per annum.

## 22. Current liabilities

Trade payables	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Trade payables, of which:	53,361	61,046
To related parties	52	190
To other entities	53,309	60,856
Liabilities for uninvoiced deliveries, of which:	4,224	7,628
To related parties	-	-
To other entities	4,224	7,628
	<b>57,585</b>	<b>68,674</b>

The term for repayment of the Group's liabilities is 49 days on average.

Other current liabilities	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Liabilities to employees relating to salaries	12,161	12,127
Trade prepayments received	12,533	9,419
Liabilities from purchases of tangible assets and intangible assets	1,478	1,179
Other liabilities	494	648
	<b>26,666</b>	<b>23,373</b>
Current liabilities to the state and local budgets	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Value added tax	14,859	16,563
Corporate income tax (CIT)	2,696	2,539
Personal income tax (PIT)	1,860	2,014
Social security payable	3,301	3,260
Other	380	306
	<b>23,096</b>	<b>24,682</b>

### 23. Accruals and deferred income

Short-term accruals	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Accrual for unused holiday leaves	2,253	1,928
Accrual for employee bonuses	9,862	11,687
	<b>12,115</b>	<b>13,615</b>

Accruals comprise accruals for unused holiday leaves as well as accruals for employee bonuses of the current period to be paid out in future periods, which result from the incentive schemes applied by ASEE Group.

Long-term deferred income	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Prepaid maintenance services	1,431	1,284
Other	324	134
	<b>1,755</b>	<b>1,418</b>

Short-term deferred income	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Maintenance services	10,671	13,609
Prepaid implementation services	1,508	1,894
License fees	198	419
Grants for the development of assets	-	443
Other	7,996	5,387
	<b>20,373</b>	<b>21,752</b>

The balance of deferred income relates mainly to prepayments received for services to be provided, such as support and maintenance services.

The line of "Other" includes prepayments received under infrastructure contracts for equipment to be delivered during 2018.

### 24. Implementation contracts

In the years 2017 and 2016, ASEE Group executed a number of the so-called IT implementation contracts. In line with IAS 11, sales generated from such contracts are recognized according to the percentage of completion of relevant contracts. In 2017 and 2016, the Group measured the percentage of completion of IT implementation contracts using the "cost-to-cost" method (this is by determining the relation of costs incurred to the overall project costs) or by the "effort-expended" method.

In the year ended 31 December 2017, sales revenues recognized from the execution of all long-term IT contracts reached PLN 48,203 thousand; whereas, in the comparable period of 2016 they amounted to PLN 54,223 thousand.

The following table includes basic data about the ongoing IT implementation contracts. It presents the aggregate data for contracts being in progress as at 31 December 2017, accumulated since their commencement:

	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Long-term IT contracts in progress at the end of the reporting period:		
Costs incurred due to execution of IT contracts (-)	(42,401)	(58,518)
Profit (loss) on execution of IT contracts	<b>7,146</b>	<b>7,976</b>
Invoiced sales revenues from execution of IT contracts	41,692	62,652
Receivables arising from valuation of IT contracts	12,025	11,722
Liabilities arising from valuation of IT contracts (-)	(3,413)	(6,149)
Provision for losses arising from valuation of IT contracts (-)	(692)	(1,662)
Foreign exchange differences on translation of foreign operations (+/-)	(65)	(69)

### 25. Finance leases – the Group acting as a lessee

Companies of ASEE Group are parties to a number of finance lease contracts for cars and IT hardware. The aggregate future cash flows and liabilities under such finance leases of cars and equipment are as follows:

Leasing of cars and equipment	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
<b>Minimum lease payments</b>		
in the period shorter than 1 year	1,054	1,023
in the period from 1 to 5 years	1,648	2,042
in the period longer than 5 years	-	-
<b>Future minimum lease payments</b>	<b>2,702</b>	<b>3,065</b>
Future interest expense	(158)	(207)
<b>Present value of finance lease commitments</b>	<b>2,544</b>	<b>2,858</b>
in the period shorter than 1 year	976	923
in the period from 1 to 5 years	1,568	1,935
in the period longer than 5 years	-	-

### 26. Outsourcing contracts – the Group acting as a lessor

The Group implements a number of contracts for outsourcing of payment transaction processes. The total amounts of future minimum lease payments receivable under such contracts have been estimated as follows:

Future minimum lease payments	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
(i) within 1 year	54,133	41,022
(ii) within 1 to 5 years	64,254	46,892
(iii) within more than 5 years	7,048	2,598
<b>125,435</b>	<b>90,512</b>	

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

The table below presents expenditures incurred by ASEE Group in the years ended 31 December 2017 and 31 December 2016 for the acquisition of shares in subsidiaries as well as for the acquisition of non-controlling interests:

Acquisition of shares in subsidiaries and associates	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
E-Mon, Montenegro	-	(2,841)
Chip Card, Serbia	-	(5,133)
		<b>(7,974)</b>
Cash in acquired companies	-	3,153
	-	<b>(4,821)</b>
Acquisition of non-controlling interests	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Chip Card, Serbia	(702)	(2,970)
	<b>(702)</b>	<b>(2,970)</b>

## 28. Contingent liabilities and receivables

Within its commercial activities ASEE Group uses bank guarantees, letters of credit, contract performance guarantees as well as tender deposits as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies. As at 31 December 2017, the related contingent liabilities equalled PLN 15,550 thousand, while as at 31 December 2016 they amounted to PLN 29,561 thousand.

