Asseco Business Solutions Group

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 TOGETHER WITH THE REPORT OF AN INDEPENDENT CERTIFIED AUDITOR

TABLE OF CONTENTS

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Note	*3 months ended 30 June 2017 (unaudited)*	*6 months ended 30 June 2017 (unaudited)*	*3 months ended 30 June 2016 (unaudited)*	*6 months ended 30 June 2016 (unaudited)*
Revenues on sale		41,680	89,642	39,485	80,791
Own cost of sales	10.1	(24,009)	(50,008)	(23,748)	(47,143)
Gross profit on sales		**17,671**	**39,634**	**15,737**	**33,648**
Cost of sale	10.1	(1,988)	(4,056)	(1,813)	(3,666)
General and administrative expenses	10.1	(3,984)	(7,875)	(3,243)	(6,606)
Net profit on sales		**11,699**	**27,703**	**10,681**	**23,376**
Other operating income	10.2	127	333	137	271
Other operating expenses	10.2	(60)	(156)	(67)	(153)
Profit on operating activities		**11,766**	**27,880**	**10,751**	**23,494**
Financial income	10.3	249	1,015	477	672
Financial expenses	10.3	(262)	(521)	(134)	(210)
Gross profit		**11,753**	**28,374**	**11,094**	**23,956**
Income tax	11	(2,252)	(5,469)	(2,170)	(4,651)
Net profit from continuing operations		**9,501**	**22,905**	**8,924**	**19,305**
Discontinued operations					
Net profit for the reporting period attributable to:		**9,501**	**22,905**	**8,924**	**19,305**
Shareholders of the Parent		9,501	22,905	8,924	19,305
Non-controlling interest		–	–	–	–
Other total income - Items to be converted to profit/loss in subsequent reporting periods		–	–	–	–
- Items not to be converted to profit/loss in subsequent reporting periods		–	–	–	–
Other total net income		–	–	–	–
Total income for period attributable to:		**9,501**	**22,905**	**8,924**	**19,305**
Shareholders of the Parent		9,501	22,905	8,924	19,305
Non-controlling interest		–	–	–	–
Earnings per share attributable to the shareholders of the Parent:	12				
- basic/diluted profit for the reporting period		0.28	0.69	0.27	0.58
- basic/diluted profit for continuing operations in the reporting period		0.28	0.69	0.27	0.58

Additional explanatory notes to these financial statements attached on pages 8 to 33 constitute their integral part.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Interim condensed consolidated balance sheet

as at 30 June 2017

ASSETS	Note	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Non-current assets		**294,895**	**195,877**	**194,531**
Property, plant and equipment	14	20,692	11,721	10,871
Intangible assets	15	29,003	10,528	10,652
Goodwill	16	242,981	170,938	170,938
Long-term receivables		770	599	599
Deferred tax assets		1,373	1,995	1,408
Long-term accruals and deferred income	18	76	96	63
Current assets		**52,890**	**105,805**	**78,036**
Inventories	19	805	194	437
Prepayments and accrued income	18	1,543	1,053	756
Trade receivables	20	35,764	31,302	27,265
Other receivables	20	4,718	2,800	2,526
Financial instruments valued at fair value through profit or loss		343	–	–
Cash and short-term deposits	21	9,717	70,456	47,052
TOTAL ASSETS		**347,785**	**301,682**	**272,567**

LIABILITIES				
Equity (attributable to the shareholders of the Parent)		**255,317**	**275,008**	**251,782**
Share capital	24	167,091	167,091	167,091
Premium		62,543	62,543	62,543
Retained gains		25,683	45,374	22,148
Non-controlling interest		**976**	**–**	**–**
Total equity		**256,293**	**275,008**	**251,782**
Non-current liabilities		**22,609**	**888**	**781**
Provisions		1,302	888	781
Interest-bearing bank loans and borrowings	22	20,003	–	–
Long-term finance lease obligations		1,207	–	–
Long-term accruals and deferred income	23	97	–	–
Current liabilities		**68,883**	**25,786**	**20,004**
Interest-bearing bank loans and borrowings	22	43,540	–	–
Trade liabilities	23	4,199	3,005	4,035
Other liabilities	23	8,305	6,166	5,294
Income tax liabilities	23	1,231	3,738	1,348
Short-term finance lease obligations		574	–	–
Financial liabilities		–	164	148
Provisions		378	378	382
Prepayments and accrued income	23	10,656	12,335	8,797
Total liabilities		**91,492**	**26,674**	**20,785**
TOTAL EQUITY AND LIABILITIES		**347,785**	**301,682**	**272,567**

