ANNUAL REPORT 2016

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

24 February 2017

asseco.com/ce

CONTENTS

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 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", "Asseco CE") is a member of the international Asseco Group, one of the leading software houses in Europe.

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.

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.

Asseco Central Europe, a. s. is the Parent Company of the Asseco Central Europe Group (the "Group"). Members of the Group are also other IT oriented companies and the Group thus employs 1,745 people. 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.

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 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 - 31 Dec 2016	1 Jan 2015 - 31 Dec 2015	1 Jan 2016- 31 Dec 2016	1 Jan 2015 - 31 Dec 2015
Sales revenues	204,472	224,276	46,729	53,593
Operating profit (loss)	27,641	31,240	6,317	7,465
Pre-tax profit (loss)	50,968	56,796	11,648	13,572
Net profit for the period reported attributable to Shareholders of the Parent Company	44,440	49,322	10,156	11,786
Net cash provided by (used in) operating activities	22,202	37,249	5,074	8,901
Net cash provided by (used in) investing activities	2,503	54	572	13
Net cash provided by (used in) financing activities	(48,601)	(42,011)	(11,107)	(10,039)
Increase (decrease) in cash and cash equivalents	(23,896)	(4,708)	(5,461)	(1,125)
Assets total	590,219	575,486	133,413	135,043
Non-current liabilities	-	-	-	-
Current liabilities	90,502	90,071	20,457	21,136
Shareholders' equity attributable to Shareholders of the Parent Company	499,717	485,415	112,956	113,907
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)	2.08	2.31	0.48	0.55
Book value per share (in PLN/EUR)	23.40	22.73	5.29	5.33
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 Company

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 through 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

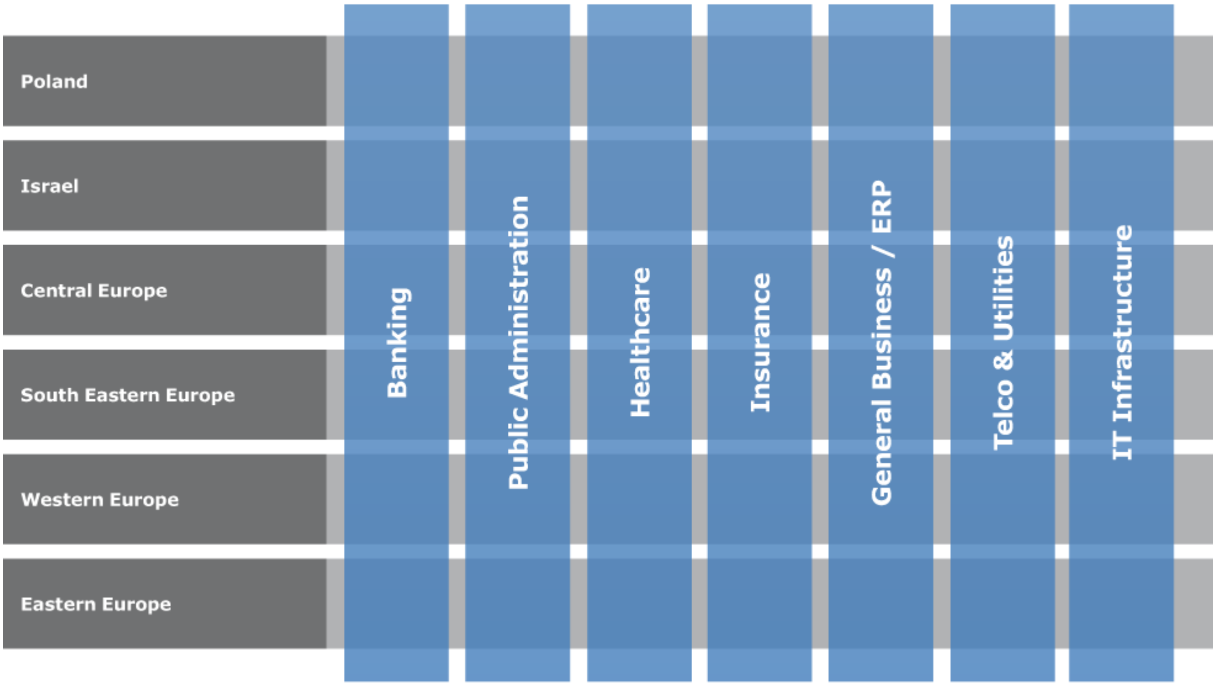
Karol Kleibl has been elected by the employees as a member of Supervisory board in accordance with the Commercial Code in Slovakia. Elections to the Supervisory board were conducted on 28 - 29 July 2016.

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.

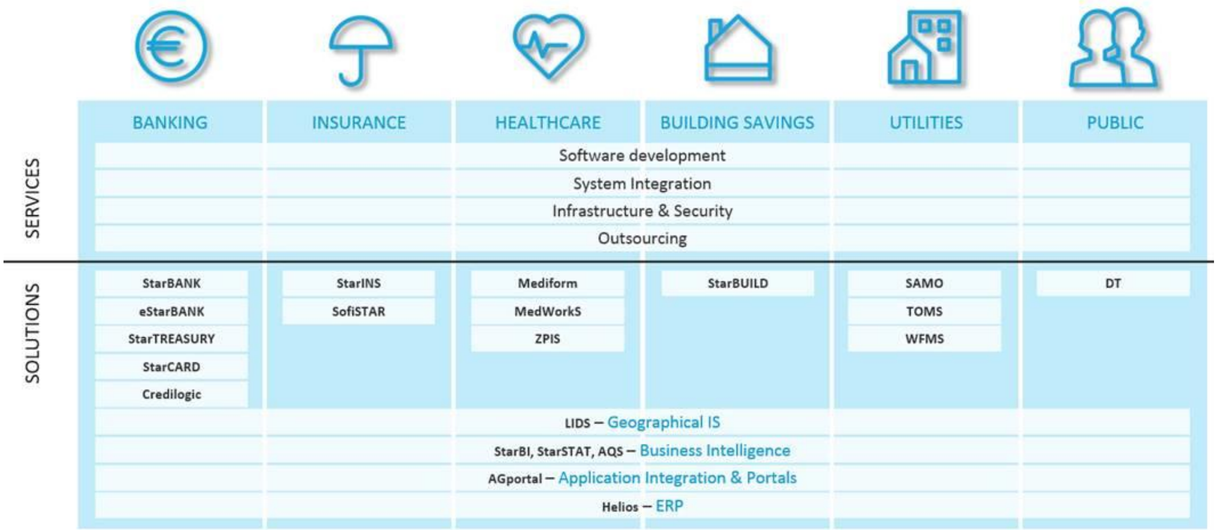
5 PRODUCT PORTFOLIO

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.



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.

Banking Business Unit

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 techno-logy. 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 Strix software 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 functionally.

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.

6 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.

7 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 88% 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. More than 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.

7.1 Employment structure in the Asseco Central Europe

Number of employees	31 Dec 2016	31 Dec 2015
Board of Directors of the Company	3*	3*
Production departments	342	349
Sales departments	8	7
Administration departments	43	40
TOTAL	**396**	**399**

* does not include Mr. Stoppani employed in Asseco Central Europe /CZ/.

8 MARKET POSITION

8.1 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.

8.2 Position of the Company in the IT sector

The Asseco Central Europe, a.s. 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
- ITAPA Award 2016 - Project "Online Interface with ISVS Registers – section Register of Individuals", for Všeobecná zdravotná poisťovňa (VšZP), category New Services for Citizens

9 NEW PROJECTS, PRODUCTS AND SERVICES

Implementation of the StarBUILD system - Českomoravská stavební spořitelna

In Českoromoravská 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.

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 Poisťovňa (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 distrainors 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 be 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.

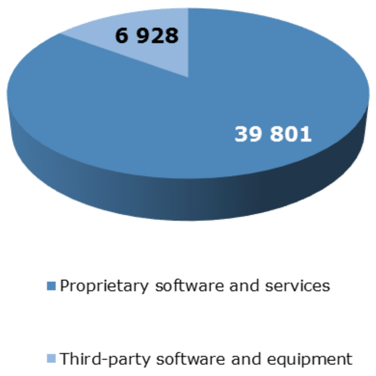
10 ANALYSIS OF FINANCIAL RESULTS OF THE ASSECO CENTRAL EUROPE

The Company 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"):

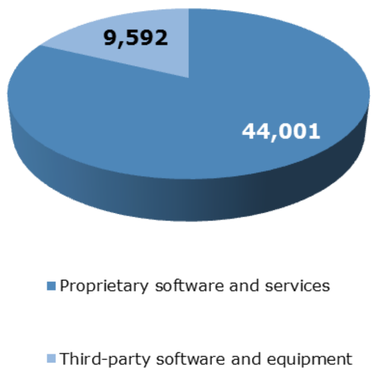
SELECTED ITEMS	2016	Margin	2015	Margin	Change y/y
Sales revenues	46,729	--	53,593	--	(12.8)%
Gross profit on sales	10,872	*23%*	11,875	*22%*	(8.4)%
Operating profit	6,317	*14%*	7,465	*14%*	(15.4)%
Pre-tax profit	11,648	*25%*	13,572	*25%*	(14.2)%
Net profit for the period reported	**10,156**	**--**	**11,786**	**--**	**(13.8)%**

The Company reported decrease in sales by 13% in 2016 on year-on-year basis ("y/y"). This decrease was mainly caused by decline in public segment (EUR -10.9 mil.) due to very high base in 2015 and the lack of new projects after the March 2016 election. Positive development of revenues in other segments (net increase by EUR 4 mil.) reduced the negative impact of public segment. Major change was in revenues from proprietary software and services – which decreased by EUR 4.2 mil y/y due to very high base in comparable period, and in revenues from sale of 3rd party software and equipment, where revenues dropped by EUR 2.7 mil.

Structure by type of revenues in 2016

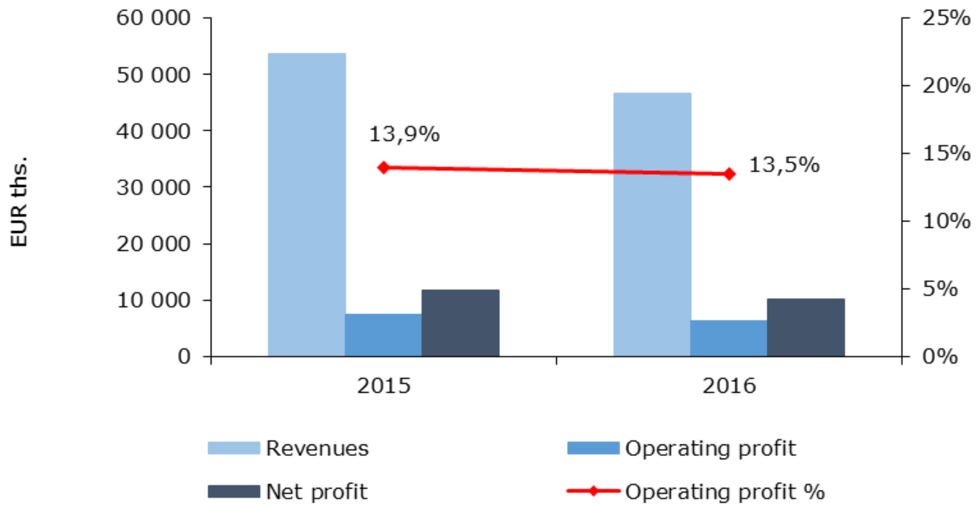


Structure by type of revenues in 2015



All figures in thousands of EUR.