Assets serving as security for bank guarantee facilities:

Category of assets	Net value of assets		Amount of granted guarantee secured with assets	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Trade receivables	3,467	1,720	2,833	5,283
Other receivables (restricted cash)	-	167	-	1,466
<b>Total</b>	<b>3,467</b>	<b>1,887</b>	<b>2,833</b>	<b>6,749</b>

As the Group companies rent office space, both as at 31 December 2017 and 31 December 2016, the Group was party to a number of rental, leasing and other contracts of similar nature, resulting in the following future payments:

Liabilities under leases of space	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
In the period up to 1 year	13,289	13,842
In the period from 1 to 5 years	10,642	14,180
	<b>23,931</b>	<b>28,022</b>
Liabilities under operating lease of property, plant and equipment	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
In the period up to 1 year	1,425	1,492
In the period from 1 to 5 years	2,600	1,599
	<b>4,025</b>	<b>3,091</b>

## 29. Share-based payment plan

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A. The total number of ASEE shares covered by this plan is 2,221,356, representing 4.28% of the company's share capital. Members of the Management Board of ASEE S.A. as well as parties related through Members of the Management Board of ASEE S.A. acquired 1,572,424 shares in total. The remaining 648,932 shares were acquired by the management staff of subsidiary companies of ASEE Group.

As a result of these transactions, the shareholding of Asseco Poland S.A. in ASEE S.A. dropped from 55.34% to 51.06%. The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2.

The purchase rights were vested on 23 June 2017. The acquisition price was set at PLN 10.89 per share. As at the acquisition date, the market price per share equalled PLN 12.60. According to the concluded agreements, the managers shall exercise all the rights attached to shares acquired (dividend rights, voting rights, etc.) since the shares acquisition date, i.e. as of 23 June 2017. The consideration for the shares shall be paid in eight annual instalments till 31 July 2024. The right to pay the acquisition price in instalments is granted to persons participating in this plan provided they continue to serve in a managerial position at the Group and do not violate any material conditions of the agreement (among others, make timely payments according to the schedule, establish a pledge on shares acquired, refrain from selling these shares during the lock-up period, etc.). The managers are not allowed to sell these shares over a lock-up period of 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The managers shall be entitled to make an earlier payment for shares acquired at the agreed price of PLN 10.89 per share, except for shares being subject to the lock-up obligation. Therefore, over a period of 2 years from the date of concluding the agreement, payments for shares

acquired must be made in accordance with the agreed schedule. Hence, after 2 years have passed and still before the lapse of 3 years, the managers can make an early payment for 50% of shares at maximum. Upon expiry of the 3-year period, early payment can be made for all shares acquired. An unpaid portion of the selling price shall be secured by establishing a pledge on the shares of each buyer.

The agreements also provide for put and call options, enabling the parties to resell or repurchase any unpaid shares.

The fair value of this share-based incentive plan has been estimated as the sum of the discount between the shares market price on the transaction date and their actual acquisition price, and the valuation of put options measured using the Black-Scholes Merton model. The total fair value of the plan as at the rights vesting date amounts to PLN 5,642 thousand. The incentive plan costs will be accounted for, along with the corresponding increase in equity, as costs of employee benefits and recognized in the financial results of ASEE Group for the years 2017-2020.

The fair value of equity instruments awarded under the incentive plan has been measured based on the following assumptions:

Market price of 1 share of ASEE on the acquisition date	PLN 12.60
Acquisition price of 1 share	PLN 10.89
Expected share price volatility	25.61%
Risk-free interest rate	2.25%
Dividend yield	3.81%
Employee turnover ratio	12.0%

The expected share price volatility of 25.61% has been computed based on historical quotes of our shares in the period of two years preceding the date of the shares sale transaction, taking into account their average closing prices.

The risk-free interest rate has been assumed in correspondence to the interest offered on three-year Treasury bills, equalling 2.25%.

The dividend yield has been determined on the basis of dividend amounting to PLN 0.48 per share that was paid out to the shareholders of ASEE S.A. from the company's net profit for the year 2016.

The employee turnover ratio has been estimated based on historical data for the years 2015-2017 and updated with current changes in the employment of persons participating in the incentive plan.

The options exercise period has been set at 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The options exercise period has been correlated with the lock-up period applicable to the sale of shares, lasting 2 or 3 years.

The costs of share-based payment plan disclosed in the consolidated financial statements for the year ended 31 December 2017 amounted to PLN 1,170 thousand, of which PLN 828 thousand were related to shares acquired by members of the Management Board. In correspondence, this transaction was recognized as a separate item of the Group's equity, in the same amount as disclosed in remuneration costs.

### **30. Cases in court**

As at 31 December 2017, ASEE Romania has been party to legal proceedings brought by Romsys S.R.L., which demands ASEE Romania to pay compensation in the amount of EUR 1,226 thousand in order to compensate for their losses so far incurred due to allegedly unfair competition. The Management of ASEE Romania, after seeking legal opinion, believes it is unlikely that the company will incur any significant losses in connection with these proceedings. In line with the Management's standpoint, ASEE Romania created a provision for the costs of court proceedings only.

