



CONSOLIDATED ANNUAL REPORT 2016

**CHAIRMAN´S LETTER
MANAGEMENT REPORT
SELECTED CONSOLIDATED FINANCIAL DATA
CORPORATE GOVERNANCE
CONSOLIDATED FINANCIAL STATEMENTS**

24 February 2017

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ASSECO

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I. CHAIRMAN 'S LETTER

Dear shareholders and investors, valued customers, dear colleagues, dear readers,

The year 2016 was the year of consolidation for us in Asseco Central Europe. We focused our activities on enhancement of the quality of our internal processes and deepening of relationships with our current customers. Thus, we strengthened both our position within the Asseco Group and the position in the local market and we expanded our business activities over new markets. By the beginning of the year, we succeeded in concluding the first significant commercial contract in the area of comprehensive insurance in Nigeria. We supplied our comprehensive information system StarINS to the Wapic Company. The LIDS solution for management of public lighting systems and information boards, which was implemented by our subsidiary company Asseco Berit Germany in cooperation with the Brno GIS&Utility division, won the tough competition in Vienna. We actively searched for new business partners and customers in so called emerging markets. We directed our business ambitions towards the countries such as Iran, Kazakhstan, and Portugal and by the end of the year, we started to focus on Vietnam.

Our financial results in Slovakia were satisfactory also due to the market situation. We stabilized the situation in the Czech Republic - it was rather complicated in past years especially in the area of public administration. We have been expanding our business activities in the region of Central Europe. In Slovakia, we have retained our first position in the ranking by the weekly magazine Trend in the category "Largest IT Suppliers to Private Financial Sector" and the second position in the category "The Fastest Growing Slovak IT Companies". The IBM Company granted the title "2015 IBM Analytics Solutions Partner" to us. In the Czech Republic, we received the prestigious prize "2015 CZECH Stability Award".

The strategy built on successful implementation of large projects, within which we adjusted our products to individual needs of clients, was successful in Českomoravská stavební spořitelna – the largest building savings bank in the Czech Republic and the second largest bank of this kind in Europe. In March, we successfully completed the program of fundamental generational change of IT systems of that bank. Currently, our solution is used as the main information system in four out of the five building savings banks in the Czech Republic and thanks to this fact, the solution of the Asseco Company became a standard for building savings banks in the Czech Republic.

The information systems for Všeobecná zdravotná poisťovňa (General Health Insurance Company) were prized during the ITAPA congress the last year. ADMIS – a solution for the Financial Directorate – has been the key information system in the environment of the Financial Directorate of the SR since its implementation in 2014. Our products were similarly successful also in the banking sector and as concerns the Registers in the Czech Republic, which play the fundamental role within the development of the key eGovernment system.

Also in 2016, subsidiary company Asseco Solutions, focusing on ERP solutions, confirmed its position as one of the largest ERP producers in Central and Eastern Europe. The company continues its strategy of expansion not only in the existing but also in new markets. It has expanded its activities in Italy and the region of Central America where the

company has established a subsidiary in Guatemala. The successful development of new and existing products is manifested through excellent financial results of the entire Asseco Solutions group for the year 2016.

The decision to merge two subsidiary companies in Hungary, GlobeNet and Statlogics, was confirmed as a good one. The newly created company, Asseco Central Europe Magyarország, managed to resolve the complicated situation when it succeeded in compensating the loss of banking clients of the Statlogics division from the Russian market. The projects of the GlobeNet division were successful too and the division ranks among the most successful companies as concerns the hospital information systems market in Hungary in a long-run. The continuing successful implementation of projects has been accompanied by the development of and adding of a new functionality to our product MedWorks.

In compliance with the group's strategy, Asseco Central Europe extended its portfolio of startups in the last year. In 2016, LittleLane, a company developing educational games, and SCS Smart Connected Solutions, a company focusing on automation of our customers' production processes, joined the eDocu company, the main product of which is "Internet of Things", within the portfolio of the Asseco Central Europe group. We would like to continue with the strategy of investments into startups in future. Our ambition is to become the accelerator of the startup investment strategy within the entire Asseco group.

The decision to end trading with shares of Asseco Central Europe on the Warsaw Stock Exchange ranks among important milestones in our history. Thus, our company ceased to be a public joint-stock company. We perceive the departure from the stock exchange as one of the steps towards standardization and consolidation of the Asseco group.

Dear friends,

In conclusion, I would like to thank all customers and business partners for the long-standing preference and mutual cooperation. We thank you for providing us with opportunities to develop and implement new solutions for you that drive further improvements of the level of our products and solutions. I would also like to thank all the colleagues in the company for their commitment, diligence, and loyalty. Thanks to the willingness to present new ideas and solutions, we rank among top providers of IT services in the region of Central Europe. Last but not least, I would like to thank, on behalf of the company, to our shareholders for the coordination support at the business and management levels. The group's activities open new business and cooperation opportunities. More and more frequently we start joint projects and make use of the knowledge and know-how of the wide spectrum of our companies and representations in local markets which significantly enhances our joint chances and supports further development of Asseco Central Europe and all its subsidiary companies.

Jozef Klein
CEO and Chairman of the Board of Directors

II. MANAGEMENT REPORT

1 GENERAL INFORMATION

1.1 Organizational structure and nature of business operations

Asseco Central Europe, a. s. (the "Company", "Parent Company", "Issuer", Asseco Central Europe, a. s. (SK)) is a member of the international Asseco Group, one of the leading software houses in Europe. Asseco Central Europe, a. s. with the registered seat at Trenčianska street 56/A, 821 09 Bratislava, Slovakia, is the parent company of the Asseco Central Europe Group (the "Group").

Company is listed on the Warsaw Stock Exchange since 10 October 2006. At that time it was the first Slovak company directly listed on a foreign stock exchange.

On 28 November 2016 the Extraordinary General Meeting of Shareholders of the Parent Company adopted resolutions on discontinuing of trading of the shares at Warsaw Stock Exchange and on change form and type of shares of the Company from book-entry bearer shares to shares issued as paper registered shares (re-materialization of shares).

Due to those resolutions the Company will cease to be a public joint stock company and will become private joint stock company under Slovak law, however those resolutions become effective after decision of the Polish Financial Supervision Authority ('Komisja Nadzoru Finansowego') on delisting. On 27 December 2016 the Parent Company filed the application for granting a consent to change the form of shares from book-entry into paper to the Polish Financial Supervision Authority and the Company is waiting for its decision.

Asseco Central Europe is one of the leading software houses in Central and Eastern Europe. It is active in Slovakia, the Czech Republic, Hungary, Germany, Switzerland and Austria. Members of the Asseco Central Europe Group are also other IT companies and the Group thus employs 1,745 people.

The business profile of Asseco Central Europe, a. s. (SK) includes software and computer hardware consultancy, production of software as well as the supply of software and hardware. According to the classification adopted by the Warsaw Stock Exchange, the Company's business activity is classified as "information technology". Other undertakings of the Group conduct similar operations.

In addition to comprehensive IT services, the Group also sells goods including computer hardware. The sale of goods performed is to a large extent connected with the provision of software implementation services.

Companies of Asseco Central Europe Group implement challenging projects for commercial sector, as well as for public sector, central and local governments, industry, trade and services. Majority of them are built on the long-time experience in extensive projects of tailor made solutions, where it heavily emphasizes the support to the strategic intentions of its clients. Broad customer base of Asseco Central Europe Group includes large financial and insurance companies, public administration, international corporations, central healthcare institutions, healthcare providers and private companies.

1.2 General information

Company's name: Asseco Central Europe, a. s.

Registered seat:	Trenčianska 56/A, 821 09 Bratislava
ID number:	35 760 419
VAT ID:	SK7020000691
Established:	12 February 1999
Legal form:	joint stock company
Share capital:	EUR 709,023.84
Number of shares:	21,360,000
Type of shares:	bearers shares
Nominal value of share:	EUR 0.033194
Registered:	Commercial Register maintained by the District Court of Bratislava I., Section: Sa, File No.:2024/B

2 SELECTED FINANCIAL DATA OF CONSOLIDATED FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	In thousand of PLN		In thousand of EUR	
	4 quarters cumulative	4 quarters cumulative	4 quarters cumulative	4 quarters cumulative
	1 Jan 2016 -	1 Jan 2015 -	1 Jan 2016-	1 Jan 2015 -
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Sales revenues	736,142	649,254	168,235	155,147
Operating profit (loss)	66,856	62,884	15,279	15,027
Pre-tax profit (loss)	67,525	63,039	15,432	15,064
Net profit for the period reported attributable to Shareholders of the Parent Company	51,309	47,079	11,726	11,250
Net cash provided by (used in) operating activities	78,478	88,981	17,935	21,263
Net cash provided by (used in) investing activities	(41,455)	(22,912)	(9,474)	(5,475)
Net cash provided by (used in) financing activities	(50,360)	(44,819)	(11,509)	(10,710)
Increase (decrease) in cash and cash equivalents	(13,337)	21,250	(3,048)	5,078
Assets total	758,504	717,594	171,452	168,390
Non-current liabilities	24,305	20,370	5,494	4,780
Current liabilities	254,358	239,185	57,495	56,127
Shareholders' equity attributable to Shareholders of the Parent Company	491,728	466,766	111,150	109,531
Share capital	3,137	3,021	709	709
Number of shares (pcs.)	21,360,000	21,360,000	21,360,000	21,360,000
Earnings per share (in PLN/EUR)	2.40	2.20	0.55	0.53
Book value per share (in PLN/EUR)	23.02	21.85	5.20	5.13
Declared or paid dividends per share (in PLN/EUR)	2.28	1.97	0.52	0.47

Selected items of Statement of financial position are recalculated at the average exchange rate announced by the Polish National Bank prevailing on the balance sheet date. Selected

items in the Profit and loss account and Cash flows statement for the period are converted by the arithmetic average of exchange rates announced by the Polish National Bank at the last day of each month of the period.

Exchange rates

The following exchange rates between PLN and EUR were used to recalculate financial information:

- Selected items of Statement of financial position as of 31 December 2016 were recalculated at exchange rate announced by National Bank of Poland on the balance sheet date (EUR 1 = PLN 4.4240).
- Selected items of Statement of financial position as at 31 December 2015 were recalculated at exchange rate announced by National Bank of Poland on the balance sheet date (EUR 1 = PLN 4.2615).
- Selected items of Profit and loss account and Statement of cash flows for the period from 1 January 2016 to 31 December 2016 were recalculated at average exchange rate calculated from exchange rates announced by National Bank of Poland on the last day of each month in the reported period (EUR 1 = PLN 4.3757).
- Selected items of Profit and loss account and Statement of cash flows for the period from 1 January 2015 to 31 December 2015 were recalculated at average exchange rate calculated from exchange rates announced by National Bank of Poland on the last day of each month in the reported period (EUR 1 = PLN 4.1848).
- The highest and the lowest exchange rate for the reported periods are as follow:

		1 Jan 2016 - 31 Dec 2016	1 Jan 2015 - 31 Dec 2015
max	PLN -> EUR	4.5035	4.3580
min	PLN -> EUR	4.2355	3.9822

3 COMPANY VALUES

3.1 Mission

The mission of Asseco CE comprises binding values which form an integral part of the business environment and also apply internationally. These binding values are represented in particular by the high and stable quality of the offered solutions and services, continuous care for customers, flexible response to the needs of the market and providing the customers professional IT services and information systems on the basis of modern information technologies which support their business activities and success. Last, but not least, it includes the assurance of the long-term prosperity of Asseco Central Europe.

3.2 Visions

Asseco Central Europe's vision

"Solutions for Demanding Business" – a credo that describes Asseco CE as a key and stable provider of IT services. In this spirit, Asseco CE broadens and strengthens its position of a strong, reputable and reliable company on the domestic, and international ICT market.

Asseco Group's vision

Asseco Group wants to build a reliable and profitable global information technology company providing high quality software and services. Asseco Group's strategy is built on three pillars. The first is organic growth which is achieved through proprietary software and services, whereas the second one involves expansion through acquisitions. A new third pillar is the support of and buying a business share in emerging start-ups in the role of a strategic investor.

Organic growth

Asseco strategy relies on good sector-specific business expertise, which is supported by technological competence. The company builds long-term trust-based relationships with customers, becoming their strategic business partner. Asseco leverages on the vast experience of its international affiliated companies to create a comprehensive portfolio of products satisfying the needs of thousands of its customers. The company wants to be perceived as a 'one-stop shop' and therefore, in addition to its own IT solutions and services, it also delivers infrastructure necessary for the proper operation of business applications.

Expansion through acquisitions

Asseco acquires companies that will either enhance its competence in individual sectors or provide an opportunity to enter new geographical markets. Asseco Poland has successfully implemented its acquisitions policy for many years, and nowadays is one of the most experienced market consolidators in Poland.

Expanding the Portfolio by Start-ups

As a member accelerators, Asseco wants to support startups and invest in startups as a strategic partner to help implement interesting business ideas and thus expand its own portfolio of products and services.

3.3 The Company's strategic goals

- To be a stable partner of the customer and to support its development and competitiveness by deliveries of modern information systems with high added value to the customer.
- To continue to increase customer satisfaction by increasing the quality of services and by application of the latest trends in the development of information systems.
- Strengthen its position in the Central European market and to penetrate international markets using mutual synergies within the Asseco Group.
- Promote a strong, technically and morally savvy and customer-oriented employee base.
- Build a corporate culture that supports cooperation, innovative and dynamic development of the Company.

3.4 Characteristics of factors relevant to development of the Group

Satisfied Customers

The only reliable way how to win and keep customers is to provide them with quality services and solutions with a high added value to reach their strategic goals. Their satisfaction and loyalty resulting from it are the basis of Asseco CE success.

Proprietary software

In an effort to meet customers' and business partners' expectations, Asseco CE focuses particularly on continuous improvement of the quality of provided services and products. This is closely related to the stable, enhanced attention and devoted management, coordination and improvement of the processes in the Company. Asseco Central Europe implemented and certified Quality Management System according the norm ISO 9001 in 2002 for the first time. The system is constantly being improved and maintained in accordance with the requirements of applicable standards.

Employee Satisfaction

The Company is aware of the fact that its employees represent a key factor in the provision of quality services. It considers their motivation and loyalty an integral part of the Company's success. Its aim is to create a stimulating working environment that develops the creativity of employees and supports their personal growth.

Asseco CE encourages any expression of opinions and suggestions staff members make. The corporate culture of Asseco CE values open feedback that any employee can share thru the HR partner of their division.

Trust of Investors and Shareholders

With its listing on a Stock Exchange market Asseco Central Europe was transformed from a privately owned joint-stock company to a publicly traded one. Its presence on the Stock Exchange means particularly the necessity of a new approach to process management and the implementation of key decisions, while considering the interests of investors, fulfillment of their expectations and building their trust.

Constant Organic Growth

Asseco CE wants to improve constantly, keep up with the times and bring advanced technologies and "Solutions for Demanding Business" to the market, thus meeting the needs of the clients.

Social Responsibility

Asseco Central Europe strives to contribute to increasing the quality of life of society not only by developing of innovative information technologies and by supporting scientific institutions committed to this goal.

3.5 Company management code

Asseco CE is fully aware of the importance of having Corporate Governance standards in place and complying with them. In accordance with standards valid in the market, the above corporate management principles and methodology - "Best Practices" – were

incorporated into the Company's documents and procedures. The Company Management Code was approved by the Company's Board of Directors and published in the Current Report, i.e. in the Stock Exchange report, on 24 February 2017. This report is accessible on the Company's official web site under the "Investors" Section. It contains complete information about the management methods utilized in the Company as well as all information about deviations from the Management Code and the reasons why the decision deviating from the Code was made.

3.6 Code of conduct

The Company's Code of Conduct represents a set of principles that are focused inside the Company – towards the employees, as well as towards its surrounding environment. It primarily recognizes principles of ethical behaviour while conducting business and upholds principles of objectivity, transparency, accountability and openness in its activities. Asseco Central Europe declares that it nowadays, as well as in the future, wants to be a reliable partner for its customers, shareholders, business partners, employees and also for the public in all the countries and regions where it operates. Based on conditions for an open and transparent corporate culture that are created by the Company, the staff members are able to distinguish between reasonable and contentious actions.

Asseco CE regards as its core values, above all, to be:

Relations within the Company, especially:

- respect for people – a basis for interpersonal relationships. All forms of discrimination, abuse, humiliation, sexual harassment or indecent behavior against humans is prohibited at Asseco Central Europe, a. s. No one can be disadvantaged, favored, harassed or excluded because of their gender, ethnicity, race, age, origin, religion or physical limitations. It is banned to violate the dignity of any employee, their rights and their privacy,
- honest, conscientious and efficient work,
- communication ethics,
- Company loyalty,
- upholding the Company's reputation and safeguarding its assets,
- ethics in conflict resolution,

and **Relations with customers and suppliers**, meaning respect for customers and correctness toward business partners. Local or international legal frameworks apply to all entrepreneurial conduct. Once the Company was listed on the Warsaw Stock Exchange, the impact of these frameworks on Company's conduct is even more significant.

4 COMPANY'S AUTHORITIES

There were following members of the Board of Directors and Supervisory Board of Asseco Central Europe, a. s. as at 31 December 2016:

Board of Directors	Period	Supervisory Board	Period
Jozef Klein	1.1.2016-31.12.2016	Adam Góral	1.1.2016-31.12.2016
Marek Grác	1.1.2016-31.12.2016	Andrej Košári	1.1.2016-31.12.2016
David Stoppani	1.1.2016-31.12.2016	Ján Handlovský	1.1.2016-23.9.2016
Branislav Tkáčik	1.1.2016-31.12.2016	Karol Kleibl	24.9.2016-31.12.2016
		Marek Panek	1.1.2016-31.12.2016
		Przemysław Sęczkowski	1.1.2016-31.12.2016

There were following members of the Board of Directors and Supervisory Board of Asseco Central Europe, a. s. as at 24 February 2017:

Board of Directors	Period	Supervisory Board	Period
Jozef Klein	1.1.2017-present	Adam Góral	1.1.2017-present
Marek Grác	1.1.2017-present	Andrej Košári	1.1.2017-present
David Stoppani	1.1.2017-present	Karol Kleibl	1.1.2017-present
Branislav Tkáčik	1.1.2017-present	Marek Panek	1.1.2017-present
		Przemysław Sęczkowski	1.1.2017-present

Karol Kleibl has been elected by the employees as a member of Supervisory Board in accordance with the Commercial Code in Slovakia. Elections to the Supervisory Board were conducted on 28 - 29 July 2016.

4.1 Changes in the number of Asseco Central Europe shares owned by the members of the Board of Directors (BoD) and Supervisory Board (SB)

Members of the Board of Directors and the Supervisory Board of the Company do not hold any shares of the Company.

5 THE ASSECO CENTRAL EUROPE GROUP

The Asseco Central Europe Group operates either directly or by means of its affiliated companies in seven European countries, namely in Slovakia, the Czech Republic, Hungary, Germany, Austria, Switzerland, Italy and in Guatemala.

In particular, parent company Asseco Central Europe headquartered in the Slovak Republic, is a majority owner of four companies in Slovakia (Asseco Solutions – 100%, exe – 100%, InterWay – 66%, DanubePay – 55%), two in the Czech Republic (Asseco Central Europe – 100%, Asseco Solutions – 100%), two in Hungary (Asseco Central Europe Magyarország Zrt. – 100%, Asseco IT Services Zrt. – 100%), one in Germany (Asseco Solutions – 100%) and one in Belarus (Asseco BEL – 60%). Company also owns 23% of shares at eDocu, 40% of shares in LittleLane and 51% of shares in Galvaniho 5 in Slovakia.

Moreover, by means of Asseco Central Europe (CZ), the Parent Company controls Asseco BERIT GmbH (100%) in Germany, Asseco BERIT AG (100%) in Switzerland. A minority block of shares in První certifikační autorita (23.25%) is also owned by Asseco Central Europe (CZ). By means of Asseco Solutions AG (D), the Parent Company controls Asseco Solutions GmbH (75%) in Austria, Asseco Solutions AG (100%) in Switzerland, Asseco Solutions S.A. (51%) in Guatemala, Asseco Solutions s.r.l. (51%) in Italy and Mjthos (60%) in Germany. A minority block of shares in SCS Smart Connected Solutions (40%) is also owned by Asseco Solutions AG (D). Parent Company also controls Axera (85%) in Slovakia by means of Asseco Solutions (SK) and NZ Servis (100%) in Czech Republic by means of Asseco Solutions (CZ). A minority block of shares in InterWay CZ (40%) is owned by Interway.

In 2016, the following changes in the Group structure were observed:

Establishing of SCS Smart Connected Solutions GmbH

On 8 February 2016, Asseco Solutions AG (DE) established a new company called SCS Smart Connected Solutions GmbH, seated in Karlsruhe, Germany. Asseco Solutions AG (DE) acquired 40% of its shares representing also 40% of voting rights at the company's general meeting of shareholders.

Establishing of Asseco Solutions S.A.

In March 2016, Asseco Solutions AG (DE) established a new company called Asseco Solutions S.A., seated in Guatemala. Asseco Solutions AG (DE) acquired 51% of its shares representing also 51% of voting rights at the company's general meeting of shareholders.

Acquisition of Asseco BEL LLC

On 30 March 2016, Asseco Central Europe, a. s. acquired a 60% stake in the company Asseco BEL LLC, Belarus. Asseco CE (SK) acquired those shares from Asseco Poland S.A. and treated that as acquisition under common control. In January 2017 Asseco Central Europe, a.s. delivered withdrawal from Asseco BEL.

Establishment of LittleLane, a. s.

On 30 June 2016 Asseco Central Europe, a.s. (Slovakia) established with three other shareholders a new company called LittleLane, a.s. seated in Slovakia. Asseco Central Europe, a.s. acquired 40% of its shares representing also 40% of voting rights at the company's general meeting of shareholders.

Purchase of additional 35% interest in Axera, s. r. o.

On 22 June 2016 Asseco Solutions, a.s. (Slovakia) signed an agreement for acquisition of additional 35% interest in Axera, s. r. o. , effective from 1 July 2016. Due to transactions Asseco Solutions increased its interests in Axera from 50% to 85% and obtained control over that company. On 31 December 2016 Asseco Solutions, a.s. purchased the rest of the Axera shares. Due to transaction Asseco Solutions, a.s. increased its interests in Axera to 100%.

Business combination of GlobeNet Zrt. and Statlogics Zrt.

On 30 June 2016 the merger of GlobeNet Zrt. and Statlogics Zrt. was registered, effective from 1 July 2016. The remaining company – GlobeNet changed its name for Asseco Central Europe Magyarország Zrt.

Purchase of additional 49% interest in Asseco IT Services Zrt (former Asseco Hungary)

On 29 June 2016 Asseco Central Europe, a.s. (Slovakia) signed an agreement for acquisition of additional 49% interest in Asseco IT Services Zrt., effective from 8 July 2016. Due to transactions Asseco Central Europe increased its interests in Asseco IT Services Zrt. from 51% to 100%.

In November 2016, Asseco Hungary changed its name to Asseco IT Solutions Zrt.

Establishing of Asseco Solutions s.r.l.

On 25 August 2016, Asseco Solutions AG (DE) established a new company called Asseco Solutions s.r.l., seated in Italy. Asseco Solutions AG (DE) acquired 51% of its shares representing also 51% of voting rights at the company's general meeting of shareholders.

Acquisition of Galvaniho 5, s.r.o.

On 10 October 2016 Asseco Central Europe, a.s (Slovakia) purchased 51% of shares in Galvaniho 5, s.r.o.

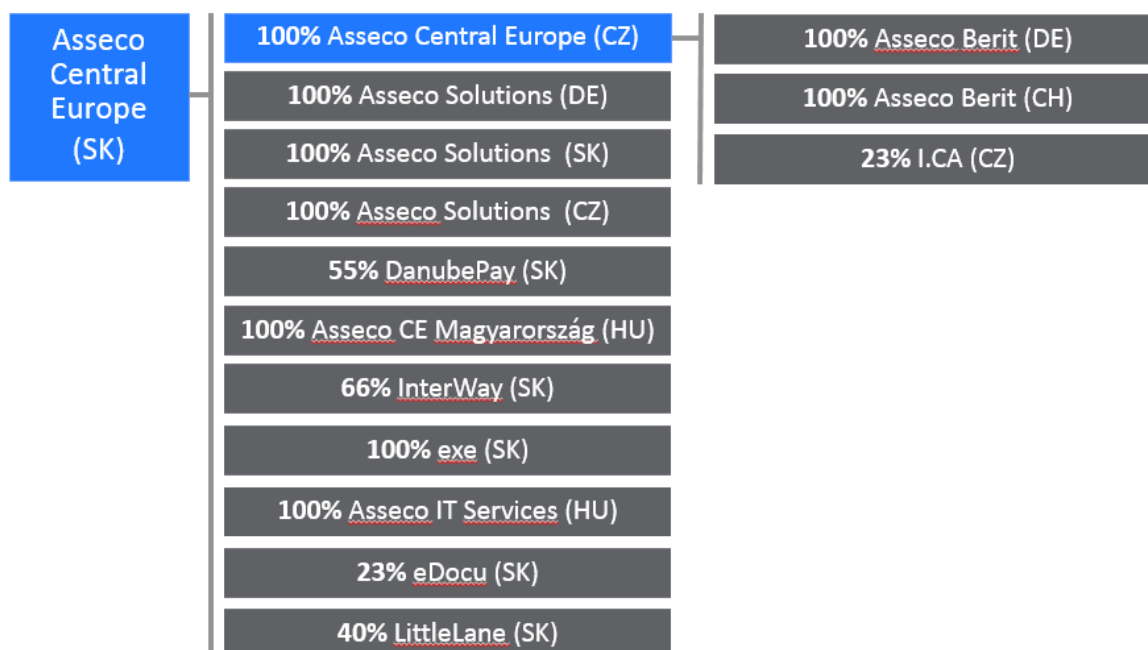
Acquisition of shares in Mjthos GmbH

On 15 October 2016, Asseco Solutions AG (DE) acquired 60% of shares in Mjthos GmbH, Germany.

Sales of Asseco Solutions, a.s. (CZ) to Asseco Central Europe, a.s. (Slovakia)

Under the contract agreement dated 22 November 2016 Asseco Central Europe, a.s. (Slovakia) purchased from Asseco Central Europe, a.s. (Czech Republic) 100% of shares in Asseco Solutions, a.s. (Czech Republic). Based on the Asseco Group Accounting Policy this transaction was accounted for as a business combination under common control.

Structure of the Asseco Central Europe Group as at the date of publication of this report i.e. 24 February 2017:



List of all subsidiaries and associated companies is presented in the Chapter 4 of the Group’s consolidated financial statements.

Asseco Central Europe (CZ)

Asseco Central Europe (CZ) became a member of the Asseco Group in January 2007. The company belongs to most significant providers of comprehensive solutions and services in the information technology field within the Czech Republic. It has undertaken challenging projects in both the commercial sector and for national and regional governments. The company has many years of experience in integrating and outsourcing projects, where it has been placing strong emphasis on security. It is a stable partner for its clients, helping them resolve all processes connected with information technologies, starting with IT infrastructure, backup systems, server and desktop virtualization, and specialized applications, such as geoinformation systems, or ECM and BI tailored solutions to support control and decision processes. For financial institutions and capital market the company provides for example, outsourcing of operating systems, delivers portals, direct banking systems optical card systems, and others.

Asseco Solutions (SK, CZ, DE, AT, CH, I, GT)

Asseco Solutions is the largest producer of the ERP systems on the Czech, Slovak and German speaking markets. Software applications developed by Asseco Solutions are

distributed also to other markets within Central Europe. Business Information Systems cover the needs of companies of all sizes in a variety of business areas. The company is involved in development, implementation and support of tailored systems for companies of various sizes, in different fields of their business activities. The product portfolio ranges from information systems for a broad spectrum of enterprises involved in production, trade or services over products for public administration up to, for example, products covering specialized needs of companies providing accommodation and catering services. Moreover, the product portfolio is complemented by a wide offer of services and partners programs. Besides the basic modules and functionalities, they also provide tailored solutions. Asseco Solutions has obtained the Quality Certificate ISO 9001:2008. At the moment the company Asseco Solutions consists of seven countries. Besides Slovakia and the Czech Republic - Austria, Switzerland, Germany, Italy and Guatemala. There were 757 people employed in the whole group as at 31 December 2016.

DanubePay (SK)

DanubePay is a processing centre with headquarters in Bratislava. The company was established by Parent Company Asseco Central Europe in line with its growth strategy. The company is focused mainly on services connected with card and transaction business and providing "Software as a Service" solutions for the financial sector. The strongest assumption of company's success is stemming from offer of innovative products for suitable prices and flexibility of product portfolio. It provides its clients with cutting-edge know-how and the team of quality and experienced professional in the field of transaction processing and card and devices administration. DanubePay is able to deliver quality solutions for both Slovak and foreign markets. During its short existence, the company has proved to be a good choice for the Central European financial market that requires services of this character and the company gradually gains positions in both domestic and international markets and keeps on winning new customers. Asseco Central Europe owns 55% of the shares of DanubePay.

Asseco Central Europe Magyarország (HU)

Asseco Magyarország was created through the merger of two existing Asseco affiliates in Hungary, GlobeNet and Statlogics, on 1st of July 2016. The company has over 130 employees, generating the annual revenue just under 8 million EUR. The Company provides services in banking and healthcare industries, geographically reaching out to Romania, Ukraine, Russia, and Kazakhstan, besides having strong market presence in Hungary. After the merger, Asseco's strategy is to enhance further the presence in Hungary, increase revenues from existing businesses, acquire new customers, and initiate new development directions for business and products.

Banking Strategic Business Unit - Statlogics

Statlogics business unit is a global solution provider for consumer finance market players. The company is specialized in credit risk management and retail lending business consulting. It also provides a consumer finance platform; its software suite covers the whole life cycle of consumer loans from loan origination to collections management. We help our partners to manage their business risks and optimize their processes.

Through a comprehensive range of innovative products, the company is able to tailor different applications and services to the specific needs. Statlogics solutions manage more than 5 million credit applications per year for an amount exceeding 3 billion EUR while

assisting lenders in increasing their approval rates, lowering their credit losses, and reducing their processing expenses.

Healthcare Strategic Business Unit - GlobeNet

Asseco Magyarország's GlobeNet business unit is one of the leading companies in the Hungarian healthcare IT market. It's main software, the MedWorkS, a complete hospital information system - along with other related products of the company - is used daily in more than 60 healthcare institutions (clinics, hospitals, and general practitioners).

The MedWorkS is a modular and integrated solution. It is highly flexible and easy to parameterize according to the client's needs. The software covers all hospital processes, supports ambulatory and outpatients care, diagnostic processes, pharmacy activities, and medical controlling. This set of complex functionalities is what makes it unique in the Hungarian market. The MedWorkS is closely integrated with other 3rd party systems like speech recognition, PACS, MIS, patient queue management systems and EPR systems (e.g. SAP).

Asseco IT Services (HU)

Asseco IT Services is the newest addition to the Asseco Central Europe Group in Hungary. Its product and service portfolio is able to meet the various needs of its clients in the areas of manufacturing, administration and communication. The company is able to implement complex large-scale IT projects with the help of wide range of experience in international system integration.

As a Hungarian company, Asseco IT Services employs Hungarian workers in its activities in Hungary. It builds local competence to complete the projects to support domestic customers. The company cooperates with domestic partners in the process of project implementation. Asseco IT Services' main goal is to participate in public administration projects, and build long term relationship with its customers. Asseco IT Services further aims to build business opportunities in other sectors for Asseco's innovative products in Hungary.

Asseco BERIT Group (CZ, DE, CH)

The Asseco BERIT Group is a bearer of competences in the field of geographic information systems, the assets administration system and systems supporting processes in utility administration within Asseco Central Europe. The group consists of its GIS & Utility Division and the subsidiary companies Asseco BERIT GmbH, seated in Mannheim, Germany and Asseco BERIT AG, seated in Sissach, Switzerland. The group currently employs 70 people – analytics, developers, consultants and project managers. The supplied solutions are based on their own development (SAMO, LIDS, TOMS, AG Portal and WFMS), which has continued more than twenty five -years-long history of BERIT, a. s. and which has been incorporated in Asseco CE since 2008. Thanks to the own business and implementation network, the products developed by Asseco CE may be used by customers in many countries of Europe, especially in Germany, Switzerland, Czechia, Slovakia, and Poland. In 2016, the work on the development project entitled "SAMO - Strategic Asset Management & Operations" started. SAMO, making use of a modern platform, will cover all current products and, at the same time, it represents the answer of analysts and developers to the changes taking place in Europe within the segment of utilities and infrastructure administration (SmartGrid, Strategic Asset Planning, Unbundling). Within the development of business activities, the group has been intensively working on the development of business opportunities in new markets of the Asseco group.

eDocu (SK)

eDocu is a software company (startup) the major product of which is “Internet of Every Thing”. It focuses on the items and objects that can be registered in a cloud and with which information is interconnected via iTags (QR code, NFC or BLE chip). eDocu develops cloud services in the form of SaaS (Software as a Service) to facilitate the access to the information interconnected with a given object such as history, work records, obligations, tasks, planned events or documents. People have a direct access to the eDocu information system also via smartphones every time and everywhere without any searching and it is easy to acquire from and to add any information to the system. The aim of the eDocu company is to discover and present on the market solutions that will make the functioning of public administration, companies, and ordinary people easier. Currently, eDocu is used mainly for checking and support in the areas of facility management, asset management and it provides solutions for self-governments in the areas of Smart City; the product Smart Company is intended for companies but it is also suitable for households and may be used, for instance, for ordering through the eDocu Smart Product.

exe (SK)

The exe company develops activities in Slovak and Czech IT markets especially in the areas of infrastructure services and development and sale of software. exe is an established provider of translation services and software localization services and an authorized Microsoft partner. It has profiled itself as a system integrator with own development centre. Thanks to continuing development of its abilities, the company is able to be up to its credo “Innovating your world” and keeps on improving the business of its customers for whom it is the key supplier in the area of IT solutions and localization services. In the complex environment of globalization and internationalization processes it is able to help efficiently Slovak companies with placement of their products on the global market.