Gross profit on sales reflected the development of the top line only partially and decreased by 8% (EUR -1 mil.) which caused profitability improvement (from 22.2% to 23.3% in 2015 and 2016 resp.). General administration costs also reflected the decrease in revenues and declined by 10% y/y. Selling costs on the other hand increased by EUR 440 thous. y/y due to significant effort spent in the international business development area. Company achieved operating profit accordingly lower by EUR 1.1 mil in 2016 y/y maintaing its operating profit margin at 14% level.



Net financial income included lower intra-group dividends in the reporting period (by EUR -0.9 million y/y) which resulted in lower 2016 pre-tax profit and net profit by EUR 1.9 million and EUR 1.6 million resp.

Analysis of concentration risks

Sales revenues to the following customers exceeded a 10% share on total sales of the Company in year 2016: Finančné riaditeľstvo Slovenskej republiky and Všeobecná zdravotná poisťovňa, a.s.

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

11 DESCRIPTION OF SIGNIFICANT RISKS AND THREATS

Market risks

Risks associated with the macroeconomic situation in the markets where the Company 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 Company, its financial results and prospects of development. In the same way can the Company affect 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 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 Company 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 Company's customers are customers from the financial sector, development in this sector will have an impact on the results of the Company.

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 Company'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 Company.

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 Company.

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 Company 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.

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

The solutions we 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 Company.

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

In some cases we 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 Company. 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 Company 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 Company, 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.

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

Integration of management processes in the Company 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.

12 SIGNIFICANT EVENTS AND ACHIEVEMENTS OF THE ASSECO CENTRAL EUROPE, A. S.

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 Company’s 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 release 9/2016 (contract 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 Modrá Pyramida Stavební spořitelna – new release (contract being realized in reporting period)
- Contract with Stavební spořitelna České spořitelny – new release (contract being realized in reporting period)

13 ADDITIONAL INFORMATION

13.1 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, a.s. which would be subject to claims or liabilities of at least 10% of the equity of the Company.

13.2 Information about seasonality

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

13.3 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 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.

13.4 Information on changes in contingent liabilities or contingent assets

Information on changes in contingent liabilities or contingent assets are presented in the Note 26 and 27 of the Company's financial statements.

13.5 Related party transactions

Transactions of the Company with related parties are provided in the Note 23 and Note 24 of the financial statements of the Company.

13.6 Loans, loan agreements, sureties, guarantees and commitments

Loans granted and loans collected are presented in the Note 16 of the financial statements of the Company. Commitments and contingent liabilities are provided in the Note 26 and Note 27 of the financial statements of the Company.

13.7 Opinion on feasibility of the Management´s financial forecast for 2016

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

13.8 Management of financial resources

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

The Company keeps surplus funds in licensed banking institutions, in form of term deposits with a minimal risk. The Company does not invest in securities for short-term appreciation of resources other than those reported in the Note 17 of the financial statements of the Company.

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

13.9 Evaluation of feasibility of investment projects

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

13.10 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 Company in 2016.

13.11 Characteristics of the factors relevant to the development of the Company

External factors affecting future financial performance of the Company include:

- Development of economic situation in the countries of Central Europe and economic situation in the customers market.
- Level of demand for IT solutions in the financial sector.
- Level of demand for IT solutions in public administration.
- The rapid pace of technological development.
- Actions of competitors from the IT industry.
- Exchange rate volatility.

Internal factors affecting future financial performance of the Company include:

- Realization of customer contracts.
- Results of tenders and negotiation of new contracts in the IT sector.
- Cooperation and synergies resulting from the collaboration of companies within the group in order to maintain competitive advantages and strengthening the group’s position in the market.

- The Company's management expects further integration of the group companies, based on planned synergies enabling more benefits for all its companies in the future.

13.12 Changes in principles of management of Company

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

13.13 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.

13.14 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 31 of the financial statements.

13.15 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.

13.16 Information about share based payment transactions

The Company does not conduct employee share schemes.

13.17 Research and Development costs

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

13.18 Information about branch office abroad

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

13.19 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 the total audit fees charged to Asseco Central Europe, a. s. are presented in the Note 30 of the financial statements of the Company.

13.20 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 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, a.s. 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 financial statements of Asseco Central Europe, a.s. 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 financial statements of Asseco Central Europe, a.s. 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 financial statements.

Furthermore, the Board of Directors declares that the presented data give a true, reliable and fair view of the Company'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 Company, 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 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 financial statements of Asseco Central Europe, a.s. 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 financial statements, satisfied the conditions for expressing an impartial and independent opinion on the audited annual 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

asseco.com/ce

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 Finanace 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;

<u>*The Company adheres to this principle in limited scope.*</u>

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.

<u>This principle is not applicable to the Company.</u>

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.

<u>The Company does not adheres to this principle.</u>

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.

<u>The Company does not adhere to this principle.</u>

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.

<u>The Company adheres to this principle in limited scope.</u>

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.

<u>This principle is not applicable to the Company.</u>

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 Registrer 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 Warszaw 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 Associatons,

(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

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:

a) 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,

b) 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,

c) 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,

d) 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

Building a better working world

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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 Financial Statements

Opinion

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

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company 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 Financial Statements section of our report. We are independent of the Company 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Building a better working world

Revenues and expenses related to completion of implementation contracts

The Company's total revenue for 2016 amounted to EUR 46,729 thousand. The Company has three significant revenue streams – proprietary software and services, third-party software and services and computer hardware. The Company's business involves entering into contractual relationships with customers to provide a range of services with a significant proportion of the Company'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 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 Company'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 invoices and the assessment of any judgements applied in the projection of total contract costs through consideration of the Company'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 Company's disclosures in respect of the accounting policies on revenue recognition set out in note xx of the financial statements and whether they are compliant with IFRS EU.

Impairment of investments in subsidiaries

The Company performs an impairment test of financial investments in subsidiaries on an annual basis (as at 31 December) or whenever the indicators of impairment exist. The Company regularly undergoes assessment of a presence of impairment indicators in relation to its financial investments in subsidiaries. The main indicators taken into consideration by the management include (i) macroeconomical situation in the specific country/region, (ii) record of orders received or contracts signed to be delivered in the future periods and (iii) assessment of year-to-date results as well as expected full year performance of each company or business entity attributed to every CGU and representing specific financial investment in comparison with previous periods and approved plan for current fiscal year. If the management identify indicators of potential impairment of financial investments, impairment testing is performed.

The Company performs impairment test by comparing the carrying amount of the financial investment with its recoverable amount. The recoverable amount of the financial investment is estimated by means of the value in use methodology. The value in use of the financial investment is determined on the basis of the net present value of cash flows expected to be generated by the subsidiary. The cash flows are projected for a 5-year explicit. The projected cash flows are discounted at a pre-tax discount rate. The discount rate is the subsidiary's cost of capital.

As at 31 December 2016, the carrying amount of financial investments was EUR 83,302 thousand. Refer to the Note 11 of the financial statements for details.

The impairment investments in subsidiaries 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 Company 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 other relevant developments in the business of the cash generating units. We also assessed the appropriateness of the disclosures in the financial statements regarding the assumptions and the sensitivity analysis as disclosed in the note 11 of the financial statements and whether they are compliant with IFRS EU.

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

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

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 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 Annual Report

Management is responsible for the information disclosed in the 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 financial statements expressed above does not apply to other information contained in the annual report.

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

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

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

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

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the 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

ASSECO CENTRAL EUROPE, a. s.

SEPARATE FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR´S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
as endorsed by European Union

Bratislava, 24 February 2017

asseco.com/ce

FINANCIAL STATEMENTS OF ASSECO CENTRAL EUROPE, a. s. INCLUDING INDEPENDENT AUDITOR´S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Contents **Page**

FINANCIAL STATEMENTS OF ASSECO CENTRAL EUROPE, a. s.
INCLUDING INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

These financial statements were prepared on 24 February 2017 and authorized for publication by the Board of Directors of Asseco Central Europe, a. s. on 24 February 2017.

Board of Directors:

RNDr. Jozef Klein	Chairman of the Board of Directors
Ing. David Stoppani	Member of the Board of Directors
Ing. Marek Grác	Member of the Board of Directors
Ing. Branislav Tkáčik	Member of the Board of Directors

Person responsible for maintaining the accounting books:

Zuzana Oravcová	Chief Accountant

PROFIT AND LOSS ACCOUNT
ASSECO CENTRAL EUROPE, a. s.

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Sales revenues	1	46,729	53,593
Cost of sales (-)	2	(35,857)	(41,718)
Gross profit on sales		**10,872**	**11,875**
Selling expenses	2	(967)	(527)
General administrative expenses	2	(3,563)	(3,973)
Net profit on sales		**6,342**	**7,375**
Other operating income	3	38	144
Other operating expenses	3	(63)	(54)
Operating profit		**6,317**	**7,465**
Financial income	4	5,397	6,265
Financial expenses	4	(66)	(158)
Pre-tax profit		**11,648**	**13,572**
Corporate income tax (current and deferred portions)	5	(1,492)	(1,786)
Net profit for the period reported		**10,156**	**11,786**
Earnings per share attributable to Shareholders of Asseco Central Europe, a.s. (in EUR):			
Earnings per share from continuing operations for the reporting period	6	*0.48*	*0.55*

All figures in thousands of EUR, unless stated otherwise

STATEMENT OF COMPREHENSIVE INCOME
ASSECO CENTRAL EUROPE, a. s.

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Net profit for the reporting period	6	**10,156**	**11,786**
Total other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,156**	**11,786**

All figures in thousands of EUR, unless stated otherwise

STATEMENT OF FINANCIAL POSITION
ASSECO CENTRAL EUROPE, a. s.

ASSETS	**Note**	**31 Dec 2016**	**31 Dec 2015**
Non-current assets		**92,503**	**88,600**
Property, plant and equipment	8	818	811
Intangible assets	9	5,362	6,055
Investments in subsidiaries	11	83,313	80,544
Investments in associated companies	12	722	430
Non-current loans	16	1,739	-
Deferred income tax assets	5	549	760
Current assets		**40,910**	**46,443**
Deferred expenses	13	1,556	2,019
Trade accounts receivable	14, 15	16,647	17,949
Corporate income tax receivable	5	445	911
Other receivables	15	267	93
Loans granted	16	2,962	2,520
Other financial assets	17	5,064	3,521
Cash and short-term deposits	18	13,969	19,430
TOTAL ASSETS		**133,413**	**135,043**

All figures in thousands of EUR, unless stated otherwise

STATEMENT OF FINANCIAL POSITION
ASSECO CENTRAL EUROPE, a. s.

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 Dec 2016	31 Dec 2015
Shareholders' equity (attributable to Shareholders of the Parent Company)			
Share capital	19	709	709
Share premium		74,901	74,901
Retained earnings		37,346	38,297
Total shareholders' equity		**112,956**	**113,907**
Current liabilities		**20,457**	**21,136**
Trade accounts payable	14, 21	12,083	13,041
Liabilities to the State budget	21	1,707	1,976
Financial liabilities	22	3,433	1,696
Other liabilities	21	1,340	902
Provisions	20	64	54
Accrued expenses	21	1,655	2,658
Deferred income	21	175	809
TOTAL LIABILITIES		**20,457**	**21,136**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**133,413**	**135,043**

All figures in thousands of EUR, unless stated otherwise 8

STATEMENT OF CHANGES IN EQUITY
ASSECO CENTRAL EUROPE, a. s.