### 31. Information on related parties

The table below presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners of

ASEE Group companies as at 31 December 2017 and 31 December 2016:

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights	
			31 Dec. 2017	31 Dec. 2016
<b>Asseco South Eastern Europe S.A.</b>	<b>ASEE S.A.</b>	Poland		
<b>Asseco SEE s.r.l. (Bucharest)</b>	<b>ASEE Romania</b>	Romania	100.00%	100.00%
Asseco s.r.l. MOLDOVA	ASEE Moldova	Moldova	100.00%	100.00%
<b>Asseco SEE d.o.o., Beograd</b>	<b>ASEE Serbia</b>	Serbia	100.00%	100.00%
E-Mon d.o.o., Podgorica	E-Mon, Montenegro	Montenegro	75.00%	75.00%
eMS d.o.o., Beograd	eMS, Serbia	Serbia	100.00%	100.00%
Multicard d.o.o., Beograd	Multicard, Serbia	Serbia	45.00%	45.00%
Chip Card a.d., Beograd	Chip Card, Serbia	Serbia	92.50%	85.02%
<b>Asseco SEE d.o.o. (Zagreb)</b>	<b>ASEE Croatia</b>	Croatia	100.00%	100.00%
<b>Payten d.o.o. (Zagreb)</b>	<b>Payten Croatia</b>	Croatia	100.00%	n/a
<b>Asseco SEE Sh.p.k. (Pristina)</b>	<b>ASEE Kosovo</b>	Kosovo	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	ASEE Albania	Albania	100.00%	100.00%
<b>Asseco SEE Teknoloji A.Ş. (İstanbul)</b>	<b>ASEE Turkey</b>	Turkey	100.00%	100.00%
NestPay Odeme Hizmetleri A.S.	ASEE NestPay	Turkey	100.00%	100.00%
<b>Asseco SEE d.o.o. (Ljubljana)</b>	<b>ASEE Slovenia</b>	Slovenia	100.00%	100.00%
<b>Asseco SEE DOOEL, Skopje</b>	<b>ASEE Macedonia</b>	Macedonia	100.00%	100.00%
<b>Asseco SEE d.o.o. (Sarajevo)</b>	<b>ASEE B&amp;H</b>	Bosnia and Herzegovina	100.00%	100.00%
<b>Asseco SEE o.o.d., Sofia</b>	<b>ASEE Bulgaria</b>	Bulgaria	100.00%	100.00%
<b>Asseco SEE d.o.o., Podgorica</b>	<b>ASEE Montenegro</b>	Montenegro	100.00%	100.00%

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s. (our higher-level parent).

On 19 December 2017, the Management Board of ASEE S.A. was notified by Asseco International a.s., seated in Bratislava ("AI") that Asseco Poland S.A. made a non-cash contribution of 26,494,676 of the Company's shares in favour of AI, in exchange for the acquisition by Asseco Poland S.A. of shares issued by AI. The parent company of Asseco International is Asseco Poland S.A.

As at 31 December 2017, Asseco Poland S.A. had no direct shareholding in our Company; whereas, as at 31 December 2016, Asseco Poland S.A. held a 55.34% stake in the share capital of ASEE S.A.

Since 1 November 2016, E-Mon Montenegro has been treated as a subsidiary company within the Group's organizational structure and therefore it is fully consolidated. Until the date of obtaining control by ASEE Serbia, that company was treated as a jointly controlled company and therefore consolidated under the equity method in line with IFRS 11.

Multicard Serbia is an associated company accounted for using the equity method. Up until 30 September 2013, Multicard Serbia was treated as a subsidiary and subject to full consolidation.

The remaining companies incorporated within the Group are treated as subsidiaries and are subject to full consolidation.

Both as at 31 December 2017 and 31 December 2016, voting rights held by the Group in ASEE Group companies were equivalent to the Group's equity interests in these entities.

#### Changes in ASEE Group composition

During the year ended 31 December 2017, the organizational structure of ASEE Group changed as follows:

#### Merger of EMS d.o.o. with ASEE Serbia

The merger of ASEE Serbia (acting as the taking-over company) and EMS d.o.o. Serbia (being the acquired company) was registered on 20 January 2017. This merger had no impact on the consolidated financial statements of ASEE Group.

### Acquisition of shares in Chip Card a.d. (Serbia)

On 26 May 2017, ASEE Serbia acquired an additional 7.49% stake of shares in Chip Card, thereby increasing its shareholding in that company from 85.02% to 92.5%. Expenditures for the acquisition of these non-controlling interests amounted to EUR 163 thousand (PLN 702 thousand).

### Separation of Payten d.o.o., Zagreb (Payten Croatia)

On 19 September 2017, a new company called Payten Croatia was officially separated from ASEE Croatia. Following such division, we now operate two separate entities engaged in the payment business and other operations, respectively.

The separation of a new company in Croatia is part of a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017.

During the period of 12 months ended 31 December 2017, there were no other changes in the organizational structure of either ASEE Group or the Issuer.

### Related party transactions

The values of transactions conducted by ASEE Group with Asseco Poland S.A. (a shareholder with significant influence on the Group's operations), with other related parties of Asseco Poland Group, as well as with our associates and joint ventures during the years ended 31 December 2017 and 31 December 2016, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2017 and 31 December 2016 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
<b>Party having significant influence over the Group:</b>				
2017	76	269	54	-
2016	75	342	86	51
<b>Other related parties:</b>				
2017	557	20	30	-
2016	514	-	93	-
<b>Associates:</b>				
2017	404	-	875	-
2016	431	-	694	-

Asseco Poland S.A., our ultimate parent company, received dividends from ASEE S.A. in the gross amount of PLN 12,717 thousand, as compared with PLN 11,128 thousand in 2016.