The exe company is a member of specialized international association The Globalization and Localization Association (GALA) and European language industry association (elia). The exe company acts as the national coordinator for Slovakia within the international program entitled Elia Exchange Program securing professional practical training for students at top companies in the translation industry. exe is a certified service provider in accordance with ISO 9001:2008 and ISO 17100:2015 (replaced EN15038).

InterWay (SK, CZ)

The company InterWay, a. s. has been operating on the Slovak and foreign IT markets – the most dynamic industry - since 1997. The company focuses on professional implementation of technologies and systems IDM, SSO, ECM, ERP, BPM, Cloud Computing, integration solutions such as SOA, e-commerce solutions, content management, intranet and portal solutions. It delivers software and hardware solutions of reputable manufacturers (Oracle, Dell, Microsoft, HP, etc.) and solutions based on Open Source products starting from small improvements to existing systems and ranging to integrated design and delivery of complex solutions. The product portfolio is complemented by solutions based on its own developments – the WebJET system and the DMS Greeny document management system. The company InterWay, a. s. initiated the establishment of an international consortium in the project Cloud for Europe (C4E) aimed at sharing existing services and applications across the EU. The company currently has a professional team of qualified specialists, certified specialists and certified team cleared to the SECRET

level (NATO, EU, national) in each department of the company involved in a variety of specialized projects. The client base is made up of a wide range of state and local government authorities, telecom operators, banks, insurance companies, network industries corporations to industrial manufacturers. The company InterWay, a. s. has established ISO-certified management systems according to the requirements of international standards ISO 9001, ISO/IEC 27001 and ISO 14001.

LittleLane (SK)

The LittleLane company focuses on development of educational games and smart applications. Its target group comprises not only parents and pedagogues in kindergartens and elementary schools but also children over 3 years of age. The company's main idea is to make children spend their time with tablets and computer meaningfully. When developing games, the company makes use of various technologies such as virtual reality in education. Its online system is available in five languages: English, Slovak, Czech, Hungarian, and German and it has been regularly complemented with new animated topics. Currently, LittleLane has developed several applications, including its proprietary Smart Class system that is intended directly for kindergartens and elementary schools.

The company has launched its pilot project within which it is entering into cooperation agreements with approximately 45 selected kindergartens and elementary schools throughout entire Slovakia. The project is aimed at mutual cooperation and creation of functional centres with tablet classrooms that will serve as model presentation classrooms for other schools in relevant regions and cities too.

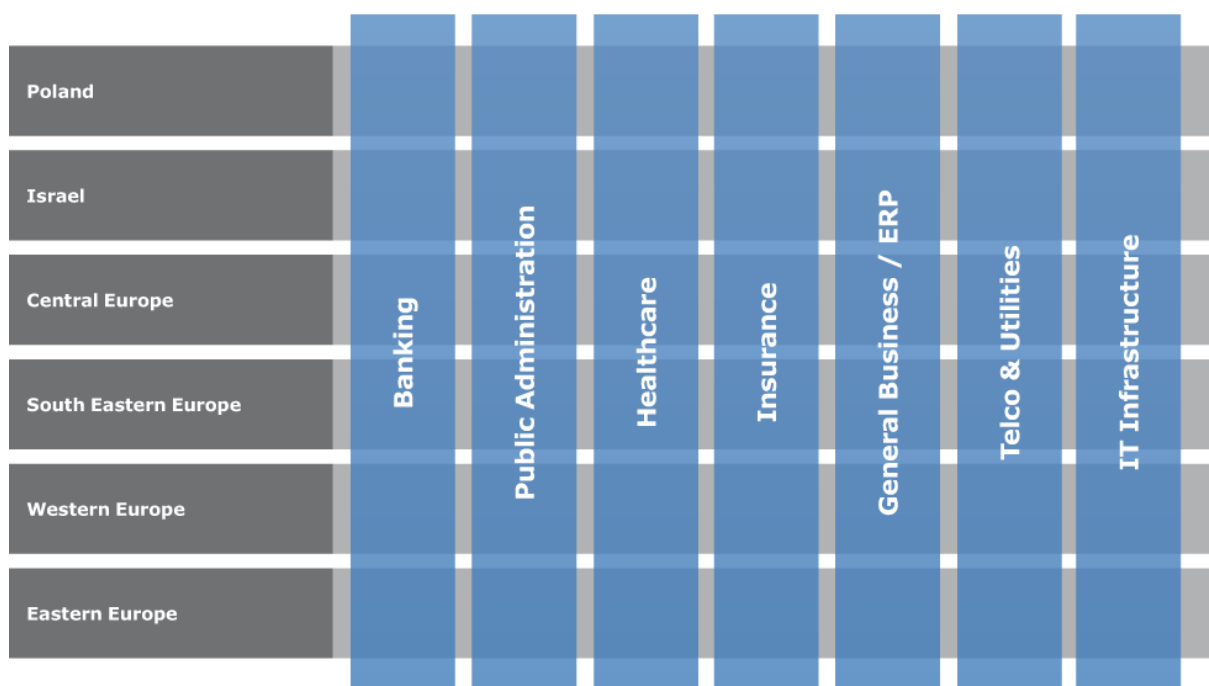
The education of teachers via LittleLane games and applications will be included in the accredited education programs for teachers.

6 PRODUCT PORTFOLIO

The main strategic role of the Sales Department of Asseco CE is to identify new business opportunities. The aim is to bring about reasonable projects for the Company and professional work for our specialists and provide our clients with solutions necessary for their business needs.







Asseco Group operates throughout the entire Europe. Within Asseco Central Europe we manage operations in Slovakia, Czech Republic, Hungary, Germany, Austria, Switzerland, Italy and Guatemala. Our presence in several countries is a huge advantage as we can diversify our efforts over a larger geographic area with a bigger customer base.

In order to benefit from synergies arising from mergers and acquisitions, the products and services provided by individual companies within the Asseco Group are divided into transparently defined organizational units called Business Units. Business Units include Banking, Insurance, Healthcare, Public Administration, Telco & Utilities, IT Infrastructure and ERP (Enterprise Resource Planning). This matrix-oriented organizational structure combines the hierarchic management line of individual regions and entities in regions with a segment-oriented organizational structure, which is strictly focused on creating business opportunities in the given segment. This organizational arrangement makes it possible to consolidate products and services within Business Units and at the same time to simplify the offer of the whole group.



Asseco Group Business Units.

The offer of products and services is also within every regional grouping arranged to segment-oriented groups/ areas which are autonomously managed. Within Asseco Central Europe, they include the following areas: Finance, Healthcare, Insurance, Public CZ, Public SK, IT Infrastructure & Integration, Utility and ERP. Specific divisions of Asseco CE SK/ CZ or entities belonging to Asseco CE at the regional level are allocated to individual Business Units. Products or product groups are divided in the same way. Asseco CE builds its offer on key products which represent the basis of its competences and experience. One of the basic goals of the Company is to create efficient and easily accessible solutions which fully respect the differences and specifics of individual customers and thus help them achieve their competitive advantage. This goal has been fulfilled by a suitable combination of offered products and present solutions and by the development of customized solutions.

	 BANKING	 INSURANCE	 HEALTHCARE	 BUILDING SAVINGS	 UTILITIES	 PUBLIC
SERVICES			Software development			
			System Integration			
			Infrastructure & Security			
			Outsourcing			
SOLUTIONS	StarBANK	StarINS	Mediform	StarBUILD	SAMO	DT
	eStarBANK	SofiSTAR	MedWorkS		TOMS	
	StarTREASURY		ZPIS		WFMS	
	StarCARD					
	Credilogic					
			LIDS – Geographical IS			
			StarBI, StarSTAT, AQS – Business Intelligence			
		AGportal – Application Integration & Portals				
		Helios – ERP				

Segment oriented groups with overview of company’s portfolio of solutions and services.

The product offer is complemented by key services and competences which spread across the product portfolio. They include two basic services: software development and outsourcing.

Software development is the strongest competence of Asseco CE, covering all activities associated with software development – from detailed analysis of customer requirements through the consultation of possible solutions, development, design of optimal technology architecture, technology and development tools, up to testing, documentation, implementation, training or support in the solution of operational problems.

In the area of **outsourcing** Asseco CE offers a wide spectrum of services. It provides assistance to both external and internal customers, and not just with service-related activities. It handles queries regarding repairing of different types of ICT equipment (computers, notebooks and servers) and peripherals (printers, scanners and UPS), provides HW and SW procurement consulting, HW equipment upgrade, realize equipment installation and consequent preventive checks, installation and maintenance of operating systems – all of that by means of remote, as well as local service support in the entire territory of Slovak Republic.

Company further supplies and installs POS terminals, provides training, service, maintenance and support for networks of POS terminals. Terminals are managed centrally by a specialized department consisting of a team of qualified experts with appropriate technical facilities, and expertise in the field. The Company uses special web application for service management a remote support, designed for management, monitoring and evaluation of the state of service processes/ services. Local support is provided by the service team covering (similar to IT Service) the entire territory of the Slovak Republic and Czech Republic.

Company also provides personalization of smart cards.

Business Unit Finance

Asseco Central Europe has more than twenty-five years of experience in the financial segment. It has implemented a number of projects and developed several unique solutions for banks that are currently facing new trends and challenges in the area of digitization of services. Requirements are associated with a change in the behavior of customers. The demand for use of various communication channels depending on the situation of customers, has been growing significantly. Asseco Central Europe has reacted to those market requirements through an offer of solutions based on the "Omnichannel Platform". The entire solution is built as a modular system of independent "mini applications" that in combination provide services and create a highly flexible environment. Thanks to this platform and use of designing tools, patterns, and predefined parameter settings the bank may itself or through third parties flexibly create or modify functionalities with the aim to provide its customers with digital services via various types of devices (computer, tablet, mobile phone) across all the channels and thus reduce the costs associated with contacts with customers.

Another one of comprehensive solutions offered by Asseco Central Europe to banks is the information system StarBANK which automates all retail and wholesale operations and provides a comprehensive set of reports, controlling and intra dealing. eStarBANK is a portal solution that enables the use of electronic distribution channels ensuring all basic retail functions for remote clients (Internet banking, home banking, mail banking and GSM banking).

The offer of Asseco Central Europe in the financial segment is complemented by the Credilogic® family of software applications developed by the Company's subsidiary Asseco Central Europe Magyarország Zrt. These solutions serve some of the most demanding financial institutions in the world. Credilogic® applications cover the entire workflow of credit lifetime from origination to loan account management and collection of bad debt.

StarCARD® enjoys a unique position in the Company's product portfolio. It is a full information system supporting pay card transactions for banks and processing centres. It includes authorization support, clearing and transaction settlement and dealer administration. The system includes the multivendor application software for ATMs (Automated Teller Machine). Based on the success of the StarCARD® solution, the processing center DanubePay was founded within the Asseco Central Europe Group in 2012 which is certified by VISA a Mastercard.

To meet the needs of building societies, the company has developed a core-banking system StarBUILD focused on building savings products. This comprehensive banking information system fully covers all business processes of a building society. Apart from the core-banking system, it comprises a wide portfolio of optional modules which are integrated with each other into a single unit. Maximum integration of various optional modules into one comprehensive solution delivers a significant reduction in hardware costs, licenses, integration and maintenance.

Asseco CE's solutions for financial segment can be found in international banks as well as smaller local financial institutions like Slovenská sporiteľňa and Česká spořitelna (members of ERSTE Group), Poštová banka, EXIMBANKA SR, Wüstenrot hypoteční banka, Wincor Nixdorf, Moneta Money Bank, Českomoravská hypoteční banka, Českomoravská záruční a rozvojová banka, J&T Banka, UniCredit Bank Slovakia, OTP Banka Slovakia. The Company has achieved a dominant position on the market of building societies in the Czech Republic. The StarBUILD solution is in operation in four of the five building societies (Wüstenrot stavební spořitelna, Modrá pyramida stavební spořitelna and Stavební spořitelna České spořitelny) and is being implemented in the fourth - the largest building society in the Czech Republic and the second largest in Europe - Českomoravská stavební spořitelna, where, after successful implementation the operation started in March 2016.

Business unit Healthcare

Asseco Central Europe offers a wide range of solutions for the healthcare segment, both standardized software products and complex solutions developed according to the specific needs of the customers. Mediform, ZPIS and Strix are among the solutions targeted at health insurance companies. Mediform is a comprehensive information system which covers the most important processes in an insurance company, e.g. IS administration, dials and catalogues, client registers, receipt, audit and claiming of insurance premium, annual accounting of premiums, payment processing of healthcare costs, medical revision of costs and refunding of costs of insured persons from the EU. Accounting and balance account is a part of the system. ZPIS is a centralized multi-tier information system (IS) for health insurance companies (HIC). It includes complete application program facilities for the administration and support of activities of a health insurance company. It is built on the extensive experience in developing and improving systems for health insurance and contains the latest modern technologies. It is a universal modifiable system based on

relational database technology. The IS integrated with an Internet portal and electronic registry for contact between the customer and their clients and partners. The IS can be connected to other support systems (ERP, MIS, call centre, etc.). The Strixsoftware is the first of a family of products that support the improvement of hospital care financing in Slovakia. Strix classifies hospital care to nearly 1,200 DRGs that reflect medical care and financial costs of the medical case at hand, thus enabling a more equitable funding of hospitals.

eHealth covers the solution to public administration for "electronic health services". It ensures the implementation of visual services "providing health information of the patient" - electronic medical records. The solution includes a summary report of the patient, extracts from the personal account of the patient and personal records of citizens. An important component of the solution is granting approvals for the provision of patient-related health information as per the assigned patient consent and in accordance with legislation applying to health professionals and citizens.

The healthcare offering is complemented by the solutions of the Company's Hungarian subsidiary Asseco Central Europe Magyarország Zrt. which supplies MedWorkS, a complex hospital information system. This solution provides assistance and support to the communities within healthcare institutions in every single aspect of their daily jobs. The regular activities of physicians, nurses, hospital management and other employees are intensively supported by MedWorkS' unique capability of tracking, administration and optimization of healthcare processes. MedWorkS is a unified hospital IT system engineered for operating across the institution and the entire local and remote infrastructure; appropriate user interfaces were generated and implemented for different profession-specific work areas with differing functionality.

The most important clients of the Healthcare Business Unit include specialized health institutions (National Health Information Center (SK), Institute of Health Information and Statistics of the Czech Republic, Coordination Center for Departmental Medical Information Systems – a branch of State in the Ministry of Health of the Czech Republic), owners and operators of regional healthcare networks (Svet zdravia (SK)), health insurance companies (Česká průmyslová zdravotní pojišťovna, Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví, Revírní bratrská pokladna, zdravotní pojišťovna, Union zdravotná poisťovňa, Všeobecná zdravotná poisťovňa, Vojenská zdravotní pojišťovna České republiky, Zaměstnanecká pojišťovna Škoda, State Health Insurance Company, Hungary (OEP)), commercial insurance Union poisťovňa, Pojišťovna Všeobecné zdravotní pojišťovny, Fakultná nemocnica s poliklinikou F.D.Roosevelta, ambulances and general practitioners.

Business Unit Insurance

The portfolio of BU Insurance of Asseco Central Europe includes information systems for commercial insurance companies. The comprehensive information system StarINS automates all front-office and back-office operations including personal, property and liability insurance as well as life, health and pension insurance. It works as a standalone product covering electronic distribution channels. SofiSTAR is a production information system for managers of pension savings of citizens. The system provides activities for front-office and back-office with a high degree of process automation with the addition of Internet client access to personal pension accounts and automatic processing of electronic documents for pension saving.

In 2016, Asseco Central Europe commenced the internal process of creation of a new front-office solution for commercial insurance companies. New Insurance Portal is intended for both existing and new customers in international markets.

Clients of BU Insurance include commercial insurance companies and administrators of pension savings funds in both the Slovak Republic and the Czech Republic (Allianz – Slovenská poisťovňa, STABILITA d.d.s., Allianz pojišťovna, a. s., ČSOB Penzijní společnost). Our efforts aimed at offering of software products on the international market has resulted in new contracts with the Wapic Insurance plc in Nigeria (non-life insurance) and Wapic Life Assurance Ltd (life insurance) and with its branch in Ghana - Wapic (Ghana) Insurance Ltd. Our solution StarINS is supposed to be deployed within the live production in 2017.

Business Unit Public SK

Systems for public administration developed and implemented by the Business Unit Public SK are the major fields of interest of the Company in addition to solutions for commercial entities. In the area of solutions to central public administration, Asseco CE specializes in the creation and delivery of such solutions which cannot be carried out by conventional means and instruments without a large amount of creative work. A significant advantage of the Company is the ability to design and implement systems for processing large volumes of data with sophisticated transactional logic as well as special portal solutions with form interface intended for public administration that are implemented with cross-linking to key components of eGovernment. A specific offer to public administration is the design and delivery of complex systems for government that includes hardware, network infrastructure and specialized heavy duty applications with guaranteed high availability for the specific needs of government-type central information systems, auditor's information systems for the distribution of government benefits and subsidies or financial information systems for processing and publishing of large data sets.

The main objective of the Public Consulting Division which is part of Business Unit Public SK is to establish Asseco CE in the education sector and the labor sector with a focus on consulting services focused on integration of existing education systems and implementing new programs resulting from the requirements and trends in the labor market regarding education. The first phase of the activities will be primarily engaging the IT sector and later will focus on the development of other sectors in cooperation with our partners. As a follow-up to the current successfully implemented Services of NSK project, the intention is not only to apply for other projects in the field of lifelong learning, dual learning and education in general, but to become an equal partner and competitor to companies already active in this area.

We will strive to achieve this ambitious goal by building a strong team of consultants, analysts and other professionals capable of managing such large-scale projects. The team will leverage the expertise in these fields and the already acquired competences and partnerships gained by Asseco in other sectors. The division has the same ambition in the field of human resources and related operational program under the Ministry of Labour, Social Affairs and Family, as well as in other operational programs which aim to implement tools for education and ensuring the quality of the workforce.

A special area of competence of Asseco CE is Transport Telematics which includes mainly Intelligent Transportation Systems (ITS). This solution allows a more efficient use of existing transport infrastructure, improving traffic flow that enables savings in time and fuel. The result of the introduction thereof is also a decrease of negative environmental impacts.

The further area under Public Business Unit is business intelligence. During software development, the Company developed in this field from initial reporting tasks via dashboards and ad-hoc analysis to advanced methods of datamining and predictive modeling. Our product StarBI is either provided as a turnkey solution or by customizing modules prepared in advance. The solution uses standard BI platform and databases (IBM, Microsoft, Oracle and SAS). Asseco Central Europe offers a wide range of solutions for monitoring and evaluating profitability (of products, customers, sales channels), automating reporting for internal or external environment (regular reporting, ad hoc outputs), in-depth analysis of data through data mining tools and dealing with tasks such as for instance detection of fraud (insurance, government revenue - taxes), cross-selling, subsequent sales, customer segmentation and other types of tasks. The AQS (Asseco Quality Services) solution is used to consolidate data and transfers thereof among heterogeneous systems by combining a software product, methodology and related services designed to implement migrations, consolidations and data cleansing.

The largest projects undertaken in this area include delivery of solutions for ministries (Slovak Ministry of Transport, Construction and Regional Development, Slovak Ministry of Interior), Slovak Supreme Audit Office, Česmad Slovakia, State Institute of Vocational Education and many other authorities and institutions.

With respect to solutions for data warehousing and business intelligence, important clients of the business unit include commercial and non-commercial organizations from industries other than the healthcare sector and the insurance industry where Asseco solutions significantly help for example the Financial Directorate of the Slovak Republic in the fight against tax evasion, allow processing of statistical data for the Czech Statistical Office or are part of the integration of data and systems as in the case of Českomoravská stavební spořitelna.

Business Unit Public CZ

The profile of Public CZ Business Unit is similar to the characteristics of the Public SK Business Unit. The developing competences of our Company in the field of public administration may even be broadened by using the principles of Enterprise Architecture. We use the principles thereof for mapping the current state and proposing the future state of the architecture of the target environment (in this segment this includes for example an administrative authority or a central administration authority), including a draft roadmap and transformation projects. The projects of this type use the TOGAF™ methodology and the modeling language ArchiMate™. At present, Government Enterprise Architecture (GEA, EA modified for public administration) is among the major trends in public administration and it is becoming more common. The National Architectural Plan (NAP) in the Czech Republic is based on the principles of GEA. Every new project in this area shall conform to the architectural patterns and principles which are codified in the NAP. Development of the BU Public in this area was the right decision. Use of GEA within electronization of public

administration and all its segments contributes towards a better arrangement and systemization within designing and implementation of new eGovernment projects. This results in more frequent use of that competence within the projects focusing directly on architecture development.

A specific offer to public administration is the design and delivery of complex systems for government that includes hardware, network infrastructure and specialized heavy duty applications with guaranteed high availability for the specific needs of government-type central registers, business registers, supervisory systems for the distribution of government benefits and subsidies or budgetary information systems for processing and publishing of large data files on platforms Informix or Oracle using WebLogic application servers and Geocluster RAC topology and Java development environment.

Among the largest projects undertaken in this area is the delivery of solutions for ministries (Czech Ministry of the Interior, Czech Ministry of Transport, Czech Ministry of Finance, the Capital City of Prague, etc.), but we also cooperate with the Statistical Office of the Czech Republic and many other authorities and institutions such as the Czech Social Security Administration and the Czech Office for Surveying, Mapping and Cadastre.

Business Unit Utility

The extensive offer of Asseco CE is complemented by solutions in the areas of GIS and administration of infrastructure of utility companies. We have gained our experience during the last twenty six years in the area of development and implementation of special technical solutions for the companies managing extensive assets (e.g distribution networks – electricity, gas, water, sewerage systems, telecommunications, heating systems), large industrial premises, mines, town self-governments, administrators of transport infrastructures – roads, railways, state administration, insurance companies (for more detailed determination of flood areas and other risks), etc.

After more than 25 years of development of individual components, Business Unit Utility is able to offer an integrated software solution consisting of modules and creating thus comprehensive system SAMO; its individual components include: geographic information system LIDS, framework for development of communication and publication portals AG Portal, the solution for support for processes within the maintenance and operation of infrastructure - TOMS, the system for support of field work management based on transfer of work orders (and all related substantial information) to the mobile devices of individual work teams - WFMS. The SAMO solution meets the requirements of ISO 55000.

Our most important clients include companies that manage utilities (EON ČR, a.s., N-ERGIE AG, Norimberk, EWR Netz GmbH Worms, Technische Werke Ludwigshafen AG, Pražská plynárenská, a. s., Teplárny Brno, a. s., Vodárenská akciová společnost, a. s., Brno, Východoslovenská vodárenská spoločnosť, a. s., Košice, Brněnské vodárny, a. s. SWU Stadtwerke Ulm GmbH, ENNI Energie & Umwelt Niederrhein GmbH, Moers, SYNTHOS, PKN Orlen, etc.), also companies holding large industrial sites (BASF SE, CURRENTA GmbH & Co., Novartis Pharma AG Basel, AUDI AG, Daimler AG, ŠKODA AUTO, a. s.) and organizations of state and local governments (Zeměměřický úřad (Land Survey Office, Czech Republic), Olomoucký kraj (the Olomouc Region, Czech Republic), Agencja Restrukturyzacji i Modernizacji Rolnictwa (Poland).

Business Unit IT Infrastructure & Integration

IT Infrastructure & Integration Business Unit is a provider of infrastructure in all phases of their life cycle from designing through delivery and implementation to ensuring operation with the required level of service, including service under continuous availability and supporting the systems 7x24. Doing this, the division uses its long-standing experience in the development, delivery and operation of critical systems in the public sector, the financial segment, health care and utilities, and follows the standard methodology for effective delivery and management of IT systems. In line with current trends and using the latest technology, the Business Unit Infrastructure & Integration focuses in an increasing extent on the supply of integrated solutions up to the level of "IT as a Service", allowing customers to focus on their core business, while using modern, flexible and efficient IT systems.

We work closely with other business units while preparing proposals so that the resulting solutions meet customer requirements for functionality, security, performance, availability, extensibility and scalability, administration and supervision. The infrastructure solutions supplied by us cover all infrastructure layers including the security project, server systems, networking and security, storage systems, database systems, middleware, application servers and user systems that are built according to the needs and requirements of the customer either "on premise" of the customer or in "the cloud". Asseco Central Europe provides call centre services and helpdesk in continuous operation to support external and internal customers.

IT Infrastructure & Integration Business Unit ensures the supply of hardware, software licenses, network and supporting infrastructure and consumer devices, maintaining partnerships with most major manufacturers and distributors of these technologies.

Among the most important customers to whom the Business Unit Infrastructure & Integration delivered the design, supply, implementation and support of IT infrastructure are the Ministry of Interior of the Czech Republic, , Czech Statistical Office, Supreme Audit Office of the Slovak Republic, Czech Social Security Administration (operation of the information and communication interfaces of e-Portal), Administration of basic registers (operation of registers RPP and ROS), the capital city of Prague (operation of the CMC Information System), a subsidiary DanubePay (support and operation of banking and payment systems).

IT Infrastructure & Integration Business Unit also operates and develops internal information systems of Asseco Central Europe in which it continuously varies the company's infrastructure in order to increase the proportion of virtualization technology and cloud technology. This provides flexibility and efficiency of sharing technological resources for projects in the Czech Republic, Slovakia and Hungary that allows efficient sharing of knowledge and resources across the companies. The development teams of business units also benefit from continuously designed, implemented and managed development and testing environment necessary for the development of and subsequent support to customer solutions.

Business Unit ERP

Business Information Systems from the portfolio of our subsidiaries – Asseco Solutions - cover the needs of businesses of all sizes in various fields of business and public administration. Systems complement a wide range of services and partner programs. They are highly valued for their technological advancement and the other properties that result from perfect knowledge of the domestic market. Thanks to the geographical closeness of Asseco Solutions companies to local customers, the product portfolio can be better tailored to the specific requirements across sectors and countries and to offer a better service at a professional level. The selected proven local solution can also be introduced into commercial offer in other countries in the longer term.

Within the composition of Asseco CE is the competence in the field of corporate information systems known also under the HELIOS name.

7 SHAREHOLDER ' STRUCTURE OF ASSECO CENTRAL EUROPE, A. S.

According the information available to the Board of Directors following shareholders exceeded the 5% share as at 31 December 2016 and 24 February 2017:

Shareholder	Number of shares	Number of votes	% share
Asseco Poland, S. A.	21,215,576	21,215,576	99.32

The share capital of the Company as at 31 December 2016 was equal to EUR 709,023.84 and was divided into 21,360,000 bearer's shares with a nominal value of EUR 0.033194 each.

8 PERSONNEL INFORMATION AND POLICY

Asseco CE is one of the major employers in the IT field in Slovakia and the Czech Republic. The personnel policy of this Company is based on the principles of honesty, transparency, respect, integrity, personal responsibility and trust. In practice this means the daily integration of these principles into the running of the Company, its behaviour and communication towards external and internal environment.

Given the focus of the Company, the highest percentage of employees are developers. Software engineers, analysts, system and database specialists, testers, project managers and consultants represent more than 78% of the total number of employees. The model based on the transfer of experts - business consultants directly into production divisions to connect developers and consultants to support the preparation and delivery of solutions to our customers has been successful.

The age structure of employees has traditionally been balanced. Almost 60% of employees in Slovakia are in the age group 20-40 years, 27% of employees are younger than 30 years of age. However, the Company also employs employees over 50.

The proportion of women reaches 25% in Slovakia and 20% in the Czech Republic of the total number of employees.

8.1 Employment structure in the Asseco Central Europe Group

Number of employees	31 Dec 2016	31 Dec 2015
Board of Directors of the Parent Company	4	4
Board of Directors of the Group companies	18	20
Production departments	1,347	1,278
Sales departments	163	143
Administration departments	213	195
TOTAL	1,745	1,640

Number of employees	31 Dec 2016	31 Dec 2015
Asseco Central Europe, a.s. (SK)	396	399
DanubePay, a. s. (SK)	35	32
Asseco Solutions Group (SK)	180	167
Asseco Solutions Group (CZ)	328	321
Asseco Solutions AG (DE)	249	206
Asseco Central Europe, a.s. (CZ) + Asseco BERIT	264	270
InterWay	85	76
exe	64	50
Asseco Magyarország (HU)	139	117
Asseco IT Services Zrt. (HU)	0	2
Asseco BEL LLC	5	0
TOTAL	1,745	1,640

9 MARKET POSITION

9.1 Information technology market and future outlook

The Development of the Global IT Market

The forecast of Gartner company for worldwide dollar-valued IT spending growth in 2017 has been revised down 0.3% to 2.7%, a good increase from negative 0.6% in 2016. The constant-currency forecast remains 2.7% for 2017. The forecast for the Internet of Things has been revised down slightly to 6.5 billion endpoints shipped in 2020, with an installed base of 20.4 billion units.

The biggest increase is expected in the sphere of IT services (4.2 %) and company software (6.8 %). In 2016 this sector showed stable growth.

The development of global IT market is influenced by Brexit. In 2016 the prices of IT products were higher because of weak pound. As a solution of this adverse economic situation is recommended to use the cloud services instead of server purchase.

Other factors, which influence the development of IT market are funds of EU. This financial source enables to invest into digital technologies development.

The IDC company has reported that the global market of backup systems decreased by 7.9 %, the revenues from opensource systems decreased by 7.2 % and the sales of mainframes decreased by 17.1 % in 3Q of 2016. The market leader was Dell company (market share 60.3 %).

The highest investments in 2016 went to SaaS cloud services.

In Deloitte's 2017 Technology Outlook, Paul Sallomi, Global Technology, Media & Telecommunications industry leader and the US and global technology sector leader has determined the opportunities for technological growth in 2017:

- Robotics, virtual and augmented reality (VR), 3D printing, artificial intelligence (AI)
- Cognitive technologies, big data
- Blockchain
- The Internet of Things
- Cybersecurity products and services

The Spicework Company has defined key points of ICT development for 2017 as well:

- IT budgets of companies will be on the similar level
- Cloud and hosted services will remain major players
- Artificial intelligence, virtual reality and 3D printing will be increased

The Pivot Point Consulting Company has published the results of market research, which show how satisfied are the healthcare IT (HIT) professionals. Since 2014, the number of HIT professionals who reported feeling "extremely optimistic" about their career opportunities increased by 47 percent. That optimism may be fueling their career choices as well, as new research shows that during that time period HIT contractors and consultants who declined considering a full-time position increased by 25 percent, and the number of full-time employees who would consider consulting has hovered around 70 percent over two years.

9.2 Position of the Company in the IT sector

The Asseco Central Europe company as well as its subsidiaries received several important awards in 2016. The Company has ranked high in the Trend TOP in ICT ranking compiled by the weekly Trend each year. In 2016, it succeeded in the category Largest IT Suppliers for the Private Financial Sector in which it has steadily placed the first for several years in a row. At the same time, we reached the second position among the fastest growing IT companies and as the Largest IT Suppliers to the Public Sector.

We placed third in the ranking of "Software Houses in Slovakia" and as the "Software Package Manufacturers in Slovakia".

A more detailed overview of the Company's ranking is presented in the following table.

Category	Ranking
TOP IT Suppliers to Private Financial Sector	1.
TOP IT Suppliers to Public Sector	2.
TOP IT Suppliers to Utility Companies	5.
Software Houses in Slovakia	3.
Suppliers of Information Technologies in Slovakia Ranked by Added Value	4.
Suppliers of IT Products and Services in Slovakia by Revenue	5.
Software Package Manufacturers in Slovakia	3.

Source: Trend TOP in IT, the weekly Trend, May 2016

In the TOP 200 ranking – the Largest Non-Financial Companies in Slovakia – the Asseco Central Europe company occupied 128th position in 2016.