	Note	Share capital	Share premium	Retained earnings	Total shareholders' equity
As at 1 January 2016		**709**	**74,901**	**38,297**	**113,907**
Net profit for the period		-	-	10,156	**10,156**
Dividend for 2015	7	-	-	(11,107)	**(11,107)**
As at 31 December 2016		**709**	**74,901**	**37,346**	**112,956**
As at 1 January 2015		**709**	**74,901**	**36,550**	**112,160**
Net profit for the period		-	-	11,786	**11,786**
Dividend for 2014		-	-	(10,039)	**(10,039)**
As at 31 December 2015		**709**	**74,901**	**38,297**	**113,907**

All figures in thousands of EUR, unless stated otherwise 9

STATEMENT OF CASH FLOWS
ASSECO CENTRAL EUROPE, a. s.

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Cash flows - operating activities			
Pre-tax profit		11,648	13,572
Total adjustments:		**(5,769)**	**(1,090)**
Depreciation and amortization	2	1,879	1,861
Changes in working capital	25	(2,260)	3,233
Interest income and expense		(271)	(197)
Gain on investing activities (including dividends)		(5,097)	(5,960)
Profit on disposal of intangible assets		(22)	(39)
Income/cost from financial assets		-	7
Other		2	5
Net cash generated from operating activities		**5,879**	**12,482**
Corporate income tax paid		(805)	(3,581)
Net cash provided by (used in) operating activities		**5,074**	**8,901**
Cash flows - investing activities			
Proceeds from disposal of tangible fixed assets and intangible assets		22	59
Acquisition of tangible fixed assets and intangible assets		(822)	(326)
Acquisition of other financial assets	17	(6,400)	(6,917)
Acquisition of subsidiaries	11	(23)	(5,149)
Acquisition of associated companies	12	(117)	-
Proceeds from sale of financial assets at fair value through profit or loss		2	13
Proceeds from sale of other financial assets	17	5,017	6,150
Disposal/settlement of financial assets valued at fair value through profit or loss		(31)	-
Loans granted	16	(2,134)	(470)
Loans collected	16	-	555
Interest received		133	143
Dividends received		4,925	5,955
Net cash provided by (used in) investing activities		**572**	**13**
Cash flows - financing activities			
Interest paid		-	-
Dividends paid to shareholders of the parent entity		(11,107)	(10,039)
Net cash provided by (used in) financing activities		**(11,107)**	**(10,039)**
Increase (decrease) in cash and cash equivalents		(5,461)	(1,125)
Cash and cash equivalents as at 1 January		19,430	20,555
Cash and cash equivalents as at 31 December	**18**	**13,969**	**19,430**

All figures in thousands of EUR, unless stated otherwise 10

SUPPLEMENTARY INFORMATION AND EXPLANATIONS

I. GENERAL INFORMATION

Asseco Central Europe, a. s. (the "Company", "Parent Company", "Issuer") is a joint-stock company with its registered seat at ul. Trencianska 56/A, 821 09 Bratislava, Slovakia.

Company identification number (IČO) of the Company is 35760419.

Tax identification number (DIČ) of the Company 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 of the 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 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 Company filed the application for granting a consent to change the form of shares from book-entry into paper to the to Polish Financial Supervision Authority and the Company is waiting for its decision.

The parent company of Asseco Central Europe, a. s. is Asseco Poland SA (the higher-level parent company). As at 31 December 2016, Asseco Poland SA held a 99.32% stake in the share capital of Asseco Central Europe, a. s.

The period of the Company's operations is indefinite. Asseco Central Europe, a. s. is the parent company of the Asseco Central Europe Group (the "Asseco CE Group"). The business profile of Asseco Central Europe, a. s. includes software and computer hardware consultancy, production of software, as well as 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".

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

These financial statements provide a description of the Company's core business broken down by relevant segments.

These financial statements cover the period of 12 months ended 31 December 2016 and contain comparative data for the period of 12 months ended 31 December 2015 in the case of the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows; and comparative data as at 31 December 2015 in the case of the statement of financial position.

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union for the current and comparative period. Asseco Central Europe, a. s. has begun to apply IFRS since the year 2006.

The Company prepares consolidated financial statements of the Asseco Central Europe Group in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union for the for 12 month period ended 31 December 2016 and comparative period which were published on 24 February 2017. The consolidated financial statements of the Asseco Central Europe Group are available at the registered seat of the Parent Company.

Asseco Poland S.A. with its registered seat at ul. Olchowa 14, 35-322 Rzeszów, Poland prepares consolidated financial statements of the Asseco Group to which belong Asseco Central Europe Group.
Asseco Central Europe, a.s. is not an unlimited liability partner in any company.

There were following members of the Board of Directors (hereinafter "BoD") and Supervisory Board (hereinafter "SB") of Asseco Central Europe, a. s. as at 31 December 2016 and 24 February 2017 (date of publication):

Board of Directors	**Period**	**Supervisory Board**	**Period**
Jozef Klein	01.01.2016-31.12.2016	Adam Góral	01.01.2016-31.12.2016
Marek Grác	01.01.2016-31.12.2016	Andrej Košári	01.01.2016-31.12.2016
David Stoppani	01.01.2016-31.12.2016	Ján Handlovský	01.01.2016-23.09.2016
Branislav Tkáčik	01.01.2016-31.12.2016	Karol Kleibl	24.09.2016-31.12.2016
		Marek Panek	01.01.2016-31.12.2016
		Przemysław Sęczkowski	01.01.2016-31.12.2016

All figures in thousands of EUR, unless stated otherwise 12

II. ACCOUNTING PRINCIPLES APPLIED WHEN PREPARING FINANCIAL STATEMENTS

1. Basis for preparation of financial statements

The financial statements were 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 financial statements is euro (EUR), and all figures are presented in thousands of euro (EUR ´000), unless stated otherwise.

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

Up to the date of approval of these financial statements, no circumstances indicating a threat to the Company's ability to continue as a going concern have been identified.

2. Compliance statement

These financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union ("IFRS"). At the date of authorisation of these financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company's activities, there is no difference between International Financial Reporting Standards and International Financial Reporting Standards endorsed by the European Union. IFRS include standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

3. Significant accounting judgements, estimates and assumptions

Preparing financial statements in accordance with IFRS requires making judgements, estimates and assumptions which affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Although the estimates and assumptions have been adopted on the basis of the Company management's best knowledge of the current activities and occurrences, the actual results may differ from those anticipated.

Details of the main areas subject to accounting estimates and management's professional judgement, whose estimates, if changed, could significantly affect the Company's future results, are given below.

i 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.The Company recognizes deferred tax asset for all deductible temporary differences as it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

ii Operating cash flows assumed for valuation of IT contracts as well as measurement of their completion

The Company executes a number of contracts for construction and implementation of information technology systems. Additionally, some of those contracts are denominated in foreign currencies. 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 also requires measurement of the progress of contract execution. The progress of contract execution is measured as a relation of costs already incurred (provided such costs contribute to the progress of the work) to the total costs planned, or as a portion of man-days worked out of the total work-output required.

Assumed future operating cash flows are not always consistent with the agreements with customers or suppliers due to modifications of IT projects implementation schedules. As at

31 December 2016, receivables from the valuation of IT contracts amounted to EUR 967 thousand, while liabilities due to such valuations equalled EUR 1,574 thousand. As at 31 December 2016, there were no embedded financial derivatives recognized in financial liabilities.

iii Rates of depreciation and amortization

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

iv Impairment test of investments in subsidiaries

The Management Board performs an impairment test of financial investments in subsidiaries on an annual basis (as at 31 December) or whenever the indicators of impairment exist. The Company regularly undergoes assessment of a presence of impairment indicators in relation to its financial investments in subsidiaries. The main indicators taken into consideration by the management include (i) macroeconomical situation in the specific country/region, (ii) record of orders received or contracts signed to be delivered in the future periods and (iii) assessment of year-to-date results as well as expected full year performance of each company or business entity attributed to every CGU and representing specific financial investment in comparison with previous periods and approved plan for current fiscal year. If the management identify indicators of potential impairment of financial investments, impairment testing is performed.

The Company performs impairment test by comparing the carrying amount of the financial investment with its recoverable amount. The recoverable amount of the financial investment is estimated by means of the value in use methodology. The value in use of the financial investment is determined on the basis of the net present value of cash flows expected to be generated by the subsidiary. The cash flows are projected for a 5-year explicit. The projected cash flows are discounted at a pre-tax discount rate. The discount rate is the subsidiary’s cost of capital.

v Fair value

The Company considers three levels of hierarchy to nominate the fair value of financial instruments. First level: the fair value of financial instruments which are actively traded on organized financial markets is nominated based on quoted market prices. Second level: the fair value of financial instruments for which no quoted market price is available is nominated based on the actual market price of another instrument which is basically identical. Third level: fair value is determined based on discounted cash flows from the net assets underlying the financial instrument.

In practice the Company determines the fair value of its financial instruments using the second or third level, the actual market price of identical derivative financial instruments. No outstanding position of financial instruments at fair value as of 31 December 2016.

4. Changes in the accounting principles applied – will change according to group principles

The accounting principles (policy) adopted in the preparation of these financial statements are coherent with those applied for the preparation of the Company's annual financial statements for the year ended 31 December 2016.

The Company 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 – will change according to group principles

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 28 and IFRS 1 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 Company is currently conducting an analysis of how the above-mentioned amendments are going to impact its financial statements.

Impementation 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 Company plans to adopt the new standard on the required effective date. During 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

For the Company, 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 Company 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.

Impementation 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 Company 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 Company'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 Company, 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 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. Summary of major accounting principles

i. Translation of items expressed in foreign currencies

The functional currency of the Company as well as the reporting currency used in these financial statements is the euro (EUR).

Transactions denominated in foreign currencies are initially recognized at the functional currency exchange rate of the transaction date. Assets and liabilities expressed in foreign currencies are restated at the functional currency exchange rate of the balance sheet date. Foreign currency non-monetary items valued at historical cost are restated at the exchange rate as at the initial transaction date. Foreign currency non-monetary items valued at fair value are restated using the exchange rate as of the date when such fair value is determined.

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
EUR	1.00000	1.00000
USD	1.05410	1.08870
CZK	27.02100	27.02300
GBP	0.85618	0.73395
HUF	309.83000	315.98000
PLN	4.41030	4.26390

ii. Property, plant and equipment

All figures in thousands of EUR, unless stated otherwise 17

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs. Any costs incurred after a tangible asset has been commissioned to 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 constitute a component of assets as well.

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

Type	Period of useful life
Buildings and structures	12-20
Machinery and technical equipment	4-12
Transport vehicles	3-6
Computer hardware	4-12

The appropriateness of the periods of useful life and residual values applied is subject to annual review which results in relevant adjustments to the depreciation charges to be made in the subsequent years.

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 such a disposal against the present book value of such an asset, and it is accounted for as an operating income/expense. Any gains or losses resulting from derecognition 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.

