

CAPITAL GROUP ASSECO SOUTH EASTERN EUROPE

**LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

I. GENERAL NOTES

1. Background

The holding company of the Asseco South Eastern Europe Group (hereinafter 'the Group' or 'the Capital Group') is Asseco South Eastern Europe S.A. ('the holding company', 'the Company').

The holding company was incorporated on the basis of a Notarial Deed dated April 10, 2007. The Company's registered office is located in Rzeszów at 14 Olchowa Street.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, Polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU. This requirement relates to the consolidated financial statements for the financial year beginning in 2005 and later.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000284571 on July 11, 2007.

The Company was issued with tax identification number (NIP) 813-351-36-07 on September 12, 2008 and statistical number (REGON) 180248803 on February 25, 2008.

The holding company is part of the ASSECO Poland S.A. capital group.

The principal activities of the holding company are as follows:

- Holding operations;
- Reproduction of computer media;
- Manufacture of computers and other information processing equipment;
- Data transmission;
- Letting of own property;
- Renting of office machinery, equipment, and computer hardware;
- Hardware consultancy;
- Software consultancy and supply;
- Data processing;
- Database activities;
- Other computer related activities;
- Research and experimental development on engineering;
- Business and management consultancy activities;
- Business management and administration;
- Advertising;
- Adult and other education.

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are similar to this of the holding company.

As at 31 December 2016, the Company's issued share capital amounted to 518,942 thousand zlotys. Equity as at that date amounted to 732,411 thousand zlotys.

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(in thousand zlotys)

In accordance with information provided by the Company as at 31 December 2016, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Asseco Poland S.A.	28,716,032	28,716,032	287,160	55.34%
Aviva OFE	8,609,136	8,609,136	86,091	16.59%
Other shareholders	14,569,083	14,569,083	145,691	28.07%
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Total	51,894,251	51,894,251	518,942	100.00%
	=====	=====	=====	=====

In the reporting period there was an increase of shares of Aviva OFE in the Company's capital from 12.66% to 16.59% and an increase of shares of Asseco Poland S.A. in the Company's capital from 51.06% to 55.34%. In the reporting period the share of EBOiR and Liatrix d.o.o. in the Company's capital decreased to the level below 5%.

There were no movements in the share capital in the reporting period.

As at 17 February 2017, the holding company's Management Board was composed of:

Piotr Jeleński	- President
Miljan Mališ	- Member
Miodrag Mirčetić	- Member
Marcin Rulnicki	- Member

There were no changes in the holding company's Management Board during the reporting period as well as from the balance sheet date to the date of the opinion.

2. Group Structure

As at 31 December 2016, the Asseco South Eastern Europe Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
Asseco South Eastern	full consolidation	unqualified	EY	31.12.2016
Asseco SEE Dooel, Skopje (Macedonia)	full consolidation	audit in progress	Deloitte	31.12.2016
Asseco SEE d.o.o. (Croatia)	full consolidation	audit in progress	EY	31.12.2016
Asseco SEE SH.P.K Pronet (Kosovo)	full consolidation	audit in progress	Deloitte	31.12.2016
Asseco SEE d.o.o. Sarajevo (Bosnia)	full consolidation	audit in progress	Deloitte	31.12.2016
Asseco SEE Beograd d.o.o. (Serbia)	full consolidation	audit in progress	Deloitte	31.12.2016
Asseco SEE s.r.l. (Romania)	full consolidation	audit in progress	EY	31.12.2016
Asseco SEE A.S. (Turkey)	full consolidation	audit in progress	EY	31.12.2016
Asseco SEE o.o.d., Sofia (Bulgaria)	full consolidation	audit not required	-	31.12.2016
Asseco SEE d.o.o., Podgorica (Montenegro)	full consolidation	audit not required	-	31.12.2016
Asseco SEE d.o.o., (Slovenia)	full consolidation	audit not required	-	31.12.2016

There were no changes to the list of consolidated companies when compared to the prior year.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by Supervisory Board on 12 May 2016 to audit the Group's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 21 July 2016 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2016.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an auditors' opinion unqualified dated 17 February 2017, stating the following:

“To the Supervisory Board of Asseco South Eastern Europe S.A.

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2016 of Asseco South Eastern Europe Capital Group ('the Group'), with parent's company Asseco South Eastern Europe S.A. ('the Company') registered office located in Rzeszów, Olchowa 14 which comprise consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2016 to 31 December 2016, accounting policies and other explanatory notes ('the accompanying consolidated financial statements').

Responsibilities of the Management Board and members of the supervisory board for the consolidated financial statements

The Management Board is responsible in accordance with the Accounting Act dated 29 September 1994 ('the Accounting Act'), regulations issued on the basis of the Accounting Act for the preparation of the consolidated financial statements and fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related Interpretations announced in the form of European Commission regulations ('International Financial Reporting Standards as adopted by European Union') and other applicable laws. The Management Board is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act the Management Board and members of the supervisory board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on accompanying consolidated financial statements based on our audit.

We conducted our audit in accordance with chapter 7 of the Accounting Act and National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution no 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments ('National Auditing Standards'). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying consolidated financial statements:

- give a true and fair view of the financial position of a Capital Group as at 31 December 2017 and its financial performance and its cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of consolidated financial statements and the Company's Articles of Association.