Apart from trade receivables, the above table also discloses receivables from deposits we have paid in under space rental agreements, amounting to PLN 47 thousand as at 31 December 2017 and PLN 47 thousand as at 31 December 2016.

### Transactions conducted with or through the Key Management Personnel (members of Management Boards and Supervisory Boards) of ASEE Group companies

The values of transactions conducted by ASEE Group with or through the Key Management Personnel (members of Management Boards and Supervisory Boards) of the Group companies during the years ended 31 December 2017 and 31 December 2016, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2017 and 31 December 2016 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
<b>Key Management Personnel (members of Management Boards and Supervisory Boards) of ASEE S.A. and the Group companies:</b>				
2017	255	3,057	32	52
2016	125	7,321	36	139

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 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 at subsidiary companies that are presented in explanatory note 33 to these financial statements.

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 year ended 31 December 2017, ASEE Serbia incurred space rental costs that were paid to its related parties MHM d.o.o., Beograd<sup>1</sup> and MiniInvest d.o.o., Beograd<sup>2</sup>, amounting in total to PLN 2,246 thousand. The presented amount corresponds to the share of related parties in total costs incurred for the benefit of MHM. As at 31 December 2017, the company DM3 d.o.o., Beograd<sup>1</sup> was no longer a related entity.

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.

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 at 31 December 2017, the company MPS d.o.o., Skopje<sup>3</sup> was no longer a related entity.

During the period of 12 months ended 31 December 2017, ASEE Serbia recognized revenues in the amount of PLN 248 thousand from the company iPay See d.o.o., Beograd<sup>4</sup>. Such revenues were related to the sale of a software solution for authentication and processing of payment transactions.

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

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A., which has been described in detail in note 29

<sup>1</sup> 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 14 Invention d.o.o. which is also a shareholder in ASEE S.A. 100% of shares in 14 Invention d.o.o. are owned by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Beograd as well as Member of the Management Board of ASEE S.A. As at 31 December 2017, the company 14 Invention d.o.o. held 275,482 shares in ASEE S.A. that were acquired on 23 June 2017 under the agreement concluded with Asseco Poland S.A. As at 17 February 2017, i.e. on the date of publication of the previous annual report, 14 Invention d.o.o. was not a shareholder in ASEE S.A. Mihail Petreski, who used to serve as Member of the Supervisory Board of ASEE S.A. till 31 December 2016, is a shareholder in the company Liatris d.o.o. As at 31 December 2016, Liatris d.o.o. held a 2.23% stake in ASEE S.A. Whereas, as at 31 December 2017, Liatris d.o.o. was not a shareholder in ASEE S.A. As at 31 December 2016, Mihail Petreski and Liatris d.o.o. held 40% of shares in MHM d.o.o. as well as 50% of shares in DM3 d.o.o.

<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 in turn is a shareholder in ASEE S.A. As at 31 December 2017, Mini Invest d.o.o. held 300,000 shares in ASEE S.A. that were acquired on 23 June 2017 under the agreement concluded with Asseco Poland S.A. As at 17 February 2017, i.e. on the date of publication of the previous annual report, Mini Invest d.o.o. was not a shareholder in ASEE S.A.

<sup>3</sup> As at 31 December 2016, MPS d.o.o., Skopje was a related party through its shareholder, Mihail Petreski, who used to serve as Member of the Supervisory Board of ASEE S.A. till 31 December 2016.

<sup>4</sup> 80% of shares in the company iPay SEE d.o.o. are held by 14 Invention d.o.o., 100% in the company 14 Invention d.o.o. are held by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Beograd as well as Member of the Management Board of ASEE S.A.

in this report. Members of the Management Board of ASEE S.A., acting directly or through their related parties, have acquired the following numbers of shares:

Management Board Members	Number of shares acquired
Piotr Jeleński	966,942
Miljan Mališ	300,000
Miodrag Mirčetić	275,482
Marcin Rulnicki	30,000
	<b>1,572,424</b>

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 755 thousand, as compared with PLN 2,050 thousand distributed in 2016. The above-stated amounts do not include dividends payable to Asseco Poland S.A. The dividend was paid out on 14 July 2017.

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

## 32. Employment

Number of employees in the Group as at	31 Dec. 2017 (audited)	31 Dec. 2016 (restated)
Management Board of the Parent Company	4	4
Management Boards of the Group companies	33	34
Production departments	1,194	1,142
Sales departments	125	123
Administration departments	183	177
	<b>1,539</b>	<b>1,480</b>

<sup>1)</sup> 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 within ASEE S.A. by assignment.

Number of employees in the Group companies as at	31 Dec. 2017 (audited)	31 Dec. 2016 (restated)
ASEE S.A.	25	24
ASEE Romania	189	186
ASEE Serbia Group	526	510
ASEE Croatia <sup>1)</sup>	144	241
ASEE Kosovo Group	61	59
ASEE Turkey Group	179	187
ASEE Bulgaria	19	20
ASEE B&H	75	59
ASEE Macedonia	175	148
ASEE Slovenia	37	36
ASEE Montenegro	10	10
Payten Croatia	99	-
	<b>1,539</b>	<b>1,480</b>

<sup>1)</sup> On 19 September 2017, a new company called Payten Croatia was officially separated from ASEE Croatia. A number of employees of the Payment Solutions segment at ASEE Croatia have been transferred to Payten Croatia.