Investments in progress relating to tangible assets under construction are recognized at purchase price or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.

iii. Intangible assets

Purchased separately or acquired as a result of merger of companies

Intangible assets purchased in a separate transaction are measured at initial recognition as cost. Intangible assets acquired as a result of a merger are measured at their fair value as at the date of merger.

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

Type	Period of useful life
Cost of development work	2-5
Computer software	2-8
Patents and licences	2-8
Customer relations	2-7
Other	2-5

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.

Except for development work, intangible assets produced by the Company on its own are not capitalized, but the expenditures on their production are expensed in the profit and loss account for the period in which they were incurred.

Research and development work

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to reliably measure the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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 such item) is disclosed in the profit and loss account for the period in which such derecognition was effective.

iv. Leasing

Finance lease agreements, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Company, 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 shorter.

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

v. Impairment of non-financial assets

At each balance sheet date, the Company assesses whether there is an indication that an asset may be impaired. Should there be any indications of impairment, the Company estimates the recoverable value. If the book value of a given asset exceeds its recoverable value, impairment charges are made reducing the book value to the level of the recoverable value. The recoverable value is the higher of the following two values: fair value of an asset or cash-generating unit less selling expenses, or value in use determined for an asset if such an asset generates cash flows significantly independent from cash flows generated by other assets or other groups of assets or other cash-generating units.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover 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 and loss account in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

Impairment tests are performed annually for intangible assets with an indefinite period of useful life, assets under construction, goodwill and those which are no longer in use. The remaining intangible assets are tested for impairment if there are indications of a possible impairment in value. If the book value exceeds the estimated recoverable value (whichever is the higher of the two following values – net sales price or value in use), the value of these assets are to be reduced to the recoverable value.

vi. Subsidiaries, Associated Companies and Joint Ventures

Securities and shares in subsidiaries, associated companies and joint ventures which are not classified as held-for-sale are recognized at the carrying value representing acquisition cost less potential accumulated losses of impairment. The Company used cost method for accounting of its shares in associated companies as at 31 December 2016 and 31 December 2015.

Securities and shares in subsidiaries, associated companies and joint ventures classified as held-for-sale are recognized at whichever is the lower of carrying value or fair value less disposal costs.

vii. Business combination under common control

A merger 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 the case of a merger under common control, the Company applies the pooling of interest method.

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.

viii. Financial instruments

Financial instruments 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;
- Financial liabilities valued at fair value,
- Other financial liabilities.

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

Financial assets held to maturity are investments with identified or identifiable payments and with a fixed maturity date which the Company intends and is able to hold to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits owing to short-term price fluctuations are classified as financial instruments valued at fair value through profit or loss. Financial instruments valued at fair value through profit or loss are measured at fair value taking into account their market value as at the balance sheet date. Changes in these financial instruments are recognized as financial income or expenses. Financial assets valued at fair value through profit or loss are classified as current assets, provided the Board of Directors intends to dispose them within 12 months from the balance sheet date.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as non-current assets.

Any other financial assets constitute financial assets available for sale. Financial assets available for sale are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. If the financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, financial assets available for sale are valued at the purchase price 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, the positive and negative differences between the fair value and the purchase price of such assets available for sale (after deducting any deferred tax liabilities) is recognized in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, is recognized as a financial expense in the profit and loss account.

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

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

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

ix. Trade accounts receivable

Trade accounts receivable, usually with payment terms ranging from 14 and 30 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectible receivables. Such an allowance for doubtful accounts is determined if it is no longer probable that the entire receivable amount will be collected. Doubtful accounts are expensed in the profit and loss account at the time when they are deemed uncollectible.

Where the effect of the value of money in time is material, the value of accounts receivable is measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. If the discounting method is used, the increase in receivables over time is booked as financial income.

x. Cash and short-term deposits

Cash and cash equivalents presented in the statement of financial position consist of cash kept in banks and in hand by the Company, current cash deposits with a maturity not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the financial statement of cash flows consists of the cash and cash equivalents as defined above. For the purposes of the statement of cash flows, the Company decided not to present current account credits (used as an element of financing).

xi. Trade accounts payable

Trade accounts payable relating to operating activities are recognized and disclosed at the amounts stated on the invoices as received, and are recognized in the reporting periods to which they relate.

xii. Derivative financial instruments and hedges

In order to hedge against the risk of changes in foreign currency exchange rates and in interest rates, the Company 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 similar maturity.

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

xiii. Impairment of financial assets

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

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans 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 amount of such assets is reduced either directly or by establishing an impairment write-down. The amount of the loss is recognized in the profit and loss account.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively 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. This 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 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 the 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 derecognized 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 such an impairment loss is reversed in the profit and loss account.

xiv. Inventories

Inventories are valued at the 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. The Company measures the cost of inventories consumed by using the specific identification method. Revaluation write-downs of inventories are recognized in operating expenses.

xv. Deferred expenses

Deferred expenses comprise expenses incurred before the balance sheet date that relate to future periods.

In particular, deferred expenses may include the following items:

- rent paid in advance;
- insurances;
- subscriptions;
- prepaid third-party services to be provided in future periods;
- other expenses incurred that relate to future periods.

xvi. Accrued expenses and deferred income

Accrued expenses are recognized in profit and loss in the amount of the probable obligations related to the current reporting period, in particular resulting from the supplies delivered / services rendered to the entity by its contractors, when the obligation's amount can be reliably valued.

Utilization of accruals may fall according to the time or volumes of supplies / services. Time and manner of amortization is justified with the nature of the costs amortized, with respect to the prudence principle.

Deferred income (unearned revenues) relates mainly to prepayments received for the provision of maintenance services in future periods. The Company applies deferred expenses or deferred income accounts if such income or expenses relate to future reporting periods. By contrast, accrued expenses are disclosed in the amount of probable liabilities relating to the present reporting period.

Accrued expenses and deferred income are presented in the statement of financial position as non-current and current liabilities.

xvii. Revenues and expenses related to completion of implementation contracts

Sales of services executed under a contract which, as at the balance sheet date, are not completed but provided to a considerable extent are recognized at the balance sheet date proportionally to the percentage of completion of such services, on condition that the amount of revenue can be determined in a reliable way. 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. These are disclosed as deferred expenses.

If it is impossible to reliably estimate the progress of a service execution as at the balance sheet date, sales revenues are recognized in the amount of costs incurred in the reporting period; however, this is limited to the amount of costs that are likely to be paid by the ordering party in the future.

In the event that it is probable that the total contract execution costs exceed the total contract revenues, the anticipated loss is recognized as cost in the reporting period in which it is detected.

Production costs of unfinished services comprise the costs incurred since the effective date of relevant agreement to the balance sheet date. Production costs incurred prior to concluding the agreement and which are related to the subject matter thereof are capitalized, provided they are likely to be covered with future revenues received from the ordering party.

If the progress of costs incurred deducted by expected losses and increased by profits included in the profit and loss account exceeds the progress of invoiced sales, the amount of non-invoiced sales constituting this difference is presented as trade receivables.

On the other hand, if the progress of invoiced sales exceeds the proportion of costs incurred, decreased by expected losses and increased by profits included in the profit and loss account, future-related (unearned) revenues resulting from such difference are disclosed as trade liabilities.

xviii. Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement is 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 presented in the profit and loss account, net of the amount of any reimbursements.

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

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. The average warranty period is six months.

xix. Equity

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

- share capital, presented in the amount of capital contributions made and paid up;
- share premium from the sale of shares over their par value;
- other comprehensive income;
- retained earnings, including the net profit for the reporting period.

xx. Sales revenue

The accounting principles relating to recognition of sales revenues from execution of IT contracts have been already described above. Sales revenues are recognized in the amount reflecting the probable economic benefits associated with the transaction to be obtained by the Company and when the amount of revenue can be measured reliably.

While recognizing sales revenue the following criteria are also taken into account:

Sales revenue

Revenue is recognized if the significant risks and benefits resulting from ownership of products have been transferred to the buyer and when the amount of revenue can be reliably measured. Sales of computer software services (implementations, modifications and maintenance) are recognized systematically over the term of relevant contracts. On the other hand, revenues from sale of implementation services are recognized based on the percentage of their completion. Sales of services executed under a contract which, as at the balance sheet date, are not completed but provided to a considerable extent are recognized at the balance sheet date proportionally to the percentage of completion of such services, on condition that the amount of revenue can be determined in a reliable way. 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 determined, or as a proportion of work completed out of the total work effort planned. If it is impossible to estimate reliably the result of the contract, the revenues are only recognized in the amount of costs incurred which the Company expects to recover.

Interest income

Interest income is recognized on a time-proportion basis (taking into account the effective yield - the interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument to the net book value of such 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 of costs (liabilities) according to the method of the effective interest rate.

Dividends

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

xxi. Operating costs

The Company maintains 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 activities. General administrative expenses include the costs of the Company's management and administration activities.

xxii. Payroll expenses and costs of social and other insurance

The Company provides short-term employee benefits (mainly comprising payroll expenses, costs of medical, health and social security as well as the costs of creating the social fund). Over the course of the year, the Company makes contributions to social and health insurance from the gross wages paid, as well as contributions to the unemployment fund as per the statutory rates. The costs of the contributions are posted in the profit and loss account in the same period as the relevant payroll expenses.

In respect of employees who opted to participate in the programme of supplementary pension insurance, the Company contributes an amount of up to 2.5% of the total monthly tariff wage for these purposes.

No pension scheme is currently in operation in the Company.

xxiii. Income tax and value added 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 country where the Company operates and generates taxable income.

For the purposes of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax provisions are established in relation to all positive temporary differences – except for situations when a deferred tax provision arises from an initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre–tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized deferred tax assets or unutilized tax losses carried forward to subsequent years, in such an amount that it is probable that future taxable income will be sufficient to allow the above temporary differences, assets or losses to be utilized. This does not apply to situations when deferred tax assets related to negative temporary differences arise from the initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss. Furthermore, in the event of negative temporary differences arising from investments in a subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the statement of financial position in such amounts only that it is probable that the above temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The book value of an individual deferred tax asset is verified at every balance sheet date and is duly decreased or increased to reflect any changes in the estimates of achieving taxable profit sufficient to utilize the deferred tax assetpartially or entirely.

Deferred tax assets and deferred tax provisions are valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which are the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset in accordance with IFRS.

Income tax relating to items that are directly recognized in equity is recognized under equity and not in the profit and loss account. Revenues, expenses and assets are recognized in the amounts excluding value added tax unless:

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

The net amount of value added tax which is recoverable from or payable to the tax authorities is included in the statement of financial position as a part of receivables or liabilities to the state budget.

III. INFORMATION ON SEGMENTS

The Company operates in the sector of information technologies and telecommunications. Because the main business activities have a similar character, there is no reason to adopt the standard relating to segmental information. The organizational structure is homogeneous, without any independent part that would operate on different activities. On the base of the above, the Company declares itself as one business segment.

The Company operates in more economic regions, but almost 82% of revenues come from the Slovak Republic. The rest are from the Czech Republic, where Asseco Central Europe has the international branch and from other countries are included in the financial statements submitted.

Geographical sectors are distinguished by the Company’s geographical operations where economic activities are being conducted.

The numbers in the tables below are after inter-company eliminations, and dividends are seen directly in the net profit of the reportable segment.