Here is a summary of some additional successes of Asseco CE:

- 7th place in the ranking "The Largest Suppliers of Information Technology in Slovakia"
- Asseco CE was the 31st among largest companies according to added value
- 2015 IBM Analytics Solutions Partners
- The main prize – 2015 CZECH Stability Award
- ITAPA Award 2016 - Project "Online Interface with ISVS Registers – section Register of Individuals", for Všeobecná zdravotná poisťovňa (VŠZP), category New Services for Citizens

10 NEW PROJECTS, PRODUCTS AND SERVICES

Implementation of the StarBUILD system - Českomoravská stavební spořitelna

In Českomoravská stavební spořitelna (ČMSS – a building savings bank known as "Fox"), the largest building savings bank in the Czech Republic and the second largest B&L bank

in Europe, the program of the bank's IT system generation exchange was completed successfully by the Asseco company in March 2016. The program consisted of several independent projects and included the implementation of core banking and core sales system StarBUILD, development of Operation Data Store (ODS), implementation of CRM on the platform Microsoft Dynamics, creation of a Reporting system based on the data from ODS, and customization of the integration ESB platform. The important part of the delivery involved the full-scale migration of data covering the 22 years long history of ČMSS from the original German core banking and core sale systems IBP and IBP/VU. The Asseco company, in addition to the role of the general provider of the program, acted also as the system integrator.

Commencement of the production operation of the new system StarBUILD meant achievement of the priority objective – modernization of the core banking system in the area of automation of processes, accounting, payments, and back office. Safeguarded quality and swift data processing result in a more accurate and faster response of the business sphere and improvement of the quality of ČMSS services provided to clients.

The benefits of the new solution for ČMSS include the guarantee of flexibility within implementation of future legislative and business changes, local support provided by Asseco consultants who understand the building savings processes and, last but not least, the cost savings due to a higher level of automation of individual transaction processing.

A full-scale solution for the public lighting management - Vienna, the capital city

In June 2016, the companies from the Asseco Central Europe group won the tender for delivery of a solution for management of the public lighting system in Vienna.

Our winning solution consists of comprehensive system Enterprise Asset Management for management of the public lighting system, traffic lights, public WiFi networks, outdoor clocks, and information boards. The important part of the project involves management of the technical infrastructure for so called special innovative projects thanks to which we will be in close contact with top innovative technicians. Vienna's Smart City ranks among the total top solutions worldwide in international evaluations such as studies of Mercer World Award for intelligent cities.

Within the project, all components of our comprehensive solution SAMO will be implemented gradually. The technical data and geographical positions of 170 000 street lights, 91 000 poles, 138 000 hanging devices, 25 000 traffic lights, and many other items will be migrated into LIDS as the database for technical infrastructure elements. TOMS will support the life cycle of such elements in technical records, i.e. collection of requests for infrastructure development, subsequent planning and management of construction, revision of maintenance of individual elements, and removal of breakdowns. In order to safeguard the operation, the system is supposed to issue approximately 25 000 work orders per year which will be delivered to work teams via WFMS directly to their mobile devices. The portal solution on the basis of AG portal will create an environment for both internal communication and efficient communication with citizens via the internet. The solution is to be fully integrated into the existing infrastructure of Vienna, including the interface for SAP ERP, HR system LIS and DMS ELAK. The implementation project lasting two years will be followed by support lasting four years for the operation within the 10x5 mode because 150 users of the system are to secure operative control of the technical infrastructure of public lighting and traffic control.

The solution will facilitate the operation of the network and aims to reduce the breakdown rate as well as the consumption of energy; it should save and provide better control of the costs associated with maintenance and operation. Other benefits will include digitization of planning processes and use of LIDS for calculations concerning the development of the power network, creation of time schedules for energy consumption and their aggregation based on the consumption of each individual bulb up to creation of the scheme of consumption of the entire public lighting network in the City of Vienna.

Extensive change requests (sub-delivery for Asseco Poland) - ARiMR Agency for restructuring and modernization of agriculture

The intensive cooperation with Asseco Poland continued also through the delivery for Polish agency AriMR (Agencja Restrukturyzacji i Modernizacji Rolnictwa) that is responsible for allocation of EU subsidies within the Polish agriculture sector. Our sub-delivery involves replacement of the current GIS subsystem by a new and modern system built on the basis of our own product - LIDS 7. The sub-delivery has three major parts: a web application for farmers to file subsidy applications via web, a subsystem for assessment of subsidy applications, and a system for creation and maintenance of maps.

Interesting specific features of the solution:

- ~ 150 million records with vector data + ~ 1.5 TB orto photo maps (TIFF files)
- ~ 2500 users of the pro IACSPlus phase / v 1.5 million future applications via web.

e-Portal - Czech Social Insurance Administration (ČSSZ)

In September 2015, the Asseco CE company signed with the Czech Social Insurance Administration a new four-year general agreement for operation and development of the Information and Communication Interface (IKR ČSSZ), which represents the tool for online communication with clients of ČSSZ. Currently, ČSSZ provides, via e-Portal ICI, more than 30 electronic services providing clients with the data registered by ČSSZ about them, 10 automated electronic filing rooms, and over 100 interactive web forms for resolving various life situations. To login to the portal, clients use accounts in the Data Box Information System.

In 2016, several significant extensions were implemented, including especially the project for preparation for management of eIDAS, the open data project, and the project for enhancement of the authentication for the access to ČSSZ services. The portal for publication of open data of ČSSZ (Open Data ČSSZ) is intended for publication and visualization of the open data held and managed by the Czech Social Insurance Administration (ČSSZ). All the data published via this portal are primarily available in formats RDF (TriG) and CSV. The objective of the project "Enhancement of the authentication for access to ČSSZ services" was to implement further authentication mechanisms in compliance with the Directive of the European Parliament and Council (EU) no. 910/2014 (eIDAS) with the aim to increase the number of electronic filings and improve the online access of citizens to the services provided by ePortal ČSSZ.

Project "Register of Individual Insured Person Accounts" - ČSSZ

In January 2016, the Asseco CE company won a contract for operation and further development of the Register of Insured Persons of the Czech Social Security Administration. The Register of Individual Accounts of Insured Persons supports the key agenda of ČSSZ – pension savings administration. It contains the central and consolidation databases with summary data concerning pension savings and it safeguards the processes of collection, consolidation, and publication of information.

During the year 2016, a technological upgrade was implemented within the project, i.e. SW adjustment to support new versions of operating systems, internet browsers, and a database upgrade to Oracle 12c.

Online Interface for VŠZP information system with the Register of Individuals (RoI) - Všeobecná Zdravotná Poistovňa (VŠZP – General Health Insurance Company)

The aim of the project was to connect the information system of Všeobecná zdravotná poisťovňa with the Register of Individuals that falls under the competence of the Ministry of Interior of the SR. In compliance with eGovernment, the solution reduces the administrative obligations that burden citizens. The project makes it simpler for insured persons to report statutory data to VŠZP such as the change of address and other information stored in the Register of Natural Persons. The mandatory reporting of changes by citizens to the insurance company thus turned into a quick and trouble-free act taking place upon the client's visit at the branch office when the compliance of the data in documents with those stored in the system is checked only visually. Thus, there is no need to fill in a form and scan and archive documents, which has resulted in substantially faster services for clients. Všeobecná zdravotná poisťovňa wants to go further - to fully eliminate the mandatory change reporting obligation. From the citizens' point of view, the project outputs will be manifested through automation of processes and termination of the obligation to report changes in the data.

Modules for International Information Exchange, Directive on Administrative Cooperation (Module DAC2) and Common Reporting Standard (Module CRS) - Financial Directorate of the SR

In 2016, after the successful implementation of the FATCA module for data collection and exchange under the American act on foreign account tax compliance: "The Foreign Account Tax Compliance Act (FATCA)", the Asseco CE company signed a contract for supply of similar data exchange modules that represent continuation of the unified international information exchange concept:

As concerns the DAC2 module, it involves exchange of personal financial information among EU countries as defined in the Directive on Administrative Cooperation (DAC). The Slovak Republic undertook to carry out automated exchange of the financial data agreed in advance in respect of the EU residents and provided by Slovak financial institutions. Information is exchanged between individual EU member countries and the SR via the CCN network.

The CRS Module (Common Reporting Standard) is to enable obtaining of the financial information about residents of the OECD countries and safeguard sending of such information to relevant jurisdictions. Based on a multilateral agreement, the countries undertook to carry out the automated exchange of the financial accounts of subjects. Up to date, the exchange of such information has been executed only upon a request within tax evasion investigations.

The information exchange will be carried out based on the EU directive copying the OECD standard for automated tax information exchange.

Both modules include the receipt of relevant financial information about SR residents from the member states of the EU and the OECD, its processing, and subsequent evaluation.

Modules DAC2 and CRS will be deployed in the live production on 15 March 2017.

STRIX – software for hospital care classification (DRG grouper)

STRIX is the basic module in the family of software products intended to support the improvement in hospital care financing in Slovakia. Based on the routinely collected information on hospital care, it classifies each hospitalization case into one of 1,200 of so called DRG groups (Diagnoses Related Groups). This classification factors in the patient care not only in terms of medical care but it also contains sorting of cases as per their financial demandingness. Thanks to the classification, health insurance companies are able to pay for hospital care and thus direct more funds towards the patients who need more

expensive treatments. It will safeguard higher efficiency and fairness within the health system.

STRIX is based on the DRG classification published by the Healthcare Surveillance Authority and in addition to that it enables, as an optional functionality, extended validation of classified data and their corrections in respect of almost 20 items. As concerns the classification into DRG groups, it allows resolving of disputable clauses of the official version of DRG.

The STRIX product was developed in 2015 and subsequently, it has been supplied to all three health insurance companies in Slovakia. In 2016, its functionalities were extended and its superstructure modules TYTO, SURNIA, and NESASIO were developed; the modules are intended for healthcare providers. TYTO is a superstructure over the DRG grouper STRIX for online checking and improvement in the quality of coding and reporting within the DRG system used by the attending physician or a coder upon closure of a hospital case and it is integrated into the hospital system. SURNIA is an analytical superstructure over DRG grouper STRIX for hospitals and it provides analytical outputs based on the processed data concerning production and costs of a hospital. The NESASIO module is an application processing the data concerning the costs borne by a hospital and it evaluates individual hospital cases based on the data.

Register of Rights and Responsibilities – Ministry of Interior of the Czech Republic

In November 2016, our company won a contract for development of the key eGovernment system for the Czech Republic – Register of Rights and Responsibilities (RPP). It is one of the fundamental registers of the Czech Republic. Its development is based on the adjustment of the Comprehensive Register of Rights and Responsibilities according to the law amendment that introduces significant changes and new services. RPP contains the functionality defined by Act no. 192/2016 that amends Act no. 111/2009 on basic registers. A new and very important functionality has been created that moves the electronization of the Czech Republic administration one step forward again. The most important change involves creation of a register of users – natural persons and legal entities - of the data, which in practice will mean the possibility for natural persons and legal entities to draw data from basic registers and other agenda information systems. Other important enhancements include creation of the unified registers for public authorities (PA), extension of the authorization registration for access to the data provided by agendas (AISs), and simplification of the process of agenda registration, and PA competence registration.

We deem the work on this project to be prestigious but, at the same time, we understand it as an important reference in terms of both the volume and operation. The project also includes three information systems intended for its administration - AISs (Agenda Information System). These are AIS for Editing, Competence, and Special AIS. Thanks to their scope, each of them represents an independent system that serves to support RPP.

Data Warehouse (DWH) - Financial Directorate of the Slovak Republic

The functionalities of the Data Warehouse were substantially enhanced in 2016. It was integrated into new IS and its position of the data integration platform at the Financial Directorate of the SR was strengthened. The integration to Customs IS, which has been gradually becoming a part of the DWH information base, will provide users with a comprehensive overview of the behavior and discipline of entities in terms of taxes and customs issues. An important showcase of the data interconnection of the tax and customs areas represents the monthly publication of the list of tax debtors owing over 170 €. Within the development of new integration links for other ISs at the FD of the SR, the IPEX system for tax distrainers and the ADMIS module joined the users of the data from DWH. DWH represents an important data source also for other governmental institutions, including the Social Insurance Agency. The analytical activities were enhanced by the extended and redesigned module for comprehensive financial and economic indicators concerning individual tax subjects. The datamining base was extended by a new model for

determination of risk rates in respect of individual subjects in the area of corporate income tax. In technology terms, the decision of the FD of the SR on unification of the SW environments of individual projects is extremely important and within this decision they started, in 2016 (with continuation in 2017), the activities aimed at migration of the current DWH solution from the Informix DB environment into the Oracle DB environment. Safeguarding of the smooth transition of DWH to a new DB platform means a very important and technically very demanding and extensive task for the near future.

Register of Persons – Czech Statistical Office

In December 2016, our company, as a subcontractor of the Adastra company, won a contract for fundamental development of a key system of eGovernment of the Czech Republic – Register of Persons (ROS). It is one of the fundamental registers of the ČR. Its development is based on the adjustment according to the law amendment that introduces significant changes and new services. ROS contains the functionality defined by Act no. 192/2016 that amends Act no. 111/2009 on basic registers. The most important change involves creation of a register of natural persons and legal entities using the data (SPUU). Our company is the direct supplier of RPP and supplier of key parts of ROS. Thanks to that, our company ranks among the largest suppliers of key eGovernment systems in the Czech Republic.

Implementation of 3D-Secure Issuer – safe card payments via the internet (e-commerce) - Poštová banka, a. s.

Payments via the internet verified based only on the data stated directly on the card are not sufficiently secured considering the environment of internet frauds. "Stronger authentication" within electronic payments is required by the European legislation – PSD 2 too.

In 2016, our company submitted an offer concerning the supply and implementation of a new functionality – 3D secure. New service 3D secure, which offers clients safer payments with cards via the internet (so called e-commerce), will prevent abuse of payment cards within the internet environment. Purchases via the internet will be protected through the charge-free single time 3D Secure code that will be delivered via an SMS to the client to the mobile phone number allocated to the given payment card which is permitted to make use of the 3D Secure service within the StarBANK banking information system.

The bank accepted the delivery contents to the full extent in 2016. In January 2017, the bank signed the acceptance of the new service solution for the production environment.

Solutions for forms – Ministry of Interior of the Czech Republic

In June 2016, our company was selected as one of three suppliers of form solutions for the Ministry of Interior of the Czech Republic and signed a general agreement with the term until 2020.

Throughout the entire agreement term, our company will supply, through partial contracts, electronic forms for eGovernment which will be used for communication of citizens and legal entities with authorities at the public administration contact points (Czech POINT).

Centralized Postal Address (CPA) - VŠZP

In autumn 2016, the centralized postal address for Všeobecná zdravotná poisťovňa was implemented. The aim of the CPA implementation is to achieve the paper-free circulation of filings and processing of electronic filings within the organization. When a document is delivered to the organization, its digital copy is created through scanning and distributed within the organization in compliance with predefined rules. Simply, we can say that the

solution is supposed to ensure allocation of documents for processing in the same manner as paper documents. Documents are stored in the central database of registry records.

Operating and Technical Information System - Pražská plynárenská (Prague Gas Company)

In 2016, the GIS&Utility division continued the delivery of other components of the operating and technical information system – parts Applications/Construction, based on the implementation of software products TOMS and related ICT services. The deliveries included an analysis, solution design, delivery of SW licences, installation, development, integration within the environment of the customer, mutual integration of individual modules of the operating and technical information system, integration with the corporate information system SAP ERP and IS-U GIS ESRI, data consolidation, testing, and training for users. The system has been designed on the SOA architecture and integrated with other information systems. After the acceptance of the implementation project, the technical support including updates, maintenance and further development of the information system, commenced.

Implementation of TIS – Maintenance within the Teplárny Brno, a.s. company

The aim of the project “Implementation of TIS – Maintenance” is to introduce new information support for maintenance activities within production of heat and electricity and their distribution by the Teplárny Brno, a.s. company that covers various processes such as maintenance planning, maintenance execution, and problem resolving. The information support for maintenance processes is carried out through the implementation of module Maintenance (TOMS / MNT) of the SAMO solution: TOMS with the use of the evidence provided by the equipment in the SAMO GIS system: LIDS. Within the implementation, the system was integrated with the SAP system.

11 ANALYSIS OF FINANCIAL RESULTS OF THE ASSECO CENTRAL EUROPE GROUP

11.1 Information on the Asseco Central Europe Group

The Group reported the following financial results for the period of twelve months ended 31 December 2016 (“2016”) and the comparative period of twelve months ended 31 December 2015 (“2015”):

SELECTED ITEMS	2016	Margin	2015 (restated)	Margin	Change y/y
Sales revenues	168,235	--	155,147	--	8%
Gross profit on sales	43,214	26%	39,053	25%	11%
Operating profit	15,279	9%	15,027	10%	2%
Pre-tax profit	15,432	9%	15,064	10%	2%
Net profit for the period reported	11,250	7%	10,934	7%	3%

Financial results of the Group for the reporting period were positively influenced mainly by following factors

- Contribution from infrastructure subsidiaries acquired in 2015 (sales revenue

- higher by EUR 12.4 million),
- Continuous growth in ERP business (revenue growth EUR +5.9 million/+11.5% y/y).
 - Improved development in the Czech Republic (revenue EUR +0.7 million, operating profit EUR + 1.4 million y/y),
 - DanubePay increased by 0.4 million y/y

On the other hand Parent Company reported lower revenues by EUR 6.9 million y/y mainly due to very high base from previous year and lack of new projects in the Public segment after the March election. As a result, the Group achieved overall 8% revenues increase (EUR +13.1 million).

The combined entity in Hungary – Asseco CE Magyarország which was created by the merger of GlobeNet and Statlogics reported slightly lower revenues (EUR – 0.6 million) y/y mainly due to slow down in the sales of new licenses for both Hospital IS and Consumer Finance modules.

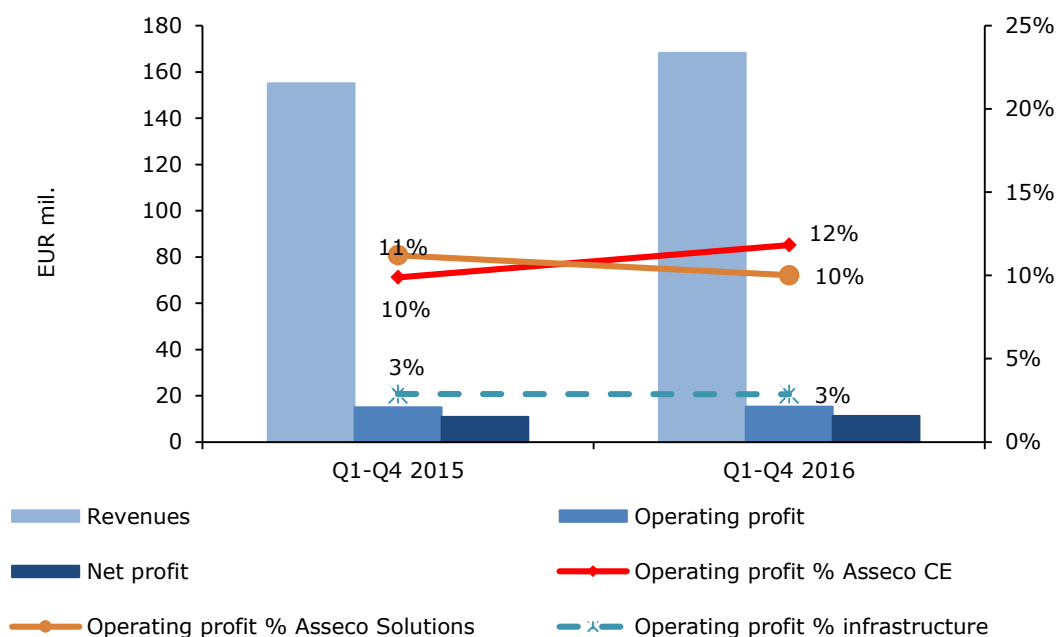
The gross profit on sales increased by more than EUR 4.2 million y/y (+11%). Major part of this growth (EUR +3 million) represents the organic growth mainly due to higher dynamic of the own revenues growth in Asseco Solutions and Asseco Central Europe business entities. Newly acquired Infrastructure business entities contributed by EUR 1.1 million in the reporting period.

Higher selling costs related to investment and sales of new products (mainly ERP) and intensified international sales activities resulted in the higher portion of selling and general administration costs by EUR 2.4 million in the reporting period while the new acquisitions contributed by additional EUR 1.3 million of costs.

As a combined result of these factors, the operating profit of the Group was slightly higher by 2% y/y in 2016.

The pre-tax profit for the period increase accordingly by 2% y/y. The net profit for the reporting period was higher by 3%.

Reported financial performance (from continuing operations)



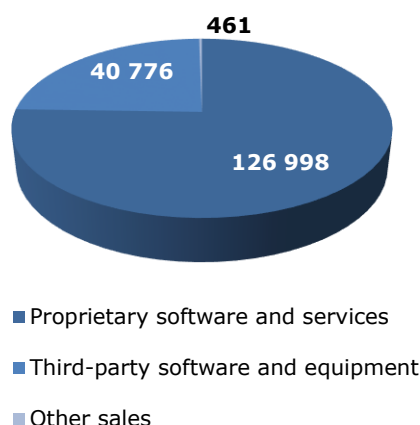
The operating profitability of project activities – performed mainly by Asseco CE – increased from 10% to 12% in the y/y comparison. This positive result was achieved mainly due to significant improvement in the Czech Republic – from 6% in 2015 to current +12% supported by the strong basis of the long term projects in Slovakia which maintained its 14% margin. The profitability of the product oriented segment represented mainly by Asseco Solutions was lower (10% in the 2016 compared to 11.2% in the previous period) mainly due to heavy investments in new product development and sales activities which should contribute to future growth.

Majority of revenues were generated from sale of proprietary software and services which contributed by 74% to total revenues of the Group in both 2015 and 2016. The infrastructure business line - the sales of third party software and services and resale of hardware and infrastructure, maintained its 24% share of the overall revenues in both the reporting and previous period as well.

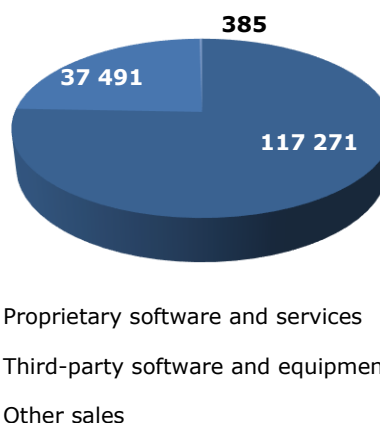
Revenues from own software and related services increased by more than EUR 9.2 million y/y. This growth was achieved both organically (EUR +3.6 million y/y) and by newly acquired companies (EUR + 5.6 million).

Logistics and outsourcing services increased in the reporting period by 22% y/y although its share remains very low (2% resp. 1% in the reporting and previous period).

Structure by type of revenues in 2016



Structure by type of revenues in 2015



All figures in thousands of EUR.

Asseco Central Europe and Asseco Solutions are the two main business entities which are presented as operating segments since 2013. The "Other" segment includes Hungarian companies and Asseco Bel as at 31 December 2016.

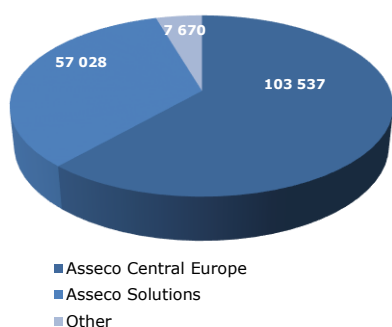
Asseco Central Europe segment reported 8% increase of revenues from the external sale of the services in 2016 y/y. The main contribution to this growth was the acquisition of new infrastructure business (EUR 12.4 million). Organically the sales revenues decreased by EUR 4.6 million (-6.5%) in the reporting period due to lower revenue from sale in Asseco CE SK.

Operating profit from organic activities increased by 11% y/y due to higher profitability in Asseco CE CZ. New subsidiaries contributed lower by EUR 0.2 million so the total operating profit of the segment was higher by 7% (EUR +0.6 mil) compared to previous period.

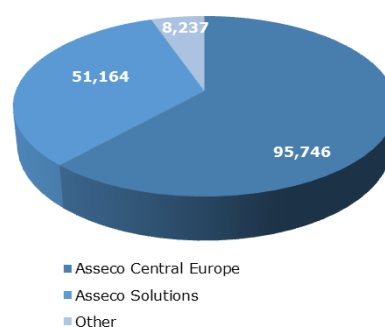
Segment Asseco Solutions organically increased its sales revenues from external sales by 11% (EUR + 5.9 million) in 2016 y/y mainly due to higher sales activities both in the licenses and consulting area, mainly in DACH region. Operating profit of EUR 5.7 million remained stable due to investment into new ERP products in the reporting period.

The financial results of Other segment represented mainly by Hungarian companies were lower (EUR -567 thousand in revenues and EUR -326 thousand in operating profit y/y respectively) due to very high base from sale of hospital IS in Hungary in previous period and due to contribution of Asseco Bel into the costs of this segment.

Revenues by segments in 2016



Revenues by segments in 2015



All figures in thousands of EUR.

There are no customers exceeding 10% share in total revenues of the Group.
 There are no suppliers exceeding 10% share in total revenues of the Group.

11.2 Information on subsidiaries

The table below shows the basic financial data for individual companies or groups belonging to Asseco Central Europe Group*.

	Asseco Central Europe Group sales		Asseco Central Europe Group net profits/(losses)	
	in the period of		in the period of	
	12 months ended 31.12.2016	12 months ended 31.12.2015	12 months ended 31.12.2016	12 months ended 31.12.2015
Asseco CE SK	46,729	53,593	10,156	11,786
Asseco CE CZ	21,001	20,335	4,462	3,217
BERIT CH	1,204	1,186	20	6
BERIT DE	2,898	2,769	122	114
DanubePay	1,312	945	(1,454)	(1,565)
Interway	26,180	18,318	667	937
exe	11,529	6,995	152	44
Asseco Solutions AG	30,926	26,308	2,028	1,919
Asseco Solution SK	10,364	9,820	665	875
Asseco Solution CZ	17,563	16,456	1,330	1,469
Asseco CE Magyarország	7,800	8,500	774	855
Asseco IT Services	300	228	144	(42)
Asseco BEL	-	-	(6)	-
	177,806	165,453	19,060	19,615

* Data exclude consolidation adjustments and net profit attributable to non-controlling interest.

All figures in thousands of EUR, unless stated otherwise.

11.3 The Group's cash-flow generation

The Group's cash flow generation in the period of 2016 is provided below.

	2016	2015
Cash-flow from operating activities	17,935	21,263
Cash-flow used in/from investing activities	(9,474)	(5,475)
Cash-flow used in financial activities	(11,509)	(10,710)
Change in cash for the period	(3,048)	5,078
Net foreign exchange differences	32	281
Cash and cash equivalents, beginning of period	43,275	37,916
Cash and cash equivalents, end of period	40,259	43,275

All figures in thousands of EUR.

The Group's investment cash-flow

Net cash used in investing activities during the reporting period was EUR -9.5 million. It comprises mainly from acquisition of tangible and intangible assets in amount of EUR 2.9 million, net loans granted (EUR 5.8 million) and expenditures related to R&D projects (EUR 1.3 million).

The Group's financial cash-flow

Net cash used in financing activities during the reporting period was negative of EUR 11.5 million. Cash outflow related to dividends payoff amounted to EUR 11.4 million.

12 DESCRIPTION OF SIGNIFICANT RISKS AND THREATS

Market risks

Risks associated with the macroeconomic situation in the markets where the Group operates

Unpredictable development of the markets, mainly because of still appreciable effects of the global financial crisis, uncertain economic growth, decline in business investments in the previous periods which may repeat in future, decline in public procurement due to budgetary restrictions or increase in inflation can have a negative impact on the activities and financial situation of the Group, its financial results and prospects of development. In the same way can the Group effect changes in the way of adoption, interpretation and application of legislation - any changes in legislation, especially in the field of taxation, labour and social security. Especially adoption of legislation, when some of the activities provided by the private institutions will be eliminated and moved to the State responsibility (health insurance, social security and pension insurance and selected banking activities) may lead to adverse changes of our Capital Group business.

Adverse changes in exchange rates, but clearly slowed by the introduction of euro in the Slovak Republic, especially in the case of Group companies that operate in the euro area and mostly invoice in euro could affect the actual amount of revenues from the projects.

Risks related to the increased competition in the IT market

The IT market in Slovakia, as well as in other Central and Eastern European countries, is rapidly evolving and becoming increasingly competitive. Competition is generally based on products' functionality, range of service offerings, customer service and price. Increasing competition on the IT market can have a negative impact on the ability of the companies of the Group to obtain new projects, which can result in reduction of profit margins and lead to a reduction in market share.

Risks linked with the development in the financial sector

Most of the Group's customers are customers from the financial sector, development in this sector will have an impact on the results of the Group.

Risks connected with the geographical inclusion of companies in the Group

The activities of companies in the Group are focused on one region, so the development in the region (positive or negative) may have a direct impact on the Group regardless of product diversification.

Risk of becoming dependent on the key customers

Our business is highly dependent on new projects acquisitions from existing as well as new clients. With the growth of our services, including new segments and regions, our dependence on main projects is decreasing, however it remains significant. Dependence on major customers, few big projects and any difficulties in obtaining new projects may have an adverse impact on the Group's activities - each loss of an important project, which is not offset by revenue from new or existing projects may affect adversely the operation activities, forecasts, financial results and situation of the Group.

Risk associated with the failure in successful development and introduction of new products and services

The market for our products and services is characterized by rapid technological advances, changes in customer requirements and evolving industry standards. Thus, in order to remain competitive and increase our operating revenues, we must successfully introduce new products and services, or develop enhancements to and new features for our existing services, in a timely manner. Otherwise, our product and service offerings may become obsolete, less marketable and less competitive and our business will suffer. Failure in the successful development and introduction of new products and services may adversely affect the business, prospects, results of operations and financial condition of our Company and our Capital Group.

Regulatory and legal risks

Risk of changes in regulations and their interpretation

Asseco Central Europe SK was founded and operates in accordance with Slovak legislation. The Company is listed on the Warsaw Stock Exchange and is subject to the relevant legislation valid in Poland, which is available in Polish or English language. Furthermore, there is a risk of non-compliance of Polish or Slovak legislation with the legislation of the country where subsidiaries operate. There is an additional risk from not assessing the current situation of a subsidiary correctly from the public point of view. Interpretation of laws of a foreign legal system, with the inaccuracy of interpretation gives rise to the regulatory risk occurring in the environment in which Company operates.

Operating risks

Risk of losing the customers' trust

Most of the projects realised by the Group involve creating and providing to our clients' complex IT solutions. The complexity of these projects results in the risk of not meeting the contractual deadlines. There is also a potential risk that we will not be able to achieve all the targets set by our client in a given project. We are only partially able to manage this risk, since the development of solutions and thus the ability to provide them within the agreed milestones and business targets depend to a large extent on our clients and

sometimes also on third parties, like state authorities in the case of some legal framework changes which influence our solutions. There are some typical contractual penalties or indemnification clauses involved in most of our agreements.

There is also a risk that not meeting certain deadlines or business or other targets set by our clients may result in worsening our relations with a particular client even if it will not result in any contractual penalties.

There is also a risk of undue performance of our solutions provided to our clients, even some time after the project is successfully closed. We try to manage this risk by implementing several testing procedures, both our own and those of our clients; however we are not able to manage fully this risk, and in particular we are not able to insure this risk.

Possible payment of contractual penalties, worsening our relations with a particular client or undue performance of our solutions may, to a certain extent, adversely influence the business, prospects, and results of operations or financial condition of our Company and our Capital Group.

Risk related to adjusting our products to changes in law which may cause significant costs

The solutions we and our Capital Group members implement for our clients have to be in compliance with existing laws. As changes of law occur quite frequently in Slovakia and other CEE countries, we may be obliged to implement certain amendments to our solutions. On the basis of some agreements concluded with our clients, we are usually obliged to adjust our solutions in a very limited scope to the changing laws within the maintenance fee. More complex adjustments are made on a remuneration basis. In the process of budgeting we assume the potential consequences of changes in law. We cannot definitely exclude the risk that we may be subject to some financial losses in future due to the performance of these adjustments.

Risk related to limitation of cooperation with us by our main suppliers

Relationships with worldwide, well-known suppliers provide us access to the best technology supporting our competitive position on the market. As with all IT solutions providers, we may face the risk that one of our big suppliers, e.g. Microsoft or Oracle, may stop supporting a particular technology used in some of our projects. In our opinion, such steps are untypical for our business environment and, if they do happen, are always announced several years ahead and therefore there is a sufficient period to adapt. However, in the event that our main suppliers stop providing us their technologies and we would not be able to substitute them with other alternatives, we may face negative consequences on the business, prospects, and results of operations or financial condition of our Company and our Capital Group.

Risk related to difficulties on the side of our sub-contractors

In some cases we, and our Capital Group, provide our clients with solutions developed by our sub-contractors. The sub-contractors are in general obliged to service the solutions delivered by them. Our sub-contractors, in common with businesses generally, may face business and financial difficulties resulting in their becoming unable to fulfil their service obligations. This may negatively impact our credibility among our clients and adversely affect our business, prospects, and results of operations or financial condition.

In some particular projects having a role of integrator for the whole solution, we are not only responsible for our sub-contractors, but also for all other parties involved in the project, provided their solutions were chosen or recommended by us. In such cases any undue performance of the third-party solutions may also influence negatively our projects. This may adversely affect the business, prospects, and results of operations or financial condition of our Company and our Capital Group. We protect ourselves from these adverse effects to some extent by implementing similar contractual penalties to agreements with our subcontractors as are contained in our agreement with the client. We also try to take part in key development works, may it prove to be ensuring the successful execution of the integration project.