Additional explanatory notes to these financial statements attached on pages 8 to 33 constitute their integral part.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2017

	Note	*6 months ended 30 June 2017 (unaudited)*	*6 months ended 30 June 2016 (unaudited)*
Cash flows from operating activities			
Gross profit		28,374	23,956
Adjustments:		**(7,622)**	**(3,958)**
Amortization/Depreciation	10.1	5,362	5,488
Change in inventories		(475)	(72)
Change in receivables		991	(966)
Change in liabilities, excluding credits and loans		(996)	(912)
Change in prepayments and accruals		(2,646)	(2,040)
Change in provisions		–	–
Revenue on interest		(369)	(547)
Investment gain/(loss)		(2,149)	125
Income tax paid		(7,340)	(5,034)
Net cash from operating activities		**20,752**	**19,998**
Cash flows from investing activities			
Proceeds from the sale of non-financial assets		242	117
Acquisition of property, plant and equipment		(2,531)	(2,708)
Acquisition of intangible assets		(3,166)	(3,344)
Acquisition of a subsidiary net of acquired cash		(97,516)	–
Acquisition/settlement of financial assets at fair value through profit and loss		9	(58)
Established bank deposits		–	(3,019)
Cash returned from bank deposits		–	28,207
Interest received		499	635
Net cash from investing activities		**(102,463)**	**19,830**
Cash flows from financing activities			
Proceeds from obtained loans		63,540	–
Repayment of liabilities under lease agreements		–	–
Interest paid		(41)	–
Dividend paid		(42,441)	(33,418)
Net cash from financing activities		**21,058**	**(33,418)**
Increase/(Decrease) in net cash and cash equivalents		(60,653)	6,410
Net differences in exchange rates		–	–
Opening cash	**21**	**70,370**	**40,573**
Closing cash	**21**	**9,717**	**46,983**

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2017

	Share capital	Surplus from the sale of shares above their nominal value	Retained gains	**Equity of the Parent**	Non-controlling interest	**Total equity**
	6 months ended 30 June 2017 (unaudited)					
As at 1 January 2017	**167,091**	**62,543**	**45,374**	**275,008**	**–**	**275,008**
Total income for period	–	–	22,905	**22,905**	**–**	**22,905**
Payment of the Dividend	–	–	(42,441)	**(42,441)**	**–**	**(42,441)**
Taking control of subsidiaries	–	–	–	**–**	976	**976**
Other transactions	–	–	(155)	**(155)**	**–**	**(155)**
As at 30 June 2017	**167,091**	**62,543**	**25,683**	**255,317**	**976**	**256,293**
	6 months ended 30 June 2016 (unaudited)					
As at 1 January 2017	**167,091**	**62,543**	**36,261**	**265,895**	**–**	**265,895**
Total income for period	–	–	19,305	**19,305**	**–**	**19,305**
Dividends	–	–	(33,418)	**(33,418)**	**–**	**(33,418)**
As at 30 June 2016	**167,091**	**62,543**	**22,148**	**251,782**	**–**	**251,782**
	12 months ended 31 December 2016					
As at 1 January 2017	**167,091**	**62,543**	**36,261**	**265,895**	**–**	**265,895**
Total income for period	–	–	42,531	**42,531**	**–**	**42,531**
Payment of the Dividend	–	–	(33,418)	**(33,418)**	**–**	**(33,418)**
As at 31 December 2016	**167,091**	**62,543**	**45,374**	**275,008**	**–**	**275,008**

Additional explanatory notes to these financial statements attached on pages 8 to 33 constitute their integral part.

Additional explanatory notes

1. and general information

The Asseco Business Solutions Group (“the Group”) consists of Asseco Business Solutions S.A. (“the Company,” “the Issuer,” “the Parent”) and its subsidiaries (see Note 2).

These interim condensed consolidated financial statements of the Group cover the period of six months ended 30 June 2017 and include comparative data for the period of six months ended 30 June 2016 and as at 31 December 2016. The statement of comprehensive income and the notes to the statement of comprehensive income include data for the 3 months ended 30 June 2017 and comparative data for the 3 months ended 30 June 2016: they were not subject to review or audit by the certified auditor.