For 12 months ended 31 December 2016 and as at 31 December 2016	**Slovak market**	**Czech/other market**	**Total**
Sales revenues			
Sales to external customers	38,246	8,483	**46,729**
Operating profit of reportable segment	**5,172**	**1,145**	**6,317**
Interest income	271		271
Interest expense	-	-	-
Corporate income tax	**(1,240)**	**(252)**	**(1,492)**
Non-cash items:			
Depreciation and amortization	(1,879)	-	(1,879)
Impairment write-downs on segment assets	(158)	-	(158)
Net profit of reportable segment	**9,263**	**893**	**10,156**
Segment assets	130,741	2,672	**133,413**
Segment capital expenditures	**(822)**	**-**	**(822)**

The impairment write-downs on segment assets of EUR 158 thousand comprise allowances for receivables.

For 12 months ended 31 December 2015 and as at 31 December 2015	**Slovak market**	**Czech/other market**	**Total**
Sales revenues			
Sales to external customers	43,379	10,214	**53,593**
Operating profit of reportable segment	**6,035**	**1,430**	**7,465**
Interest income	198		198
Interest expense	-	-	-
Corporate income tax	**(1,471)**	**(315)**	**(1,786)**
Non-cash items:			
Depreciation and amortization	(1,861)	-	(1,861)
Impairment write-downs on segment assets	(11)	-	(11)
Net profit of reportable segment	**10,671**	**1,115**	**11,786**
Segment assets	129,417	5,626	**135,043**
Segment capital expenditures	**(326)**	**-**	**(326)**

The impairment write-downs on segment assets of EUR 11 thousand comprise allowances for receivables.

All figures in thousands of EUR, unless stated otherwise 28

IV. NOTES TO THE FINANCIAL STATEMENTS

1. Sales revenue

In 2016 and the corresponding comparative period, the operating 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	39,801	44,001
Third-party software and services	5,018	5,793
Computer hardware and infrastructure	1,720	3,736
Other sales	190	63
	46,729	**53,593**

Sales revenues by sectors	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Banking and finance	15,065	15,351
Enterprises	14,918	10,585
Public institutions	16,746	27,657
	46,729	**53,593**

Sales revenues by territorial structure	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Slovakia	38,246	43,379
Czech Republic	7,841	8,517
Other European countries	191	1,697
Other non-European countries	451	-
	46,729	**53,593**

All figures in thousands of EUR, unless stated otherwise 29

2. Operating costs

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Materials and energy used (-)	(186)	(156)
Cost of goods, materials and third-party services sold	(5,993)	(8 415)
Third party work (-)	(15,445)	(18 270)
Salaries (-)	(10,740)	(11 832)
Employee benefits, of which (-)	(3,720)	(3 791)
social security contributions (-)	*(1,714)*	*(1 789)*
Depreciation and amortization (-)	(1,879)	(1 861)
Taxes and charges (-)	(16)	(83)
Business trips (-)	(247)	(280)
Change in write-offs (+)/(-)	(168)	604
Other (-)	(1,993)	(2 134)
	(40,387)	**(46,218)**
Cost of sales:	**(35,857)**	**(41,718)**
production cost (-)	*(15,980)*	*(16,813)*
cost of merchandise, materials and third party work sold (COGS) (-)	*(19,877)*	*(24,905)*
Selling expenses (-)	**(967)**	**(527)**
General administrative expenses (-)	**(3,563)**	**(3,973)**

The table below shows remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2016 and 31 December 2015, by type of services:

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Statutory audit of annual financial statements	38	38
Tax advisory services	14	1
Total	**52**	**39**

All figures in thousands of EUR, unless stated otherwise 30

3. Other operating income and expenses

Other operating income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Gain on disposal of tangible fixed assets	22	39
Income from rental services	8	6
Reversal of other provisions	-	83
Other	8	16
Total	**38**	**144**

Other operating expenses	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Cost of reinvoicing (-)	-	(10)
Charitable contributions (-)	(30)	(31)
Other (-)	(33)	(13)
Total	**(63)**	**(54)**

4. Financial income and expenses

Financial income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Interest income on loans granted, debt securities and bank deposits	271	198
Gain on revaluation of financial derivatives	-	107
Gain on exercise of currency derivatives - forward contracts	2	-
Gain on foreign exchange differences	27	-
Dividends received	5,097	5,960
Total financial income	**5,397**	**6,265**

All figures in thousands of EUR, unless stated otherwise 31

Financial expenses	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Loss on foreign exchange differences (-)	-	(44)
Loss on change in fair value of currency derivatives - forward contracts (-)	(66)	(114)
Total financial expenses	**(66)**	**(158)**

5. Corporate income tax

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

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Current portion of corporate income tax and prior years adjustments	(1,281)	(1,778)
Deferred portion of corporate income tax	(211)	(8)
related to occurrence or reversal of temporary differences	*(211)*	*(8)*
Income tax expense as disclosed in the profit and loss account:	**(1,492)**	**(1,786)**

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 taxpayers of the 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 the liabilities so determined must be paid with high interest. In effect, the amounts disclosed in the financial statements may later be changed, after the taxes payable are finally determined by the taxation authorities.

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

All figures in thousands of EUR, unless stated otherwise 32

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Pre-tax profit	**11,648**	**13,572**
Statutory corporate income tax rate	22%	22%
Corporate income tax computed at the statutory tax rate	**2,563**	**2,986**
Non-taxable financial income - dividends	(1,121)	(1,311)
Other non-taxable income and non-deductible expenses	50	56
Adjustments of the prior years' income tax	-	55
Corporate income tax computed at the effective tax rate of 12.8 % in 2016 and 13.2% in 2015	**1,492**	**1,786**

The Company made an estimate of taxable income planned to be achieved in the future and concluded it will make feasible the recovery of deferred income tax assets (net of provisions) in the full amount as at 31 December 2016 and as at 31 December 2015.

The rate of corporate income tax was 22% in 2016 and 2015. The rate of corporate income tax is 21% in 2017.

	31 Dec 2016	31 Dec 2015
Corporate income tax assets	1,720	2,632
Corporate income tax liabilities	(1,275)	(1,721)
Current corporate income tax	**445**	**911**

	31 Dec 2016	31 Dec 2015
Tax rate used for calculation deferred income tax	21%	22%
Deferred income tax assets	563	796
Deferred income tax provisions	(14)	(36)
Deferred income tax assets (+)/Deferred income tax provision (-), net	**549**	**760**

All figures in thousands of EUR, unless stated otherwise 33

	Balance Sheet		Profit and Loss Account	
			12 months ended	12 months ended
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Deferred income tax provision				
Valuation of tangible assets at fair value and difference between tax depreciation and accounting depreciation	(11)	(21)	10	3
Other	(3)	(15)	12	(15)
Deferred income tax provision, gross	**(14)**	**(36)**		
Deferred income tax assets				
Accrued expenses, provisions and other liabilities	412	674	(262)	7
Inventories allowances	5	5	-	-
Receivables allowances	122	89	33	-
Other	24	28	(4)	(3)
Deferred income tax assets, gross	**563**	**796**		
Deferred income tax assets, net	**549**	**760**		
Change in deferred income tax in the period reported, of which			**(211)**	**(8)**
deferred income tax change recognized in profit or loss			(211)	(8)

For the calculation of deferred income tax as at 31 December 2016, tax rate of 21% was used.

All figures in thousands of EUR, unless stated otherwise 34

6. Earnings per share

Basic earnings per share are computed by dividing the net profit for the period reported, attributable to shareholders of the 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 Company, by the adjusted (due to the 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 and diluted earnings per share:

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Net profit attributable to Shareholders of the Parent Company	**10,156**	**11,786**
Average weighted number of ordinary shares outstanding, used for calculation of basic earnings per share	21,360,000	21,360,000
Dilution factors	-	-
Adjusted average weighted number of ordinary shares, used for calculation of diluted earnings per share	**21,360,000**	**21,360,000**

Both in the present reporting period and the corresponding period in the prior year, no events took place that would cause dilution of earnings per share.

7. Dividends

The Company paid in April 2016 amount of EUR 11,107,200 out to its shareholders a dividend for 2015. 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.

As in the previous years, the Company intends to pay out the dividends in 2017 from the net profit achieved for the accounting period ending 31 December 2016.

All figures in thousands of EUR, unless stated otherwise 35

8. Property, plant and equipment

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**
As at 1 January 2016, less depreciation and impairment allowance	**3**	**503**	**282**	**13**	**10**	**811**
Additions, of which:	-	127	229	-	49	**405**
Purchases	-	*117*	*229*	-	*59*	***405***
Other changes	-	*10*	-	-	*(10)*	**-**
Reductions, of which:	(1)	(207)	(189)	(1)	-	**(398)**
Depreciation charge for the reporting period (-)	*(1)*	*(207)*	*(189)*	*(1)*	-	***(398)***
Disposal and liquidation (-)	-	*(134)*	*(216)*	-	-	***(350)***
Depreciation of disposals and liquidations	-	*134*	*216*	-	-	***350***
As at 31 December 2016, less depreciation	**2**	**423**	**322**	**12**	**59**	**818**
As at 1 January 2016						
Gross value	3	1,801	1,214	20	10	**3,048**
Depreciation and impairment write-downs (-)	-	(1,298)	(932)	(7)	-	**(2,237)**
Net book value as at 1 January 2016	**3**	**503**	**282**	**13**	**10**	**811**
As at 31 December 2016						
Gross value	3	1,794	1,227	20	59	**3,103**
Depreciation and impairment allowance (-)	(1)	(1,371)	(905)	(8)	-	**(2,285)**
Net book value as at 31 December 2016	**2**	**423**	**322**	**12**	**59**	**818**

As at 31 December 2016, no tangible fixed assets served as security for bank credit.

All figures in thousands of EUR, unless stated otherwise 36

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
As at 1 January 2015, less depreciation and impairment allowance	**3**	**505**	**337**	**14**	**39**	**898**
Additions, of which:	-	228	127	-	(29)	**326**
Purchases	-	*194*	*127*	-	*5*	***326***
Other changes	-	*34*	-	-	*(34)*	**-**
Reductions, of which:	-	(230)	(182)	(1)	-	**(413)**
Depreciation charge for the reporting period (-)	-	*(226)*	*(166)*	*(1)*	-	***(393)***
Disposal and liquidation (-)	-	*(318)*	*(212)*	-	-	***(530)***
Depreciation of disposals and liquidations	-	*314*	*196*	-	-	***510***
As at 31 December 2015, less depreciation	**3**	**503**	**282**	**13**	**10**	**811**
As at 1 January 2015						
Gross value	3	1,891	1,299	20	39	**3,252**
Depreciation and impairment write-downs (-)	-	(1,386)	(962)	(6)	-	**(2,354)**
Net book value as at 1 January 2015	**3**	**505**	**337**	**14**	**39**	**898**
As at 31 December 2015						
Gross value	3	1,801	1,214	20	10	**3,048**
Depreciation and impairment allowance (-)	-	(1,298)	(932)	(7)	-	**(2,237)**
Net book value as at 31 December 2015	**3**	**503**	**282**	**13**	**10**	**811**

As at 31 December 2015, no tangible fixed assets served as security for bank credit.