**33. Remuneration of Members of the Management Board and Supervisory Board of the Parent Company and its subsidiaries**

The table below presents the amounts of remuneration paid to Members of the Company's Management Board and Supervisory Board for performing their duties during the years 2017 and 2016:

Fixed remuneration for the period of	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Management Board</b>		
Piotr Jeleński	365	365
Miljan Mališ	174	168
Miodrag Mirčetić	218	224
Marcin Rulnicki	281	280
	<b>1,038</b>	<b>1,037</b>
<b>Supervisory Board</b>		
Józef Klein <sup>1)</sup>	41	n/a
Adam Góral	23	-
Jacek Duch	42	-
Jan Dauman <sup>2)</sup>	-	-
Artur Kucharski <sup>5)</sup>	83	64
Andrzej Mauberg <sup>6)</sup>	n/a	-
Adam Pawłowicz <sup>4)</sup>	12	n/a
Mihail Petreski <sup>7)</sup>	n/a	-
Przemysław Sęczkowski <sup>2)</sup>	-	-
Gabriela Źukowicz <sup>3)</sup>	31	-
	<b>232</b>	<b>64</b>
<b>Variable remuneration for the period of</b>		
	<b>Year ended 31 Dec. 2017 (audited)</b>	<b>Year ended 31 Dec. 2016 (audited)</b>
<b>Management Board</b>		
Piotr Jeleński	2,041	1,587
Miljan Mališ	493	678
Miodrag Mirčetić	401	732
Marcin Rulnicki	475	352
	<b>3,410</b>	<b>3,349</b>
<b>Supervisory Board</b>		
Józef Klein <sup>1)</sup>	-	n/a
Adam Góral	-	-
Jacek Duch	-	-
Jan Dauman <sup>2)</sup>	-	-
Artur Kucharski <sup>5)</sup>	-	-
Andrzej Mauberg <sup>6)</sup>	n/a	-
Adam Pawłowicz <sup>4)</sup>	-	n/a
Mihail Petreski <sup>7)</sup>	n/a	-
Przemysław Sęczkowski <sup>2)</sup>	-	-
Gabriela Źukowicz <sup>3)</sup>	-	-

<sup>1)</sup> Mr. Józef Klein was appointed as Chairman of the Supervisory Board for the term of office that commenced on 31 March 2017. The above table presents his remuneration for the period of service.

<sup>2)</sup> Whereas, Jan Dauman and Przemysław Sęczkowski were not appointed for the next term of office at the Supervisory Board. Their membership expired on 30 March 2017.

<sup>3)</sup> On 17 October 2017, Mrs. Gabriela Źukowicz filed a resignation from the position of Member of the Supervisory Board of ASEE S.A. with effect from 18 October 2017.

<sup>4)</sup> On 17 October 2017, Mr. Adam Pawłowicz was appointed as Member of the Supervisory Board of ASEE S.A. for the ongoing, joint term of office lasting till 31 March 2022, with effect from 18 October 2017.

<sup>5)</sup> Mr. Artur Kucharski was appointed as Member of the Supervisory Board on 31 March 2016.

<sup>6)</sup> Mr. Andrzej Mauberg resigned from the position of Member of the Supervisory Board with effect from 26 February 2016.

<sup>7)</sup> Mr. Mihail Petreski resigned from the position of Member of the Supervisory Board with effect from 31 December 2016. In 2016, Mr. Mihail Petreski received from ASEE Serbia remuneration in the amount of PLN 96 thousand 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.

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.

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2017 amounted to PLN 11,471 thousand (excluding the amounts stated in the tables above).

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2016 amounted to PLN 13,608 thousand (excluding the amounts stated in the tables above).

**34. 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 2017 and 31 December 2016:

Remuneration for the period of	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
Obligatory audit of the annual financial statements	133	128
Review of the semi-annual financial statements	80	75
	<b>213</b>	<b>203</b>

**35. Capital management**

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

The Group 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 Group may recommend the amount of dividend payment, return some capital to its shareholders, or issue new shares. ASEE Group may also decide to use bank loans or trade credits for financing of its operations.

Over the last two years, the largest change in our capital structure was the increase of bank loan liabilities resulting from our investments in POS terminals and ATMs, which are provided to our clients in the outsourcing model within the operations of the Payment Solutions segment. The Group takes bank loans for this purpose always in

the currency in which a given outsourcing contract has been signed, and for a period not exceeding the term of such contract. Our future investments of a similar nature will be financed in the same way, which may lead to a further increase in the net amount of debt.

Apart from the above-mentioned change, during the years ended 31 December 2017 and 31 December 2016, the Group did not introduce any significant changes to its objectives, policies and processes adopted in the area of capital management.