Report on Other Legal and Regulatory Requirements

Report on the Directors' Report of the Capital Group

Our opinion on the consolidated financial statements does not include the Directors' Report of the Capital Group.

The Company's Management Board is responsible for preparation of the Directors' Report of the Capital Group in accordance with the Accounting Act and other applicable laws. In addition the Company's Management Board and members of the supervisory board are obliged to state that the Directors' Report of the Capital Group meet the requirements of the Accounting Act.

In connection with the audit of the consolidated financial statements, our responsibility was to read the content of the Directors' Report of the Capital Group and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they

are consistent with the information contained in the accompanying consolidated financial statements. Our responsibility was also to report, based on our knowledge of the Capital Group and its environment obtained during the audit of the consolidated financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report of the Capital Group corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that the information derived from the accompanying consolidated financial statements reconciles with the Directors' Report of the Capital Group. Based on our knowledge of the Capital Group and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Directors' Report of the Capital Group. In connection with the conducted audit of the consolidated financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report of the Capital Group. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the consolidated financial statements".

We conducted the audit of the Company's financial statements during the period from 21 November 2016 to 17 February 2017. We were present in the place where the Company's books of account are kept from 6 February 2017 to 9 February 2017 and at the Company's head office from 21 November 2016 to 25 November 2016, from 30 January 2017 to 3 February 2017 and from 10 February 2017 to 17 February 2017.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness¹ of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 17 February 2017, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete;
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements;

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

¹ Translation of the following expression in Polish: "rzetelność i jasność"

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by Artur Żwak, key certified auditor no. 9894, acting on behalf of Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 130. The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2015. The consolidated financial statements for the year ended 31 December 2015 were approved by the General Shareholders' Meeting on 31 March 2016.

The consolidated financial statements of the Group for the financial year ended 31 December 2015 together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 17 April 2016 with the National Court Register.

The closing balances as at 31 December 2015 were correctly brought forward in the accounts as the opening balances at 1 January 2016.

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2014 – 2016. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2015 and 31 December 2016.

	2016	2015	2014
Total assets	946,448	848,996	848,297
Shareholders' equity	732,411	688,275	679,168
Net profit/ loss	51,548	43,502	39,040
Return on assets (%)			
$\frac{\text{Net profit} \times 100\%}{\text{Total assets}}$	5.4%	5.1%	4.6%
Return on equity (%)			
$\frac{\text{Net profit} \times 100\%}{\text{Shareholders' equity at the beginning of the period}}$	7.5%	6.4%	6.0%

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Profit margin (%)				
<u>Net profit x 100%</u>		9.0%	8.9%	7.8%
Sales of finished goods, goods for resale and raw materials				
Liquidity I				
<u>Current assets</u>		1.6	1.8	1.7
Short-term creditors				
Liquidity III				
<u>Cash and cash equivalents</u>		0.65	0.77	0.62
Short-term creditors				
Debtors days				
<u>Trade debtors x 365</u>		81 days	63 days	70 days
Sales of finished goods, goods for resale and raw materials				
Creditors days				
<u>Trade creditors x 365</u>		58 days	47 days	60 days
Costs of finished goods, goods for resale and raw materials sold				
Inventory days				
<u>Inventory x 365</u>		20 days	16 days	16 days
Costs of finished goods, goods for resale and raw materials sold				
Stability of financing (%)				
<u>(Equity + long-term provisions and liabilities) x 100%</u>		80.7%	84.8%	83.5%
Total liabilities, provisions and equity				
Debt ratio (%)				
<u>(Total liabilities and provisions) x 100%</u>		22.6%	18.9%	19.9%
Total assets				
Rate of inflation:				
Yearly average		-0.60%	-0.90%	0.00%
December to December		0.80%	-0.50%	-1.00%

4.2 Comments

The following trends may be observed based on the above financial ratios:

- Return on assets ratio in 2016 increased in comparison with 2015 and 2014;
- Return on equity ratio in 2016 increased in comparison with 2015 and 2014;
- Profit margin ratio in 2016 increased in comparison with 2015 and 2014;
- Liquidity ratio I in 2016 decreased in comparison with 2015 and 2014;
- Liquidity ratio III in 2016 decreased in comparison with 2015 and increased in comparison with 2014;
- Debtors days ratio in 2016 increased in comparison with 2015 and 2014;
- Creditors days ratio in 2016 increased in comparison with 2015 and decreased in comparison with 2014;
- Inventory days ratio in 2016 increased in comparison with 2015 and 2014;
- Stability of financing in 2016 decreased in comparison with 2015 and 2014;
- Debt ratio in 2016 increased in comparison with 2015 and 2014.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2016 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note IV.1 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2016, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2016 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note IV of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2016.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2016.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note VII.4 and IV.10 of the additional notes and explanations to the consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 0 zlotys as at 31 December 2016. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in note VII.16 – 18 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2016 and include the financial data for the period from 1 January 2016 to 31 December 2016.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the Group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2016.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting.

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2016 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2016 to 31 December 2016 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments). Based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report. We have also read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the financial statements.

10. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Artur Żwak
certified auditor
No. 9894

Warsaw, 17 February 2017