Asseco Business Solutions S.A. was established under a Notarial Deed dated 18 May 2001. The Company is headquartered in Lublin at ul. Konrada Wallenroda 4C, 20-607.

The Company is registered in the Companies’ Register of the National Court Register maintained by the District Court in Lublin, VI Economic Department of the National Court Register, under KRS: 0000028257. The Company has a business statistical number REGON 017293003.

The duration of operation the Parent and the entities of the Group is indefinite.

The primary activity of Asseco Business Solutions S.A., according to the classification adopted by the Warsaw Stock Exchange, is “information technology.”

The Asseco Business Solutions Group is part of the international Asseco Group, a Europe-leading vendor of proprietary software. The Group is a constellation of enterprises engaged in the advancement of information technology and is present in over 50 countries around the world, including most European markets as well as the USA, Canada, Israel, Japan, and African countries. The Asseco Capital Group serves as a Competence Centre handling the development of ERP software, mobile reporting systems (SFA), factoring systems, and softwares for SMEs. This comprehensive offering also includes the provision, adaptation and configuration of business applications for enterprises, design and construction of infrastructure at the client or in the outsourcing model, providing equipment and system software of renowned partners, training for client’s personnel, service and remote support for users. Asseco Business Solutions S.A. operates a Data Centre whose capacity parameters meet the highest standards of security, reliability and effectiveness of systems operation.

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company’s shares. The parent of the Group is Asseco Poland S.A.

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were approved for publication by the Management Board on 3 August 2017.

The interim financial results may not reflect the full realizable financial result for the financial year.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

2. Group's organization and composition changes

The Group is made up of Asseco Business Solutions S.A. and the following subsidiaries:

Subsidiary	Seat	Basic activity	Company's percentage share in equity		
			30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Macrologic S.A.	Warsaw	Information technology	88.29%	–	–
Retilia S.A.	Warsaw	Information technology	88.29%	–	–

As at 30 June 2017, the share in the total number of votes held by the Group in the subsidiaries was equal to the Groups' equity share in these entities.

On 14 June 2017, the transactions were settled that were concluded in connection with the tender offer for the shares of Macrologic S.A. announced by Asseco Business Solutions S.A. on 11 April 2017. After the settlement of the tender offer, Asseco Business Solutions S.A. owns 1,667,603 shares of Macrologic S.A., which represents 88.29% of the share capital and votes at the General Meeting of Macrologic S.A. In addition, Macrologic S.A. holds 159,436 own shares, which is approximately 8.44% of the share capital and votes at the General Meeting of Macrologic S.A.

In turn, Macrologic S.A. holds 100% of shares in Retilia Sp. z o.o. and the corresponding vote.

Macrologic S.A. also holds 40% of shares of MIS S.A. and the corresponding vote at the General Meeting of MIS S.A. However, since Macrologic S.A. is not involved in the modelling of the MIS S.A.'s operating and financial policies, the Management Board of Macrologic S.A. have concluded that despite holding 40% of the affiliated company it does not have any major influence on it, and, as from 30 June 2010, it has ceased to recognize it as an affiliated company.

3. Composition of the Parent

The Management Board of Asseco Business Solutions S.A. is as follows (30 June 2017):

Wojciech Barczentewicz	President of the Management Board
Piotr Masłowski	Vice-President of the Management Board
Andreas Enders	Vice-President of the Management Board
Mariusz Lizon	Member of the Management Board

The Supervisory Board of the Company is as follows (30 June 2017):

Jozef Klein	President of the Supervisory Board
Adam Góral	Vice-Chairman of the Supervisory Board
Romuald Rutkowski	Member of the Supervisory Board
Zbigniew Pomianek	Member of the Supervisory Board
Piotr Stępniak	Member of the Supervisory Board

The Supervisory Board does not operate through separate committees, the committees' duties are performed by the Supervisory Board.

4. Basis for the preparation of these financial statements

These interim condensed consolidated financial statements were prepared in accordance with the International Accounting Standard 34 (Interim Financial Reporting) approved by the EU ("IAS 34").

On the day of approval of these financial statements for publication, taking into consideration the EU's ongoing process of introducing the IFRS and activities conducted by the Company, there is no difference in the accounting rules applied by the Company between the IFRS, which entered into force, and the IFRS approved by the EU.