General risks of acquisition of companies

We closed several acquisition transactions. There is a risk that the post-merger integration process will not be successful and some of the targets will not perfectly fit into our Group strategy.

Risk related to carrying out of public tenders

Our Capital Group plans also in the future to participate in projects of the public sector, some of them co-financed from Operational programs of EU. Delay or restrictions of any kind of these projects could have an adverse effect on our business, prospects, and results of operations or financial condition.

Risks associated with the management of Asseco Central Europe

Our controlling shareholder has the ability to take actions that may conflict with the interests of other holders of our Shares.

The number of members of the Supervisory Board, which elect employees according to relevant provisions of the Statute, may not be consistent with the law.

Insurance policy may not cover all risks.

Rapid growth and development can lead to difficulties in obtaining adequate managerial and operational resources.

Company is dependent on key personnel, and their loss could have an adverse effect on the execution of IT contracts conducted by the Group companies, as well as on ensuring the required quality and range of services provided. At the same time, Company also faces the risk of persistence of difficult availability of IT professionals in the labour market.

Board of Directors members may take actions that may conflict with the interests of Supervisory Board members. Board members who resign, may require compensation.

Group may not be able to maintain the existing corporate culture in relation with activities development.

Integration of management processes in the Group may be incorrectly interpreted and cause divergent decisions.

Polish courts issued rulings against the Company may be more difficult to apply in Slovakia than it would be if the Company and its management were in Poland.

Shareholders from Poland may have difficulty with the exercise of rights under the Slovak legislative.

Investors may not be able to sell shares of the Company at the expected price or the expected date due to the lack of an active or liquid market.

Excess supply of the Company shares on the stock market may have an adverse impact on their price.

13 SIGNIFICANT EVENTS AND ACHIEVEMENTS OF THE ASSECO CENTRAL EUROPE GROUP

General Shareholders Meeting

On 23 March 2016, the Ordinary General Meeting of Shareholders adopted resolutions regarding approval of the Board's report on the business activities of the Company for the financial year 2015 and approval of the Board's report on the business activities of the Group for the financial year 2015.

Furthermore, the Ordinary General Meeting of Shareholders adopted resolution regarding approval of Company's annual financial statements for the financial year 2015 and Group's consolidated financial statements for the financial year 2015.

The Ordinary General Meeting of Shareholders adopted also resolution on distribution of the profit for the year 2015 in the amount of EUR 11,786,160.98 as follows:

- EUR 678,960.98 to transfer this amount to the account of retained earnings,
- EUR 11,107,200.00 to split between shareholders as dividends.

The dividend per share was EUR 0.52.

The Ordinary General Meeting of Shareholders established a determining day for exercising the right to dividend 5 April 2016 and the dividend payment date 19 April 2016.

On 28 November 2016 the Extraordinary General Meeting of Shareholders adopted resolutions regarding replacement of shares of the company issued as book-entry bearer shares by shares issued as paper shares (re-materialization of shares), on cessation of trading of the shares at the Warsaw Stock Exchange, and on that company ceases to be a public joint stock company. These resolutions become effective after decision of the Komisja Nadzoru Finansowego - Polish Financial Supervision Authority on delisting.

Important business contracts realized by the Company

- Contract with Českomoravská stavební spořitelna – new releases (contracts concluded and being realised in reporting period)
- Contract with Modrá Pyramida Stavební spořitelna – new releases (contracts concluded in reporting period)
- Contract with Poštová banka, a.s. – mortgage calculator modul (contract concluded in reporting period)
- Contract with Poštová banka, a.s. – 3D secure (contract concluded in reporting period)
- Contract with Slovenská sporiteľňa – banner modul (contract concluded in reporting period)
- Contract with Českomoravská stavební spořitelna – service agreement for 2016 (contract being realized in reporting period)
- Contract with Wüstenrot stavební spořitelna – new release 11/2016 (contract being realized in reporting period)

- Contract with Slovenská Sporiteľňa – ATM Recycler multivendor SW (contract being realized in reporting period)
- Contract with Slovenská Sporiteľňa – Upgrade DB (contract being realized in reporting period)
- Contract with Slovenská Sporiteľňa – George – beta (contract being realized in reporting period)
- Contract with Stavební spořitelna České spořitelny – new release (contract being realized in reporting period)

Important business contracts realized by the Company's subsidiaries

Company	Significant events during the reporting period
Asseco Central Europe, a. s. (CZ)	<ul style="list-style-type: none"> ▪ Contract with Magistrate der Stadt Wien, Austria - Asset management information system (AIS) based on GIS (contract concluded and being realised in reporting period through Asseco BERIT GmbH) ▪ Frame contract with Ministry of Interior, Czech republic – VMware licences and services (contract concluded and being realised in reporting period) ▪ Contract with KSRZIS – Service ordering for National registers of health reproduction (contract being realized in reporting period) ▪ Contract with National Registers Authority of the Czech Republic – Provision of support services and the development of Registry of Rights and Obligations (contract being realized in reporting period) ▪ Contract with Czech Social Security Administration – Individual insurers accounts register – development and operations (contract being realized in reporting period) ▪ Contract with Czech Social Security Administration – new CRs for Information and Communication Interface (contract being realized in reporting period) ▪ Contract Czech Social Security Administration – technical background for analytics operations (contract being realized in reporting period) ▪ Contract with Českomoravská stavební spořitelna – Oracle Exadata extension (contract being realized in reporting period)
Asseco Solutions, a. s. (SK)	<ul style="list-style-type: none"> ▪ Contract with JM Plast – HELIOS Orange (contract concluded in reporting period) ▪ Contract with Rapool Slovakia, s.r.o. – HELIOS Orange (contract concluded in reporting period) ▪ Contract with Ministry of Health SR – SPIN STD (contract concluded in reporting period) ▪ Contract with Smart Media Star, s.r.o. – SPIN STD - (contract concluded and being realized in reporting period) ▪ Contract with Mores Resport, a.s. – HORECA (contract concluded and being realized in reporting period)

	<ul style="list-style-type: none"> ▪ Contract with FIRST SK, s. r. o. – HELIOS Orange (contract concluded and being realized in reporting period) ▪ Contract with Trnava Municipality – SPIN Public (contract being realized and finished in reporting period) ▪ Contract with VUKI, a.s. – HELIOS Orange (contract being realized in reporting period) ▪ Contract with INVITA, s.r.o. – HELIOS Orange (contract being realized in reporting period) ▪ Contract with Consumer Finance Holding, a.s. – SPIN Enterprise (contract being realized in reporting period)
Asseco Solutions, a. s. (CZ)	<ul style="list-style-type: none"> ▪ Contract with Czech TV – HELIOS Green – licences and implementation (Contract concluded in reporting period) ▪ Contract with TTC Holding, a.s. – HELIOS Green – Licences and implementation (Contract concluded in reporting period) ▪ Contract with SERVIND, s.r.o. – licence and implementation of HELIOS Green (contract concluded in reporting period) ▪ Contract with LUKAMASIV, s.r.o. - license and implementation of HELIOS Green (contract concluded in reporting period) ▪ Contract with Biovendor – Laboratory Medicine, a.s. - license and implementation of HELIOS Green (contract being realized in reporting period) ▪ Contract with PMS Prerov, a.s. - implementation of HELIOS Green (contract being realized in reporting period)
Asseco Solutions, AG (DE)	<ul style="list-style-type: none"> ▪ Contract with Menk-Schmehmann GmbH&Co. KG – APplus, 154 Client (contract concluded in reporting period) ▪ Contract with Maschinenbau Leicht GmbH – Applus, 143 Client (contract concluded in reporting period) ▪ Contract with Suer Nutzfahrzeugtechnik GmbH – APplus, 130 Client (contract concluded in reporting period) ▪ Contract with Kässbohrer Transport Technik GmbH – Applus, 101 Client (contract concluded in reporting period) ▪ Contract with Herchenbach Industrie-Zeltebau GmbH – Applus, 32 Client (contract concluded in reporting period)
Asseco Central Europe Magyarország, Zrt.	<ul style="list-style-type: none"> ▪ Contract with Eurasian Bank, Kazakhstan – Software license fee and support and maintenance services (contract being realized in reporting period) ▪ Contract with Jósa András Oktatókórház (Nyíregyháza) – MedWorks extension (contract being realized in reporting period)

	<ul style="list-style-type: none"> ▪ Contract with Swiss project Phase 2 – Basic care (GP) software development (contract being realized in reporting period)
exe, a. s.	<ul style="list-style-type: none"> ▪ Contract with Western Slovakia Distribution Company, a.s. – Microsoft Products and Services Agreement (online services) (contract concluded in reporting period) ▪ Contract with Secondary school of Informatics and services – Enrollment for Education Solutions Agreement (contract concluded in reporting period) ▪ Contract with Ministry of Education SR – Microsoft Campus Agreement (contract being realized in reporting period) ▪ Contract with Slovak Telecom a.s. – Microsoft SPLA Agreement (contract being realized in reporting period)
InterWay, a. s.	<ul style="list-style-type: none"> ▪ Contract with ATOS IT Solutions and Services – IT services (contract concluded in reporting period) ▪ Contract with Ministry of Defence SR – Service support (contract concluded in reporting period) ▪ Contract with Ministry of Defence SR – Oracle SW Support (contract concluded in reporting period) ▪ Contract with Social Insurance – Oracle SW Support (contract concluded in reporting period) ▪ Contract with Central Office of Labour, Social Affairs and Family – IT Services (contract being realized in reporting period) ▪ Contract with Ministry of Finance SR – Oracle Licences (contract being realized in reporting period) ▪ Contract with Slovak Railways – IT services and Oracle licenses (contract being realized and finished in reporting period) ▪ P.J.Safarik University – HW & SW Delivery (contract being realized in reporting period)

14 ADDITIONAL INFORMATION

14.1 Indication of proceedings pending before courts and public administration

Currently there are no ongoing proceedings before the courts, the authority responsible for arbitration proceedings or public administration bodies, in which the party would be Asseco Central Europe, or any company of the Group, which would be subject to claims or liabilities of at least 10% of the equity of the Company.

14.2 Information about seasonality

Production of the Group is subject to the usual seasonality observed across the IT industry. According to past experience most of the Group revenues are generated in the fourth quarter, when investments budgets are realized by the customers of the Group.

14.3 Information on dividends paid or declared

According to information published in the Prospectus, the Company has not declared a dividend policy.

During the year 2016 and 2015 the Parent Company paid out to its shareholders a dividend for the year 2015 and 2014, respectively. See section II. MANAGEMENT REPORT note 2 for more details.

14.4 Information on changes in contingent liabilities or contingent assets

Information on changes in contingent liabilities or contingent assets are presented in the Note 27 and 28 of the Group's consolidated financial statements.

14.5 Related party transactions

For details, refer to the Note 25 of the consolidated financial statement of the Group.

14.6 Loans, loan agreements, sureties, guarantees and commitments

Loans, loan agreements, guarantees and commitments are presented in the Note 21, 27 and 28 of the Group's consolidated financial statements.

14.7 Opinion on feasibility of the Management's financial forecast for 2016

The Board of Directors of the Parent Company did not publish any forecast for 2016.

14.8 Management of financial resources

The financial resources of the Group consist of revenues from operations.

The Group keeps surplus funds in licensed banking institutions, in form of term deposits with a minimal risk. The Group does not invest in securities for short-term appreciation of resources other than those reported in the Note 13 of the consolidated financial statements of the Group.

The Group has exposure to various creditors based on interest bearing loan and credit agreements. All loan and credit commitments are paid in line with the agreed repayment schedules.

The Group generally fulfils its obligations on time. If necessary, the Group is able to react to short-term lack of liquidity in individual companies using intercompany loans.

14.9 Evaluation of feasibility of investment projects

In 2016, the Group invested in property, plant and equipment mostly in relation with building and maintaining its own infrastructure.

All of the transactions were planned in a way that they should not limit or threaten the ongoing character of operating activities of the Group and financial liquidity of individual companies. Moreover, the Group plans to continue reinvesting in the assets, which are used for further operating activities.

14.10 Factors and events, particularly of unusual character, having an impact on financial results

There were no one-off transactions having significant impact on financial results of the Group in 2016.

14.11 Changes in principles of the Company and group management

In the reporting period, there were no changes in the basic principles of management of Group and its Parent Company.

14.12 All agreements between Asseco Central Europe, a. s. and its management, providing compensation in case of their resignation or dismissal

Asseco Central Europe, a. s. has not entered into agreements with its management, providing for compensation in case of their resignation or dismissal.

14.13 Information on salaries, bonuses or benefits for managers and supervisors

Information on salaries, bonuses or benefits for managers and supervisors are presented in the Note 32 of the Group's consolidated financial statements.

14.14 Information about existing agreements that may result in future changes of the proportions of shares held by existing shareholders

Asseco Central Europe, a. s. is not aware of any agreement which could result in changes in the proportion of shares held by existing shareholders.

14.15 Information about share based payment transactions

The Group does not conduct employee share schemes.

14.16 Research and Development costs

The Group reports Research and Development costs in the Note 9 of the consolidated financial statements.

14.17 Information about branch office abroad

Parent company has its branch office in Czech Republic, Asseco Central Europe, a.s., organizační složka with registered seat at Budějovická 778/3a, Prague.

Group's subsidiaries have following branch offices:

- DanubePay, a.s., organizační složka with registered seat at Budějovická 778/3a, Prague
- DanubePay, S A oddział w Polsce with registered seat at Adama Branickiego 13, Warsaw
- Exe, a.s., odštěpný závod, with registered seat at Budějovická 778/3a, Prague

14.18 Agreement with the entity authorized to audit financial statements

The General Shareholders Meeting of Asseco Central Europe, a. s. approved the selection of Ernst & Young Slovakia, spol. s r. o. with registered seat at Hodžovo námestie 1/A Bratislava, SKAU Licence No. 257 as independent auditor for standalone and consolidated financial statements of Asseco Central Europe, a. s. for the year 2016.

Detailed information about total audit fees charged to Asseco Central Europe, a. s. is presented in the Note 31 of the Group's consolidated financial statements.

14.19 Significant events after the balance sheet date

In January 2017 Asseco Central Europe, a.s. (SK) delivered withdrawal from the company Asseco Bel, however it was not registered until the date of publication of these consolidated financial statements.

Until the date of preparing this Management report, i.e. 24 February 2017, no other significant events occurred.

Signatures of all members of the Board of Directors of Asseco Central Europe, a. s. under the Management report on activities of the Asseco Central Europe Group for the 2016 year



Jozef Klein
Chairman of the
Board



Marek Grác
Vice-Chairman of
the Board



David Stoppani
Member of the
Board



Branislav Tkáčik
Member of the
Board

24 February 2017, Bratislava

ASSECO CENTRAL EUROPE BOARD OF DIRECTORS STATEMENT

Statement of the Board of Directors of Asseco Central Europe, a. s. on the reliability of preparation of the annual consolidated financial statements of Asseco Central Europe Group for the year ended 31 December 2016

The Board of Directors of Asseco Central Europe, a. s. hereby declares that, to the best of its knowledge, the annual consolidated financial statements of Asseco Central Europe Group for the year ended 31 December 2016 and comparative data contained therein have been prepared in compliance with the applicable accounting standards, namely the International Financial Reporting Standards as endorsed by the European Union, issued and effective as at the date of the preparation of the consolidated financial statements.

Furthermore, the Board of Directors declares that the presented data give a true, reliable and fair view of the Group's financial position and financial performance and that the annual management report provides a fair description of the development, achievements and economic position of the Group, inclusive of major risks and threats to its operations.



Jozef Klein
Chairman of the
Board



Marek Grác
Vice-Chairman of
the Board



David Stoppani
Member of the
Board



Branislav Tkáčik
Member of the
Board

Statement of the Board of Directors of Asseco Central Europe, a. s. on the entity authorized to audit the annual consolidated financial statements of Asseco Central Europe Group for the year ended 31 December 2016.

The Board of Directors of Asseco Central Europe, a. s. hereby declares that the entity authorized to audit the annual consolidated financial statements of Asseco Central Europe Group for the year ended 31 December 2016, namely Ernst & Young Slovakia, spol. s r. o., with seat in Bratislava, has been chosen in accordance with law and that this entity as well as certified auditors, who audited these consolidated financial statements, satisfied the conditions for expressing an impartial and independent opinion on the audited annual consolidated financial statements, in line with the applicable regulations and professional standards.



Jozef Klein
Chairman of the
Board



Marek Grác
Vice-Chairman of
the Board



David Stoppani
Member of the
Board



Branislav Tkáčik
Member of the
Board

24 February 2017, Bratislava



REPORT ON COMPLIANCE

**of Asseco Central Europe, a. s. with the corporate
governance standards**

February 24, 2017

Declaration of Asseco Central Europe, a. s. on compliance with the Corporate Governance Standards, prepared pursuant to §91 sect. 5 item 4 of the Regulation of the Minister of Finance regarding current and periodic information to be submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state, dated 19 February 2009 (Journal of Laws No. 33, item 259)

I. THE SET OF CORPORATE GOVERNANCE STANDARDS APPLICABLE TO THE ISSUER AND THE PLACE WHERE IT IS PUBLICLY AVAILABLE.

Asseco Central Europe, a. s. („the Company”) is bound by the Code of Best Practice for WSE Listed Companies (2015) adopted by a resolution of the Supervisory Board of the Warsaw Stock Exchange No. 27/1414/2015 dated 13 October 2015. Full text of the Code of Corporate Governance is available on web page <http://www.corp-gov.gpw.pl>. The report on corporate governance standards applied by Asseco Central Europe, a. s. was published in the Company’s current report No. 1/2016 of 19 February 2016 as well as in the Report on Compliance with the Corporate Governance Standards in 2008, 2009, 2010, 2011, 2012, 2013 and 2014 prepared pursuant to §91 sec. 5 item 4 of the Regulation of the Minister of Finance dated 19 February 2009 published for year 2008 on 18 February, for 2009 on 11 March, for 2010 on 15 March, for 2011 on 8 March, for 2012 on 1 March, for 2013 on 4 March and for 2014 on 24 February. Furthermore, the Company made a declaration of compliance with the corporate governance standards, which has been published on our corporate website www.asseco-ce.com, in the Investor Relations section.

II. CORPORATE GOVERNANCE STANDARDS WHICH HAVE BEEN PARTIALLY OR ENTIRELY WAIVED BY THE ISSUER AND THE RATIONALE FOR DOING SO.

The Company’s Board of Directors decided to abandon application of the following corporate governance rules:

I. Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required by legal regulations:

I.Z.1.2. the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;

The Company adheres to this principle in limited scope.

Company’s commentary: *According to the Company’s articles of association, the principle shall apply at all times that 3 (three) out of 5 (five) members of the Supervisory Board shall be nominated by parent company, which is Company’s major shareholder Asseco Poland, S.A., and 1 (one) member of the Supervisory Board shall be nominated and elected by employees pursuant to valid legal regulations. Asseco Poland has a very similar business activities profile and potentially acceptance of this rule could be impossible or could complicate the activities of our Supervisory Board.*

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

This principle is not applicable to the Company.

Company's commentary: *The Company has decided not to publish any financial forecasts.*

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The Company does not adhere to this principle.

Company's commentary: *In accordance with the explanations provided in IV.R.2.*

II. Z. 3. At least two members of the supervisory board should meet the criteria of being independent as referred to in principle II. Z. 4.

This principle is not applicable to the Company.

Company's commentary: *In accordance with the explanations provided in II.Z.4.*

II. Z. 4. Annex II to the European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members.

Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of total voting rights in the company.

This principle is not applicable to the Company.

Company's commentary: *Company's Supervisory Board shall act on the basis of the laws of the Slovak Republic. According to the Company's articles of association, the principle shall apply at all times that 3 (three) out of 5 (five) members of the Supervisory Board shall be nominated by parent company, which is Company's major shareholder Asseco Poland, S.A., and 1 (one) member of the Supervisory Board shall be nominated and elected by employees pursuant to valid legal regulations. Asseco Poland has a very similar business activities profile and potentially acceptance of this rule could be impossible or could complicate the activities of our Supervisory Board.*

II. Z. 5. Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The Company does not adhere to this principle.

Company's commentary: *In accordance with the explanations provided in II.Z.4.*

II. Z. 8. The chairperson of the audit committee should meet the independence criteria referred to in principle II.Z. 4.

This principle is not applicable to the Company.

Company's commentary: *In accordance with the explanations provided in II.Z.4. as the function of audit committee is in the Company performed by the supervisory board.*

II. Z. 10. In addition to its responsibilities laid down in legal regulations, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

II. Z.10.1 an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The Company adheres to this principle in limited scope.

Company's commentary: *Company apply this rule in a limited scope, i.e. annual reports signed by the Management Board include information regarding evaluation of the Company's situation.*

III. Z. 6. Where the company has no separate internal audit function in its organization, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

This principle is not applicable to the Company.

Company's commentary: *Within its organization, the Company has established a separate Internal Audit Department as well as Compliance Department.*

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-time broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a proxy.

The Company does not adhere to this principle.

Company's commentary: *The Company does not enable its shareholders to participate in its general meetings by using means of electronic communication, nor does it provide the ability to broadcast its general meetings in real time. In the Company's opinion, the implementation of each of these principles would now involve fairly high risks of both technical and legal nature. Allowing the shareholders to participate and, in particular, to speak during a general meeting without their physical presence at the meeting venue, by using means of electronic communication, would result in technical and legal risks for the proper and efficient conduct of such general meeting. The present legal regulations do not regulate issues related to the organization of the so-called Internet general meetings. As yet, there is no comprehensive description of the rules for conducting such general meetings, identification of shareholders or their proxies, raising an objection against a passed resolution, as well as for dealing with any broadcasting disruptions (whether to all or some shareholders entitled to participate in a general meeting) preventing the proper participation of shareholders in a general meeting by means of electronic communication, or reception of a broadcast of the general meeting proceedings in real time. Companies have not yet developed a widely accepted practice for conducting their general meetings in such a manner. Furthermore, there are no specific regulatory consequences of being responsible for the improper conduct of a general meeting, including, in particular for an*

interruption in electronic access to the general meeting proceedings, which may be caused either by the Company or reasons beyond its control. In the Company's opinion, the above-mentioned arguments prove that such instruments are highly risky and impractical due to potential compensatory claims against the Company as well as its exposure to allegations of unequal treatment of shareholders. The Company believes that the currently applicable rules of participation in general meetings enable adequate and effective execution of shareholder rights and appropriately protect the interests of all shareholders.

- IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle is not applicable to the Company.

Company's commentary: *The Company's securities are traded in Poland only.*

- IV. Z.1. Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.

The Company does not adheres to this principle.

Company's commentary: *The Company is registered in Slovakia and its General Meetings take place in Slovakia. The possibility of some of its Polish shareholders to participate in General Meetings may be limited. In order to make this easier for its shareholders, Company plans to organize, in Poland, meetings preceding the General Meeting at a convenient time and place. These premeetings will allow all shareholders to register and discuss topics intended to be subject matter of the General Meeting. They will be able to grant powers of attorney to persons delegated by the Company to such meetings.*

- IV. Z.2. If justified by the structure of shareholders, companies should ensure publicly available real -time broadcasts of general meetings.

The Company does not adhere to this principle.

Company's commentary: *In accordance with the explanations provided in IV.R.2.*

- V. Z.2. Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

The Company adheres to this principle in limited scope.

Company's commentary: *Company applies this rule in a limited scope, i.e. its major shareholder, Asseco Poland is entitled to designate three out of five members of the Supervisory Board. One Supervisory Board member is appointed by our employees. For these reasons, the Management Board is not able to ensure compliance with this rule.*

- VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its activities.

This principle is not applicable to the Company.

Company's commentary: *The Company has not established any remuneration committee.*

- VI. Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and

key managers to the actual long -term financial standing of the company and long -term shareholder value creation as well as the company's stability.

The Company does not adhere to this principle.

Company's commentary: *The Company does not operate any incentive scheme based on options or other instruments linked to the Company's shares. However, in line with the Company's remuneration policy, the level of remuneration can depend on financial performance that is determined separately for each year. The achievement of financial targets set by the Company contributes to the generation of high net profits and real growth in shareholder value, enabling the Company to pay out dividends to its shareholders.*

- VI. Z.2. To tie the remuneration of members of the management board and key managers to the company's long -term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The Company does not adhere to this principle.

Company's commentary: *The Company does not operate any incentive scheme based on options or other instruments linked to the Company's shares. However, in line with the Company's remuneration policy, the level of remuneration can depend on financial performance that is determined separately for each year. The achievement of financial targets set by the Company contributes to the generation of high net profits and real growth in shareholder value, enabling the Company to pay out dividends to its shareholders.*

- VI. Z.4. In the report on its operations, the company should provide information on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
- 5) assessment of the implementation of the remuneration policy in terms of the achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The Company adheres to this principle in limited scope.

Company's commentary: *The Company fully adopted rules for the remuneration of the members of the management applied within the Asseco Group. Both financial and non-financial remuneration components need to be approved by its Supervisory Board, as stipulated by the Slovak legal regulation, when the Company is registered. Total amounts of the remuneration are disclosed on the basis of the regulations in force in the Slovak Republic.*

III. MAIN FEATURES OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS APPLIED BY THE ISSUER IN THE PROCESS OF PREPARING ITS SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS.

The Company's separate and consolidated financial statements are prepared in compliance with the International Accounting Standards ("IAS") as well as the International Financial

Reporting Standards ("IFRS"). Both IAS and IFRS include interpretations approved by the International Financial Reporting Interpretations Committee ("IFRIC").

One of the key control mechanisms in the process of preparing the Company's financial statements involves periodical verification of such financial statements by an independent certified auditors, and in particular the review of semi-annual financial statements as well as the preliminary and final audits of annual financial statements.

Certified auditors are selected by the Company in such a way as to ensure that their entrusted tasks are performed impartially. For the sake of such impartiality, the Company changes the entity authorized to audit its financial statements at least once every five years. The change of certified auditors should be also understood as changing the individual carrying out the audit. Certified auditors are each year selected by the Supervisory Board from among reputable auditing firms, which can guarantee high standards of service and independence. Auditing agreements are concluded for one-year periods.

In order to ensure accuracy of the Company's accounting books as well as generation of highly reliable financial data, the Company's Board of Directors adopted the following documents:

1. Company Organizational Regulations,
2. Accounting Policy and Chart of Accounts, both consistent with the International Financial Reporting Standards,
3. Quality Management System ISO 9001:2000,
4. Numerous internal procedures regulating the Company's operations with significant exposure to risk.

Quality of the accounting data, which provide basis for the preparation of financial statements, is additionally guaranteed by the fact that the Company's accounting books are maintained in an integrated ERP system.

The Audit Committee, established from among Members of the Supervisory Board, plays an important role in internal control of the preparation of separate and consolidated financial statements. This committee is entitled to perform financial auditing activities within the company and in particular to:

- monitor the financial reporting process;
- monitor efficiency of the internal control, internal audit and risk management systems;
- monitor performance of the financial audit activities;
- monitor independence of the certified auditor as well as of the entity authorized to audit financial statements.

The internal control and risk management procedures applied in the process of preparing the financial statements of Asseco Central Europe are very effective and enable production of high quality reports, which is best proved by the opinions issued by certified auditors following their audits of the Company's annual financial statements.

IV. SHAREHOLDERS WHO, DIRECTLY OR INDIRECTLY, HOLD SIGNIFICANT STAKES OF SHARES INCLUSIVE OF THE NUMBERS OF SHARES AND EQUITY INTERESTS HELD, AND THE NUMBERS OF VOTES AND VOTING INTERESTS THEY ARE ENTITLED TO AT THE GENERAL MEETING OF SHAREHOLDERS.

To the best knowledge of the Company's Board of Directors, as at the publication date of this report, i.e. at 24 February 2017, the Shareholders who, either directly or through their subsidiaries, held at least 5% of the total votes at the General Meeting of Shareholders were as follows:

Shareholder	Number of shares	Number of votes	% share
Asseco Poland, S. A.	21.215.576	21.215.576	99.32

V. HOLDERS OF ANY SECURITIES CARRYING SPECIAL RIGHTS WITH REGARD TO CONTROL OF THE COMPANY AND DESCRIPTION OF SUCH RIGHTS.

None

VI. LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATIONS ON VOTING BY HOLDERS OF A CERTAIN PORTION OR NUMBER OF VOTES, TIMING LIMITATIONS ON VOTING, OR OTHER PROVISIONS UNDER WHICH, IN COOPERATION WITH THE COMPANY, OWNERSHIP OF SECURITIES IS DEPRIVED OF SOME RIGHTS INCIDENTAL THERETO.

None

VII. LIMITATIONS ON TRANSFERABILITY OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES.

None

VIII. RULES REGARDING APPOINTMENT AND DISMISSAL OF THE MANAGEMENT MEMBERS AND DETERMINING THEIR AUTHORITY, IN PARTICULAR THE RIGHT TO DECIDE ON ISSUANCE OR REDEMPTION OF SHARES.

The Board of Directors is the statutory body that manages the Company and acts on its behalf. Two members of the Board of Directors acting jointly are entitled to represent the Company. The Board of Directors decides all matters related to the operations of the Company unless the matter lies within the competence of the General Meeting or the Supervisory Board. Any 2 (two) members of the Board of Directors shall act jointly on behalf of the Company in all of the Company's matters towards third parties.

Members of the Board of Directors are elected for the period of 5 (five) years and recalled by the Supervisory Board of the Company. The Supervisory Board shall at the same time determine which of the members of the Board of Directors shall be the Chairman of the Board of Directors. If in accordance with the Articles of Association the Supervisory Board fails to elect/recall the member(s) of the Board of Directors or to appoint the Chairman of the Board of Directors, the General Meeting shall elect/recall members of the Board of Directors, appoint the Chairman of the Board of Directors in accordance with the Articles of Association. A repeated election is possible.

IX. RULES REGARDING AMENDMENT OF THE ISSUER'S ARTICLES OF ASSOCIATION

Commercial Code (Journal of Laws No. 513/1991) applicable in the Slovak Republic regulates the formal requirements for change of the Articles of Association in joint stock companies under § 173 and 174. Articles of Association of Asseco Central Europe, a. s. does not provide specific provisions governing the amendment of the Articles of Association, i.e. the Company applies the provisions of the Commercial Code in force in the Slovak Republic (Commercial Code), according to which a change of the Company Articles of Association requires a resolution of general meeting and the introduction of new wording to the Registrar of District Court Bratislava I.

If the general meeting agenda includes a change of the Articles of Association, the notice of general meeting must include at least a summary of the proposed changes. The draft amendments to the Articles of Association must be made available to shareholders for inspection at the premises of the company within a general meeting. The resolution of the general assembly to amend the Articles of Association requires a two-thirds of shareholders present at a general meeting and a notarial record must be prepared. After any change to the Articles of Association of the Board shall be obliged to prepare the full text of the Articles of Association and is responsible for its completeness and correctness.

X. THE MANNER OF OPERATION AND ESSENTIAL AUTHORITIES OF THE GENERAL MEETING OF SHAREHOLDERS, DESCRIPTION OF THE SHAREHOLDERS' RIGHTS AND THE EXERCISE THEREOF, AND IN PARTICULAR THE RULES SET FORTH BY THE BYLAWS OF THE GENERAL MEETING OF SHAREHOLDERS PROVIDED SUCH BYLAWS HAVE BEEN ADOPTED, UNLESS SUCH INFORMATION IS DETERMINED DIRECTLY BY THE PROVISIONS OF LAW.

The General Meeting shall be the supreme body of the Company. All shareholders and/or their proxies authorized under power of attorney, as well as other persons/entities shall have the right to participate in the General Meeting in compliance with provisions of the Articles of Association of the Company.

Members of the Board of Directors and the Supervisory Board shall attend the General Meeting. The General Meeting shall be held at least once per year and it shall be convened by the Board of Directors.

The General Meeting shall usually take place in Bratislava in the Company's registered seat. The General Meeting may be also held in another place determined by the Board of Directors during convocation of the General Meeting.

The Extraordinary General Meeting may be convened if the Company's interests require so, or in cases provided for by the generally binding legal regulations and/or the Articles of Association. The General Meeting shall be convened by the Board of Directors by publishing a notice of the General Meeting at least 30 (thirty) days before the date of the General Meeting in nationally circulated periodicals publishing news from the stock exchange.

In respect of difference in laws regulating operation of joint-stock company within two different systems of law, that means difference between Slovak laws, by which is regulated operation of the Company and Polish law regulating rules of trading with shares of the Company at Warsaw Stock Exchange, and for the purpose of explanation of these laws, the Board of Directors can call before each General Meeting an informational meeting of shareholders (further just „informational meeting“), which can happen in Bratislava and/or in Warszawa.

Informational meeting takes place not earlier than 5 and not later than 1 business day before the date of the General Meeting. The right of the shareholder to attend the General

Meeting is checked upon an extract of the shareholder's account led by the member of Central Securities Depository in the Slovak Republic or by the member of foreign central depository, which has proprietor's account led in Central Securities Depository in the Slovak Republic, made out on the determining date in accordance with Articles of Association. The original extract from the shareholder's account must be in Slovak or English language in case it will be delivered directly by the depository (bank) to the address of Asseco Central Europe. In the event that the extract is delivered to the Shareholders' Meeting directly by the shareholder within the time specified in the invitation, it must be certified by a notary translation into Slovak language.