Capital management	31 Dec. 2017 (audited)	31 Dec. 2016 (audited)
Interest-bearing bank loans and borrowings	44,991	44,596
Trade payables and other liabilities	112,450	125,738
Minus cash and cash equivalents (-)	(115,712)	(119,546)
<b>Net debt</b>	<b>41,729</b>	<b>50,788</b>
Equity	719,312	732,411
<b>Equity and net debt</b>	<b>761,041</b>	<b>783,199</b>
<b>Leverage ratio</b>	<b>5.48%</b>	<b>6.48%</b>

### 36. Objectives and principles of financial risk management

Asseco South Eastern Europe Group is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Group companies operate as well as from microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Group'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. Whereas, internal factors with potential negative bearing on the Group's performance are: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of the project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

#### Foreign currency risk

The currency used for presentation of the Group's financial results is the Polish zloty (PLN); whereas, the functional currencies of foreign subsidiaries of the Group are currencies of the countries where these entities are legally registered in. Consequently, assets and financial results of such subsidiaries need to be converted to Polish zlotys and their values presented in the Group's financial statements remain under the influence of foreign currency exchange rates. In addition, our

subsidiaries just as the Parent Company are directly exposed to the risk of changes in foreign exchange rates as they hold loans and other liabilities as well as receivables, cash and other assets denominated in currencies other than the functional currencies of their countries.

#### Interest rate risk

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group's exposure to the above-mentioned risk may result in changes of the amounts of interest charged to the Group companies on third-party borrowings which are based on variable interest rates.

The interest rate risk arises and is recognized by individual companies of the Group at the time of concluding a transaction or a financial instrument based on a variable interest rate. All such agreements are subject to analysis by appropriate departments within the Group companies, hence the knowledge of that issue is complete and acquired directly.

The Group companies measure their exposure to the interest rate risk by preparing the statements of total amounts of all of their financial instruments based on a variable interest rate. Additionally, the Group companies maintain records of debt planned to be incurred during the next 12 months, and in the case of long-term instruments – for their effective period. The objective of reducing such risk is to minimize expenses arising from the concluded financial instruments based on a variable interest rate.

The Group companies may conclude forward rate agreements in order to mitigate the risk of interest rate changes.

The Group gathers and analyzes the current market information concerning its present exposure to the interest rate risk. At present the Group companies do not apply any interest rate hedges.

#### Credit risk

The Group has an adequate policy in place that allows for selling products to reliable clients only. Due to the continuing monitoring of amounts receivable as well as the Group's policy for writing-down past-due receivables, our credit sales risk cannot exceed the level covered by allowances for doubtful receivables. The Group's policy for the creation of allowances for receivables is described in section XV of the "Significant accounting policies" chapter.

Presented below is the ageing analysis of trade receivables as at 31 December 2017 and 31 December 2016.

Ageing of trade receivables	31 Dec. 2017 (audited)		31 Dec. 2016 (audited)	
	amount	structure	amount	structure
Receivables not yet due	92,302	83.9%	100,498	85.5%
Receivables past-due up to 3 months	14,105	12.8%	14,761	12.6%
Receivables past-due over 3 months	3,609	3.3%	2,252	1.9%
	<b>110,016</b>	<b>100.0%</b>	<b>117,511</b>	<b>100%</b>

In 2017, the gross amount of receivables past-due over 3 months equalled PLN 6,901 thousand. We recognized an allowance in the amount of PLN 624 thousand for receivables past-due over 6 months, as well as an allowance in the amount of PLN 2,668 thousand for receivables past-due more than 1 year.

	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2016 (audited)
<b>Allowances recognized as at 1 January</b>	<b>3,266</b>	<b>2,876</b>
Created	1,769	1,469
Reversed (-)	(930)	(1,045)
Utilized (-)	(505)	(106)
Foreign exchange differences on translation of foreign operations (+/-)	(207)	72
<b>Allowances recognized as at 31 December</b>	<b>3,393</b>	<b>3,266</b>

Allowances created in 2017 in the total amount of PLN 1,769 thousand are related to receivables written-down according to the Group's accounting policy, and have been recognized primarily by ASEE Serbia, ASEE Macedonia, and ASEE Romania.

Allowances reversed in 2017 amounted to PLN 930 thousand and were related primarily to projects implemented by ASEE Macedonia, ASEE Serbia, and ASEE Romania. These allowances were reversed following the collection of related receivables from customers.

Allowances created in 2016 in the total amount of PLN 1,469 thousand are related to receivables written-down according to the Group's accounting policy, and have been recognized primarily by ASEE Serbia, ASEE Turkey, ASEE Bosnia, and ASEE Romania.

Allowances reversed in 2016 amounted to PLN 1,045 thousand and were related primarily to projects implemented by ASEE Macedonia, ASEE Serbia, and ASEE Turkey. These allowances were reversed following the collection of related receivables from customers.

In relation to other financial assets, the Group'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 Group's operations.