The International Financial Reporting Standards comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements are presented in zloty ("PLN") and all values, unless specified otherwise, are expressed in thousands of PLN.

While preparing these interim condensed consolidated financial statements, it was assumed that the Group's companies intended to continue their business activity in the foreseeable future. On the date of approval of these financial statements, no fact or circumstances were identified that might pose a threat to the Group's companies in continuing their business.

These interim condensed consolidated financial statements do not include all information and disclosures required in annual financial statements and should be read in conjunction with the financial statements of Asseco Business Solutions S.A. for the year ended 31 December 2016, approved for publication on 3 March 2017.

The interim financial results may not reflect the full realizable financial result for the financial year.

5. Changes in the accounting rules

A description of the significant accounting rules applied by the Parent is included in the financial statements for the year ended 31 December 2016 – published on 3 March 2017.

The accounting rules (policies) underlying the preparation of these interim condensed consolidated financial statements are consistent with those applied in preparing the Parent's financial statements for the year ended 31 December 2016. After 1 January 2016, no new or revised standards and interpretations were published for the annual periods beginning on or after 1 January 2016.

The Group has not opted for the early application of any other standard, interpretation or amendment that was published but has not yet entered into force under EU law.

6. New standards and interpretations that have been published and not yet in force

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet in force:

- IFRS 9 *Financial Instruments* – applicable to annual periods beginning on or after 1 January 2018,
- IFRS 15 *Revenues from Contracts with Customers* (published on 28 May 2014) covering amendments to IFRS 15 *Effective Date of IFRS 15* (published on 11 September 2015) – applicable to annual periods beginning on or after 1 January 2018,
- Amendments to IAS 12 *Recognition and Measurement of Deferred Tax Assets Arising from Unrelieved Losses* (published on 19 January 2016) – applicable to annual periods beginning on or after 1 January 2017; not approved by the EU until the date of approval of these financial statements,
- Amendments to IAS 7 *Disclosure Initiative* (published on 29 January 2016) – applicable to annual periods beginning on or after 1 January 2017 – not approved by the EU until the date of approval of these financial statements,
- Clarification to IFRS 15 *Revenue from Contracts with Customers* (published on 12 April 2016) – applicable to annual periods beginning on or after 1 January 2018 – not approved by the EU until the date of approval of these financial statements,
- Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (published on 20 June 2016) – applicable to annual periods beginning on or after 1 January 2018; not approved by the EU until the date of approval of these financial statements,
- Amendments to IFRS 4: Application of IFRIC 9 *Financial Instruments* with IFRIC 4 *Insurance Contracts* (published on 12 September 2016) – applicable to annual periods beginning on or after 1 January 2018; not approved by the EU until the date of approval of these financial statements.
- Amendments resulting from the review of IFRS 2014-2016 (published on 8 December 2016) – Amendments to IFRS 12 apply to annual periods beginning on or after 1 January 2017, while Amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after 1 January 2018 – not approved by the EU until the date of approval of these financial statements,
- Interpretation of IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (published on 8 December 2016) – applicable to annual periods beginning on or after 1 January 2018; not approved by the EU until the date of approval of these financial statements,
- Amendments to IAS 40 *Investment Property* (published on 8 December 2016) – applicable to annual periods beginning on or after 1 January 2018 – not approved by the EU until the date of approval of these financial statements,
- Amendments to IAS 10 and IAS 28 *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 2014); the work intended to approve these amendments have been postponed by the EU for an unlimited period of time. The date of entry into force has been postponed by the IASB for an indefinite period of time,
- IFRS 16 *Leasing* (published on 13 January 2016) – applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements,

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – applicable to annual periods beginning on or after 1 January 2016; as decided by the European Commission, the process of approving the standard in its preliminary version will not be initiated before the final version of the standard is ready; not approved by the EU until the date of approval of these financial statements,
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) – applicable to annual periods beginning on or after 1 January 2021; not approved by the EU until the date of approval of these financial statements,
- Interpretation of IFRIC 23 *Uncertainty over Income Tax Treatment* (published on 7 June 2017) – the interpretation is applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements.

Effective dates are based on the standards published by the Financial Reporting Council. The dates of application in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of EU's approval for application.

The Group is currently analysing how the introduction of these standards and interpretations may influence the financial statements and on the Group's accounting rules (policy).