The shareholder may exercise its rights at the General Meeting either in person or through a proxy authorized under a written power of attorney. A shareholder's proxy authorized under a power of attorney may not be a member of the Supervisory Board of the Company.

During registration for the General Meeting the shareholders shall present the documents listed further below in order to allow for verification of their right to participate in the General Meeting:

I.

Original or officially authenticated copy from the extract of the shareholder's account led by the member of the Central Securities Depository in the Slovak Republic or by the member of foreign central depository, which has proprietor's account led in the Central Securities Depository in the Slovak Republic, made out on the determining date in accordance with the Articles of Association.

and

II.

(a) if the shareholder is an individual:

- a valid ID Card or a valid passport or another document replacing the above documents;

(b) if the shareholder is a legal entity:

- an original or an officially verified copy of the Excerpt from the Commercial Register not older than 3 (three) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting, and
- its statutory body; members of the statutory body authorized to act in the name of the Company who are attending the General Meeting shall submit a valid ID Card or a valid passport or another document replacing the above documents;

(c) a proxy – an individual:

- an original or an officially verified copy of the power of attorney with an officially verified signature of a shareholder, if he/she is an individual, or with an officially verified signature of statutory body or members of a statutory body authorized to act on behalf of the shareholder if it is a legal entity;
- a valid ID Card or a valid passport or another document replacing the above documents; and
- if the proxy represents a shareholder – a legal entity – also an original or an officially verified copy of the Excerpt from the Commercial Register in respect of the shareholder not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting.

(d) a proxy – a legal entity – represented by its statutory body:

- an original or an officially verified copy of the power of attorney with an officially verified signature of a shareholder, if he/she is an individual, or with an officially verified signature of statutory body or members of a statutory body authorized to act on behalf of the shareholder if it is a legal entity;

- an original or an officially verified copy of the Excerpt from the Commercial Register not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting,
- a valid ID Card or a valid passport or another document replacing the above documents of the statutory representative of the proxy; and
- if the proxy represents a shareholder – a legal entity – also an original or an officially verified copy of the Excerpt from the Commercial Register not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting.

The official language of the General Meeting is the Slovak. If a shareholder needs a translation into a foreign language, it must be provided by the shareholder at the shareholder's costs.

The General Meeting decide about all questions by two-thirds vote majority of present shareholders, except cases, when the generally binding legal acts require higher number of votes of shareholders (more).

The number of a shareholder's votes shall depend on the nominal value of shares held by such shareholder. Each share with a nominal value of 0.033194 EUR shall represent one vote.

Minutes must be taken from every General Meeting in respect of its course.

The following issues shall be entrusted in the scope of competence of the General Meeting:

- (a) amendments to the Articles of Association of the Company,
- (b) deciding on increase and decrease in the registered capital, on authorization of the Board of Directors to increase the registered capital pursuant to Section 210 of the Commercial Code and to issue bond
- (c) selection and recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors, provided that the Supervisory Board does not decide on election/recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors pursuant to Article of Associations,
- (d) election and recalling of members of the Supervisory Board, except for the members of the Supervisory Board elected and recalled pursuant to Section 200 of the Commercial Code by employees of the Company,
- (e) approval of the Annual and Extraordinary Financial Statements, deciding on distribution of profit or payment for losses and determining the royalties,
- (f) deciding on transformation of the nature of securities issued as certificated securities into book-entry securities and vice-versa, if allowed by the generally binding legal regulations,
- (g) deciding on winding-up of the Company and on a change in its legal form,
- (h) deciding on termination of registration of the Company's shares for trading at the Stock Exchange and deciding on Company's ceasing to exist as a public joint-stock company,
- (i) approval of directives applicable to remuneration of members of the Company's bodies,
- (j) deciding on approval of an Agreement on transfer of the enterprise or Agreement on transfer of a part of the enterprise,
- (k) deciding on change of type of the Company's shares issued as registered shares to bearer shares and vice-versa;
- (l) deciding on division (split off) of the Company's shares into shares with lower nominal value;
- (m) deciding on further questions that the law or the Articles of Associations put under the scope of competence of the General Meeting or that the General Meeting acquires into its scope of competence by its resolution.

Other provisions of the course and organization of the meetings of the shareholders meeting, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

XI. COMPOSITIONS, LAST YEAR CHANGES IN THE COMPOSITIONS, AND OPERATIONS OF THE ISSUER'S MANAGEMENT, SUPERVISORY AND ADMINISTRATIVE BODIES AND THEIR COMMITTEES.

THE SUPERVISORY BOARD

The Supervisory Board is the inspection body of the Company which supervises how the Board of Directors exercises its range of powers and how the business activity of the Company is conducted. The Supervisory Board shall have 5 (five) members. The term of office of the members of the Supervisory Board shall be five (5) years.

Members of the Supervisory Board shall be elected and recalled by the General Meeting. The principle shall apply at all times that 3 (three) members of the Supervisory Board shall be nominated by Asseco Poland, S.A., with its registered office in Rzeszów, Olchowa 14, 35-322 Rzeszów, the Republic of Poland, registered in the Register of Entrepreneurs of the National Court Register held by the District Court in Rzeszów, XII Commercial Division of the National Court Register under the KRS number 0000104838 and 1 (one) member of the Supervisory Board shall be nominated and elected by employees pursuant to valid legal regulations.

The range of powers and duties of the Supervisory Board shall include, in particular, without limitation:

- review of the Annual and Extraordinary Financial Statements of the Company;
- review and evaluation of the Reports of the Board of Directors on the activity and position of the Company and the companies controlled by it, as well as review and evaluation of proposals of the Board of Directors for distribution of profit and/or covering of losses;
- approval of annual budget of the Company;
- submission of a written report on results of the aforementioned reviews at the General Meeting;
- approval of rules for remuneration of members of the Board of Directors of the Company;
- convocation of General Meetings of the Company in compliance with the conditions set forth by the Commercial Code and these Articles of Association;
- other issues entrusted to the competence of the Supervisory Board by legal regulations and/or other provisions of these Articles of Association;
- election and recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors;
- granting approval with procuration granted by the Board of Directors of the Company;
- approval for the Company to take/provide loans and credits, the value of which exceeds the value of the registered capital in one transaction or in whole series of connected transactions or, as the case may be, a corresponding value of this amount in other currencies, which have not been taken into account in the financial budget of the Company, or which have not been approved by a resolution of the General Meeting or of the Supervisory Board;
- approval of a sale and purchase of real estate property by the Company, including co-ownership interests in the real estate property regardless of the value of the title to the real estate property to be acquired or transferred, which have not been taken into account in the financial budget of the Company;

- granting approval with disposition of costs, including investment costs of the Company, in the amount exceeding ten times the value of the registered capital in one transaction or in a series of connected transactions or, as the case may be, the corresponding value of this amount in other currencies, which have not been taken into account in the financial budget of the Company;
- provision of any guarantees, security interests, any out-of-balance sheet obligations, acceptance of liability for damage which have not been taken into account in the financial budget of the Company;
- granting approval with establishment or creation of an easement on any part of the real estate property of the Company, which has not been listed in the financial budget of the Company,
- approval of a purchase or any other acquisition of ownership interests of other companies, shares, with entrance of the Company into other business companies, associations of legal entities, foundations or other investment funds;
- approval of sale of assets of the Company, the value of which exceeds 10% (ten percent) of the book value of the assets of the Company based on the last financial statements verified by an independent auditor, the sale of which has not been taken into account in the financial budget of the Company;
- granting approval with entering into agreements between the Company and members of the Board of Directors of the Company, the Supervisory Board of the Company, shareholders of the Company or, as the case may be, Dependent Entities or entities connected through capital or personally with members of the Board of Directors, members of the Supervisory Board or shareholders;
- granting approval with the acquisition and subsequent use of a specific amount of treasury shares within the total amount of treasury shares that the Company is entitled to acquire based on the prior decision of the General Meeting.

Other provisions of the course and organization of the meetings of the supervisory board, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

There were following members of the Supervisory Board of Asseco Central Europe, a. s. as at 31 December 2016:

Name and Surname	Position	Period
Adam Tadeusz Góral	Chairman	1.1.2016-31.12.2016
Andrej Košári	Vice-Chairman	1.1.2016-31.12.2016
Ján Handlovský	Member (elected by employees)	1.1.2016-23.09.2016
Karol Kleibl	Member (elected by employees)	24.09.2016-31.12.2016

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Marek Paweł Panek	Member	1.1.2016-31.12.2016
Przemysław Sęczkowski	Member	1.1.2016-31.12.2016

Karol Kleibl has been elected by the employees as a member of Supervisory board in accordance with the Commercial Code in Slovakia. Elections to the Supervisory board were conducted on 28 - 29 July 2016.

There were following members of the Supervisory Board of Asseco Central Europe, a. s. as at 24 February 2017:

Name and Surname	Position	Period
Adam Tadeusz Góral	Chairman	1.1.2017-present
Andrej Košári	Vice-Chairman	1.1.2017-present
Karol Kleibl	Member (elected by employees)	1.1.2017-present
Marek Paweł Panek	Member	1.1.2017-present
Przemysław Sęczkowski	Member	1.1.2017- present

THE BOARD OF DIRECTORS

The Board of Directors is the statutory body of the Company which manages all the activity of the Company, acts on its behalf and represents it in legal acts. The Board of Directors decides all matters of the Company unless they fall within the powers of the General Meeting or the Supervisory Board pursuant to legal regulations or these Articles of Association.

The Board of Directors adopts a decision by majority of all votes of its present members.

The Board of Directors shall in particular, without limitation, to:

- ensure proper management of the Company's accounting and submit to the General Meeting for approval the Company's annual or extraordinary financial statements and a proposal for distribution of profit or covering of the Company's losses,
- together with the annual financial statements, submit to the General Meeting once a year a report on the business activities of the Company and the state of its assets and liabilities; this report shall form an integral part of the annual report prepared according to special regulations,
- submit to the Supervisory Board once a year information on fundamental intentions of the business management of the Company for the future period as well as the expected development of the state of assets and liabilities, finances and proceeds of the Company,
- upon request and within the term determined by the Supervisory Board submit a written report on the state of the business activity and assets and liabilities of the Company as compared with the expected development,

- e) inform the Supervisory Board without undue delay about all facts which may substantially influence the development of the business activity and the state of assets and liabilities of the Company, in particular its liquidity,
- f) upon request of the Supervisory Board, participate in meetings of the Supervisory Board and give its members additional information in the requested scope about submitted written reports,
- g) convene an extraordinary General Meeting without undue delay if it finds out that the Company's loss has exceeded one third of its registered capital or if this can be expected, and submit to the General Meeting proposals for measures; the Board of Directors shall also inform the Supervisory Board without undue delay about these facts,
- h) exercise its range of powers with due diligence and in accordance with interests of the Company and all its shareholders. In particular, it shall obtain and take into account all accessible information concerning the subject matter of decision-making, not to disclose business secret and confidential information and facts to third parties, if such disclosure might be detrimental to the Company or threaten interests of the Company and its shareholders. The obligation to keep confidential shall apply also after the expiration of the term of office of a member of the Board of Directors until such information becomes generally known,
- i) ensure publication of data from financial statements verified by an auditor in accordance with Act on Accounting at the cost of the Company by publishing them in Commercial Bulletin,
- j) submit all documents prescribed by law to the collection of deeds maintained by the relevant Commercial Register and submit motions for entry/change of entry of all data to be registered with the Commercial Register, and that within 30 days as of their occurrence,
- k) with a prior consent of the Supervisory Board adopt principles for founding of a new company with an interest of the Company or acquisition of an interest in an existing company, as well as establishment of its branch office in the Slovak Republic or abroad,
- l) observe provisions of relevant generally binding legal regulations, Articles of Association of the Company and decisions of its bodies;
- m) executes budget of the Company, submits it for the approval of the Supervisory Board and after obtaining of an approval is responsible for its fulfillment.

Other provisions of the course and organization of the meetings of the Board of Directors, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

There were following members of the Board of Directors of Asseco Central Europe, a. s. as at 31 December 2016:

Name and Surname	Position	Period
Jozef Klein	Chairman	1.1.2016-31.12.2016
Marek Grác	Vice-Chairman	1.1.2016-31.12.2016
David Stoppani	Member	1.1.2016-31.12.2016
Branislav Tkáčik	Member	1.1.2016-31.12.2016

There were following members of the Board of Directors of Asseco Central Europe, a. s. as at 24 February 2017:

Name and Surname	Position	Period
Jozef Klein	Chairman	1.1.2017-present
Marek Grác	Vice-Chairman	1.1.2017-present
David Stoppani	Member	1.1.2017-present
Branislav Tkáčik	Member	1.1.2017-present

PROCURATION

According to Article 14 of Slovak Commercial Code (Journal of Laws No. 513/1991) the Board of Directors of Asseco Central Europe, a. s. pursuant its resolutions decided on granting procuration to following persons:

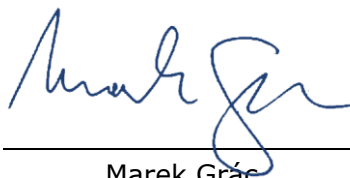
Martin Smutný
Michal Navrátil

According to Article of 34.2. a) the Supervisory Board of Asseco Central Europe, a. s. by its resolution has approved procuration granted by the Board of Directors of the Company.

Procurist acts on behalf of Company on its own, and when he signs the documents he shall state the commercial name of the Company, his name and in an addendum indicate his procuration, and attach his signature.



Jozef Klein
Chairman of the Board
of Directors



Marek Grác
Vice-Chairman of the
Board of Directors



David Stoppani
Member of the Board of
Directors



Branislav Tkáčik
Member of the Board of
Directors

Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Asseco Central Europe, a. s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Revenues and expenses related to completion of implementation contracts

The Group's total revenue for 2016 amounted to EUR 168,235 thousand. The Group has four significant revenue streams – Proprietary software and services, third-party software and services, computer hardware and logistics and other outsourcing.

The Group's business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Group's revenues and profits derived from long term contracts. The progress of contract execution is measured as a percentage of the total estimated contract execution costs incurred from the date of contract conclusion to the date when the related revenues are being determined, or as a portion of work completed out of the total work effort required. When determining the contract execution costs incurred up to the balance sheet date, any expenses for future activities related to the contract are not taken into account. Revenue recognition involves a significant degree of judgement, with estimates including: i) assessment of the total contract costs; ii) – assessment of completion stage of the contract; iii) profit margin forecast after taking consideration of additional revenue relating to cost and time completion incentive targets; and iv) appropriate provision for loss making contracts. There is a range of acceptable outcomes resulting from these judgements that could lead to different profit and revenue being reported in the consolidated financial statements. Due to the complexity of this matter and the level of judgement involved, we consider this matter as key audit matter.

Our audit procedures included consideration of the appropriateness of the Group's revenue recognition accounting policies and assessment of compliance with the policies in terms of IFRS EU. We tested key internal controls and performed detailed procedures on individually significant projects such as substantiating transactions with underlying documents and performing recalculations of management's models to determine project revenue recognition. When assessing the stage of completion on contracts we agreed amounts recognised to confirmatory evidence on a sample basis. We used among others contracts, client and sub-contractor correspondence and internal revenue and cost forecasts. This included the agreement of actual costs incurred to invoice and the assessment of any judgements applied in the projection of total contract costs through consideration of the Group's historical experience. In addition, on a sample basis we discussed the progress of projects with project leaders.

With the outcome of those discussions and the results of our audit procedures, we assessed management's estimates in the determination of the percentage of completion of a project, estimates to complete for both revenue and costs and provisions for loss making projects or allowance for doubtful accounts receivables.

For transactions close to the year-end, we tested that revenue cut-off was appropriately determined. We selected a sample of transactions, including larger sale invoices near the year-end. We agreed the details of these transactions to underlying contractual information or other supporting documents which demonstrated when the obligations had been fulfilled by the parties towards the transaction.

We also assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in note 25 of the consolidated financial statements and whether they are compliant with IFRS EU.

Impairment of goodwill

As at 31 December 2016, the Group reported EUR 57,070 thousand in goodwill as a result of previous acquisitions. In accordance with IFRS EU, the Group performs an annual impairment test on cash-generating units to which goodwill has been allocated.

Each impairment test requires making estimates of the value in use of cash-generating units or groups of cash-generating units to which goodwill has been allocated.

The value in use is estimated by determining both the future cash flows expected to be achieved from the cash-generating unit or units and a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests that were carried out as at 31 December 2016 have been described in detail in explanatory notes 10 and 11 to these consolidated financial statements

The impairment of goodwill is a key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances.

We involved our valuation specialists in our audit to support our assessment of the assumptions and methods that were used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested expected growth rates and the related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the business plan 2017-2021 as prepared by the management and approved by the supervisory board and other relevant developments in the business of the cash generating units. We also assessed the appropriateness of the disclosures in the consolidated financial statements regarding the assumptions and the sensitivity analysis as disclosed in the note 10 and note 11 of the consolidated financial statements and whether they are compliant with IFRS EU.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Group's Annual Report

Management is responsible for the information disclosed in the Group's annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the consolidated financial statements expressed above does not apply to other information contained in the Group's annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the Group's annual report and to consider whether such information is not materially inconsistent with audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We considered whether the Group's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of consolidated financial statements, in our opinion:

- Information disclosed in the Group's annual report prepared for 2016 is consistent with the consolidated financial statements for the relevant year,
- The Group's annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the Group's annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

24 February 2017
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067



THE ASSECO CENTRAL EUROPE GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2016

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS ADOPTED BY EUROPEAN
UNION**

BRATISLAVA, 24 FEBRUARY 2017

asseco.com/ce

ASSECO

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INCLUDING INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT
OF ASSECO CENTRAL EUROPE GROUP**

	Note	12 months ended 31 December 2016	12 months ended 31 December 2015 <i>restated</i>
Continuing operations			
Sales revenues	<u>1</u>	168,235	155,147
Cost of sales	<u>2</u>	(125,021)	(116,094)
Gross profit on sales		43,214	39,053
Selling expenses	<u>2</u>	(14,143)	(11,341)
General administrative expenses	<u>2</u>	(13,809)	(12,833)
Net profit on sales		15,262	14,879
Other operating income	<u>3</u>	224	313
Other operating expenses	<u>3</u>	(207)	(165)
Operating profit		15,279	15,027
Financial income	<u>4</u>	334	292
Financial expenses	<u>4</u>	(216)	(361)
<i>Share in profits of associates</i>	<u>12</u>	35	106
Pre-tax profit		15,432	15,064
Corporate income tax (current and deferred portions)	<u>5</u>	(4,182)	(4,130)
Net profit for the period from continuing operations		11,250	10,934
Net profit for the period		11,250	10,934
Attributable to:			
Shareholders of the Parent Company		11,726	11,250
Non-controlling interest		(476)	(316)
Consolidated earnings per share attributable to Shareholders of Asseco Central Europe, a.s. (in EUR):			
Basic / diluted consolidated earnings per share	<u>6</u>	0.55	0.53

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
OF ASSECO CENTRAL EUROPE GROUP**

	Note	12 months ended 31 December 2016	12 months ended 31 December 2015 <i>restated</i>
Net profit for the reporting period		11,250	10,934
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		298	888
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Total other comprehensive income		298	888
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,548	11,822
Attributable to:			
Shareholders of the Parent Company		12,024	12,138
Non-controlling interests		(476)	(316)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE ASSECO CENTRAL EUROPE GROUP

ASSETS	Note	31 Dec 2016	31 Dec 2015 <i>Restated</i>
Non-current assets		75,466	73,623
Property, plant and equipment	<u>8</u>	4,761	4,191
Goodwill	<u>10</u>	57,055	56,924
Intangible assets	<u>9</u>	8,852	9,545
Investments in associates	<u>12</u>	1,120	1,029
Non-current financial assets	<u>13</u>	2,126	7
Non-current receivables	<u>16</u>	428	435
Deferred income tax assets	<u>5</u>	766	1,424
Non-current prepayments		358	68
Current assets		95,986	94,767
Inventories		507	624
Prepayments	<u>14</u>	4,968	4,590
Trade receivables	<u>16</u>	39,209	39,327
Current tax receivable	<u>16</u>	775	1,107
Receivables from state and local budget	<u>16</u>	100	160
Other receivables	<u>16</u>	501	891
Current financial assets	<u>13</u>	7,408	3,568
Other current non-financial assets		337	274
Cash and short-term deposits	<u>18</u>	42,181	44,226
TOTAL ASSETS		171,452	168,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE ASSECO CENTRAL EUROPE GROUP

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 Dec 2016	31 Dec 2015
			<i>Restated</i>
Shareholders' equity (attributable to Shareholders of the Parent Company)		111,150	109,531
Share capital	<u>19</u>	709	709
Share premium		74,901	74,901
Exchange differences on translation of foreign operations		(5,886)	(6,183)
Retained earnings		41,426	40,104
Non-controlling interest	<u>19</u>	(2,687)	(2,048)
Total shareholders' equity		108,463	107,483
Non-current liabilities		5,494	4,780
Deferred tax liability	<u>5</u>	1,040	474
Non-current provisions	<u>23</u>	22	18
Non-current financial liabilities	<u>20</u>	3,415	4,215
Non-current deferred income	<u>24</u>	994	73
Other non-current liabilities		23	-
Current liabilities		57,495	56,127
Interest-bearing bank credits, loans and debt securities	<u>21</u>	1,929	952
Trade payables	<u>22</u>	33,913	32,381
Current tax payable	<u>22</u>	310	559
Liabilities to state budget	<u>22</u>	5,210	5,194
Financial liabilities	<u>20</u>	1,080	2,088
Other liabilities	<u>22</u>	2,949	2,499
Provisions	<u>23</u>	686	1,131
Deferred income	<u>24</u>	7,112	5,473
Accrued expenses	<u>24</u>	4,306	5,850
TOTAL LIABILITIES		62,989	60,907
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		171,452	168,390

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE ASSECO CENTRAL EUROPE GROUP**

	Note	Share capital	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Shareholders' equity of the Parent Company	Non-controlling interests	Total shareholders' equity
As at 1 January 2016		709	74,901	(6,183)	40,104	109,531	(2,048)	107,483
Net profit for the period		-	-	-	11,726	11,726	(476)	11,250
Other comprehensive income		-	-	300	-	300	(2)	298
Total comprehensive income		-	-	300	11,726	12,026	(478)	11,548
Dividend for the year 2015	7	-	-	-	(11,107)	(11,107)	(332)	(11,439)
Acquisition of non-controlling interests in subsidiaries	19	-	-	-	(78)	(78)	135	57
Acquisition of subsidiaries under common control		-	-	(3)	4	1	3	4
Settlement of put options over non-controlling interest	19	-	-	-	765	765	33	798
Other		-	-	-	12	12	-	12
As at 31 December 2016		709	74,901	(5,886)	41,426	111,150	(2,687)	108,463
As at 1 January 2015		709	74,901	(7,071)	41,060	109,599	(1,322)	108,277
Net profit for the period		-	-	-	11,250	11,250	(316)	10,934
Other comprehensive income		-	-	888	-	888	-	888
Total comprehensive income		-	-	888	11,250	12,138	(316)	11,822
Dividend for the year 2014	7	-	-	-	(10,039)	(10,039)	(87)	(10,126)
Acquisition of InterWay, a.s.	19	-	-	-	-	-	596	596
Settlement of put options over non-controlling interest	19	-	-	-	(2,167)	(2,167)	(919)	(3,086)
As at 31 December 2015 restated		709	74,901	(6,183)	40,104	109,531	(2,048)	107,483

CONSOLIDATED STATEMENT OF CASH FLOWS
THE ASSECO CENTRAL EUROPE GROUP

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Cash flows - operating activities			
Pre-tax profit		15,432	15,064
Total adjustments:		5,303	10,206
Share in net profit of associates		(35)	(106)
Depreciation and amortization		4,445	3,899
Changes in working capital	<u>26</u>	1,253	6,640
Interest income and expense		(258)	(164)
(Gain) / loss on foreign exchange differences		29	(5)
(Gain) / loss on investing activities		(127)	(123)
Other		(4)	65
Net cash generated from operating activities		20,735	25,270
Corporate income tax paid		(2,800)	(4,007)
Net cash provided by (used in) operating activities		17,935	21,263
Cash flows - investing activities			
Disposal of tangible fixed assets and intangible assets		153	207
Acquisition of tangible fixed assets and intangible assets	<u>26</u>	(2,886)	(2,186)
Expenditures related to research and development projects		(1,332)	(263)
Acquisition of associated companies		(137)	-
Acquisition of subsidiary companies	<u>26</u>	(7)	(5,149)
Cash and cash equivalents of acquired subsidiary companies	<u>26</u>	146	2,336
Disposal of other financial assets		2	13
Acquisition of other financial assets		(31)	-
Loans granted	<u>26</u>	(10,810)	(6,926)
Loans collected	<u>26</u>	5,057	6,154
Interest received		166	154
Dividends received		205	185
Net cash used in (provided by) investing activities		(9,474)	(5,475)

CONSOLIDATED STATEMENT OF CASH FLOWS
THE ASSECO CENTRAL EUROPE GROUP (CONTINUED)

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Cash flows - financing activities			
Acquisition of non-controlling interests		(7)	-
Proceeds from borrowings		-	2
Repayment of borrowings		-	(500)
Finance lease liability paid		(34)	(64)
Interest paid		(29)	(22)
Dividends paid out to the shareholders of the Parent Company	<u>26</u>	(11,107)	(10,039)
Dividends paid out to non-controlling interests	<u>26</u>	(332)	(87)
Net cash (used in) provided by financing activities		(11,509)	(10,710)
Increase (decrease) in cash and cash equivalents		(3,048)	5,078
Net foreign exchange differences		32	281
Cash and cash equivalents as at 1 January	<u>18</u>	43,275	37,916
Cash and cash equivalents as at 31 December	<u>18</u>	40,259	43,275

SUPPLEMENTARY INFORMATION AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION

The Parent Company of the Asseco Central Europe Group (the "Group") is Asseco Central Europe, a. s. (the "Parent Company", "Company", "Issuer", "Asseco Central Europe, a. s. (SK)") with its registered seat at Trencianska street 56/A, 821 09 Bratislava, Slovakia.

Parent Company identification number (IČO) of the Company is 35760419 and its tax identification number (DIČ) is 2020254159.

The Company was established on 16 December 1998. The original name of the company ASSET Soft, a. s. was changed to Asseco Slovakia, a. s. in September 2005. The new Company's name was registered in the Commercial Register on 21 September 2005. On 28 April 2010, the Company changed its name from Asseco Slovakia, a. s. to Asseco Central Europe, a. s. and registered it in the Commercial Register of the District Court Bratislava I in Slovak Republic on the same day.

Since 10 October 2006, the Company's shares have been listed on the main market of the Warsaw Stock Exchange.

On 28 November 2016 the Extraordinary General Meeting of Shareholders of the Parent Company adopted resolutions on discontinuing of trading of the shares at Warsaw Stock Exchange and on change form and type of shares of the Company from book-entry bearer shares to shares issued as paper registered shares (re-materialization of shares). Due to those resolutions the Company will cease to be a public joint stock company and will become private joint stock company under Slovak law, however those resolutions become effective after decision of the Polish Financial Supervision Authority ('Komisja Nadzoru Finansowego') on delisting. On 27 December 2016 the Parent Company filed the application for granting a consent to change the form of shares from book-entry into paper to the Polish Financial Supervision Authority and the Company is waiting for its decision.

The business profile of Asseco Central Europe, a. s. (SK) includes software and computer hardware consultancy, production of software as well as the supply of software and hardware. According to the classification adopted by the Warsaw Stock Exchange, the Company's business activity is classified as "information technology". Other companies of the Group conduct similar operations.

In addition to comprehensive IT services, the Group also sells goods including computer hardware. The sale of goods performed is to a large extent connected with the provision of software implementation services.

The parent of Asseco Central Europe, a. s. (SK) is Asseco Poland S.A. As at 31 December 2016, Asseco Poland SA held a 99.32% stake in Asseco Central Europe, a. s. Asseco Poland S.A. with its registered seat at ul. Olchowa 14, 35-322 Rzeszów, Poland prepares consolidated financial statements of the Asseco Group which comprise Asseco Central Europe Group.

Asseco Central Europe, a.s. is not an unlimited liability partner in any company .

II. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for preparation

The consolidated financial statements of the Asseco Central Europe Group ("Group") have been prepared in accordance with the historical cost principle, except for derivative financial instruments which were measured at their fair value.

The presentation currency of these consolidated financial statements is euro (EUR), and all figures are presented in thousands of euros (EUR '000), unless stated otherwise.

Consolidated financial statements have been prepared based on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorization of these consolidated financial statements, the Parent Company's Board of Directors is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group entities.

2. Compliance statement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU IFRS").

As at the date of approving these financial statements for publication, given the ongoing process of implementation of IFRS standards in the EU as well as the nature of the Group's operations, within the scope of accounting policies applied by the Group, there are no differences between IFRS and EU IFRS.

IFRS include standards and interpretations accepted by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

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 may 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 the IFRS.

3. Professional judgments and estimates

Preparing the consolidated financial statements in accordance with IFRS requires making judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Although the estimates and assumptions have been made based on the Group's management best knowledge of the current activities, the actual results may differ from those anticipated.

Presented below are the main areas which in the process of applying the accounting policies were subject to accounting estimates and the management's professional judgments, and whose estimates, if changed, could significantly affect the Group's future results.

i. Valuation of IT contracts as well as measurement of their completion

The Group carries out a number of contracts for construction and implementation of information technology systems. The valuation of IT contracts requires that future operating cash flows are determined in order to arrive at the fair value of income and expenses as well as it requires measurement of the contract's percentage of completion. This percentage is measured as a 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.

ii. Rates of depreciation and amortization

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

In 2016 the rates of depreciation and amortization applied by the Group were not subject to any substantial modifications.

iii. Impairment tests of goodwill

In line with the Group's policy, every year as at 31 December, the Board of Directors of the Parent Company performs an annual impairment test on cash-generating units to which goodwill has been allocated. Whereas, as at each interim balance sheet date, the Board of Directors of the Parent Company performs a review of possible indications of impairment of cash-generating units to which goodwill has been allocated. In the event such indications are identified, an impairment test should be carried out as at the interim balance sheet date. Each impairment test requires making estimates of the value in use of cash-generating units or groups of cash-generating units to which goodwill has been allocated.

The value in use is estimated by determining both the future cash flows expected to be achieved from the cash-generating unit or units and a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests that were carried out as at 31 December 2016 have been described in detail in explanatory note 11 to these consolidated financial statements.

iv. Intangible assets acquired in acquisitions

As at 31 December 2016, net value of intangible assets recognized as part of purchase price allocations related to the Group's acquisitions of subsidiaries amounted to EUR 840 thousand (2015: EUR 1,264 thousand). The intangibles comprise various categories of assets including customer contracts and related customer relationships and software and licenses recognized in the acquisitions of subsidiaries.

The customer contracts and related customer relationships and software and licenses were initially recognized at fair values. The fair values were estimated using valuation methodologies which require making estimates regarding future cash flows generated by the intangible assets, discount rates to convert the projected cash flows to their present values, replacement or reproduction costs of the intangible assets as well as their normalized useful life and remaining useful life.

v. Deferred tax

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

vi. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

vii. Consolidation of entities in which the Group holds less than absolute majority of voting rights

The Group has concluded that when there is a lack of an absolute majority of voting rights at the general meeting of shareholders of acquired company, in accordance with IFRS 10, this company can be controlled by the Group based on all relevant facts and circumstances in assessing whether the Parent Company has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights;
- any additional facts and circumstances that may indicate that the Company has, or does not have, the ability to direct the relevant activities when decisions need to be made, inclusive of voting patterns observed at previous meetings of shareholders.

4. Changes in the accounting principles applied and new standards and interpretations effective in current period

The accounting principles (policy) adopted in the preparation of these consolidated financial statements are coherent with those applied for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

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

5. New standards and interpretations published but not yet in force

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

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) - effective for financial years 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) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 *Leases* (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019,
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017,
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017,
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018,
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements –Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IAS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018,

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

The Board of Directors of the Parent Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group is currently conducting an analysis of how the above-mentioned amendments are going to impact its consolidated financial statements.

Implementation of IFRS 15 Revenue from Contracts with Customers

This standard was issued on 28 May 2014 and will be effective for annual periods beginning on or after 1 January 2018. This standard has been endorsed by the European Union on 22 September 2016.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

For the Group, this standard would mainly impact the accounting for long-term IT contracts, contracts with multiple-element arrangements and contract modifications, as well as recognition of revenue derived from licences. As the standard requires to allocate the transaction price to all the identified performance obligations included in a contract and to recognise revenue when (or as) the performance obligation is satisfied, the Group is verifying the methodology in place to identify the performance obligations included in contracts, adjusting their internal procedures to assess the progress towards satisfaction of performance obligations and to recognise revenue over time or at a point in time.

The effects of implementation of IFRS 15 is being analysed as part of the project implementing the new standard.