All figures in thousands of EUR, unless stated otherwise 37

9. Intangible assets

For 12 months ended 31 December 2016

	Cost of development work	Computer software	Goodwill on merger	Other	Total
As at 1 January 2016, less amortization and impairment allowance	**-**	**4,972**	**1,083**	**-**	**6,055**
Additions, of which:	361	418	-	-	**779**
Purchases	-	*418*	-	-	***418***
Capitalization of costs of research and development projects	*361*				***361***
Reductions, of which:	-	(1,472)	-	-	**(1,472)**
Amortization charge for the reporting period (-)	-	*(1,481)*	-	-	***(1,481)***
Write-off decrease	-	*9*	-	-	***9***
As at 31 December 2016, less amortization	**361**	**3,918**	**1,083**	**-**	**5,362**
As at 1 January 2016					
Gross value	530	12,048	1,083	2,407	**16,068**
Amortization and impairment allowance (-)	(530)	(7,076)	-	(2,407)	**(10,013)**
Net book value as at 1 January 2016	**-**	**4,972**	**1,083**	**-**	**6,055**
As at 31 December 2016					
Gross value	891	12,466	1,083	2,407	**16,847**
Amortization and impairment allowance (-)	(530)	(8,548)	-	(2,407)	**(11,485)**
Net book value as at 31 December 2016	**361**	**3,918**	**1,083**	**-**	**5,362**

As at 31 December 2016, no intangible assets served as security for bank credits.

All figures in thousands of EUR, unless stated otherwise 38

For 12 months ended 31 December 2015

	Cost of development work	Computer software	Goodwill on merger	Other	Total
As at 1 January 2015, less amortization and impairment allowance	**-**	**6,438**	**1,083**	**2**	**7,523**
Additions, of which:	-	-	-	-	-
Purchases	-	-	-	-	-
Reductions, of which:	-	(1,466)	-	(2)	**(1,468)**
Amortization charge for the reporting period (-)	-	*(1,466)*	-	*(2)*	***(1,468)***
As at 31 December 2015, less amortization	**-**	**4,972**	**1,083**	**-**	**6,055**
As at 1 January 2015					
Gross value	530	12,048	1,083	2,407	**16,068**
Amortization and impairment allowance (-)	(530)	(5,610)	-	(2,405)	**(8,545)**
Net book value as at 1 January 2015	**-**	**6,438**	**1,083**	**2**	**7,523**
As at 31 December 2015					
Gross value	530	12,048	1,083	2,407	**16,068**
Amortization and impairment allowance (-)	(530)	(7,076)	-	(2,407)	**(10,013)**
Net book value as at 31 December 2015	**-**	**4,972**	**1,083**	**-**	**6,055**

As at 31 December 2015, no intangible assets served as security for bank credits.

All figures in thousands of EUR, unless stated otherwise

10. Goodwill

	31 Dec 2016	31 Dec 2015
ISZP	533	533
MPI	550	550
Total	**1,083**	**1,083**

The Parent Company performs an impairment test of goodwill on an annual basis (as at 31 December) and whenever the indicators of impairment exist. For the purpose of goodwill impairment tests, goodwill was allocated to a cash generating unit or a group of cash generating units ("CGU") which benefit from the acquisitions.

Goodwill related to acquisitions of ISZP and MPI Consulting was tested at the CGU level represented by the Healthcare Business Unit of Asseco Central Europe and the CGU represented by the Banking division respectively.

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). No impairment was recognised with respect to goodwill as at 31 December 2016 and 31 December 2015.

The Company carried out a sensitivity analysis in relation to 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 equalled 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.

Reasonable change in the assumptions will not lead to impairment.

The results of the conducted sensitivity analysis are presented in the table below:

	Carrying amount of CGU	Discount rate		Compound annual growth rate of cash flows	
		applied in the model for marginal period	marginal	applied in the model for forecast period	marginal
	EUR thousand	%	%	%	%
Cash-generating units constituted by companies or groups of companies					
MPI	611	6.9%	∞	49.0%	(13.8%)
ISZP	5,154	6.9%	∞	(5.6%)	(∞ %)

∞ - *means that the terminal discount rate for the marginal period is greater than 100%.*

All figures in thousands of EUR, unless stated otherwise 40

11. Investment in subsidiaries

	% of ownership	31 Dec 2016	31 Dec 2015
Asseco Solutions, a. s. (Datalock a. s.)	100%	9,295	9,295
Asseco Solutions AG	100%	13,802	13,802
DanubePay, a. s.	55%	15	15
Asseco Central Europe, a. s., Czech Republic	100%	29,447	34,986
Asseco Solutions, a.s., Czech Republic	100%	8,290	-
Asseco Hungary Zrt.	100%	16	9
Statlogics Zrt.	100%	-	10,818
GlobeNet Zrt.	100%	-	5,990
Asseco Central Europe Magyarország Zrt.	100%	16,808	-
exe, a. s.	100%	2,413	2,413
InterWay, a. s.	66%	3,216	3,216
Asseco Bel LLC	60%	-	-
Total		**83,302**	**80,544**

As at 31 December 2016, the carrying amount of financial investments was EUR 83,302 thousand. As at 31 December 2016 market capitalization of Asseco Central Europe, a. s. presented amount of EUR 118,174 thousand

Subsidiaries Statlogics Zrt. and GlobeNet Zrt. become one company named Asseco Central Europe Magyarország Zrt. in the year 2016.

In November 2016 share premium in Asseco Central Europe, a. s., Czech Republic was decresead by the value of EUR 5,539 thousand.

Acquisition of shares in Asseco Hungary Zrt.

In June 2016 Asseco Central Europe, a.s. signed an agreement for acquisition of additional 49% interest in Asseco Hungary Zrt. and increased its interests in Asseco Hungary from 51% to 100%.

Acquisition of shares in Asseco Solutions, a.s., Czech Republic

In November 2016 Asseco Central Europe, a. s. acquired a 100% stake in the company Asseco Solutions, a.s. (Company ID Nr. 64949541), seated in Praha 4, Zelený Pruh 1560/99, Czech Republic. The purchase price amounted to EUR 8,290 thousand of which EUR 5,539 thousand was settled (by set-off the payable related to share premium decrease in Asseco Central Europe, a.s., Czech Republic).

Acquisition of share in Asseco Bel LLC

In March 2016 Asseco Central Europe, a.s. acquired a 60% stake in the company Asseco Bel, Limited Liability Company. The purchase price amounted to BYR 10,500 thousand (EUR 446) which was fully paid.

All figures in thousands of EUR, unless stated otherwise 41

The Company regularly undergoes assessment of a presence of impairment indicators in relation to its financial investments in subsidiaries. As at 31 December 2016 the Company performed impairment testing with no impairment identified. The sensitivity analysis revealed that no impairment would be charged for any financial investment as at 31 December 2016.

The Company carried out a sensitivity analysis in relation to investments 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. 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;

No impairment was recognised with respect to any of investments in subsidiaries as at 31 December 2016 and 31 December 2015.

The results of the conducted sensitivity analysis are presented in the table below:

	Carrying amount of CGU	Discount rate		Compound annual growth rate of cash flows	
		applied in the model for margina l period	marginal	applied in the model for forecast period	marginal
	EUR thousand	%	%	%	%
Cash-generating units constituted by companies or groups of companies					
Asseco Central Europe (Czech Republic)	29,447	6.9%	65.7%	3.3%	(21.0%)
Asseco Solutions (Slovakia, Czech Republic, Germany)*	31,387	7.8%	∞	15.7%	(18.6%)
Asseco Central Europe Magyarország (Hungary)	16,808	11.4%	12.6%	41.7%	41.7%
InterWay**	3,216	9.3%	∞	(2.7%)	(28.9%)
exe	2,413	9.3%	69.1%	0.3%	(26.7%)

∞ - means that the terminal discount rate for the marginal period is greater than 100%.

* In the sensitivy analys table in 2016 are presented Asseco Solutions Slovakia, Asseco Solutions Czech Republic and Asseco Solutions Germany under one CGU. In 2015 Asseco Solutions Slovakia, Asseco Solutions Czech Republic and Asseco Solutions Germany was in separate CGU line.

** For 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

Reasonable change in the assumptions will not lead to impairment of investment.

12. Investment in associated companies

All figures in thousands of EUR, unless stated otherwise 42

	31 Dec 2016	31 Dec 2015
eDocu a.s.	430	430
LittleLane, a.s.	258	-
Galvaniho 5, s.r.o.	31	-
Total	**719**	**430**

LittleLane, a.s

Asseco Central Europe, a.s. cofounded the company LittleLane, a.s. based in Bratislava, Slovakia, where Asseco Central Europe, a.s. acquired 40% of total 25,000 shares for EUR 10 thousand and invested additional EUR 240 thousand into share premium, the other cost was of EUR 8 thousand.

In June 2016, the purchase price amounted to EUR 75 thousand and other cost EUR 8 thousand was paid, what is presented in the Statemant of cash-flows as Acquisition of associate companies. The rest of purchase price amounted to EUR 175 thousand will be paid in year 2017 in acordance with agreement.

Company is certain that LittleLane, a.s. is an associate in line with IAS 28 criteria, due to following:

- Company holds 40% of LittleLane shares
- There is existence of significant influence of Asseco Central Europe, a. s. as:
  - The Company is represented in Board of Directors of the associate;
  - Participation on key policy making decisions.

Galvaniho 5, s.r.o.

On 7 October 2016 Asseco Central Europe purchased 51% of total shareholding for EUR 5 thousand and invested additional EUR 26 thousand into share premium. The purchase price was fully paid, what is presented in the Statement of cash-flows as Acquisition of associate in 2016. Galvaniho 5, s.r.o. is disclosed under associated companies as there was no real activity in the company and also the value of share represents insignificant value.

13. Deferred expenses

Current	31 Dec 2016	31 Dec 2015
Maintenance services	1,500	1,970
Pre-paid insurance	24	17
Pre-paid other services	32	32
Total	**1,556**	**2,019**

All figures in thousands of EUR, unless stated otherwise 43

14. Implementation contracts

In 2016 and 2015, the Company executed a number of IT implementation contracts. In line with IAS 11, sales generated from such contracts are recognized according to the percentage of completion of relevant contracts. In 2016 and 2015 the Company measured the percentage of completion of IT implementation contracts using the "cost" method (this is by determining the relation of costs incurred to the overall project costs) or according to the "work-effort" method.

The following table includes basic data about the ongoing IT implementation contracts.

	31 Dec 2016	31 Dec 2015
Costs incurred due to execution of IT contracts (-)	(11,063)	(23,443)
Profit (loss) on execution of IT contracts	**9,233**	**8,998**
Total revenues related to IT contracts	20,296	32,441
of which:		
Progress billing	20,903	35,182
Receivables relating to valuation of IT contracts (Note 15)	967	195
Liabilities relating to valuation of IT contracts (-) (Note 21)	(1,574)	(2,936)

15. Trade and other receivables

Trade accounts receivable	31 Dec 2016	31 Dec 2015
Trade accounts receivable including:	**16,647**	**17,949**
Receivables from related companies, of which:	6,580	4,520
from subsidiaries	*6,549*	*4,520*
Receivables from other companies	9,870	13,882
Revaluation write-down on doubtful accounts receivable	(879)	(721)
Receivables from valuation of IT contracts	967	195
Receivables from non-invoiced deliveries	109	73

All figures in thousands of EUR, unless stated otherwise 44

Allowance for trade receivables	31 Dec 2016
As at 1 January 2016	**(721)**
Created during the reporting period (-)	(563)
Utilised during the reporting period (+)	-
Reversed during the reporting period (+)	405
As at 31 December 2016	**(879)**

Trade accounts receivable are not interest-bearing.