The Management Board's analysis and preliminary impact assessment of the new or amended standards on the Group's accounting rules (policies) and future financial statements covered, in particular, the impact of new IFRS 9, 15 and 16 which may affect or cause changes to the accounting and reporting practice of the Company in the years 2018-2019.

IFRS 15 Revenues from Contracts with Customers

The standard was published on 28 May 2014 and will apply to annual periods beginning on or after 1 January 2018. The standard was adopted by the European Union on 22 September 2016.

According to the standard, revenues should be recognized in the amount reflecting the value of remuneration that the company expects to be entitled to in exchange for goods or services supplied to the customer; on the other hand, the moment of recognizing the revenue should best reflect the transfer of the contracted goods or services to the customer.

The new standard will replace all the current requirements for revenue recognition in accordance with the IFRS, primarily IAS 18 Revenue and Construction Contracts. The application of this standard is required for all companies preparing financial statements in accordance with the International Financial Reporting Standards for annual periods beginning on or after 1 January 2018. Earlier application is allowed.

The Asseco Business Solutions S.A. Group plans to apply the new standard as required by the effective date; therefore, fist-time application of the standard will be in the consolidated financial statements for the reporting period beginning on 1 January 2018.

The Group is currently analysing the impact of the new rules set out in IFRS 15 on its consolidated financial statements.

In accordance with the transitional provisions included in the standard, two methods of presentation of comparable data are permissible:

a) a retrospective approach to each earlier reporting period presented in accordance with IAS 8, or

b) a retrospective approach with the combined effect of the first application of the new standard used on the day of first application.

The approach described above in a) and b) will result in the recognition in the financial statements for the reporting periods beginning after 1 January 2018 of the adjustment of the initial balance of retained earnings.

At this stage, the Group has not yet decided which of the two approaches will be applied.

7. Change of estimates

7.1. Professional judgement

In the process of applying accounting rules (policies) to the issues listed below, of utmost importance, in addition to accounting estimates, was professional judgement of the management.

In the six months ended 30 June 2017, there were no major changes to the method of making estimates compared with the standards described in the Issuer's financial statements for the year ended 31 December 2016.

7.2. Estimation uncertainty

Below, the main assumptions have been made about the future and other key sources of uncertainty occurring on the balance sheet date which carry a significant risk of substantial adjustments to the carrying amounts of assets and liabilities within the next financial year. The Group made future assumptions based on the knowledge held when drawing up these financial statements. The assumptions and estimates may be subject to change due to future events ensuing from market fluctuations or changes beyond the Group's control. Such changes are reflected in the assumptions and estimates at the time of occurrence.

Impairment of assets

On 31 December, the Group performs an annual impairment test of cash flow generating units, to which the goodwill is allocated, this goodwill arising from the acquisition of a subsidiary and mergers. At each interim balance sheet date, the Management Board of the Company reviews the evidence indicating a possibility of impairment of cash flow generating units, to which goodwill is allocated. If such evidence is identified, an impairment test is also carried out on an interim balance sheet date.

Each time, an impairment test requires the estimation of value in use of cash-generating units, to which goodwill is allocated. Estimating the value in use consists in determining future cash flows generated by the cash-generating unit and requires the determination of the discount rate that is subsequently used to calculate the current value of those cash flows.

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that the future tax profits will be achieved allowing for its use. Deterioration of the tax results in the future could make the assumption unjustified.

The fair value of financial instruments

The fair value of financial instruments, for which there is no active market, is determined by appropriate valuation techniques. When selecting appropriate methods and assumptions, the Company is guided by professional judgement.

Revenue recognition

The Group is performing under a number of contracts for the development and implementation of information systems. The valuation of IT contracts requires the establishment of future operating cash flows in order to determine the fair value of revenues and expenses, and to measure the degree of progress of the project work. The Group employs the percentage of completion method when accounting for long-term contracts. The use of this method requires the Group to estimate the proportion of the work done so far to the total services to be provided.

Amortization/depreciation rates

The amount of amortization/depreciation rates is determined on the basis of the expected economic lifetime of tangible fixed assets and intangible assets. The Group reviews the adopted periods of economic useful life based on current estimates annually.

Uncertainty related to tax settlements

Regulations on the goods and services tax, corporate income tax and social insurance are subject to frequent changes. These frequent changes result in the lack of appropriate reference points, inconsistent interpretations and few precedents that could be applied. The provisions in force contain ambiguities which can cause differences of opinion as to the legal interpretation of tax regulations both among the state bodies and between government bodies and companies.

