

**ASSECO SOUTH EASTERN EUROPE S.A.**

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

## I. GENERAL NOTES

### 1. Background

Asseco South Eastern Europe S.A. (hereinafter 'the Company') was incorporated on the basis of a Notarial Deed dated April 10, 2007. The Company's registered office is located in Rzeszów at 14 Olchowa Street.

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

The Company was issued with tax identification number (NIP) 813-351-36-07 on September 12, 2007 and statistical number (REGON) 180248803 on February 25, 2008.

The Company is the holding company of the Asseco South Eastern Europe S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 23 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2016.

The principal activities of the Company are as follows:

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

As at 31 December 2016, the Company's issued share capital amounted to 518,942 thousand zlotys. Equity as at that date amounted to 625,393 thousand zlotys.

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

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

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

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

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

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

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

## 2. Financial Statements

On 28 August 2008 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

### 2.1 Auditors' opinion and audit of financial statements

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

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

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

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

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

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

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

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements for the year ended 31 December 2016 of Asseco South Eastern Europe S.A. ('the Company') located in Rzeszów, Olchowa 14, which comprise statement of financial position as at 31 December 2016, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow for the period from 1 January 2016 to 31 December 2016 and the additional notes and explanations ('the accompanying financial statements').

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

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

### *Opinion*

In our opinion the accompanying financial statements:

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

### **Report on Other Legal and Regulatory Requirements**

#### *Report on the Directors' Report*

Our opinion on the financial statements does not include the Directors' Report.

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

In connection with the audit of the financial statements, our responsibility was to read the content of the Directors' Report and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they are consistent with the information contained in the accompanying financial statements. Our responsibility was also to report, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that

the information derived from the accompanying financial statements reconciles with the Directors' Report. Based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report.

In connection with the conducted audit of the financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the financial statements".

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

## **2.2 Representations provided and data availability**

The Management Board confirmed its responsibility for the truth and fairness<sup>1</sup> of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 17 February 2017, confirming that:

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

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

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

## **2.3 Financial statements for prior financial year**

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

---

<sup>1</sup> Translation of the following expression in Polish: "rzetelność i jasność"

Dividends for the shareholders	21,796
Reserve capital	33,502
	-----
	55,298
	=====

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

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

### 3. Analytical Review

#### 3.1 Basic data and financial ratios

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

	2016	2015	2014
<b>Total assets</b>	645,278	666,409	618,118
<b>Shareholders' equity</b>	625,393	647,170	612,630
<b>Net profit/ loss</b>	19	55,298	18,761
<b>Return on assets (%)</b>			
Net profit x 100%	0.0%	8.3%	3.0%
Total assets			
<b>Return on equity (%)</b>			
Net profit x 100%	0.0%	9.0%	3.1%
Shareholders' equity at the beginning of the period			
<b>Profit margin (%)</b>			
Net profit x 100%	0.1%	79.2%	49.8%
Sales of finished goods, goods for resale and raw materials			
<b>Liquidity I</b>			
Current assets	4.9	12.5	3.1
Short-term creditors			

	2016	2015	2014
<b>Liquidity III</b>			
Cash and cash equivalents	1.43	8.68	1.44
Short-term creditors			
<b>Debtors days</b>			
Trade debtors x 365	27 days	14 days	16 days
Sales of finished goods, goods for resale and raw materials			
<b>Creditors days</b>			
Trade creditors x 365	31 days	53 days	47 days
Costs of finished goods, goods for resale and raw materials sold			
<b>Stability of financing (%)</b>			
(Equity + long-term provisions and liabilities) x 100%	98.8%	99.4%	99.1%
Total liabilities, provisions and equity			
<b>Debt ratio (%)</b>			
(Total liabilities and provisions) x 100%	3.1%	2.9%	0.9%
Total assets			
<b>Rate of inflation:</b>			
Yearly average	-0.60%	-0.90%	0.00%
December to December	0.80%	-0.50%	-1.00%

### 3.2 Comments

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

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

### **3.3 Going concern**

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

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

## **II. DETAILED REPORT**

### **1. Accounting System**

The Company's accounts are kept using the Symfonia accounting system at Exco A2A Polska Sp. z o.o. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

### **2. Assets, Liabilities and Equity, Profit and Loss Account**

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2016.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2016.

### **3. Additional Notes and Explanations to the Financial Statements**

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

### **4. Directors' Report**

We have read the Directors' report on the Company's activities in the period from 1 January 2016 to 31 December 2016 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments). Based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report. We have also read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under

art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the financial statements.

## **5. Conformity with Law and Regulations**

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

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

Key Certified Auditor

---

Artur Żwak  
certified auditor  
No. 9894

Warsaw, 17 February 2017