Implementation of IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application

permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

IFRS 9 provides new requirements and guidance on the classification and measurement of financial assets and modifies accounting for hedging transactions. Given the nature of the Group's transactions, no major change is expected. IFRS 9 contains also a new impairment model based on expected credit losses, instead of incurred losses approach. For the Group, this may imply impairment of non-matured receivables due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

The Board of Directors of the Parent Company estimates that the application of the standard will have no material impact on the consolidated financial statements but the analysis have not been finalized as of the balance sheet date.

6. Corrections of material errors

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

7. Changes in the applied principles of presentation and changes in the comparative data

In the reporting period there were no changes in the applied principles of presentation.

Comparative data have been changed due to completion of purchase price allocation in the following subsidiaries: exe a.s. and InterWay, a.s.

The impact of the final PPA allocation on comparative data has been presented in the tables below:

Restatement of data for the period of 12 months ended 31 December 2015	12 months ended 31 December 2015	Changes resulting from PPA allocation	12 months ended 31 December 2015 <i>Restated</i>
<i>Continuing operations</i>			
Sales revenues	155,147	-	155,147
Cost of sales	(116,052)	(42)	(116,094)
Gross profit on sales	39,095	(42)	39,053
Selling expenses	(11,341)	-	(11,341)
General administrative expenses	(12,833)	-	(12,833)
Net profit on sales	14,921	(42)	14,879
Other operating income	313	-	313
Other operating expenses	(165)	-	(165)
Operating profit	15,069	(42)	15,027
Financial income	292	-	292
Financial expenses	(361)	-	(361)
Share in net profit / loss of associates	106	-	106
Pre-tax profit	15,106	(42)	15,064
Corporate income tax (current and deferred portions)	(4,140)	10	(4,130)
Net profit for the period	10,966	(32)	10,934
Attributable to:			
Shareholders of the Parent Company	11,278	(28)	11,250
Non-controlling interests	(312)	(4)	(316)

CONSOLIDATED FINANCIAL STATEMENTS OF THE ASSECO CENTRAL EUROPE GROUP
INCLUDING INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

ASSETS	31 Dec 2015	Changes resulting from PPA allocation	31 Dec 2015 <i>Restated</i>
Non-current assets	73,480	143	73,623
Property, plant and equipment	4,191	-	4,191
Goodwill	57,299	(375)	56,924
Intangible assets	9,027	518	9,545
Investments in associates	1,029	-	1,029
Non-current financial assets	7	-	7
Non-current receivables	435	-	435
Deferred tax assets	1,424	-	1,424
Non-current prepayments	68	-	68
Current assets	94,767	-	94,767
Inventories	624	-	624
Prepayments	4,590	-	4,590
Trade receivables	39,327	-	39,327
Current tax receivable	1,107	-	1,107
Receivables from state and local budgets	160	-	160
Other receivables	891	-	891
Current financial assets	3,568	-	3,568
Other current non-financial assets	274	-	274
Cash and short-term deposits	44,226	-	44,226
TOTAL ASSETS	168,247	143	168,390
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2015	Changes resulting from PPA allocation	31 Dec 2015 <i>Restated</i>
Shareholders' equity (attributable to Shareholders of the Parent Company)	109,502	29	109,531
Non-controlling interest	(2,048)	-	(2,048)
Total shareholders' equity	107,454	29	107,483
Non-current liabilities	4,666	114	4,780
Interest-bearing bank credits, loans and debt securities	-	-	-
Deferred tax liability	360	114	474
Non-current provisions	18	-	18
Non-current financial liabilities	4,215	-	4,215
Non-current deferred income	73	-	73
Other non-current liabilities	-	-	-
Current liabilities	56,127	-	56,127
Interest-bearing bank credits, loans and debt securities	952	-	952
Trade payables	32,381	-	32,381
Current tax payable	559	-	559
Liabilities to state budget	5,194	-	5,194
Financial liabilities	2,088	-	2,088
Other liabilities	2,499	-	2,499
Provisions	1,131	-	1,131
Deferred income	5,473	-	5,473
Accrued expenses	5,850	-	5,850
TOTAL LIABILITIES	60,793	114	60,907
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	168,247	143	168,390

III. SIGNIFICANT ACCOUNTING POLICIES

1. Consolidation rules

The consolidated financial statements comprise the financial statements of the Parent Company as well as financial statements of its subsidiaries in each case prepared for the year ended on 31 December 2016. Subsidiaries are all entities over which the Group has control. The control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights;
- any additional facts and circumstances that may indicate that the Company has, or does not have, the ability to direct the relevant activities when decisions need to be made, inclusive of voting patterns observed at previous meetings of shareholders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment on an annual basis as at 31 December, 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 arising from a 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 value of a cash-generating unit to which goodwill has been allocated. In the event the recoverable value of a cash-generating unit is lower than its carrying amount, an impairment charge shall be recognized.

Such write-down is recognized as a financial expense.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. Business combination under common control

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

In particular, this will include transactions such as the transfer of subsidiaries or businesses between entities within the Group.

In the case of a business combination under common control, entities within the Group should apply the pooling of interest method with application of financial data from consolidated financial statements of the Parent entity.

The pooling of interest method is considered to involve the following:

- the assets and liabilities of the combining entities are reflected at their carrying amounts – i.e. no adjustments are made to reflect fair values or to recognize any new assets or liabilities, which would otherwise be done under the acquisition method; the only adjustments that are made are to harmonize accounting policies and eliminate inter-company balances;
- no “new” goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity “acquired” is reflected within equity. Comparative data is not adjusted.

4. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group’s investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from

transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

5. Treatment of put options held by non-controlling interests in the consolidated financial statements

A contract that contains an obligation for an entity to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount, even if the obligation to purchase is conditional on the counterparty exercising a right to redeem, for example in situations where the non-controlling interests are entitled to put shares of a subsidiary to be purchased by the Parent Company.

If concluded based on contractual terms that the acquirer does not have a present ownership interest in the shares concerned, the non-controlling interest is still attributed its share of the profits and losses (and other changes in equity) of the acquiree. The impact of the put option is the amount attributable to the non-controlling interest to be reclassified as a financial liability. The reclassification of the non-controlling interest is deemed to be equivalent to a change in the non-controlling interest. Therefore, the accounting at the end of the reporting period should replicate the accounting that would be adopted as if the option had been exercised at that date.

Accordingly, any difference between the liability under the put option at the end of the reporting period and the non-controlling interest reclassified is accounted for as a change in the equity attributable to the Parent Company. No amount is recognized in the profit or loss for the financial liability or separate accounting for the unwinding of any discount in respect of the liability. It also means that the liability resulting from the put option is not subject to any discount.

While the put option remains unexercised, the accounting at the end of each reporting period is as follows:

- the entity determines the amount that would have been recognized within equity for the non-controlling interest, including an update to reflect its share of profits and losses (and other changes in equity) of the acquiree for the period, and
- the entity accounts for the difference between (1) the amount determined above and (2) the fair value of the liability under the put option, as a change in the non-controlling interest.

If the put option is ultimately exercised, the same treatment will be applied up to the date of exercise. The amount recognized as the financial liability at that date will be extinguished by payment of the exercise price. If the put option expires unexercised, the position will be unwound, so that the non-controlling interest at that date is reclassified back to equity and the financial liability is derecognized.

If, under purchase agreement, the acquirer have a present ownership interest in the shares concerned, the non-controlling interest is not recognized at the date of obtaining control as well as at each subsequent balance sheet date. Hence, a business combination is accounted for as if, at the date of obtaining control, the Parent Company acquired not only an equity interest in a subsidiary but also the interests defined by put option. Liabilities under put options are measured at fair value at each balance sheet date; whereas, any changes in such estimates are recognized in the income statement (as financial income/expenses). The share of profits attributable to puttable equity interests is allocated to the Parent Company.

Under the agreement between the Parent Company and non-controlling interest, Parent Company may be granted call option over the non-controlling shares.

If, under purchase agreement, a call option gives the acquiring entity present access to returns over all of the shares held by non-controlling shareholders, then there will be no non-controlling interests presented in equity. The acquirer accounts for the business combination as though it acquired a 100% interest. The acquirer also recognizes financial liability to the non-controlling shareholders under the call option. Changes in the carrying amounts of the financial liability are recognized in profit and loss. If the call option expires unexercised, then the acquirer has effectively disposed of a partial interest in its subsidiary in return for the amount recognized as financial liability as the date of the expiry and account for the transaction as a change in ownership interest without loss of control.

If a call option does not give the acquiring entity present access to returns, associated with ownership interest, the accounting depends on whether the call option meets the definition of a financial asset or an equity instrument.

If however, based on the call option conditions, the call option is related to the unlisted instruments or the option price is based on expected future results or net assets of the subsidiary as at the date of exercise, the Group does not recognize call option at all.

6. Translation of items expressed in foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the Group's foreign subsidiaries are Euro (EUR), Czech crown (CZK), Hungarian forint (HUF) and Swiss Franc (CHF).

Transactions denominated in foreign currencies are initially recognized by the Group's entities at their respective functional currency exchange rates at the date the transaction

first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

On consolidation, the assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates from the reporting period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the currency rate of exchange at the reporting date.

The following exchange rates were applied for the purpose of valuation in the statement of financial position:

Currency	As at 31 Dec 2016	As at 31 Dec 2015
CZK	27.021	27.023
CHF	1.0739	1.0835
HUF	309.83	315.98
PLN	4.4103	4.2639

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

Currency	Period of 12 months ended 31 Dec 2016	Period of 12 months ended 31 Dec 2015
CZK	27.0343	27.2792
CHF	1.0902	1.0678
HUF	311.4379	309.996
PLN	4.3632	4.1841

7. Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

8. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs, if any. Any costs incurred after a tangible asset has been commissioned into use, such as costs of repairs and technical inspections or operating fees, are expensed in the reporting period in which they were 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 also constitute a component of assets.

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	12-40 years
Machinery and technical equipment	4-12 years
Transport vehicles	3-6 years
Computer hardware	4-12 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

A tangible asset may be derecognized from the statement of financial position 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 is assessed by comparing the proceeds from the disposal against the present book value of such asset, and it is accounted for as other operating income/expense. Any gains or losses resulting from the removal of a given item of property, plant and equipment from the statement of financial position (calculated as a difference between the net cash obtained from sales and the book value of this item) are recognized in the profit and loss account in the period in which the derecognition from the accounting books was made.

Tangible assets under construction are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.

9. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired as a result of a business combination are measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.

All the intangible assets subject to amortization are amortized under the straight-line method. 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	2-9 years
Patents and licenses	2-8 years
Customer contracts and related customer relations	2-7 years
Other	2-5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The Group presents in separate categories the final products of development projects ("internally generated software") and the products which have not been finished yet ("costs of development projects in progress"). An intangible asset generated internally as a result of development work (or completion of the development phase of an internal project) may be recognized if, and only if, the Group is able to demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the construction of such intangible asset;
- the ability to use or sell such intangible asset;
- how such intangible asset is going to generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development work and to make the intangible asset ready for use or sale;
- the ability to reliably measure the expenditure for the development work attributable to such intangible asset.

The cost of an internally generated intangible asset is the sum of expenditures incurred from the date when the intangible asset first meets the above-mentioned recognition criteria. Expenditures previously recognized as expenses cannot be capitalized. The cost of an internally generated intangible asset comprises directly attributable costs necessary to create, produce, and prepare that asset to be capable of operating in the manner intended by management. Such costs shall include:

- costs of benefits for employees who are directly involved in the generation of an intangible asset;
- all directly attributable costs necessary to create, produce, and adjust an intangible asset, including any legal title registration fees and amortization of patents and licenses that are used to generate such intangible asset;
- costs of materials and services that are used or consumed directly in generating an intangible asset;
- indirect costs that are directly attributable to the generation of an intangible asset, including depreciation of equipment used in the generation process as well as rental costs of any office space utilized by the work team.

The cost of an internally generated intangible asset shall not include:

- selling, administrative and other general overhead expenditures;
- clearly identified work inefficiencies and initial operating losses incurred before an intangible asset achieves planned performance; and
- expenditures on training staff to operate such intangible asset.

Until completion of the development work, accumulated costs directly attributable to such development work are disclosed as "costs of development projects in progress". Upon completion of the development work, the ready-made product of the development work is reclassified to the category of "Internally generated software" and from that time the Company begins to amortize such internally generated software. Following initial recognition of the internally generated software, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Any gain or loss resulting from derecognition of an intangible asset from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of the item) is disclosed in the profit and loss account for the period in which the derecognition was made.

10. Leasing

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease.

Finance lease agreements, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, at the commencement of the lease term are recognized as assets and liabilities in the statement of financial position at the amounts equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are charged as expenses directly in the profit and loss account.

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

Leasing agreements whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are treated as operating leases. Lease payments under an operating lease are recognized as expenses in the profit and loss account on a straight-line basis over the leasing period.

11. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the profit or loss account in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill is allocated. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

12. Government subsidies

Government subsidies are a form of financial assistance provided to enterprises by the government in exchange for satisfying, in the past or in the future, certain conditions related to their operating activities. Government subsidies do not include any forms of government aid which have no precise value, nor any transactions conducted with the government which cannot be differentiated from ordinary business transactions of an enterprise.

Government subsidies are not recognized in accounts until there is sufficient certainty that a beneficiary company is going to meet the subsidy conditions and that the subsidy is going to be received, while the fact of actually having received a subsidy may not itself be perceived as convincing evidence that the subsidy conditions have been or will be met.

The method of subsidy accounting does not depend upon the manner in which it was granted. Therefore, a subsidy is accounted for using the same approach, irrespective of whether it was received in cash or in the form of a reduction of liabilities towards the government.

If a subsidy corresponds to a specific cost item, then it is recognized as income proportionally to the incurrence of the costs which the subsidy is supposed to compensate.

However, if a subsidy corresponds to a specific asset then its fair value is initially recognized in the deferred income account and amortized in the profit and loss account over the estimated useful life of the related asset.

13. Financial assets

Financial assets are divided into the following categories:

- financial assets held to maturity;
- financial instruments valued at fair value through profit or loss;
- loans granted and receivables;
- financial assets available for sale.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets held to maturity are financial assets quoted on an active market that are not derivative instruments, have identified or identifiable payments and a fixed maturity date, which the Company intends and is able to hold till maturity, and are different from:

- financial assets designated at the initial recognition as carried at fair value through profit or loss;
- financial assets designated as available for sale;
- assets qualifying as loans and receivables.

Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity shall be classified as fixed assets if their maturity exceeds 12 months from the balance sheet date.

The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

Financial assets carried at fair value through profit or loss include assets that satisfy one of the following conditions:

- have been classified as assets held for trading. Financial assets are classified as held for trading if they are:
 - purchased for resale in short term (up to 3 months);
 - a part of the portfolio of specific financial instruments which are managed together, and which are likely to generate short-term gains;
 - derivative instruments, except for derivatives which are used as the elements of hedge accounting or financial guarantee contracts;
- have been classified in this category, in accordance with IAS 39, at the time of initial recognition.

Financial assets carried at fair value through profit or loss are measured at the market value of financial instruments as at the balance sheet date with no regard to any costs of their disposal transaction. Changes in the value of such financial instruments are recognized as finance income or expenses in the profit and loss account.

As at 31 December 2016 the Group had no financial assets carried at fair value through profit or loss, while as at 31 December 2015 the Group had only financial assets - currency forwards in the amount of EUR 4 thousand.

Loans and receivables are financial assets, not classified as derivative instruments, with fixed or determinable payments that are not quoted in an active market. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as fixed assets. This category is the most relevant to the Group and generally applies to trade and other receivables. For more information please refer to note 13 and 16.

Financial assets available for sale comprise financial assets which are not derivative instruments, and which have been designated as available for sale, or do not belong to any of the above three categories of financial assets.

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement financial assets available for sale are carried at fair value, increased by the transaction-related costs that are directly attributable to the acquisition or issuance of a financial asset. 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. Provided financial instruments have a market price determined in a regulated active market or it is possible to determine their fair value in other reliable way, any positive or negative differences between the fair value and purchase cost of such assets available for sale (after deducting any deferred tax liabilities) shall be recognized in other comprehensive income. A decrease in the value of assets available for sale, resulting from their impairment, shall be recognized as a financial expense.

Disposals of financial assets are recognized in the accounting books at the transaction date. A financial asset shall be derecognized from the statement of financial position 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.

14. Trade receivables

Trade accounts receivable, usually with payment terms ranging from 10 to 40 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectable 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 value, 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 in the profit and loss account 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 impairment write-downs – in full amount receivable until they are received or written-off as uncollectible;
- past-due (or not yet due) receivables, where it is highly probable they will become uncollectible because of the type of business or structure of customers – in the amount of reliably measured or full allowance for doubtful receivables.

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

- 100% in relation to receivables in litigation, unless the Management Board believes that obtaining a favorable judgment by the Company is almost certain;
- 100% in relation to receivables past-due over 12 months (from the payment deadline), taking into account any partial payments or arrangements made after the balance sheet date;
- 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 balance sheet date.

When deciding on any allowances, the Group takes into consideration not only events that took place before the balance sheet date, 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 balance sheet date. Every year the Company verifies whether the adopted principles for recognition of write-downs 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.

15. Cash and cash equivalents

Cash and cash equivalents presented in the statement of financial position consist of cash held in banks and on hand, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

16. Impairment of financial assets

At each balance sheet date, the Group determines whether there are any objective indications of impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down 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 yet been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amounts of such assets are reduced either directly or by establishing an impairment write-down. The amount of the loss is recognized in the profit and loss account.

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 individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

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 is reversed. Any such reversal of the impairment write-down is recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date at which 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 amount 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 an 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, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss. 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 the impairment loss is reversed in the profit and loss account.

17. Inventories

The Group distinguishes two categories of inventories:

- raw materials, spare parts and other components used in implementation or maintenance of IT systems;
- hardware, third party licences and other goods for resale.

Inventories are valued at whichever is the lower of the following two values: purchase price/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.

At each balance sheet date, an ageing analysis of goods for resale is performed, providing rationale for making any write-downs subject to the following rules:

- 100% write-down on goods stored for 24 months or longer;
- 75% write-down on goods stored between 18 and 24 months;
- 50% write-down on goods stored between 12 and 18 months;
- 25% write-down on goods stored between 6 and 12 months.

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.

18. Prepayments

Prepayments comprise expenses incurred before the balance sheet date that relate to future periods or to future revenues.

Prepayments may in particular include the following items:

- prepaid services (including maintenance services, licence fees, insurance, consultancy services) which shall be provided in future periods;
- rents paid in advance;
- expenses incurred in relation to an issuance of shares, until such issuance is registered;
- any other expenses incurred in the current period, but related to future periods.

19. Interest-bearing bank credits and loans

All the bank credits, loans and debt securities are initially recognized at cost; this is at fair value of cash received less the costs related to obtaining a credit or loan, or issuing a debt security.

Subsequently to such initial recognition, bank credits, loans and debt securities are measured at amortized purchase price using the effective interest rate. Determination of the amortized purchase price takes into account the costs related to obtaining a credit or loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

The difference between the cash received (net of costs related to obtaining a credit or loan, or issuing a debt security) and the repayment amount is disclosed in the profit and loss account over the term of the liability involved. Gains and losses are recognized in the profit and loss account after the liability has been removed from the statement of financial position but also when impairment is detected or depreciation charges are made. All expenses relating to bank credits, loans or debt securities issued, are recognized in the profit and loss account for the period to which they relate.

20. 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.

21. Derivative financial instruments

In order to hedge against the risk of changes in foreign currency exchange rates and in interest rates, the Group utilizes currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

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

Gains and losses on changes in the fair value of derivatives are recognized directly in profit or loss in the current financial reporting period, due to the fact that Group does not use financial instruments which are qualified for hedge accounting.

22. 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 a provision is to be presented in the profit and loss account, 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 value of money in time is material, the amount of a provision is 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 value of money in time

and the risks related to the liability. Where the discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

Warranty provisions

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 labor 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 Company is contractually committed to provide to its client.

The provision amount recognized at the balance sheet date 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 previously created provision. At each balance sheet date, the Company 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 Company's current expectations in respect of fulfilment of its warranty obligations in future periods.

23. Accrued expenses and deferred income

Accrued expenses are liabilities to pay for services that have been provided by employees but have not been paid, invoiced or formally agreed such as accruals for unused holiday leaves or employees bonuses. Amounts of accruals are estimated. While preparing the estimates, the generally accepted practices in the trade should be considered.

Deferred income is a liability showing the amount of future revenue (cash received or recorded by issued invoice but unearned) as at the balance sheet. Revenue is deferred until the services have been rendered or products have been delivered and is recognised in the profit and loss account as revenue over the period during which the service is performed.

24. Equity

Equity is composed of equity attributable to shareholders of Parent Company and non-controlling interest.

Shareholders' equity is disclosed at nominal value. Shareholders' equity comprises the following items:

- share capital, disclosed in the amount of capital contributions made and paid up;
- share premium from the sale of shares over their par value;
- exchange differences on translation of foreign operations;
- retained earnings, including: retained earnings, other capital funds and net profit/loss for the reporting period;

- non-controlling interest.

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly to the Parent. In the event of a transaction whereby the Group increases its equity interest in a subsidiary (partial or full buy-out of non-controlling interests), such a transaction is deemed not to be a business combination. The assets, liabilities and equity of such a subsidiary are measured at fair value at the date when an additional equity stake is acquired by the Group. The difference between the purchase price of non-controlling interests and the book value of net assets acquired is recognized directly in equity disclosed in the Group's consolidated financial statements.

25.Sales revenues

The Group presents its revenues from sales of products and services only. Such presentation appropriately reflects the business profile of the Group that renders comprehensive information technology solutions based on proprietary products. While recognizing revenues the following criteria are also taken into account.

Sales revenues

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

Should it be impossible to estimate reliably 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 Company identifies the following types of revenues:

- revenues from the sale of proprietary software licenses and/or services;
- revenues from the sale of third-party software licenses and/or 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). The engagement of subcontractors in this category of revenues has no impact on the scope of responsibility or relationship between the Group companies and the customer to whom a service is provided. It is entirely up to the Group to decide whether services required for this type of projects should be performed by subcontractors or own employees. 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. The rules for recognition of sales revenues from implementation contracts are described in point 26 of Significant accounting policies.

In the case of own software licenses and/or services, revenues are recognized over the period of rendering 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 and potentially costly benefits to the client.

In other cases, i.e. when the significant risks and rewards incidental to the ownership of a third-party license and/or service are not transferred to the buyer at the time of the sale, 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.

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 comprises interest on loans granted, investments in securities held to maturity, bank deposits and other items, as well as the discounts on costs (liabilities) according to the method of the effective interest rate.

Dividends

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

26.Revenues and expenses related to 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 doubtful despite being determined in a signed contract (e.g., the Group anticipates that a client may decide to resign from a portion of contracted work).

Contract revenues include the following:

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

Contract costs include the following:

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

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

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

Valuation of implementation contracts

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

Should the percentage progress of incurred costs, decreased by expected losses and increased by profits included in the income statement, exceed the percentage progress of invoiced sales, the amount of uninvoiced sales resulting from such difference shall be disclosed as trade receivables in the balance sheet, under "Receivables from valuation of long-term IT contracts".

On the other hand, 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 revenues resulting from such difference shall be disclosed as trade payables, under "Liabilities from valuation of long-term 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 be disclosed in provisions, under "Provision for loss on long-term IT contracts".

Methods for measuring the percentage of contract completion

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

- determination of the proportion of costs incurred for work performed up to the balance sheet date to the estimated total contract costs;
- determination of the proportion of work performed to the total work-effort required by 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.

27. Operating costs

The Group companies maintain cost accounting both by cost nature and by cost function. Cost of sales comprises the costs resulting directly from purchases of merchandise sold and generation of services sold. Selling expenses include the costs of distribution and marketing

activities. General administrative expenses include the costs of the companies' management and administration activities.

28. Income tax and value added tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all positive temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of positive temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the negative temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of negative temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are disclosed in the amounts excluding value added tax except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- when receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

29. Earnings per share (basic and diluted)

Basic earnings per share are computed by dividing the net profit for the reporting period, attributable to shareholders of the Parent Company, by the average weighted number of ordinary shares outstanding during that financial period.

Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Parent Company, by the adjusted (due to diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.

30. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to distribute are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the profit or loss account.

In the year ended 31 December 2016 in the Group there were no discontinued operations.

IV. ORGANISATION AND CHANGES IN STRUCTURE OF ASSECO CENTRAL EUROPE GROUP, INCLUDING INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

The table below presents the Group's structure along with its equity interests and voting interests held at the general meetings of shareholders/partners as at 31 December 2016 and in the comparative period:

	Country of registration	Scope of activities	Relationship with Parent Company	Voting interest			Equity interest		
				24 February 2017	31 December 2016	31 December 2015	24 February 2017	31 December 2016	31 December 2015
Subsidiary companies									
Asseco Central Europe, a. s. (CZ)	Czech Republic	Software, integration and outsourcing	Direct subsidiary	100%	100%	100%	100%	100%	100%
Asseco Solutions, a. s. (CZ)	Czech Republic	ERP solutions	Indirect subsidiary	-	-	100%	-	-	100%
NZ Servis s. r. o.	Czech Republic	Software for customs and communication with public administration	Indirect subsidiary	100%	100%	100%	100%	100%	100%
Asseco BERIT AG	Switzerland	Software, Geospatial and Network Solutions	Indirect subsidiary	100%	100%	100%	100%	100%	100%
Asseco BERIT GmbH	Germany	Software, Geospatial and Network Solutions	Indirect subsidiary	100%	100%	100%	100%	100%	100%
DanubePay, a. s.	Slovak Republic	Card and transaction business	Direct subsidiary	55%	55%	55%	55%	55%	55%
Asseco Solutions, a. s. (SK)	Slovak Republic	ERP solutions	Direct subsidiary	100%	100%	100%	100%	100%	100%
Axera, s. r. o.	Slovak Republic	Software solutions	Indirect subsidiary	100%	100%	-	100%	100%	-
Asseco Solutions, a. s. (CZ)	Czech Republic	ERP solutions	Direct subsidiary	100%	100%	-	100%	100%	-
Asseco Solutions AG (DE)	Germany	ERP solutions	Direct subsidiary	100%	100%	100%	100%	100%	100%
Asseco Solutions GmbH (A)	Austria	ERP solutions	Indirect subsidiary	75%	75%	75%	75%	75%	75%
Asseco Solutions AG (CH)	Switzerland	ERP solutions	Indirect subsidiary	100%	100%	100%	100%	100%	100%
Asseco Solutions S.A. (GT)	Guatemala	ERP solutions	Indirect subsidiary	51%	51%	-	51%	51%	-
Asseco Solutions s.r.l. (IT)	Italy	ERP solutions	Indirect subsidiary	51%	51%	-	51%	51%	-
Mjthos GmbH	Germany	ERP solutions	Indirect subsidiary	60%	60%	-	60%	60%	-
exe, a.s.	Slovak Republic	SW, integration	Direct subsidiary	100%	100%	100%	100%	100%	100%
InterWay, a.s.	Slovak Republic	SW, integration	Direct subsidiary	66%	66%	66%	66%	66%	66%
Asseco Central Europe Magyarország Zrt	Hungary	Banking IS, Hospital IS	Direct subsidiary	100%	100%	100%	100%	100%	100%
Asseco IT Services Zrt.	Hungary	Software, integration and outsourcing	Direct subsidiary	100%	100%	51%	100%	100%	51%
Asseco Bel LLC	Belarus	Software Solutions	Direct subsidiary	-	60%	-	-	60%	-
Associated companies									
Prvni Certifikační Autorita, a. s. (I.CA)	Czech Republic	IT security		23.25%	23.25%	23.25%	23.25%	23.25%	23.25%
Axera, s. r. o.	Slovak Republic	Software solutions		-	-	50%	-	-	50%
eDocu, a.s.	Slovak Republic	Software solutions		23%	23%	23%	23%	23%	23%
SCS Smart Connected Solutions GmbH	Germany	ERP solutions		40%	40%	-	40%	40%	-
LittleLane, a.s.	Slovak Republic	Educational Software		40%	40%	-	40%	40%	-
Galvaniho 5, s.r.o.	Slovak Republic	Construction and leasing of property		51%	51%	-	51%	51%	-
InterWay CZ, s.r.o.	Czech Republic	SW, integration		40%	40%	-	40%	40%	-

All figures in thousands of EUR, unless stated otherwise

In 2016, the following changes in the Group structure were observed:

Establishing of SCS Smart Connected Solutions GmbH

On 8 February 2016, Asseco Solutions AG (DE) established a new company called SCS Smart Connected Solutions GmbH, seated in Karlsruhe, Germany. Asseco Solutions AG (DE) acquired 40% of its shares representing also 40% of voting rights at the company's general meeting of shareholders.

Establishing of Asseco Solutions S.A.

In March 2016, Asseco Solutions AG (DE) established a new company called Asseco Solutions S.A., seated in Guatemala. Asseco Solutions AG (DE) acquired 51% of its shares representing also 51% of voting rights at the company's general meeting of shareholders.

Acquisition of Asseco BEL LLC

On 30 March 2016, Asseco Central Europe, a.s. acquired a 60% stake in the company Asseco BEL LLC, Belarus. Asseco CE (SK) acquired those shares from Asseco Poland S.A. and treated that as acquisition under common control.

Establishing of InterWay CZ, s.r.o

On 26 April 2016 InterWay, a.s. (SK) established a new company in Czech Republic called InterWay CZ, s.r.o. InterWay, a.s. (SK) acquired 40% of its shares, representing 40% of voting rights at the company's general meeting of shareholders.

Establishing of Littlelane, a. s.

On 30 June 2016 Asseco Central Europe, a.s. (Slovakia) established with three other shareholders a new company called LittleLane, a.s. seated in Slovakia. Asseco Central Europe, a.s. acquired 40% of its shares representing also 40% of voting rights at the company's general meeting of shareholders.

Purchase of additional 35% interest in Axera, s. r. o.

On 22 June 2016 Asseco Solutions, a.s. (Slovakia) signed an agreement for acquisition of additional 35% interest in Axera, s. r. o. , effective from 1 July 2016. Due to transactions Asseco Solutions increased its interests in Axera from 50% to 85% and obtained control over that company. On 31 December 2016 Asseco Solutions, a.s. purchased the rest of the Axera shares. Due to transaction Asseco Solutions, a.s. increased its interests in Axera to 100%.

Business combination of GlobeNet Zrt. and Statlogics Zrt.

On 30 June 2016 the merger of GlobeNet Zrt. and Statlogics Zrt. was registered, effective from 1 July 2016. The remaining company – Globenet changed its name for Asseco Central Europe Magyarország Zrt.

Purchase of additional 49% interest in Asseco Hungary Zrt.

On 29 June 2016 Asseco Central Europe, a.s. (Slovakia) signed an agreement for acquisition of additional 49% interest in Asseco Hungary Zrt., effective from 8 July 2016. Due to transaction Asseco Central Europe increased its interests in Asseco Hungary from 51% to 100%.

On 16 December 2016 it was registered the change of the name of company from Asseco Hungary Zrt. to Asseco IT Services Zrt.

Establishing of Asseco Solutions s.r.l.

On 25 August 2016, Asseco Solutions AG (DE) established a new company called Asseco Solutions s.r.l., seated in Italy. Asseco Solutions AG (DE) acquired 51% of its shares representing also 51% of voting rights at the company's general meeting of shareholders.

Acquisition of Galvaniho 5, s.r.o.

On 10 October 2016 Asseco Central Europe, a.s (Slovakia) purchased 51% of shares in Galvaniho 5, s.r.o. Galvaniho 5, s.r.o. is disclosed as associated companies as there was no real activity in the company and also the value of share represents insignificant value.

Acquisition of shares in Mjthos GmbH

On 15 October 2016, Asseco Solutions AG (DE) acquired 60% of shares in Mjthos GmbH, Germany.

Sales of Asseco Solutions, a.s. (CZ) to Asseco Central Europe, a.s. (Slovakia)

Under the contract agreement dated 22 November 2016 Asseco Central Europe, a.s. (Slovakia) purchased from Asseco Central Europe, a.s. (Czech Republic) 100% of shares in Asseco Solutions, a.s. (Czech Republic). Based on the Asseco Group Accounting Policy this transaction was accounted for as a business combination under common control.

In 2016 no other changes in the Group structure were observed.