Tax settlements and other areas of activity (e.g. customs or foreign currency issues) may be subject to inspection by bodies entitled to impose severe penalties and fines, and any additional fiscal obligations arising out of the inspection must be paid together with high interest. This makes the tax risk in Poland significantly higher than in countries with more mature tax systems.

Consequently, the amounts shown and disclosed in the financial statements may change in the future as a result of the final decision of the tax audit authority.

On 15 July 2016, Polish tax law was amended to include changes that allow for the General Anti-Abuse Rule (GAAR). The GAAR is to prevent the use of artificial schemes created in order to avoid the payment of tax in Poland. The GAAR defines tax avoidance as an operation carried out with a view to achieving a tax advantage contrary, in the specific circumstances, to the object and purpose of tax law. According to the GAAR, such an operation does not result in a tax advantage if the scheme of action has been artificial. Any occurrence of (i) unfounded dividing of an operation, (ii) the involvement of intermediate parties despite the lack of commercial or economic grounds, (iii) of mutually exclusive or compensating elements, and (iv) other activities of a similar effect to the previously mentioned, can be treated as a factor typical of artificial schemes addressed by the GAAR. The new regulations will require more judgement when assessing the tax effects of individual transactions.

The GAAR clause should apply to transactions made after its entry into force and the transactions that were carried out prior to its entry into force but for which the advantages were or are still being achieved after the date of entry of the clause into force. The adoption of these regulations will enable the Polish tax inspection bodies to challenge the legal arrangements and agreements pursued by the taxpayer, such as the restructuring and reorganisation of the group.

The Group recognizes and measures current and deferred income tax assets or liabilities by applying the requirements of IAS 12 *Income tax* based on profit (tax loss), taxable amount, unrelieved tax losses, unused tax reliefs and tax rates, while taking into account an assessment of the uncertainty associated with tax settlements.

When there is uncertainty as to whether and to what extent the tax authority accepts the individual transaction tax settlements, the Group will recognize such settlements taking into account the assessment of uncertainty.

8. Seasonality of operations

The operations of the Asseco Business Solutions Group are subject to moderate seasonal fluctuations. As a rule, the highest sales figures are reported in the first and fourth quarter of the year. This can be explained by the choice of the calendar year as fiscal year by most Group’s customers, which translates into a tendency to launch information systems and modify the IT infrastructure of enterprises on the turn-of-the-year basis or beginning-of-the-year basis.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

9. Operating segments

In accordance with IFRS 8, an operating segment is a distinguishable component of the Group, for which separate financial information is available that is reviewed regularly by the operations management responsible for the resource allocation and assessment of performance.

For the management optimization purposes, the Group was divided into segments reflecting its manufactured products and rendered services. Changes in the size and significance of developed products and provided services may result in a change of composition of operating segments.

There are the following reportable operating segments:

The ERP systems segment is made up of Oracle and Microsoft-based ERP solutions that support business management and original SFA and FFA solutions intended for businesses operating through the mobile workforce. These applications support business processes and information flow processes, covering most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. Their technical capacity allows them to be implemented in various network architectures: in wide area networks and in connection with specialized software and hardware.

The "Unallocated" item shows sales that cannot be allocated to the Group's main business segments, the cost of goods sold (COGS) related to unallocated sales and the operating costs of the organizational unit responsible for unallocated sales.

The corporate expenses and income not allocated to segments have to do with those Group's operations that are not related to IT. They are financial expenses and income and other operating expenses and income.

The Management Board monitors the operating results in separate segments in order to make decisions about allocating resources and assess the impact of this allocation and performance. The basis for the assessment of performance is profit or loss on operating activities, which, to some extent, as explained in the table below, are measured differently than the profit or loss from operations in the financial statements. The financing of the Group (including costs and financial income) and income tax are monitored at the levels of the Group and they are not allocated to the segments.

Transaction prices used in transactions between the operating segments are determined on the arm's length basis as in transactions with unrelated parties.