### Financial liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This toll takes into account the maturity deadlines of investments and financial assets (e.g. receivables, financial assets) as well as the anticipated cash flows from operating activities. The Group'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 Group's trade payables, as well as liabilities under finance leases, bank loans and derivative instruments as at 31 December 2017 and 31 December 2016, by maturity based on contractual undiscounted payments:

Ageing of trade payables	31 Dec. 2017 (audited)		31 Dec. 2016 (audited)	
	amount	structure	amount	structure
Liabilities due already, of which:				
-Liabilities past-due up to 3 months	12,419	23.3%	9,975	16.2%
-Liabilities past-due from 3 to 6 months	11,192	21.0%	7,630	12.4%
-Liabilities past-due over 6 months	470	0.9%	244	0.4%
Liabilities falling due within 3 months	757	1.4%	2,101	3.4%
Liabilities falling due within 3 to 12 months	40,627	76.1%	50,652	82.0%
Liabilities falling due after 1 year	126	0.2%	376	0.6%
	<b>53,361</b>	<b>100.0%</b>	<b>61,742</b>	<b>100.0%</b>

Ageing of finance lease liabilities	31 Dec. 2017 (audited)		31 Dec. 2016 (audited)	
	amount	structure	amount	structure
Liabilities falling due within 1 year	1,054		1,023	
Liabilities falling due within 1 to 5 years	1,648		2,042	
Liabilities falling due after 5 years	-		-	
	<b>2,702</b>		<b>3,065</b>	

Ageing of liabilities under bank loans	31 Dec. 2017 (audited)		31 Dec. 2016 (audited)	
	amount	structure	amount	structure
Liabilities falling due within 1 year	22,710		22,789	
Liabilities falling due within 1 to 5 years	22,281		18,646	
Liabilities falling due after 5 years	-		3,161	
	<b>44,991</b>		<b>44,596</b>	

Ageing of liabilities under derivative instruments	31 Dec. 2017 (audited)		31 Dec. 2016 (audited)	
	amount	structure	amount	structure
Liabilities falling due within 1 year	-		240	
Liabilities falling due within 1 to 5 years	-		821	
Liabilities falling due after 5 years	-		-	
	<b>-</b>		<b>1,061</b>	

### Analysis of sensitivity – foreign currency risk

As at 31 Dec. 2017 (audited)	Amount exposed to risk	Impact on financial results of the Group	
		(10%)	10%
<b>EUR:</b>			
Trade receivables	26,559	(965)	965
Loans granted	96	(9)	9
Financial instruments carried at fair value through profit or loss,	450	(45)	45
Cash and bank deposits	21,287	(1,517)	1,517
Bank loans	44,942	4,044	(4,044)
Trade payables	35,249	2,663	(2,663)
<b>Balance</b>	<b>4,171</b>	<b>(4,171)</b>	
<b>USD:</b>			
Trade receivables	4,056	(406)	406
Financial instruments carried at fair value through profit or loss,	356	(36)	36
Cash and cash equivalents	7,198	(720)	720
Trade payables	1,417	142	(142)
<b>Balance</b>	<b>(1,020)</b>	<b>1,020</b>	

The analysis of sensitivity of our trade receivables, cash at foreign currency bank accounts, loans granted and financial instruments, as well as liabilities under bank loans and trade payables, to fluctuations in the exchange rates of the US dollar against the functional currencies of the Group companies, indicates that the Group will incur a potential loss of PLN 1,020 thousand if the dollar depreciates 10% versus our functional currencies. Whereas, if the euro depreciates 10% versus the functional currencies of the Group companies, the Group will potentially gain PLN 4,171 thousand. Hence, if both the dollar and euro were 10% weaker against the functional currencies of the Group companies, the Group's financial results would improve by a total of PLN 3,151 thousand. Conversely, if the dollar and euro appreciated by 10% versus those functional currencies, the Group would incur an additional financial loss of PLN 3,151 thousand.

As at 31 Dec. 2016 (audited)	Amount exposed to risk	Impact on financial results of the Group	
		(10%)	10%
<b>EUR:</b>			
Trade receivables	17,704	(1,270)	1,270
Loans granted	89	(7)	7
Cash and cash equivalents	26,603	(1,975)	1,975
Bank loans	43,953	4,101	(4,101)
Trade payables	31,265	2,953	(2,953)
Financial liabilities carried at fair value through profit or loss	235	24	(24)
<b>Balance</b>	<b>3,826</b>	<b>(3,826)</b>	
<b>USD:</b>			
Trade receivables	6,645	(665)	665
Cash and cash equivalents	8,080	(808)	808
Trade payables	7,943	794	(794)
Financial liabilities carried at fair value through profit or loss	826	83	(83)
<b>Balance</b>	<b>(596)</b>	<b>596</b>	

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

### Methods adopted for conducting the sensitivity analysis

The analysis of sensitivity to fluctuations in foreign exchange rates, with potential impact on our financial results, was conducted using the percentage deviations of +/-10% by which the reference exchange rates, effective as at the end of the reporting period, were increased or decreased. The table was prepared on the basis of standalone financial statements of our Group companies, in which specific currency risks were identified from the perspective of an individual company.

### Interest rate risk

The Group companies use external sources of financing in the form of bank loans and borrowings, which are appropriated primarily for operating activities (financing of working capital) as well as for the Group's investing activities (purchase/construction of fixed assets, capital investments).

The Group's total liabilities under all bank loans and borrowings aggregated at PLN 44,991 thousand as at 31 December 2017, of which the amount of PLN 39,116 thousand was exposed to the interest rate risk.

The Group monitors its exposure to changes in interest rates, but in the current market conditions we do not use any instruments to hedge against that risk.

The interest rate risk involved in other items of financial assets and liabilities is not substantial.