The Company has a policy of selling its products to reliable clients only. Owing to that, in the management's opinion, the credit sales risk would not exceed the level covered by the allowances for doubtful accounts as established by the Company.

As at 31 December 2016 and 31 December 2015, no receivables and future receivables served as security for bank credits.

The transactions with related companies are presented in note 23 to these financial statements.

Ageing of trade accounts receivable	as at 31 Dec 2016		as at 31 Dec 2015	
	amount	structure	amount	structure
Receivables not yet due	16,103	94%	17,221	96%
Receivables past-due up to 3 months	391	4%	582	3%
Receivables past-due over 3 months	153	2%	146	1%
	16,647	**100%**	**17,949**	**100%**

Other receivables	31 Dec 2016	31 Dec 2015
Receivables from prepayments paid	21	13
Receivables from dividends	174	-
Other receivables	72	80
Total	**267**	**93**

16. Loans granted and loans collected

Loans granted non-current

Loan due from 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).

Loans granted current

Loans granted of EUR 2,962 thousand presented as at 31 December 2016 include loan due from DanubePay, a. s. (principal EUR 1,790 thousand + interests EUR 51 thousand, interest rate 1M EURIBOR + 1.1% p.a., maturity on 31 December 2017, repayment period was extended from 31 December 2016 to 31 December 2017), loan due from Asseco Central

All figures in thousands of EUR, unless stated otherwise 45

Europe Magyárországh Zrt. (previously GlobeNet Zrt.) which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 404 thousand + interests EUR 41 thousand, interest rate 1M BUBOR + 1.5% p.a., maturity on 31 December 2017), loan due from Asseco IT Services Zrt. (Asseco Hungary Zrt.) which interest rate was in 2016 decreasing to 1.5% p.a. due to a fact that Asseco IT Services Zrt. is fully owned by the Asseco Central Europe, a.s. and thus the risk of not paying the loan was reduced (principal EUR 291 thousand + interests EUR 8 thousand, interest rate 1M BUBOR + 1.5% p.a., maturity on 31 December 2017), loan due from Asseco Bel Limited Liability Company (principal EUR 123 thousand + interests EUR 1 thousand, interest rate 1M EONIA + 2.6% p.a., maturity on 31 December 2017), loan due from eDocu, a.s. (principal EUR 250 thousand + interests EUR 3 thousand, interest rate 2.5% p.a., maturity on 30 June 2017).

Loans granted of EUR 2,520 thousand presented as at 31 December 2015 include loan due from DanubePay, a. s. (principal EUR 1,755 thousand + interests EUR 37 thousand, interest rate 1M EURIBOR + 1.1% p.a., maturity on 31 December 2016, repayment period was extended from 31 December 2015 to 31 December 2016), loan due from GlobeNet Zrt. which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 396 thousand + interests EUR 30 thousand, interest rate 1M BUBOR + 1.5% p.a., maturity on 31 December 2016) and loan due from Asseco Hungary Zrt. (principal EUR 291 thousand + interests EUR 11 thousand, interest rate 1M BUBOR + 2.25% p.a., maturity on 31 December 2016).

Amount of Loans granted in the Statement of cash-flow in value of EUR 2,134 thousand presents loan for DanubePay, a. s. (EUR 35 thousand),), loan for eDocu, a.s. (EUR 250 thousand), loan for Galvániho 5, s.r.o. (EUR 1,734 thousand), loan for Asseco Bel Limited Liability Company (EUR 115 thousand)).

No impairment indicators were identified in respect of these financial assets.

17. Other financial assets

As at 31 December 2016 the Company owned bills of exchange of J&T Private Equity B.V in amount of EUR 5,064 thousand with maturity on 9-th January 2017 (EUR 1,000 thousand, interest rate 6.3%), 10-th April 2017 (EUR 300 thousand, interest rate 5.8%), 18-th April 2017 (EUR 500 thousand, interest rate 5.6%), 28-th April 2017 (EUR 1,100 thousand, interest rate 4.0%) and 3-th July 2017 (EUR 2,000 thousand, interest rate 5.1%).

As at 31 December 2015 the Company owned bills of exchange of J&T Private Equity B.V in amount of EUR 3,517 thousand with maturity on 8-th April 2016 (EUR 217 thousand, interest rate 6.25%), 28-th July 2016 (EUR 300 thousand, interest rate 5.6%), 18-th April 2016 (EUR 2,000 thousand, interest rate 4.0%) and 11-th March 2016 (EUR 1,000 thousand, interest rate 3.2%).

Amount of acquisition of other financial assets in the Statement of cash-flows in value of EUR 6,400 thousand relates to bills of exchange bought during year 2016.

Amount of Proceeds from sale of other financial assets in the Statement of cash-flows in value of EUR 5,017 thousand relates to bills of exchange due during year 2016 (EUR 6,150 thousand during year 2015).

18. Cash and short-term deposit

	31 Dec 2016	**31 Dec 2015**
Cash in bank	13,929	15,492
Cash in hand	14	12
Short-term deposits	-	3,903
Cash equivalents	26	23
	13,969	**19,430**

The interest on cash in bank is calculated with variable interest rates which depend on the bank overnight deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Current deposits did not serve as security for any bank guarantees (of due performance of contracts and tender deposits) either at 31 December 2016 or at 31 December 2015.

19. Share capital and capital reserves

The Company has capital stock amounting to EUR 709,023.84 which consists of 21,360,000 shares.

Par value on shares

All issued shares have a par value of EUR 0.033194 per share and have been fully paid up.

In 2016 and 2015 there were no changes in the Company's share capital and share premium account.

20. Non-current and current provisions for liabilities

	Provision for warranty repairs	**Other provisions**	**Total**
As at 1 January 2016	**54**	**-**	**54**
Provisions established during financial year	50	-	**50**
Provisions reversed (-)	(40)	-	**(40)**
Provisions utilized (-)	-	-	**-**
As at 31 December 2016	**64**	**-**	**64**
Short-term as at 31 December 2016	64	-	64
Long-term as at 31 December 2016	-	-	**-**
As at 31 December 2015	**54**	**-**	**54**
Short-term as at 31 December 2015	54	-	**54**
Long-term as at 31 December 2015	-	-	**-**

Provision for warranty repairs

All figures in thousands of EUR, unless stated otherwise 47

The provision for the costs of warranty repairs is created in relation to the implementation of own software with no maintenance contract under which any potential issues or claims from the customer could be settled. Based on the experience from previous years, the warranty provision is released over the period of six months.

Other provisions

Other provisions includes provisions for penalties and compensations created for contractual penalties, mostly related to delayed projects.

21. Current trade accounts payable and other liabilities

Current trade accounts payable	31 Dec 2016	31 Dec 2015
Accounts payable to related companies	554	439
Accounts payable to other companies	9,280	8,842
Liabilities relating to valuation of IT contracts	1,574	2,936
Liabilities due to non-invoiced deliveries	675	824
Total	**12,083**	**13,041**

Trade accounts payable are not interest-bearing. The transactions with related companies are presented in note 23 to these financial statements. Standard payment period for trade accounts payable is 30 days.

Liabilities due to taxes, import tariffs, social security and other regulatory benefits payable	31 Dec 2016	31 Dec 2015
Value added tax	1,032	1,330
Personal income tax (PIT)	235	212
Social Insurance Institution	440	434
Total	**1,707**	**1,976**

The amount resulting from the difference between VAT payable and VAT receivable is paid to the respective tax authorities on a monthly basis.

Other current liabilities	31 Dec 2016	31 Dec 2015

All figures in thousands of EUR, unless stated otherwise 48

Liabilities to employees relating to salaries and wages	923	823
Liabilities from advance received from unrelated parties	71	71
Liabilities from purchase of property, plant, equipment and intangible assets to parent company	323	-
Other liabilities	23	8
Total	**1,340**	**902**

Under Other liabilities belongs social fund liability according to Social Fund Act (Nr. 152/1994 Z.z.). The balance of social fund liability is zero as at 31 December 2016.

Current accrued expenses	**31 Dec 2016**	**31 Dec 2015**
Accrual for unutilized vacation	517	519
Accrual for employee bonuses	1,138	2,139
Total	**1,655**	**2,658**

Accrued expenses mainly consist of the accrual for unutilized vacation, accruals for salaries and wages of the current period to be paid out in future periods, which result from the bonus schemes applied by the Company as well as other employee-related accruals.

In accrual for employee bonuses are included quarterly (for 4-th quarter) and yearly bonuses as at 31 December 2016.

Current deferred income	**31 Dec 2016**	**31 Dec 2015**
Maintenance services	105	809
Licence fees	66	-
Other	4	-
Total	**175**	**809**

The balance of deferred income mainly relates to prepayments for the provision of services such as maintenance and IT support and licence fees.

All figures in thousands of EUR, unless stated otherwise 49

22. Financial liabilities

	31 Dec 2016	31 Dec 2015
Deferred payment for shares in acquired subsidiaries	3,402	480
Other financial liabilities	31	1,216
Financial liabilities (current)	**3,433**	**1,696**

The deferred payment for shares balance as at 31 December 2016 consists of EUR 2,747 thousand for Asseco Solutions, Czech Republic, of EUR 480 thousand for acquired subsidiary exe, a.s. and EUR 175 thousand for LittleLane.

Financial liabilities of EUR 1,216 thousand as at 31 December 2015 consist of a liability to IBM Slovensko, s.r.o. for financing purchase hardware delivered to Ministry of Interior.

All figures in thousands of EUR, unless stated otherwise 50

23. Transactions with related companies

	Asseco Central Europe sales to related companies in the period of		Asseco Central Europe purchases from related companies in the period of		Asseco Central Europe receivables as at		Asseco Central Europe liabilities as at	
	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Transactions with parent company	**-**	**-**	**4**	**12**	**-**	**-**	**-**	**10**
Asseco Poland S.A.	-	-	4	12	-	-	-	10
Transactions with subsidiaries	**2,965**	**2,154**	**2,584**	**3,866**	**9,432**	**4,520**	**800**	**429**
Asseco Solutions a.s. SR	82	24	78	125	-	-	45	17
DanubePay, a.s.	690	544	-	228	6,643	3,872	-	-
Asseco Czech Republic a.s.	1,703	1,073	2,016	3,017	1,035	75	308	402
Asseco Solutions a.s. ČR	2	2	-	-	-	-	-	-
Asseco Berit A.G.	-	-	-	53	-	-	-	-
GlobeNet Zrt.	-	15	-	263	-	4	-	-
Asseco Hungary Zrt.	-	1	300	171	299	1	300	-
Statlogics Zrt.	-	26	-	-	-	5	-	-
Asseco South Eastern Europe d.o.o.	-	-	-	1	-	-	-	-
exe, a. s.	6	-	135	8	1	-	103	10
InterWay, a. S.	-	469	11	-	239	563	-	-
Asseco Solutions AG, Germany	-	-	43	-	-	-	44	-
Asseco SEE Croatia	-	-	1	-	-	-	-	-
Asseco Central Europe Magyarorszag Zrt.	43	-	-	-	630	-	-	-
Asseco Software Nigeria Ltd.	439	-	-	-	461	-	-	-
Asseco Bel LLC	-	-	-	-	124	-	-	-

All figures in thousands of EUR, unless stated otherwise 51

Transactions with associates	**63**	**-**	**26**	**-**	**2,023**	**-**	**76**	**-**
eDocu a.s.	63	-	26	-	284	-	76	-
Galvaniho 5, s.r.o.	-	-	-	-	1,739	-	-	-
Transactions with entities (individuals and/or legal entities) related through Group's key management personnels	**9**	**7**	**79**	**79**	**1**	**1**	**-**	**-**
KIUK s.r.o.	2	-	-	-	-	-	-	-
ABK Design & Consulting, s.r.o.	1	1	18	18	-	-	-	-
Asset a.s.	6	6	61	61	1	1	-	-
TOTAL	**3,037**	**2,161**	**2,693**	**3,957**	**11,456**	**4,521**	**876**	**439**

All figures in thousands of EUR, unless stated otherwise 52

24. Information on transactions with other related entities

As at 31 December 2016, according to information available to Asseco Central Europe, a. s., there were no significant liabilities due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel themselves.