3 months ended 30 June 2017 (unaudited)	**ERP Systems**	**Unallocated**	**Activity total**
Sales to external customers	39,898	1,782	41,680
Sales between segments			
Total segment revenues	**39,898**	**1,782**	**41,680**
Segment profit/(loss)	**11,939**	**(240)**	**11,699**
Other net operating income/(expenses)		67	67
Net financial income/(expenses)		(13)	(13)
Income tax		(2,252)	(2,252)

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Profit for period	**11,939**	**(2,438)**	**9,501**

Segment operating profit does not include financial income (PLN 249 thousand), financial expenses (PLN 262 thousand), other operating income (PLN 2 thousand) and other operating expenses (PLN 60 thousand) and the result of unallocated activity (PLN -240 thousand).

6 months ended 30 June 2017 (unaudited)	ERP Systems	Unallocated	Activity total
Sales to external customers	85,187	4,455	89,642
Sales between segments			–
Total segment revenues	**85,187**	**4,455**	**89,642**
Gains on segment sales	**27,721**	**(18)**	**27,703**
Other net operating income/(expenses)		177	177

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Net financial income/(expenses)		494	494
Income tax		(5,469)	(5,469)
Profit for period	**27,721**	**(4,816)**	**22,905**
Other information			
Amortization/Depreciation	(5,335)	(27)	**(5,362)**

Segment operating profit does not include financial income (PLN 1,015 thousand), financial expenses (PLN 521 thousand), other operating income (PLN 333 thousand) and other operating expenses (PLN 156 thousand) and the result of unallocated activity (PLN -18 thousand).

3 months ended 30 June 2016 (unaudited)	**ERP Systems**	**Unallocated**	**Activity total**
Sales to external customers	35,524	3,961	39,485
Sales between segments			–
Total segment revenues	**35,524**	**3,961**	**39,485**
Segment profit	**10,292**	**389**	**10,681**
Other net operating income/(expenses)		70	70
Net financial income/(expenses)		343	343
Income tax		(2,170)	(2,170)
Profit for period	**10,292**	**(1,368)**	**8,924**

Segment operating profit does not include financial income (PLN 477 thousand), financial expenses (PLN 134 thousand), other operating income (PLN 137 thousand) and other operating expenses (PLN 67 thousand) and the result of unallocated activity (PLN 389 thousand).

6 months ended 30 June 2016 (unaudited)	**ERP Systems**	**Unallocated**	**Activity total**
Sales to external customers	74,204	6,587	80,791
Sales between segments			–
Total segment revenues	**74,204**	**6,587**	**80,791**
Gains on segment sales	**22,755**	**621**	**23,376**
Other net operating income/(expenses)		118	118
Net financial income/(expenses)		462	462
Income tax		(4,651)	(4,651)
Profit for period	**22,755**	**(3,450)**	**19,305**
Other information			
Amortization/Depreciation	(5,463)	(25)	**(5,488)**

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Segment operating profit does not include financial income (PLN 672 thousand), financial expenses (PLN 210 thousand), other operating income (PLN 271 thousand) and other operating expenses (PLN 153 thousand) and the result of unallocated activity (PLN 621 thousand).

Geographic information

Revenues from external customers:

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Poland	76,506	70,940
Abroad, including:	13,136	9,851
– The Netherlands	5,336	4,553
– France	3,810	1,279
- Romania	744	1,145
- Germany	1,414	799
- USA	–	415
– Spain	255	349
– Portugal	84	171
- Turkey	102	107
- Czech Republic	407	245
- the Baltics (Lithuania, Latvia, Estonia) and Russia	36	99
- others	948	689
	89,642	**80,791**

This information on revenue is based on data on customers' headquarters.

10. Income and expense

10.1. Expenses by type

	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
The value of goods sold, materials and external services (COGS)	(1,819)	(4,417)	(3,481)	(5,979)
Consumption of materials and energy	(626)	(1,230)	(573)	(1,119)
External services	(5,077)	(9,781)	(4,011)	(8,062)
Remuneration	(15,929)	(33,327)	(14,483)	(29,660)
Employee benefits	(3,341)	(7,093)	(2,930)	(6,215)
Amortization/Depreciation	(2,681)	(5,362)	(2,757)	(5,488)