V. INFORMATION ON OPERATING SEGMENTS

According to IFRS 8, an operating segment is a separable component of the Group's business for which separate financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Group identifies the following three operating segments:

- Asseco Central Europe – this segment includes two major companies: Asseco Central Europe, a. s. (SK) and Asseco Central Europe, a. s. (CZ) and their local distribution branches in Germany and Switzerland: Asseco Berit GmbH (DE) and Asseco Berit AG (CH), as well as DanubePay, a. s. (SK), InterWay, a.s (SK), InterWay CZ, s.r.o. and exe, a.s. Despite being different legal entities, both main companies have the identical Board of Directors and form one homogenous organisational and business structure with shared back-office departments. Performance of the segment is analyzed on a regular basis by its Board of Directors. These companies offer comprehensive IT, outsourcing and processing services intended for a broad range of clients operating in the sectors of financial institutions, general business and public administration.
- Asseco Solutions – this segment includes ERP companies: Asseco Solutions, a. s. (SK), Asseco Solutions, a. s. (CZ), Asseco Solutions AG (DE), Asseco Solutions GmbH. (AT), Asseco Solutions AG (CH), Asseco Solutions S.A. (GT), Asseco Solutions s.r.l. (IT) and Axera s.r.o. Performance of this segment is analyzed on a regular basis by its Board of Directors. These companies offer ERP products and related services to a wide variety of clients operating in the sectors of financial institutions, general business and public administration.
- Other – this segment includes two Hungarian companies: Asseco Central Europe Magyarország Zrt. (merged GlobeNet Zrt. and Statlogics Zrt.) and Asseco IT Services Zrt. as well as and one Belarusian company: Asseco BEL LLC. Performance of these companies is periodically assessed by the Board of Directors of Asseco Central Europe, a. s. (SK). These companies offer comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

CONSOLIDATED FINANCIAL STATEMENTS OF THE ASSECO CENTRAL EUROPE GROUP
INCLUDING INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

For 12 months ended 31 December 2016 and as at 31 December 2016	Asseco Central Europe	Asseco Solutions	Other	Adjustments/ Eliminations	Total
Sales revenues:	110,853	58,853	8,100	(9,571)	168,235
Sales to external customers	103,537	57,028	7,670	-	168,235
Inter/intra segment sales	7,316	1,825	430	(9,571)	-
Operating profit (loss) of reporting segment	8,868	5,710	701	-	15,279
Interest income	290	9	2	-	301
Interest expense	(51)	(14)	(3)	-	(68)
Share in profits of associated companies	9	26	-	-	35
Corporate income tax	(2,330)	(1,558)	(294)	-	(4,182)
<i>Non-cash items:</i>					
Depreciation and amortization	(2,927)	(909)	(609)	-	(4,445)
Net profit (loss) of reportable segment from continuing operations	6,700	4,171	379	-	11,250
Goodwill	19,447	30,996	6,612	-	57,055
Average workforce in the reporting period	800	681	135	-	1,616

All figures in thousands of EUR,
unless stated otherwise

CONSOLIDATED FINANCIAL STATEMENTS OF THE ASSECO CENTRAL EUROPE GROUP
INCLUDING INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

For 12 months ended 31 December 2015 and as at 31 December 2015 restated	Asseco Central Europe	Asseco Solutions	Other	Adjustments/ Eliminations	Total
Sales revenues:	104,141	52,584	8,728	(10,306)	155,147
Sales to external customers	95,746	51,164	8,237	-	155,147
Inter/intra segment sales	8,395	1,420	491	(10,306)	-
Operating profit (loss) of reporting segment	8,262	5,738	1,027	-	15,027
Interest income	160	11	3	-	174
Interest expense	(37)	(20)	(1)	-	(58)
Share in profits of associated companies	64	42	-	-	106
Corporate income tax	(2,328)	(1,504)	(298)	-	(4,130)
<i>Non-cash items:</i>					
Depreciation and amortization	(2,380)	(927)	(592)	-	(3,899)
Net profit (loss) of reportable segment from continuing operations	5,977	4,260	697	-	10,934
Goodwill	19,447	30,994	6,483	-	56,924
Average workforce in the reporting period	741	626	118	-	1,485

All figures in thousands of EUR,
unless stated otherwise

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenues

Sales revenues

During the period of 12 months ended 31 December 2016 and the corresponding comparative period, the sales revenues were as follows:

Sales revenues by type of business	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Proprietary software and services	124,228	114,994
Third-party software and services	32,790	20,550
Computer hardware and infrastructure	7,986	16,941
Logistics and other outsourcing	2,770	2,277
Other sales	461	385
	168,235	155,147

Sales revenues by sectors	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Banking and finance	22,916	21,793
General business	77,145	68,027
Public institutions	68,174	65,327
	168,235	155,147

The category of 'Proprietary licenses/software and services' includes revenues from contracts with customers under which the Group supplies own software and provide related services. Such services may be performed by the Group's employees (internal resources) as well as by subcontractors (external resources). The engagement of subcontractors in this category of revenues has no impact on the scope of responsibility or relationship between the Group's company and the customer to whom a service is provided. It is entirely up to the Group to decide whether services required for this type of projects should be performed by subcontractors or by own employees. In addition, this category includes revenues from the provision of own services for third-party software and infrastructure.

The category of 'Third-party licenses/software 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 services as well as to software outsourcing services provided by their manufacturers).

2. Operating costs

During the period of 12 months ended 31 December 2016 and the corresponding comparative period, the operating costs were as follows:

Operating costs	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015 <i>restated</i>
Cost of goods, materials and third-party services sold	(34,832)	(31,144)
Employee benefits	(63,998)	(59,425)
Depreciation and amortization	(4,445)	(3,899)
Third-party services	(34,220)	(31,436)
Other	(15,478)	(14,364)
	(152,973)	(140,268)
Cost of sales	(125,021)	(116,094)
Selling costs	(14,143)	(11,341)
General administrative expenses	(13,809)	(12,833)
	(152,973)	(140,268)

In the period of twelve months ended 31 December 2016 other costs comprised mainly: costs of company vehicles and property maintenance costs in the amount of EUR 8,840 thousand, costs of advertising in the amount of EUR 3,368 thousand, costs of domestic and international business trips in the amount of EUR 1,647 thousand.

The table below presents the reconciliation of depreciation and amortization charges reported in the profit and loss account with those disclosed in the tables of changes in property, plant and equipment (note 8) and in intangible assets (note 9):

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015 <i>restated</i>
Depreciation of fixed assets resulting from movement table of property, plant and equipment	(1,763)	(1,556)
Amortization of intangible assets resulting from the movement table of intangible assets	(2,682)	(2,344)
Depreciation decrease as a result of grants	-	1
Total depreciation and amortization presented in the operating costs	(4,445)	(3,899)

3. Other operating income and expenses

During twelve months ended 31 December 2016 and the corresponding comparative period, the other operating income and expenses were as follows:

Other operating income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Gain on disposal of non-current assets	158	124
Release of other provisions	3	83
Other	63	106
	224	313

Other operating expenses	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Loss on disposal of non-current assets	(30)	-
Liquidation costs of non-current assets and inventories	-	(3)
Other provisions created	(2)	(58)
Charitable contributions to unrelated companies	(72)	(36)
Other	(103)	(68)
	(207)	(165)

4. Financial income and expenses

During twelve months ended 31 December 2016 and the corresponding comparative period, the financial income and expenses were as follows:

Financial income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Interest income on loans granted, debt securities and bank deposits	300	171
Other interest income	1	3
Gain on foreign exchange differences	28	11
Gain on valuation of financial derivatives	2	107
Other financial income	3	-
Total financial income	334	292

Financial expenses	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Interest expense on bank credits, loans, debt securities	(33)	(28)
Interest expense on financial leases	(2)	(4)
Other interest expenses	(11)	(10)
Bank fees and charges	(22)	(16)
Loss on foreign exchange differences	(65)	(133)
Loss on revaluation of financial derivatives	(66)	(114)
Other financial expenses	(17)	(56)
Total financial expenses	(216)	(361)

5. Income tax

The main charges on the pre-tax profit due to corporate income tax (current and deferred portions):

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015 <i>restated</i>
Current portion of corporate income tax and prior years adjustments	(2,958)	(3,605)
Deferred income tax	(1,224)	(525)
Income tax expense as disclosed in the profit and loss account	(4,182)	(4,130)

Regulations applicable to the value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent amendments, thereby often depriving the taxpayers of a possibility to refer to well established regulations or legal precedents. The current regulations in force include ambiguities which may give rise to different opinions and legal interpretations on the taxation regulations either between companies and public administration, or between the public administration bodies themselves. Taxation and other settlements (for instance customs duty or currency payments) may be controlled by administration bodies that are entitled to impose considerable fines, and the amounts of so determined liabilities must be paid with high interest. In effect the amounts disclosed in the financial statements may be later changed, after the taxes payable are finally determined by the taxation authorities.

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

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015 <i>restated</i>
Pre-tax profit		
Pre-tax profit from	15,397	14,958
Statutory corporate income tax rate	22%	22%
Corporate income tax computed at the statutory tax rate	3,387	3,291
Minimum taxes and withholding tax	277	270
Difference in corporate income tax rates	40	8
Non-tax deductible accounting costs	183	192
Tax losses for which no deferred tax asset was recognized	382	369
Other	(87)	-
Corporate income tax at the effective tax rate of: 27.2% in 2016 and 27.6% in 2015	4,182	4,130

The table below presents the reconciliation of change of deferred tax asset and liability and deferred tax disclosed in profit or loss:

12 months ended 31 December 2016	Opening balance	acquisition of subsidiaries (+)	exchange differences on translation of foreign operations (+/-)	Closing balance	Profit and loss
Deferred income tax assets, gross	2,611	-	-	1,531	(1,080)
Deferred income tax liabilities, gross	1,661	-	-	1,805	(144)
Change of deferred tax disclosed in profit or loss					(1,224)

The Group made an estimation of taxable income planned to be achieved in the future and concluded it will be able to utilize the deferred tax assets in the amount of EUR 766 thousand as at 31 December 2016 (EUR 1,424 thousand as at 31 December 2015).

	31 Dec 2016	31 Dec 2015 <i>restated</i>
Deferred income tax assets	766	1,424
Deferred income tax liabilities	(1,040)	(474)
Deferred income tax assets (+)/Deferred income tax liability (-), net	(274)	950

As at 31 December 2016 deferred income tax assets resulting from the prior years' tax losses, which were not recognized by the Group amounted to EUR 299 thousand.

As at 31 December 2015 deferred income tax assets resulting from the prior years' tax losses, which were not recognized by the Group amounted to EUR 760 thousand.

The table below presents information on deferred income tax assets and liabilities:

	Deferred income tax liability, gross		Deferred income tax asset, gross	
	31 Dec 2016	31 Dec 2015 <i>restated</i>	31 Dec 2016	31 Dec 2015 <i>restated</i>
Property, plant and equipment	116	152	77	69
Intangible assets	1,351	1,390	24	51
Loans granted	8	-	-	-
Inventories	-	-	17	16
Trade receivables	311	117	162	159
Interest-bearing bank loans, borrowings and debt securities	-	-	7	5
Provisions	19	2	158	267
Trade payables	-	-	762	323
Accruals	-	-	474	792
Deferred income	-	-	34	44
Losses deductible against future taxable income	-	-	638	1,645
Deferred income tax liability, gross	1,805	1,661	n/a	n/a
Deferred income tax asset, gross	n/a	n/a	2,353	3,371
Write-down due to inability to realize a deferred income tax asset	n/a	n/a	(822)	(760)
Deferred income tax asset, net	n/a	n/a	1,531	2,611
Deferred income tax asset/liability, net	1,040	474	766	1,424

6. Earnings per share

Basic earnings per share are computed by dividing the net profit for the reporting period, attributable to shareholders of the Parent Company, by the average weighted number of ordinary shares outstanding during that financial period.

Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Parent Company, by the adjusted (due to diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.

The tables below present net profits and numbers of shares used for calculation of basic earnings per share:

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015 <i>restated</i>
Net profit attributable to Shareholders of the Parent Company	11,726	11,250
Average weighted number of ordinary shares, used for calculation of diluted earnings per share	21,360,000	21,360,000
Basic consolidated earnings per share	0.55	0.53

During both the reporting period and the comparative periods no events took place that would cause dilution of earnings per share.

7. Dividends paid

In the year 2016 and year 2015 the Parent Company paid out to its shareholders a dividend for the year 2015 and 2014, respectively.

In 2016 by decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s., the amount of EUR 11,107,200 from net profit for the year 2015 was allocated to payment of a dividend of EUR 0.52 per share and the amount of EUR 678,960.98 remained in retained earnings. The payment date was 19 April 2016.

In 2015 by decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s., the amount of EUR 10,039,200 from net profit for the year 2014 was allocated to payment of a dividend of EUR 0.47 per share and the amount of EUR 6,460,103.57 remained in retained earnings. The payment dates were 28 April 2015 and 5 June 2015.

As in the previous years, the Parent Company intends to pay out the dividends in 2017 from the net profit achieved for the accounting period ending 31 December 2016.

8. Property, plant and equipment

The net book value of property, plant and equipment, during the period of twelve months ended 31 December 2016 and in the comparative period, changed as a result of the following transactions:

For 12 months ended 31 December 2016	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
Net book value of property, plant and equipment as at 1 January 2016	661	1,849	1,481	176	24	4,191
Additions, of which:	62	1,027	1,050	157	556	2,852
Purchases and modernization	62	750	821	157	556	2,346
Transfers from tangible assets under construction	-	277	229	-	-	506
Finance lease	-	-	-	-	-	-
Obtaining control over subsidiaries	-	-	-	-	-	-
Other	-	-	-	-	-	-
Reductions, of which:	(71)	(872)	(742)	(106)	(506)	(2,297)
Depreciation charge for the reporting period	(71)	(875)	(711)	(106)	-	(1,763)
Disposal and liquidation	-	3	(31)	-	-	(28)
Transfers from tangible assets under construction	-	-	-	-	(506)	(506)
Other (+/-)	4	26	1	(30)	4	5
Exchange differences on translation of foreign operations (+/-)	2	2	4	3	(1)	10
Net book value of property, plant and equipment as at 31 December 2016	658	2,032	1,794	200	77	4,761
As at 1 January 2016						
Gross value	1,281	8,663	3,976	802	24	14,746
Depreciation and impairment write-downs	(620)	(6,814)	(2,495)	(626)	-	(10,555)
Net book value as at 1 January 2016	661	1,849	1,481	176	24	4,191
As at 31 December 2016						
Gross value	1,345	9,534	4,387	790	77	16,133
Depreciation and impairment allowance	(687)	(7,502)	(2,593)	(590)	-	(11,372)
Net book value as at 31 December 2016	658	2,032	1,794	200	77	4,761

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For 12 months ended 31 December 2015	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
Net book value of property, plant and equipment as at 1 January 2015	681	1,837	1,102	117	39	3,776
Additions, of which:	60	894	987	153	19	2,113
Purchases and modernization	44	674	793	144	19	1,674
Transfers from tangible assets under construction	-	34	-	-	-	34
Finance lease	-	-	26	-	-	26
Obtaining control over subsidiaries	-	140	168	6	-	314
Other	16	46	-	3	-	65
Reductions, of which:	(92)	(888)	(630)	(95)	(34)	(1,739)
Depreciation charge for the reporting period	(71)	(833)	(564)	(88)	-	(1,556)
Disposal and liquidation	(21)	(55)	(66)	(7)	-	(149)
Transfers from tangible assets under construction	-	-	-	-	(34)	(34)
Other (+/-)	(4)	(1)	5	-	-	-
Exchange differences on translation of foreign operations (+/-)	16	7	17	1		41
Net book value of property, plant and equipment as at 31 December 2015	661	1,849	1,481	176	24	4,191
As at 1 January 2015						
Gross value	1,250	9,325	3,315	752	39	14,681
Depreciation and impairment write-downs	(569)	(7,488)	(2,213)	(635)	-	(10,905)
Net book value as at 1 January 2015	681	1,837	1,102	117	39	3,776
As at 31 December 2015						
Gross value	1,281	8,663	3,976	802	24	14,746
Depreciation and impairment allowance	(620)	(6,814)	(2,495)	(626)		(10,555)
Net book value as at 31 December 2015	661	1,849	1,481	176	24	4,191

As at 31 December 2016 and as at 31 December 2015 no tangible assets served as collateral for credit facilities.

9. Intangible assets

The net book value of intangible assets, during the period of twelve months ended 31 December 2016 and in the comparative period, changed as a result of the following transactions:

For 12 months ended 31 December 2016	Internally generated software and licenses	Purchased software, patents, licenses and other intangibles	Costs of development projects in progress	Other	Total
Net book value of intangible assets as at 1 January 2016	2,082	6,226	130	1,107	9,545
Additions, of which:	325	583	1,382	-	2,290
Purchases	-	574	-	-	574
Capitalization of costs of development projects	-	-	1,382	-	1,382
Transfers from the costs of development projects in progress	325	-	-	-	325
Obtaining control over subsidiaries	-	-	-	-	-
Other	-	9	-	-	9
Reductions, of which:	(551)	(1,702)	(325)	(429)	(3,007)
Amortization charge for the reporting period	(551)	(1,702)	-	(429)	(2,682)
Disposal and liquidation	-	-	-	-	-
Transfers to internally generated software	-	-	(325)	-	(325)
Other (+/-)	-	3	-	-	3
Exchange differences on translation of foreign operations (+/-)	8	1	5	7	21
Net book value of intangible assets as at 31 December 2016	1,864	5,111	1,192	685	8,852
As at 1 January 2016					
Gross value	6,178	21,027	130	7,955	35,290
Amortization and impairment allowance	(4,096)	(14,801)	-	(6,848)	(25,745)
Net book value as at 1 January 2016	2,082	6,226	130	1,107	9,545
As at 31 December 2016					
Gross value	6,555	21,494	1,192	8,044	37,285
Amortization and impairment allowance	(4,691)	(16,383)	-	(7,359)	(28,433)
Net book value as at 31 December 2016	1,864	5,111	1,192	685	8,852

Based on the detailed analysis of costs of development projects in progress the Board of Directors of the Parent Company believes the carrying value of costs of development projects in progress do not exceed the recoverable amount.

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For 12 months ended 31 December 2015 restated	Internally generated software and licenses	Purchased software, patents, licenses and other intangibles	Costs of development projects in progress	Other	Total
Net book value of intangible assets as at 1 January 2015	2,087	7,598	-	902	10,587
Additions, of which:	429	163	457	560	1,609
Purchases	-	152	-	-	152
Capitalization of costs of development projects	-	-	457	-	457
Transfers from the costs of development projects in progress	325	-	-	-	325
Obtaining control over subsidiaries	104	11	-	560	675
Other	-	-	-	-	-
Reductions, of which:	(434)	(1,543)	(325)	(367)	(2,669)
Amortization charge for the reporting period	(434)	(1,543)	-	(367)	(2,344)
Disposal and liquidation	-	-	-	-	-
Transfers to internally generated software	-	-	(325)	-	(325)
Changes of presentation					
Exchange differences on translation of foreign operations (+/-)	-	8	(2)	12	18
Net book value of intangible assets as at 31 December 2015	2,082	6,226	130	1,107	9,545
As at 1 January 2015					
Gross value	5,320	22,286	-	7,387	34,993
Amortization and impairment allowance	(3,233)	(14,688)	-	(6,485)	(24,406)
Net book value as at 1 January 2015	2,087	7,598	-	902	10,587
As at 31 December 2015					
Gross value	6,178	21,027	130	7,955	35,290
Amortization and impairment allowance	(4,096)	(14,801)	-	(6,848)	(25,745)
Net book value as at 31 December 2015 restated	2,082	6,226	130	1,107	9,545

Other intangible assets refer to PPA from acquisitions (customer contracts, software) in amount of EUR 840 thousands (2015: EUR 1,264 thousand).

As at 31 December 2016 and 31 December 2015 no intangible assets served as security for bank loans.

10. Goodwill

For impairment testing purposes, goodwill is allocated by the Group in the following way:

- to the groups of cash-generating units that constitute an operating segment; or
- to individual subsidiaries.

	31 Dec 2016	31 Dec 2015 <i>restated</i>
Segment Asseco Central Europe		
Asseco Central Europe (Slovakia) – ISZP, MPI	1,075	1,075
Asseco Central Europe (Czech Republic)	14,934	14,934
InterWay	2,017	2,017
Exe	1,421	1,421
Segment Asseco Solutions		
Asseco Solutions (Slovakia)	7,649	7,647
Asseco Solutions (Germany)	16,706	16,706
Asseco Solutions (Czech Republic)	6,641	6,641
Segment Other		
Asseco Central Europe Magyarország	6,612	6,483
Total	57,055	56,924

During the period of twelve months ended 31 December 2016, the following changes in goodwill were observed:

Goodwill as allocated to reporting segments:	Goodwill at the beginning of the period	Increases due to obtaining of control (+)	Decrease due to loss of control (-)	Decreases due to impairment (-)	Foreign exchange differences (+/-)	Goodwill at the end of the period
Asseco Central Europe	19,447	-	-	-	-	19,447
Asseco Solutions	30,994	2	-	-	-	30,996
Other	6,483	-	-	-	129	6,612
	56,924	2	-	-	129	57,055

Movements in the carrying amount of goodwill during the year ended 31 December 2016 were mostly due to translation differences related to foreign operations.

In 2016 Asseco Central Europe completed the purchase price allocation related to acquisitions of InterWay, a.s. and exe, a.s.

Asseco Central Europe, a.s. acquired 66% of shares in the company InterWay, a.s. in July 2015. The purchase price of the acquired 66% equity interest amounted to EUR 3,173 thousand and was paid in cash. As at 30 September 2016 the process of purchase price allocation was completed by the Group. The provisional and fair values of identifiable assets and liabilities in acquired company as at the date of obtaining control were as follows:

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	Provisional value as at the acquisition date EUR thousands	Fair value as at the acquisition date EUR thousands
Assets acquired	5,621	5,851
Property, plant and equipment	225	225
Intangible assets	103	333
Trade receivables	2,887	2,887
Receivables from state and local budgets	99	99
Financial assets	98	98
Cash and cash equivalents	2,094	2,094
Other assets	115	115
Liabilities acquired	4,048	4,099
Trade payables	3,346	3,346
Liabilities to the state and local budgets	91	91
Finance lease liabilities	58	58
Provisions	192	192
Deferred income	137	137
Deferred tax liability	2	53
Other liabilities	222	222
Net assets value	1,573	1,752
Equity interest acquired	66%	66%
Value of non-controlling interests	535	596
Purchase price	3,173	3,173
Goodwill as at the acquisition date	2,135	2,017

Asseco Central Europe, a.s. acquired 100% of shares in the company exe, a.s. in August 2015. The purchase price of the acquired 100% equity interest amounted to EUR 2,400 thousand, of which the amount of EUR 1,920 thousand has been paid and the rest of purchase price amounted to EUR 480 thousand has been deferred.

As at 30 September 2016 the process of purchase price allocation was completed by the Group. The provisional and fair values of identifiable assets and liabilities in acquired company as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date EUR thousands	Fair value as at the acquisition date EUR thousands
Assets acquired	2,355	2,685
Property, plant and equipment	89	89
Intangible assets	12	342
Trade receivables	1,313	1,313
Receivables from state and local budgets	10	10
Cash and cash equivalents	242	242
Prepayments	673	673
Other assets	16	16
Liabilities acquired	1,633	1,706
Trade payables	1,315	1,315
Liabilities to the state and local budgets	49	49
Provisions	175	175
Deferred tax liability	72	145
Other liabilities	22	22

All figures in thousands of EUR,
unless stated otherwise

Net assets value	722	979
Equity interest acquired	100%	100%
Value of non-controlling interests	-	-
Purchase price	2,400	2,400
Goodwill as at the acquisition date	1,678	1,421

11. Impairment testing

During the 12-month period ended 31 December 2016, the stock market capitalization of Asseco Central Europe, a. s. was below the book value of the Group's assets. The Board of Directors of Asseco Central Europe considered such situation as an indication of possible impairment of our cash-generating units, to which goodwill has been allocated.

In line with the Group's policy, each year as at 31 December, the Board of Directors of the Parent Company performs an annual impairment test on cash-generating units or groups of cash-generating units, to which goodwill has been allocated.

Each impairment test requires making estimates of the recoverable value of a cash-generating unit or a group of cash-generating units to which goodwill is allocated. Impairment testing involve determination of their value in use by applying the model of discounted free cash flow to firm (FCFF).

In the calculation of the value in use of cash-generating units or groups, the following assumptions have been adopted:

- for each subsidiary, the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole subsidiary company;
- detailed forecasts covered the period of 5 years, for which increasing cash flows were assumed, while for further time of each subsidiary operations the residual value was computed assuming no growth in cash flows;
- the assumed increases in cash flows depend upon the strategy of the entire Group, tactical plans of individual companies, they take due account of conditions prevailing in particular markets by region and sector, at the same time reflecting the present and potential order portfolios;
- the forecasts for foreign subsidiaries assumed growth of sales in their functional currencies;
- the discount rates applied were equivalent to the weighted average cost of capital for a given cash-generating unit. Particular components of the discount rate were determined taking into account the market values of risk free interest rates, the beta coefficient leveraged to reflect the market debt equity structure, as well as the expected market yield.

The conducted impairment tests, which involved the estimation of the value in use by applying the model of discounted free cash flow to firm (FCFF), indicated that the value in use of our cash-generating units or groups of cash-generating units is higher than their carrying value. Hence, the conducted impairment test did not indicate a necessity for the Parent Company to recognize any impairment write-offs on its cash-generating units as at 31 December 2016.

Sensitivity analysis

The Group carried out a sensitivity analysis in relation to other goodwill impairment tests conducted as at 31 December 2016, in order to find out how much the selected parameters applied in the model could be changed so that the estimated value in use of cash-generating units equaled their carrying amounts. Such sensitivity analysis examined the impact of changes in the applied:

- nominal discount rate applied for the residual period, i.e. cash flows generated after 2021;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. in the years 2017-2021;

as factors with influence on the recoverable value of a cash-generating unit, assuming other factors remain unchanged.

The results of the conducted sensitivity analysis are presented in the table below:

	Carrying amount of CGU EUR thousand	Discount rate		Compound annual growth rate of cash flows	
		applied in the model for residual period	marginal	applied in the model for forecast period	marginal
		%	%	%	%
Cash-generating units constituted by companies or groups of companies					
Asseco Central Europe (Slovakia) – MPI	611	6.9%	∞	49.0%	-∞
Asseco Central Europe (Slovakia) – ISZP*	5,154	6.9%	∞	(5.6%)	(48.9%)
Asseco Central Europe (Czech Republic)	19,835	6.9%	23.6%	3.3%	(13.3%)
Asseco Solutions (Slovakia, Czech Republic, Germany)**	30,976	7.8%	45.7%	15.7%	(7.3%)
Asseco Central Europe Magyarország (Hungary)	9,640	11.4%	42.0%	41.7%	27.7%
InterWay*	3,722	9.3%	∞	(2.7%)	(26.3%)
Exe	2,152	9.3%	73.6%	0.3%	(27.1%)

∞ - means that the marginal discount rate for the residual period is greater than 100%.

*For ISZP and InterWay compound annual growth rate of free cash flow was calculated over the four years of the forecasted period, due to the fact that in the first period the free cash flow were negative.

** In 2016 Asseco Solutions, a.s. (SK), Asseco Solutions, a.s. (CZ) and Asseco Solutions AG (DE) were presented as one CGU. In 2015 Asseco Solutions, a.s. (SK), Asseco Solutions, a.s. (CZ) and Asseco Solutions AG (DE) were separate CGUs.

12. Investment in associates

As at 31 December 2016, the Group's associates are: Prvni Certifikacni Autorita a. s., eDocu a. s., LittleLane, a.s., SCS Smart Connected Solutions GmbH, InterWay CZ, s.r.o. and Galvaniho 5, s.r.o. The above-mentioned investments are valued using the equity method.

The table below presents condensed information on the investments held by the Group:

	31 Dec 2016	31 Dec 2015
Non-current assets	2,149	162
Current assets	779	713
Non-current liabilities	1,792	-
Current liabilities	705	323
Net assets	431	552
Book value of investments	1,120	1,029

All figures in thousands of EUR,
unless stated otherwise

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Sales revenues	1,063	981
Net profit (loss)	(269)	106
Share in profits of associated companies	35	106

There were no contingent liabilities relating to the Group's interest in the associates as at 31 December 2016 and 2015.

13. Financial assets

Loans granted and other financial assets

	31 Dec 2016	31 Dec 2015
Non-current loans, of which:	2,123	4
<i>loans granted to related parties</i>	2,117	-
<i>loans granted to employees</i>	6	4
Financial assets available for sale	3	3
	2,126	7
Current loans, of which:	7,408	3,564
<i>loans granted to related parties</i>	290	38
<i>loans granted to employees</i>	23	9
<i>other</i>	7,095	3,517
Current financial assets at fair value	-	4
	7,408	3,568

Loans granted to related parties

Loans granted to related parties in the total amount of EUR 2,407 thousand comprise of:

- Loan granted to Galvániho 5, s.r.o. (principal EUR 1,734 thousand + interests EUR 5 thousand, interest rate 2% p.a., maturity not before 1 January 2025);
- Loan granted to SCS Smart Connected Solutions GmbH (principal EUR 375 thousand + interests EUR 3 thousand, interest rate EURIBOR 3m +2%, maturity: 31 December 2021);
- Loan granted to eDocu a.s. (principal EUR 250 thousand + interests EUR 3 thousand, interest rate 2.5% p.a., maturity: 30 June 2017);
- Loan granted to executives in Axera, s.r.o in the amount of EUR 37 thousand.

Loans to related parties were granted on an arm's length basis.

Other loans

As at 31 December 2016 under category other loans there are presented bills of exchange of J&T Private Equity B.V. in amount of EUR 7,095 thousand with maturity on: 9 January 2017 (EUR 1,000 thousand, interest rate 6.3%), 10 April 2017 (EUR 300 thousand, interest

rate 5.8%), 18 April 2017 (EUR 500 thousand, interest rate 5.6%), 28 April 2017 (EUR 1,100 thousand, interest rate 4.0%), 3 July 2017 (EUR 2,000 thousand, interest rate 5.1%) and 7 July 2017 (EUR 2,031 thousand, interest rate 5%).

These bills of exchange are classified as 'Loans granted' and are carried at amortized cost. They are recognized as current assets as their maturity periods are shorter than 12 months from the balance sheet date.

As at 31 December 2015 under category other loans there are presented bills of exchange of J&T Private Equity B.V. in amount of EUR 3,517 thousand with maturity on: on 8 April 2016 (EUR 217 thousand, interest rate 6,25%), 28 July 2016 (EUR 300 thousand, interest rate 5,6%), 18 April 2016 (EUR 2,000 thousand, interest rate 4.0%) and 11 March 2016 (EUR 1,000 thousand, interest rate 3,2%).

14. Non-current and current prepayments

As at 31 December 2016 and in the comparative period, the Group held the following current prepayments:

	31 Dec 2016	31 Dec 2015
Current		
Pre-paid maintenance services	4,339	4,151
Pre-paid licence fees	135	102
Pre-paid insurance	100	90
Pre-paid rents and pre-paid operating lease payments	23	36
Pre-paid consultancy services	16	16
Subscriptions and other pre-paid services	187	193
Other prepayments	168	2
	4,968	4,590

15. Inventories

	31 Dec 2016	31 Dec 2015
Raw materials, spare parts and other components used in implementation or maintenance of IT systems	7	9
Computer hardware, third party licenses and other goods for resale	572	679
Impairment allowance	(72)	(64)
	507	624

As at 31 December 2016 and 2015, inventories did not serve as security for any bank credits agreed by the Group.

16. Non-current and current receivables

Non-current receivables

Non-current receivables	31 Dec 2016	31 Dec 2015
Deposits paid	428	435
Revaluation write-down (-)	-	-
	428	435

Non-current receivables from deposits paid relates to the deposits paid and securing deposits mostly connected with lease of office spaces.

Non-current trade receivables and receivables from uninvoiced deliveries are not interest-bearing and were valued at their present (discounted) value.

Non-current receivables were not pledge as collateral for any bank guarantees (of due performance of contracts and tender deposits) neither as at 31 December 2016 nor as at 31 December 2015.

Current receivables

Trade accounts receivable	31 Dec 2016	31 Dec 2015
Trade receivables, of which:	37,443	39,618
<i>receivables from related companies</i>	1,464	393
<i>receivables from other companies</i>	35,979	39,225
Receivables from valuation of long-term IT contracts (PoC valuation), of which:	3,666	1,540
<i>receivables from related companies</i>	11	-
<i>receivables from other companies</i>	3,655	1,540
Receivables from uninvoiced deliveries, of which:	373	427
<i>receivables from related companies</i>	-	-
<i>receivables from other companies</i>	373	427
Revaluation write-down on doubtful receivables (-)	(2,273)	(2,258)
	39,209	39,327

Trade receivables are not interest-bearing.

The Group has a relevant policy based on selling its products and services to reliable clients only. Owing to that in the management's opinion the related credit risk would not exceed the level covered by allowances for doubtful accounts as established by the Group.

Receivables from valuation of IT contracts (implementation, long-term contracts) result from the surplus of revenues recognized based on the percentage of completion of implementation contracts over invoices issued.

Receivables relating to uninvoiced deliveries result from the sale of third-party licenses and maintenance services, for which invoices have not yet been issued for the whole period of licensing or provision for maintenance services.

The following table presents the ageing structure of receivables as at 31 December 2016 and 31 December 2015:

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Ageing of trade accounts receivable	as at 31 Dec 2016		as at 31 Dec 2015	
	amount	structure	amount	Structure
Receivables not yet due	31,638	80%	35,678	91%
Receivables overdue less than 3 months	6,320	16%	3,084	8%
Receivables overdue between 3 to 6 months	1,019	3%	461	1%
Receivables overdue more than 6 months	232	1%	104	0%
	39,209	100%	39,327	100%

As at 31 December 2016 and as at 31 December 2015, no receivables and future receivables were pledged as collateral for credit facilities.