As at 31 December 2015, according to information available to Asseco Central Europe, a. s., there were no significant liabilities due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel themselves.

As at 31 December 2016, according to information available to Asseco Central Europe, a. s., there were no significant outstanding receivables due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel.

Similarly, as at 31 December 2015 there were no significant outstanding receivables under transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel.

In the 12 months period ended 31 December 2016 and 31 December 2015, according to the accounting books and best knowledge of the management of Asseco Central Europe, a. s. there were no significant transactions conducted with companies related through the Key Management Personnel or with the Key Management Personnel.

25. Changes in working capital

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

Changes in working capital	**12 months ended 31 Dec 2016**	**12 months ended 31 Dec 2015**
Change in inventories	-	-
Change in receivables	1,215	(1,036)
Change in liabilities	(2,311)	5,677
Change in deferred and accrued expenses	(1,174)	(710)
Change in provisions	10	(698)
TOTAL	**(2,260)**	**3,233**

All figures in thousands of EUR, unless stated otherwise 53

26. Commitments and contingent liabilities concerning related companies

As at 31 December 2016, guarantees and sureties issued for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. 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 2016, guarantees and sureties issued by Asseco Central Europe a. s. 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 for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. used 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);

As at 31 December 2015, guarantees and sureties issued by Asseco Central Europe a. s. 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

27. Commitments and contingent liabilities in favour of other companies

Additionally, as at 31 December 2016 and 31 December 2015, the Company was a party to a number of leasing and tenancy contracts or other contracts of similar nature, resulting in the following future liabilities:

Liabilities under lease of space	31 Dec 2016	31 Dec 2015
In the period up to 1 year	856	863
In the period from 1 to 5 years	2,506	3,362
Total	**3,362**	**4,225**

All figures in thousands of EUR, unless stated otherwise 54

28. Employment

Average Company workforce in the reporting period	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Management Board	3	2
Production departments	321	341
Direct sales departments	5	3
Indirect sales departments	4	4
Back-office departments	39	38
Total	**372**	**388**

Company workforce as at	31 Dec 2016	31 Dec 2015
Management Board	3	3
Production departments	342	349
Direct sales departments	2	4
Indirect sales departments	6	3
Back-office departments	43	40
Total	**396**	**399**

29. Objectives and principles of financial risk management

The Company is exposed to a number of risks arising from the macroeconomic situation of the countries in which the Company operates. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates against the Euro, 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 Company's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of the project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

All figures in thousands of EUR, unless stated otherwise 55

Foreign currency exposure risk

The Company's presentation currency is the Euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Company 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.

Identification: According to the Company's procedures pertaining to entering into commercial contracts, each agreement that is concluded or denominated in a foreign currency, different from the functional currency of the Company, is subject to detailed registration. Owing to this solution, any currency risk involved is detected automatically.

Measurement:. All the changes in the value of exposure are closely monitored on a fortnightly basis. 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: In order to hedge the contracts settled in foreign currencies, the Company concludes simple currency derivatives such as forward contracts and, in the case of embedded instruments under foreign currency-denominated contracts, 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 Company'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 Company is prone to changes in their exposure to foreign exchange risk. Therefore, the Company dynamically transfers their existing hedging instruments or concludes 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 signing date (spot rate and swap points), while transferring or conclusion of 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 Company's financial result will be potentially exposed to the foreign currency risk.

The overall impact of foreign currency risk, from a change in exchange rates on the financial statements, was insignificant as of 31 December 2016.

Interest rate risk

Changes in the market interest rates may have a negative influence on the financial results of the Company. The Company is exposed to the risk of interest rate changes primarily in two areas of its business activities: (i) change in the value of interest charged on credit facilities granted by external financial institutions, which are based on a variable interest rate, 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 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 Company, hence the knowledge of that issue is complete and acquired directly.

Measurement: The Company measures 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 a risk is to eliminate occurrence of higher expenses due to the concluded financial instruments based on a variable interest rate.

Measures: In order to reduce its interest rate risk, the Company 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 Company gathers and analyzes the current market information concerning its present exposure to the interest rate risk. For the time being, the Company does not hedge against changes of interest rates due to the high degree of unpredictability of their credit repayment schedules.

The Company bears no loans and credits, hence is not exposed to this risk.

Credit risk

The Company 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 Company provides IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded. The maximum exposure 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 the knowledge of any complaints or pending judicial proceedings against a client already in existence at the time of signing an agreement. Every two weeks the Company is 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 Company operates primarily in the banking and financial sectors, its customers are concerned for their good reputation. Here the engagement risk control is usually limited solely 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 any earlier experiences of the Company itself and of its competitors. The Company concludes financial transactions with reputable brokerage houses and banks.

Financial liquidity risk

The Company 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 cash flows anticipated from operating activities.

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

The following table shows the Company's trade accounts payable and other liabilities as at 31 December 2016 and 31 December 2015, by maturity period based on the contractual undiscounted payments.

	as at 31 December 2016		as at 31 December 2015	
Ageing structure of trade accounts payable and other liabilities	**amount**	**structure**	**amount**	**Structure**
Liabilities already due	833	5%	1,742	11%
Liabilities due within 3 months	14,327	85%	10,284	66%
Liabilities due within 3 to 12 months	1,574	9%	3,451	22%
Liabilities due after 1 year	122	1%	162	1%
	16,856	**100%**	**15,639**	**100%**

Financial guarantees provided are described in Note 26.

Foreign currency risk

The Company tries to conclude contracts with their clients in the functional currency to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates against their own functional currencies.

The analysis of sensitivity of trade accounts payable and receivable to fluctuations in the exchange rates of the CZK and other currencies against the functional currencies of the company indicates that the exposure to foreign currency risk is not significant.

All figures in thousands of EUR, unless stated otherwise 58

Trade accounts receivable and payable as at 31 December 2016	Amount exposed to risk	Impact on financial results of the Company	
		-10%	10%
CZK :			
Trade accounts receivable	169	(17)	17
Trade accounts payable	420	42	(42)
USD :			
Trade accounts receivable	483	(48)	48
Trade accounts payable	21	2	(2)
HUF :			
Trade accounts receivable	6	(1)	1
Trade accounts payable	-	-	-
CHF :			
Trade accounts receivable	-	-	-
Trade accounts payable	26	3	(3)
Balance	**1,125**	**(19)**	**19**

Trade accounts receivable and payable as at 31 December 2015	Amount exposed to risk	Impact on financial results of the Company	
		-10%	10%
CZK :			
Trade accounts receivable	248	(25)	25
Trade accounts payable	7	1	(1)
HUF :			
Trade accounts receivable	6	(1)	1
Trade accounts payable	179	18	(18)
Balance	**440**	**(7)**	**7**

All figures in thousands of EUR, unless stated otherwise 59

Effects of reducing the interest rate risk

The analysis of sensitivity related to fluctuations in interest rates of loans granted indicates the following net impact on the financial results:

Loans granted based on variable interest rates as at 31 December 2016	Amount exposed to risk	Impact on financial results	
		-15%	15%
Loans granted based on EURIBOR variable interest rate	1,841	-	-
Loans granted based on EONIA variable interest rate	124	(1)	1
Loans granted based on BUBOR variable interest rate	744	(3)	3

Loans granted based on variable interest rates as at 31 December 2015	Amount exposed to risk	Impact on financial results	
		-15%	15%
Loans granted based on EURIBOR variable interest rate	1,792	-	-
Loans granted based on BUBOR variable interest rate	728	(3)	3

Other financial assets (bills of exchange of J&T Private Equity B.V) and loans (eDocu, Galvaniho 5) are based on fixed interests rates and are not included in sensitivity analysis.

Methods adopted for conducting the sensitivity analysis

The analysis of sensitivity to fluctuations in foreign exchange rates and interest rates, with potential impact on our financial results, was conducted using the percentage deviations of +/-10% and +/-15% by which the reference exchange rates and interest rates, effective as at the balance sheet date, were increased or decreased.

Fair value

As at 31 December 2016, the fair values of the Company's financial assets and liabilities are not significantly different from the values recognized on the statement of financial position.

All figures in thousands of EUR, unless stated otherwise 60

30. Remuneration due to certified auditors or 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, with breakdown by type of service:

Type of service	31 Dec 2016	31 Dec 2015
Obligatory audit of annual financial statements	38	38
Tax advisory services	14	1
Total	**52**	**39**

31. Remuneration of Members of the Board of Directors and Supervisory Board of the Company

The table below presents in EUR remuneration payable to Members of the Board of Directors and the Supervisory Board of the Company for performing their functions during 2016 and 2015.

Remuneration for the period of	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Board of Directors	937	1,180
Supervisory Board	66	98

32. Equity management

The main objective of the Company's equity management is to maintain favourable credit rating and safe level of equity ratios that would support the Company's operating activities and increase value for our shareholders.

The Company manages its equity structure which is altered in response to changing economic conditions. In order to maintain or adjust its equity structure, the Company may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2016, as well as in the year ended 31 December 2015, the Company did not introduce any changes to its objectives, principles and processes adopted in this area.

The Company consistently monitors the balance of its capital using the leverage ratio, which is calculated as a relation of net liabilities to total equity increased by net liabilities. It is the Company's principle to keep this ratio below 35%. Net liabilities include interest-bearing credits and loans, trade accounts payable and other liabilities, decreased by cash and cash equivalents. Equity comprises own equity attributable to shareholders of the Company, decreased by reserve capitals from unrealized net profits.

All figures in thousands of EUR, unless stated otherwise 61

Equity management	31 Dec 2016	31 Dec 2015
Trade accounts payable and other liabilities	20,457	21,136
Minus cash and cash equivalents (-)	(13,969)	(19,430)
Net (assets) and liabilities	6,488	1,706
Shareholders' equity	112,956	113,907
Total equity	112,956	113,907
Equity plus net liabilities	**119,444**	**115,613**
Leverage ratio	**5.43%**	**1.48%**

33. Seasonal and cyclical nature of business

The Company's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because the 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. This phenomenon occurs for the reason that the above-mentioned entities close their annual budgets for implementation of IT projects and usually carry out investment purchases of hardware and licences in the last quarter.

34. 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 individual financial statements, i.e. 24 February 2017, no other significant events occurred that might have an impact on these individual financial statements.

All figures in thousands of EUR, unless stated otherwise 62