### 37. Financial instruments

#### Fair value

The book values of financial assets and liabilities held by the Group both as at 31 December 2017

	Carrying value 31 Dec. 2017	Level 1 <sup>i)</sup>	Level 2 ii)	Level 3 iii)	Carrying value 31 Dec. 2016	Level 1 <sup>i)</sup>	Level 2 ii)	Level 3 iii)
<b>Financial assets carried at fair value through profit or loss</b>								
Investment fund units	824	-	824	-	2,996	-	2,996	-
Currency forward contracts	-	-	-	-	2,996	-	2,996	-
	824	-	824	-	-	-	-	-
<b>Financial assets available for sale</b>								
Shares in companies listed on regulated markets	123	70	-	53	138	117	-	21
Shares in companies not listed on regulated markets	70	70	-	-	117	117	-	-
Other	20	-	-	20	21	-	-	21
Other	33	-	-	33	-	-	-	-
<b>Financial assets held to maturity</b>								
Bank deposits (3 to 12 months long)	28	-	28	-	29	-	29	-
Deposits for over 12 months	21	-	21	-	22	-	22	-
Deposits for over 12 months	7	-	7	-	7	-	7	-
<b>Borrowings</b>								
Granted to employees	96	-	96	-	89	-	89	-
Granted to other entities	8	-	8	-	-	-	-	-
Granted to other entities	88	-	88	-	89	-	89	-

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;

ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;

iii. fair value determined using calculation models based on inputs that are unobservable, neither directly nor indirectly, in active markets.

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

Year ended 31 Dec. 2017 (audited)	Category according to IAS 39	Interest income/ (expenses):	Gain/(loss) on foreign exchange differences	Reversal/ (recognition) of impairment write-downs	Gain/(loss) on revaluation	Other	Total
<b>Financial assets</b>							
Cash deposits	OFLaAC	5	-	-	-	-	5
Financial assets carried at fair value	FVtPL	31	(184)	-	-	-	(153)
Loans and receivables	L&R	-	(984)	(839)	-	-	(1,823)
Receivables from dividends and disposed shares	-	-	(1,115)	-	-	-	(1,115)
Cash and cash equivalents	FVtPL	1,524	913	-	-	-	2,437
Shares in other companies	-	-	-	-	-	-	-
<b>Financial liabilities</b>							
Interest-bearing bank loans and borrowings	OFLaAC	(927)	1,041	-	-	-	114
Other liabilities, of which:		(130)	(350)	-	1,800	-	1,320
Finance lease liabilities		(46)	-	-	-	-	(46)
Liabilities for unpaid shares		-	(385)	-	-	-	(385)
Currency forward contracts	FVtPL	-	-	-	1,800	-	1,800
Trade payables	OFLaAC	(84)	35	-	-	-	(49)
<b>Total</b>		<b>503</b>	<b>(679)</b>	<b>(839)</b>	<b>1,800</b>	-	<b>785</b>
Year ended 31 Dec. 2016 (audited)	Category according to IAS 39	Interest income/ (expenses):	Gain/(loss) on foreign exchange differences	Reversal/ (recognition) of impairment write-downs	Gain/(loss) on revaluation	Other	Total
<b>Financial assets</b>							
Cash deposits	OFLaAC	2	-	-	-	-	2
Financial assets carried at fair value	FVtPL	141	-	-	-	-	141
Loans and receivables	L&R	443	1,411	(550)	-	-	1,304
Receivables from dividends and disposed shares	-	-	512	-	-	-	512
Cash and cash equivalents	FVtPL	1,030	2,048	-	-	-	3,078
Shares in other companies	-	-	-	-	-	2,308	2,308
<b>Financial liabilities</b>							
Interest-bearing bank loans and borrowings	OFLaAC	(1,112)	(1,439)	-	-	-	(2,551)
Other liabilities, of which:		(115)	(1,664)	-	(960)	-	(2,739)
Finance lease liabilities		(100)	-	-	-	-	(100)
Liabilities for unpaid shares		-	(1,455)	-	-	-	(1,455)
Currency forward contracts	FVtPL	-	-	-	(960)	-	(960)
Trade payables	OFLaAC	(15)	(209)	-	-	-	(224)
<b>Total</b>		<b>389</b>	<b>868</b>	<b>(550)</b>	<b>(960)</b>	<b>2,308</b>	<b>2,055</b>

### **38. Significant events after the reporting period**

#### **Separation of Payten d.o.o., Beograd (Payten Serbia)**

On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Following such division, we now operate two separate entities engaged in the payment business and other operations, respectively.

The separation of a new company in Serbia is the next step in a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017.

#### **Changing the name of Asseco SEE d.o.o. Podgorica (ASEE Montenegro) to Payten d.o.o., Podgorica (Payten Montenegro)**

In connection with the process of separating our payment services into a standalone organizational unit, on 10 January 2018, ASEE Montenegro was renamed as Payten Montenegro. Because our operations in Montenegro are focused primarily on payment services, they will all be incorporated into the new structure of Payten Montenegro.

#### **Establishing of Payten DOOEL Skopje (Payten Macedonia)**

On 8 February 2018, a new company called Payten DOOEL Skopje (Payten Macedonia) was registered in Macedonia. The existing operations of ASEE Macedonia in the area of payment services will be transferred into the new company. This company was established as part of the process of separating our payment services into a standalone organizational unit.

In the period from 31 December 2017 till the date of approval of these consolidated financial statements, this is until 19 February 2018, we have not observed any other significant events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE Group.

### **39. Significant events related to prior years**

Until the date of preparing these consolidated financial statements, this is until 19 February 2018, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.