Transactions with related parties are presented in note 25 to these consolidated financial statements.

Receivables from state and local budgets and other receivables	31 Dec 2016	31 Dec. 2015
Receivables from state and local budgets		
Social Insurance Institution	12	10
Value added tax	53	150
Other	35	-
	100	160
Corporate income tax (CIT)	775	1,107
Other receivables		
Receivables from deposits paid and guarantees of due performance of contracts	398	406
Other receivables	179	561
Revaluation write-down on other doubtful receivables (-)	(76)	(76)
	501	891

In 2016 and 2015, revaluation write-downs on trade accounts receivable and other receivables were as follows:

	31 Dec 2016	31 Dec 2015
As at 1 January	2,334	2,169
Obtaining control over subsidiaries	-	103
Creation	1,042	890
Utilized and released	(1,029)	(845)
Exchange differences on translation of foreign operations (+/-)	2	17
As at 31 December	2,349	2,334

17. Implementation contracts

In the years 2016 and 2015, the 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. The Group

measures the percentage of completion of IT implementation contracts using basically the 'cost' method (this is by determining the relation of costs incurred to the overall project costs) or according to the 'work-effort' method (by determining the portion of work completed out of the total work effort required in a project).

The following table includes basic data about the ongoing IT implementation contracts:

	31 Dec 2016	31 Dec 2015
Revenues from execution of IT contracts recognized in the reporting period	32,363	37,467
<i>For all projects being in progress at the balance sheet date:</i>		
Revenues recognized from execution of IT contracts (cumulative)	39,927	43,042
Costs incurred due to execution of IT contracts (cumulative)	(25,768)	(31,611)
Net provisions for losses on IT contracts	(78)	(185)
Profit (loss) on execution of IT contracts	14,081	11,246
Invoiced revenues from execution of IT contracts (cumulative)	38,008	44,702
Receivables arising from valuation of IT contracts	3,666	1,540
Liabilities arising from valuation of IT contracts	(1,747)	(3,200)

18. Cash and cash equivalents

	31 Dec 2016	31 Dec. 2015
Cash at bank	42,063	40,144
Cash on hand	90	112
Current deposits	-	3,950
Cash equivalents	28	20
Total cash and cash equivalents as disclosed in the statement of financial position	42,181	44,226
Bank overdrafts which form an integral part of an entity's cash management	(1,922)	(951)
Total cash and cash equivalents as disclosed in the cash flow statement	40,259	43,275

The interest on cash at bank is calculated with variable interest rates which depend on bank overnight deposit rates. Current deposits are made for varying periods of maturity between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective current deposit rates.

Current deposits did not serve as collateral for any bank guarantees (of due performance of contracts and tender deposits) neither at 31 December 2016 nor at 31 December 2015.

19. Share capital, capital reserves and non-controlling interests

Share capital	Par value per share	as at 31 Dec 2016 Number of shares	as at 31 Dec 2015 Number of shares
Ordinary shares – series	0.0331939	21,360,000	21,360,000

Par value on shares

All shares issued have the par value of EUR 0.0331939 per share and have been fully paid up.

In 2016 and 2015 there were no changes in the Parent Company's share capital and share premium account.

The parent company of Asseco Central Europe, a. s. is Asseco Poland S.A. (the higher-level parent company). As at 31 December 2016, Asseco Poland S.A. held a 99.32% stake in the share capital of Asseco Central Europe, a. s.

Non-controlling interest

	31 Dec 2016	31 Dec 2015
At the beginning of the period	(2,048)	(1,322)
Net profit attributable to non-controlling interests	(476)	(316)
Exchange differences on translation of foreign operations	(2)	-
Dividends paid to non-controlling interests	(332)	(87)
Recognition of non-controlling interest	67	596
Increase in a parent's ownership	71	-
Settlement of put options over non-controlling interest	33	(919)
At the end of the period	(2,687)	(2,048)

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree at either: fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. In 2016 for all acquisitions non-controlling interests were measured at proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Position 'Settlement of put options over non-controlling interest' in the amount of EUR 33 thousand relates to the derecognition of non-controlling interest in InterWay, a.s. and Asseco Solution GmbH (Austria) as a result of put options. The difference between the put option liabilities recognized at the end of the reporting period and the non-controlling interest derecognized is accounted for as a change in the equity attributable to the Parent Company in the amount of EUR 765 thousand.

In 2016, dividends in amount of EUR 113 thousand were paid to non-controlling interest in Asseco Solutions GmbH (Austria) and EUR 219 thousand were paid to non-controlling interest in InterWay, a.s. In the comparative period dividends in amount of EUR 87 thousand were paid to non-controlling interest in Asseco Solutions GmbH (Austria).

20. Non-current and current financial liabilities

Non-current	31 Dec 2016	31 Dec 2015
Liabilities due to acquisition of shares in subsidiaries (put options)	3,387	4,185
Finance lease commitments	28	30
	3,415	4,215
Current	31 Dec 2016	31 Dec 2015
Liabilities due to dividend payment	46	12
Finance lease commitments	22	54
Liabilities due to acquisition of shares (deferred payments)	981	806
Other	31	1,216
	1,080	2,088

Non-current financial liabilities due to acquisition of shares in subsidiaries (put options) relate to:

- the put option granted to Mr. Markus Haller, who holds 25% of the share capital of Asseco Solutions GmbH. Under the agreement signed on 4 December 2014 by Asseco Solutions AG, Mr. Haller may exercise the put option upon the termination of his employment as managing director of the company. The purchase price shall be equal the amount of EUR 2.6 million, however in the case that Mr. Haller himself cancels his function as chairman of the management board, the price shall be EUR 1 million. According to the best knowledge and belief of the Board of Directors there are no plans or intentions to terminate the contract with Mr. Haller, therefore at the end of the reporting period, the Group has measured the financial liability at the amount of EUR 1 million. The Company does not expect the put option to be exercised in next financial year.
- the put option granted to non-controlling interests of InterWay in the amount of EUR 2,387 thousand. Put option may be exercised either in April 2018 or in April 2019.

Liabilities due to acquisition of shares relate mainly to the deferred payments for shares in acquired subsidiary - exe, a.s. in the amount of EUR 480 thousands and deferred payment for shares in acquired associate - LittleLane, a.s in the amount of EUR 175 thousand.

Minimum future cash flows and liabilities under the finance lease agreements are as follows:

	31 Dec 2016	31 Dec 2015
Minimum lease payments		
in the period shorter than 1 year	22	54
in the period from 1 to 5 years	28	30
Future minimum lease payments	50	84
Future interest expense	-	-
Present value of finance lease commitment	50	84
in the period shorter than 1 year	22	54
in the period from 1 to 5 years	28	30

As at 31 December 2016, the effective interest rate on the above financial leasing of vehicles equaled to 6.0% (2015: 5.5%) and IT equipment to 6.08% (2015: 6.1%).

21. Interest-bearing bank credits and debt securities issued

Short-term credit facilities	Name of entity	Maximum debt as at 31 Dec 2016	Effective interest rate %	Currency	Maturity	31 Dec 2016	31 Dec 2015
Overdraft	Asseco Solutions AG	1,000	EONIA +2.5%	EUR	-	-	-
Overdraft	Asseco Solutions AG	1,000	3M EURIBOR + 6%	EUR	-	-	-
Overdraft	DanubePay, a.s.	-	EONIA+1.2%	EUR	-	-	951
Overdraft	DanubePay, a.s.	2,000	2.5%	EUR	-	1,682	-
Overdraft	InterWay, a.s.	20	1M EURIBOR + 1.99%	EUR	-	4	-
Overdraft	InterWay, a.s.	1,000	19%	EUR	-	1	-
Overdraft	exe, a.s.	900	1M EURIBOR + 1.4%	EUR	7/2017	235	-
Overdraft	Asseco Solution, a.s. (SK)	1,000	1M EURIBOR + 2.5%	EUR	12/2017	-	-
Overdraft	Asseco Central Europe Magyarorszag Zrt.	323	BUBOR	HUF	9/2017	-	-
		7,243				1,922	951

Additionally, as at 31 December 2016 Asseco Bel LLC had a loan in the amount of EUR 7 thousand which has been granted by Asseco Poland S.A.

As at 31 December 2016 the total funds available to the Asseco Central Europe Group under credit facilities opened in the current accounts reached the level of EUR 7,243 thousand.

As at 31 December 2015 the total funds available to the Asseco Central Europe Group under credit facilities opened in the current accounts reached the level of EUR 5,000 thousand.

As at 31 December 2016 and as at 31 December 2015 no assets served as collateral for credit facilities

22. Trade and other payables

As at 31 December 2016 and in the comparative periods, the Group had the following liabilities:

Current trade payables	31 Dec 2016	31 Dec 2015
Invoiced current trade payables, of which:	27,559	24,748
<i>to related companies</i>	125	70
<i>to other companies</i>	27,434	24,678
Liabilities relating to valuation of long term IT contracts (Poc), of which:	1,747	3,200
<i>to related companies</i>	-	-
<i>to other companies</i>	1,747	3,200
Liabilities due to non-invoiced deliveries, of which:	4,607	4,433
<i>to related companies</i>	-	-
<i>to other companies</i>	4,607	4,433
	33,913	32,381

Trade payables are not interest-bearing. The transactions with related companies are presented in note 25 to these consolidated financial statements.

Liabilities to the state and local budgets and other liabilities	31 Dec 2016	31 Dec 2015
Liabilities to the state and local budgets		
Social Insurance Institution	1,556	1,503
Personal income tax (PIT)	885	801
Value added tax	2,759	2,869
Other	10	21
	5,210	5,194
Corporate income tax (CIT)	310	559
Other current liabilities		
Liabilities to employees relating to salaries and wages	2,673	2,331
Trade prepayments received	37	29
Other liabilities	239	139
	2,949	2,499

Other liabilities are not interest-bearing.

23. Provisions

	Provision for warranty repairs	Provision for loss on long-term IT contracts (PoC valuation)	Other provisions	Total
As at 1 January 2016	650	184	315	1,149
Acquisitions of subsidiaries (+)	-	-	-	-
Created during the reporting period (+)	513	130	97	740
Used or reversed during the reporting period (-)	(615)	(236)	(328)	(1,179)
Exchange differences on translation of foreign operations (+/-)	2	-	(4)	(2)
As at 31 December 2016	550	78	80	708
Current as at 31 December 2016	550	78	58	686
Non-current as at 31 December 2016	-	-	22	22

	Provision for warranty repairs	Provision for loss on long-term IT contracts (PoC valuation)	Other provisions	Total
As at 1 January 2015	1,148	41	979	2,168
Acquisitions of subsidiaries (+)	-	-	3	3
Created during the reporting period (+)	1,268	154	163	1,585
Used or reversed during the reporting period (-)	(1,772)	(12)	(849)	(2,633)
Exchange differences on translation of foreign operations (+/-)	6	1	19	26
As at 31 December 2015	650	184	315	1,149
Current as at 31 December 2015	650	184	297	1,131
Non-current as at 31 December 2015	-	-	18	18

The provision created for the costs of warranty repairs corresponds to provision of own software guarantee services as well as to handling of the guarantee maintenance services being provided by the producers of hardware that was delivered to the Group's customers. Other provisions include provisions for penalties and compensations created for contractual penalties, mostly related to delayed projects.

24. Accrued expenses and deferred income

Accrued expenses comprise accruals for unused holiday leaves, for salaries and wages of the current period payable in future periods which result from the bonus schemes applied by Asseco Central Europe Group.

Current accrued expenses	31 Dec 2016	31 Dec 2015
Accrual for unused holiday leaves	1,673	1,619
Accrual for the employee bonuses and severance payments	2,633	4,231
	4,306	5,850

The balance of deferred income relates mainly to prepayments for services such as maintenance and IT support. The received prepayments are related primarily to the software development projects implemented by the Group.

Non-current deferred income	31 Dec 2016	31 Dec 2015
Maintenance services	204	73
Grants	790	-
	994	73

Current deferred income	31 Dec 2016	31 Dec 2015
Maintenance services	6,495	5,287
Licence fees	93	6
Implementations	16	167
Grants	474	-
Other	34	13
	7,112	5,473

25. Transactions with related parties

Asseco Central Europe Group sales to related parties:		12 months ended	12 months ended
Name of entity	Transaction type	31 Dec 2016	31 Dec 2015
Transactions with Asseco Poland S.A.			
Asseco Poland S.A.	<i>sales of IT services and licences</i>	630	383
		630	383
Transactions with related companies			
Matrix42 AG	<i>sales of IT services and licences</i>	-	8
Asseco Software Nigeria Ltd.	<i>sales of IT services and licences</i>	439	-
		439	8
Transactions with associates			
První certifikační autorita. a.s CR	<i>sales of IT services and licences</i>	-	3
eDocu, a.s.	<i>sales of IT services and licences</i>	26	-
SCS Smart Connected Solutions GmbH	<i>sales of IT services and licences</i>	602	-
		628	3
Transactions with entities related through Group's key management personnel			
PaR Solutions, s.r.o. ¹⁾	<i>sales of IT services and licences</i>	5	-
Nowire, s.r.o. ²⁾	<i>sales of IT services and licences</i>	9	15
ABK Design & Consulting, s.r.o. ³⁾	<i>sales of equipment</i>	1	-
ASSET, a.s. ⁴⁾	<i>sales of IT services and licences</i>	6	-
KIUK, spol. s.r.o. ⁵⁾	<i>sales of equipment</i>	2	-
		23	15
Transactions with Members of the Board of Directors, Supervisory Board and Proxies of other Group's companies			
Mariusz Lizon ⁶⁾	<i>lease of tangible assets</i>	7	9
Aleksander Duch ⁷⁾	<i>consultancy services</i>	19	-
		26	9
TOTAL		1,746	418

¹⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Richard Weber and Peter Weber - proxies in InterWay, served as the partners and management board members in PaR Solutions, s.r.o.

²⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Richard Weber - proxy in InterWay, served as the partner in Nowire, s.r.o.

³⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Andrej Košári - member of the Supervisory Board of ACE SK, served as the executive manager in ABK Design & Consulting, s.r.o.

⁴⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Andrej Košári - member of the Supervisory Board of ACE SK, served as the member of Supervisory Board in ASSET, a.s.

⁵⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Jozef Klein - Chairman of the Board of Directors of ACE SK was the owner of KIUK, spol.s.r.o.

⁶⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Mariusz Lizon was Member of the Management Board of Asseco Business Solutions S.A.

⁷⁾ In the period of twelve months ended 31 December 2016 as well as in the comparative period, Aleksander Duch was a member of the management board of Asseco Western Europe S.A., member of the supervisory board of the Asseco Solutions a.s (Slovakia), and Asseco Solutions AG (Germany).

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Asseco Central Europe Group purchases from related parties:		12 months ended	12 months ended
Name of entity	Transaction type	31 Dec 2016	31 Dec 2015
Transactions with Asseco Poland S.A.			
Asseco Poland S.A.	<i>purchase of IT services</i>	102	97
		102	97
Transactions with related companies			
Matrix42 AG	<i>purchase of general and administrative services</i>	-	30
Asseco Data Systems S.A.	<i>purchase of IT services</i>	3	-
Asseco Business Solutions S.A.	<i>purchase of IT services</i>	1	-
Sintagma UAB Sp. z o.o.	<i>purchase of IT services</i>	2	-
Exictos SGPS S.A.	<i>purchase of IT services</i>	4	-
Asseco SEE (Croatia)	<i>purchase of IT services</i>	1	1
Asseco SEE (Serbia)	<i>purchase of IT services</i>		5
Asseco SEE (Turkey)	<i>purchase of IT services</i>	28	28
		39	64
Transactions with associates			
SCS Smart Connected Solutions GmbH	<i>purchase of IT services</i>	86	-
eDocu, a.s.	<i>purchase of IT services</i>	63	-
		149	-
Transactions with entities related through Group's key management personnel			
PaR Solutions, s.r.o.	<i>purchase of IT services</i>	348	112
Nowire, s.r.o.	<i>purchase of IT services</i>	3	2
ABK Design & Consulting, s.r.o.	<i>purchase of consultancy services</i>	18	-
ASSET, a.s.	<i>rental of the office space</i>	61	-
		430	114
Transactions with other related parties			
	<i>purchase of consultancy services</i>	75	-
TOTAL		795	275

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	Trade receivables and other receivables as at		Trade payables and other liabilities as at	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Transactions with Parent Company				
Asseco Poland S.A.	342	352	1	42
	342	352	1	42
Transactions with related companies				
Asseco Software Nigeria Ltd.	461	-	-	-
Asseco SEE (Turkey)	-	-	12	-
	461	-	12	-
Transactions with associates:				
eDocu, a.s.	31	-	76	-
SCS Smart Connected Solutions GmbH	630	-	45	-
LittleLane	-	-	175	-
InterWay CZ, a.s.	10	-	-	-
	671	-	296	-
Transactions with entities related through Group's key management personnel				
PaR Solutions, s.r.o.	-	38	36	22
Nowire, s.r.o.	-	3	-	6
ASSET, a.s.	1	-	-	-
	1	41	36	28
Transactions with other related parties				
	-	-	1,000	1,000
TOTAL	1,475	393	1,345	1,070

As at 31 December 2016, the balance of receivables from related entities comprised trade receivables in the amount of EUR 1,475 thousand. Whereas, as at 31 December 2015, receivables from related entities comprised trade receivables in the amount of EUR 393 thousand.

As at 31 December 2016, the balance of liabilities from related entities comprised trade payables in the amount of EUR 125 thousand. Whereas, as at 31 December 2015, liabilities from related entities comprised trade payables in the amount of EUR 70 thousand.

26. Notes to the Statement of Cash Flow

Cash flows – operating activities

The table below presents items included in the line “Changes in working capital”:

Changes in working capital	31 Dec 2016	31 Dec 2015
Change in inventories	119	(312)
Change in receivables	7,288	(2,977)
Change in liabilities	(6,056)	11,490
Change in prepayments, accruals and deferred income	344	(932)
Change in provisions	(442)	(629)
	1,253	6,640

Cash flows – investing activities

In the period of twelve months ended 31 December 2016, the balance of cash flows from investing activities was affected primarily by the following proceeds and expenditures:

- Acquisitions of property, plant and equipment and intangible assets include purchases of property, plant and equipment for EUR 2,344 thousand, purchases of intangible assets for EUR 542 thousand.
- Dividends received from associates in the amount of EUR 205 thousand.
- Under the positions “Loans collected” and “Loans granted” there are mostly presented the cash flows related to bills of exchange of J&T Private Equity B.V. and cash outflows related to loans granted to related parties.

Cash flows – financing activities

In the period of twelve months ended 31 December 2016, the balance of cash flows from financing activities was affected primarily by the following proceeds and expenditures:

- Dividend paid to the shareholders of the Parent Company in the amount of EUR 11,107 thousand.
- Dividend paid to non-controlling interests in the amount of EUR 332 thousand.

27. Commitments and contingencies in favor of related parties

As at 31 December 2016, guarantees and sureties issued by and for Asseco Central Europe, a. s. (SK) in favor of related parties were as follows:

- DanubePay a. s. (subsidiary) was granted a guarantee of EUR 2,000 thousand to back up its liabilities towards Slovenská Sporiteľňa under a framework crediting agreement.

As at 31 December 2015, guarantees and sureties issued by and for Asseco Central Europe, a. s. (SK) in favor of related parties were as follows:

- DanubePay a. s. (subsidiary) was granted a guarantee of EUR 1,000 thousand to back up its liabilities towards Komerční banka under a framework crediting agreement.
- DanubePay a. s. (subsidiary) was granted a guarantee of EUR 2,000 thousand to back up its liabilities towards Slovenská Sporiteľňa under a framework crediting agreement.

28. Commitments and contingent liabilities to other entities

As at 31 December 2016, guarantees and sureties issued by and for the Group were as follows.

- Asseco Central Europe a. s. (Slovak Republic) uses a bank guarantees issued by Komerční banka a. s. of EUR 606 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to end of May 2017).

As at 31 December 2015, guarantees and sureties issued by and for the Group were as follows.

- Asseco Central Europe, a. s. (Slovak Republic) uses a bank guarantees issued by Komerční banka a. s. of EUR 344 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to 30 June 2016).

The Group is a party to a number of leasing and tenancy contracts or other contracts of similar nature, resulting in the following off-balance-sheet liabilities for future payments:

	31 Dec 2016	31 Dec 2015
<i>Liabilities under lease of space</i>		
In the period up to 1 year	3,862	3,835
In the period from 1 to 5 years	9,613	10,403
In the period over 5 years	2,243	2,567
	15,718	16,805
<i>Liabilities under operating lease of property, plant and equipment</i>		
in the period shorter than 1 year	684	578
in the period from 1 to 5 years	570	430
in the period longer than 5 years	-	-
	1,254	1,008

29. Employment

Average Group's workforce in the reporting period*	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Management Board of the Parent Company	4	4
Management Boards of the Group companies	19	15
Production departments	1,264	1,178
Direct sales departments	122	101
Indirect sales departments	28	20
Back-office departments	179	167
Total	1,616	1,485

*Average employment in the reporting period in full-time salaried jobs, i.e. employment in full-time jobs adjusted for (reduced by) positions which are not salaried by the Group companies (such as an unpaid leave, maternity leave, etc.)

The Group workforce as at	31 Dec 2016	31 Dec 2015
Management Board of the Parent Company	4	4
Management Boards of the Group companies	18	20
Production departments	1,347	1,278
Direct sales departments	127	120
Indirect sales departments	36	23
Back-office	213	195
Total	1,745	1,640

Number of employees in the Group companies as at	31 Dec 2016	31 Dec 2015
Asseco Central Europe, a.s. (Slovakia)	396	399
Asseco Central Europe, a.s. (Czech Republic)	239	247
Asseco Berit AG	7	7
Asseco Berit GmbH	18	16
Asseco Solutions Group (Czech Republic)	328	321
Asseco Solutions Group (Slovakia)	180	167
Asseco Solutions Group (Germany)	249	206
Asseco Central Europe Magyarorszag Zrt.	139	-
GlobeNet Zrt.	-	47
Statlogics Zrt.	-	70
DanubePay, a.s.	35	32
Asseco IT Services Zrt.	-	2
InterWay, a.s.	85	76
exe, a.s.	64	50
Asseco Bel LLC	5	-
	1,745	1,640

30. Objectives and principles of financial risk management

The Asseco Central Europe Group is exposed to a number of risks arising either from the macroeconomic situation of the countries the Group companies operate in as well as from the 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 EUR, and (ii) changes in the market 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. In addition, the internal factors with potential negative bearing on the Group's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

Foreign currency exposure risk

The Group's presentation currency is the euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Group is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the euro in the period from concluding a contract to invoicing. Furthermore, the functional currencies of Group's foreign subsidiaries are the local currencies of the countries in which these entities are legally registered and operate. Consequently, the assets and financial results of such subsidiaries need to be converted to the euro and their values presented in the Group financial statements remain under the influence of foreign currency exchange rates.

Identification: According to the Group's procedures pertaining to entering into commercial contracts, each agreement that is concluded or denominated in a foreign currency, different from the functional currency is subject to detailed registration. Owing to this solution, any currency risk involved is detected automatically.

Measurement: The foreign currency risk exposure is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as the cash flows generated under such projects.

Objective: The purpose of countering the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

Measures: Contracts settled in foreign currencies are hedged with simple derivatives such as currency forward contracts, while instruments embedded in foreign currency denominated contracts are hedged with non-deliverable forward contracts. In addition, forward contracts with delivery of cash are applied for foreign currency contracts.

Matching the measures to hedge against the foreign currency risk means selecting suitable financial instruments to offset the impact of changes in the risk-causing factor on the Group's financial performance (the changes in embedded instruments and concluded instruments are balanced out). Nevertheless, because the project implementation schedules and cash flows generated thereby are characterized by a high degree of changeability, the Group companies are prone to changes in their exposure to foreign exchange risk. Therefore, the companies dynamically transfer their existing hedging instruments or conclude new ones with the objective to ensure the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with reference to the parameters as at the contract signature date (spot rate and swap points), while transferring or concluding new instruments in the financial market, may only be effected on the basis of the current rates available. Hence, it is possible that the value of financial instruments will not be matched and the Group's financial result will be potentially exposed to the foreign currency risk.

Interest rate risk

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group is exposed to the risk of interest rate changes primarily in the following areas of its business activities: (i) changes in the value of interest charged on loans granted by external financial institutions to the Group companies, which are based on variable interest rates, and (ii) change in valuation of the concluded and embedded derivative instruments, which are based on the forward interest rate curve. More information on factor (ii) may be found in the description of the currency risk management.

Identification: 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 the appropriate departments within the Group companies, hence the knowledge of that issue is complete and acquired directly.

Measurement: The Group companies measure their exposure to the interest rate risk by preparing statements of the total amounts resulting from all the financial instruments based on a variable interest rate.

Objective: The purpose of reducing such risk is to eliminate the incurrance of higher expenses due to concluded financial instruments based on a variable interest rate.

Measures: In order to reduce its interest rate risk, the Group companies may: (i) try to avoid taking out credit facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Group gathers and analyzes the current market information concerning its present exposure to the interest rate risk. For the time being, the Group companies do not hedge against changes in interest rates due to a high degree of unpredictability of their credit repayment schedules.

Credit risk

The Group is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and goodwill of the contractors to whom the Group companies provide their IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded.

The maximum exposure on credit risk does not exceed the carrying amount of financial assets.

Identification: The risk is identified each time when concluding contracts with customers, and afterwards during the settlement of payments.

Measurement: Determination of this type of risk requires knowledge of the complaints or pending judicial proceedings against a client at the time of signing an agreement. Every two weeks the companies are obliged to control the settlement of payments under the concluded contracts, inclusive of the profit and loss analysis for individual projects.

Objective: The Company strives to minimize this risk in order to avoid financial losses resulting from the commencement and partial implementation of IT solutions as well as to sustain the margins adopted for the executed projects.

Measures: As the Group operates primarily in the banking and financial sector, its customers are concerned about their good reputation. Here the engagement risk control is usually limited to monitoring the timely execution of bank transfers and, if needed, to

sending a reminder of outstanding payment. However, in the case of smaller clients, it is quite helpful to monitor their industry press as well as to analyze earlier experiences of the Group itself and of its competitors. The Group companies conclude financial transactions with reputable brokerage houses and banks.

Matching: It is difficult to discuss this element of risk management in such cases.

Financial liquidity risk

The Group monitors the risk of funds shortage using the tool for periodic planning of liquidity. This solution takes into account the maturity deadlines of investments and financial assets (e.g. accounts receivable, other 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 following table shows the Group's trade payables as at 31 December 2016 and 31 December 2015, by maturity period, based on the contractual undiscounted payments.

	as at 31 Dec 2016		as at 31 Dec 2015	
	amount	structure	amount	Structure
Ageing structure of trade accounts payable				
Overdue liabilities	2,061	6%	2,558	8%
Current and future up to 3 months payables	29,577	87%	27,438	85%
Future payables between 3 and 6 months	212	1%	9	0%
Future payables over 6 months	2,063	6%	2,376	7%
	33,913	100%	32,381	100%

The tables below present the ageing structure of interest-bearing bank credits, loans and other financial liabilities as at 31 December 2016 and 31 December 2015:

As at 31 December 2016	Liabilities due and falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
Bank account overdraft facility	1,687	235	-	-	1,922
Finance lease liabilities	4	18	28	-	50
Liabilities due to acquisition of shares in subsidiaries	981	-	2,387	1,000	4,368
Liabilities from dividends	46	-	-	-	46
Other financial liabilities	38	-	-	-	38
Total	2,756	253	2,415	1,000	6,424

As at 31 December 2015	Liabilities due and falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
Bank account overdraft facility	951	-	-	-	951
Finance lease liabilities	11	43	30	-	84
Liabilities due to acquisition of shares in subsidiaries	326	480	3,185	1,000	4,991
Liabilities from dividends	12	-	-	-	12
Other financial liabilities	533	683	-	-	1,216
Total	1,833	1,206	3,215	1,000	7,254

All figures in thousands of EUR, unless stated otherwise

Foreign currency risk

The Group tries to conclude contracts with its clients in the primary currencies of the countries in which its subsidiaries and associates operate in order to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates versus their own functional currencies.

The sensitivity analysis of trade payables and trade receivables to fluctuations in the exchange rates of EUR against the functional currencies of the Group companies indicates the following net impact on the Group's financial results:

Trade accounts receivable and payable as at 31 December 2016	Amount exposed to risk	Impact on financial results of the Group (before tax)	
		-10%	+10%
CZK:			
Trade accounts receivable	10,636	(1,064)	1,064
Trade accounts payable	6,176	618	(618)
Balance		(446)	446
CHF:			
Trade accounts receivable	775	(78)	78
Trade accounts payable	541	54	(54)
Balance		(24)	24
HUF:			
Trade accounts receivable	1,568	(157)	157
Trade accounts payable	831	83	(83)
Balance		(74)	74

Trade accounts receivable and payable as at 31 December 2015	Amount exposed to risk	Impact on financial results of the Group (before tax)	
		-10%	+10%
CZK:			
Trade accounts receivable	8,073	(807)	807
Trade accounts payable	3,818	382	(382)
Balance		(425)	425
CHF:			
Trade accounts receivable	653	(65)	65
Trade accounts payable	98	10	(10)
Balance		(55)	55
HUF:			
Trade accounts receivable	1,648	(165)	165
Trade accounts payable	461	46	(46)
Balance		(119)	119

The analysis of sensitivity to fluctuations in foreign exchange rates, with potential impact on the Group's financial results, was conducted using the percentage deviations of +/-10% by which the reference exchange rates, effective as at the balance sheet date, were increased or decreased.

Interest rate risk

The Group is exposed to the risk of interest rate changes due to change in the value of interest charged on credit facilities granted by external financial institutions to the Group companies, which are based on a variable interest rate.

As at 31 December 2016 the Group had overdraft facilities in the amount of EUR 1,922 thousand, of which EUR 236 thousand was subject to EURIBOR variable interest rate and EUR 1,686 thousand was subject to fixed interest rate.

As at 31 December 2015 the Group had overdraft facilities in the amount of EUR 951 thousand, of which EUR 951 thousand was subject to EONIA variable interest rate.

Other types of risk

Other risks are not analyzed for sensitivity, due to their nature and the impossibility of absolute classification.

Fair value

As at 31 December 2016, the Group hold no financial assets classified as financial asset valued at fair value through profit or loss, but had financial liabilities related to forward contracts in the amount of EUR 31 thousand.

As at 31 December 2015, the Group hold only currency forward in the amount of EUR 4 thousand classified as financial asset valued at fair value through profit or loss. Fair value was measured with directly or indirectly observable input data – level 2.

For any other financial instruments, there were no significant differences between fair value and carrying amount.

31. Remuneration of the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, namely Ernst & Young Slovakia, spol. s r. o. paid or payable for the years ended 31 December 2016 and 31 December 2015, in breakdown by type of service:

Type of service	31 Dec 2016	31 Dec 2015
Obligatory audit of the annual financial statements	38	38
Tax advisory services	14	1
Total	52	39

32. Remuneration of Members of the Board of Directors and Supervisory Board of the Parent Company

Remuneration for the period of	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Board of Directors	1,202	1,401
Supervisory Board	80	113

The table above presents the remuneration including all related costs and benefits payable to Members of the Board of Directors and the Supervisory Board of Asseco Central Europe, a. s. (SK) in EUR for acting as Members of the Board of Directors/ Supervisory Boards in Parent Company and Group subsidiaries in 2016 and 2015.

33. Equity management

The main objective of the Group's equity management is to maintain a favourable credit rating and safe level of equity ratios so as to support the Group's operating activities and increase the value for our shareholders.

The Group manages its equity structure which is altered in response to changing economic conditions. In order to maintain or adjust its equity structure, the Group may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2016, as in the year ended 31 December 2015, the Group did not introduce any changes to its objectives, principles and processes adopted in this area.

The Group consistently monitors the balances of its capital funds using the leverage ratio, which is calculated as a relation of net liabilities to total capital (sum of equity and net liabilities). Net liabilities include interest-bearing credits and loans, trade payables and other liabilities, decreased by cash and cash equivalents.

Equity management	31 Dec 2016	31 Dec 2015
Interest-bearing credits and loans	1,929	952
Trade accounts payable and other liabilities	46,900	46,936
Cash and cash equivalents	(42,181)	(44,226)
Net liabilities	6,648	3,662
Shareholders' equity	111,150	109,531
Equity plus net liabilities	117,798	113,193
Leverage ratio	6%	3%

34. Seasonal and cyclical nature of business

The Group's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because bulk of sales revenues are generated from the IT services contracts executed for large companies and public institutions, the fourth quarter turnovers tend to be higher than in the remaining periods. Such phenomenon

occurs because 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.

35. Significant events after the balance sheet date

In January 2017 Asseco Central Europe, a.s. (SK) delivered withdrawal from the company Asseco Bel, however it was not registered until the date of publication of these consolidated financial statements.

Until the date of preparing these consolidated financial statements, i.e. 24 February 2017, no other significant events occurred that might have an impact on these consolidated financial statements.

36. Significant events related to prior years

Up to the date of preparing these consolidated financial statements for the twelve months ended 31 December 2016, no significant events related to prior years occurred that might have an impact on these consolidated financial statements.