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Taxes and fees	(250)	(444)	(206)	(375)
Business trips	(170)	(287)	(141)	(301)
Other	(88)	2	(222)	(216)
Total	**(29,981)**	**(61,939)**	**(28,804)**	**(57,415)**
Own cost of sales, including:	(24,009)	(50,008)	(23,748)	(47,143)
production cost	*(22,190)*	*(45,591)*	*(20,267)*	*(41,164)*
value of goods sold, materials and external services (COGS)	*(1,819)*	*(4,417)*	*(3,481)*	*(5,979)*
Cost of sale	(1,988)	(4,056)	(1,813)	(3,666)
Cost of management and administration	(3,984)	(7,875)	(3,243)	(6,606)
Total	**(29,981)**	**(61,939)**	**(28,804)**	**(57,415)**

10.2. Other operating income and expenses

Other operating income	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
Profit from the sale of non-financial assets	32	153	42	87
Proceeds from rental of office space	79	160	82	163
Other	16	20	13	21
Total	**127**	**333**	**137**	**271**

Other operating expenses	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
Donations to unrelated parties	(15)	(23)	(2)	(21)
Liquidation of fixed assets		(3)	(1)	(5)
Other operating expenses	(45)	(130)	(64)	(127)
Total	**(60)**	**(156)**	**(67)**	**(153)**

10.3. Financial income and expenses

Financial income	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
Income from bank interest	203	499	260	547
Other interest income	–	–	2	4
Positive exchange rates	9	–	215	121
Gains from foreign currency derivatives execution - entered forward contracts	37	9	–	–

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Gains from changes in fair value of currency derivatives - entered forward contracts	–	507	–	–
Total	**249**	**1,015**	**477**	**672**

Financial expenses	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
Interest costs on loans	(116)	(116)	–	–
Negative exchange rates	–	(271)	–	–
Other interest expense	(4)	(4)	–	(3)
Bank fees and charges	(130)	(130)	–	–
Losses from foreign currency derivatives execution - entered forward contracts	–	–	(33)	(58)
Losses from changes in fair value of foreign currency derivatives - entered forward contracts	(12)	–	(101)	(149)
Total	**(262)**	**(521)**	**(134)**	**(210)**

11. Income tax

	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)
Current income tax	(2,146)	(4,636)	(2,388)	(4,334)
Deferred income tax	(106)	(833)	218	(317)
Tax expense reported in profit and loss account, including:	**(2,252)**	**(5,469)**	**(2,170)**	**(4,651)**
Income tax attributed to discontinued operations	*(2,252)*	*(5,469)*	*(2,170)*	*(4,651)*

After approval of the financial statements for the year ended 31 December 2016, Asseco Business Solutions S.A. received an individual interpretation on the subject of the determination of the time of deduction of project costs constituting eligible costs that the Company classifies as the revenue earning cost (tax deductible expenses) by amortization allowances on intangible fixed assets. Based on this interpretation, the Company has adjusted to zero the eligible costs deductible from the tax base; as a result, the basis of assessment of corporate tax has increased. Subsequent to the adjustment, the Company's corporate tax liability increased by PLN 155 thousand which has been paid with interest.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

12. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent by the weighted average number of issued ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Group by the weighted average number of issued ordinary shares outstanding during the period adjusted by the weighted average number of ordinary shares, which would be issued on conversion of all dilutive potential equity instruments into ordinary shares.

Below is the data on earnings and shares that were used in calculating basic and diluted earnings per share:

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Net profit attributable to the shareholders of the Parent for the reporting period	22,905	19,305
Weighted average number of issued ordinary shares used to calculate basic earnings per share	33,418,193	33,418,193
Basic/diluted earnings per share	**0.69**	**0.58**

13. Paid and proposed dividends

The dividend on ordinary shares for 2016 paid by the parent on 1 June 2017 amounted to PLN 42,441 thousand (the dividend for 2015 was paid on 1 June 2016 and amounted to PLN 33,418 thousand).

The dividend per share paid for 2016 amounted to PLN 1.27 (for 2015: PLN 1.00). The Company did not pay an advance for the dividend for the year 2017.

14. Tangible fixed assets

Changes in net worth of property, plant and equipment in the period of the six months ended 30 June 2017 and in the comparable period were attributed to the following:

Property, plant and equipment	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Net value as at 1 January	11,721	10,277
Increase through:	**11,161**	**2,708**
Acquisitions	2,531	2,708
Taking control of subsidiaries	8,630	–
Decrease through:	**(2,190)**	**(2,114)**

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Depreciation allowance for the reporting period	(2,098)	(2,079)
Sales and liquidation	(92)	(35)
Net value of fixed assets as at 30 June	**20,692**	**10,871**

15. Intangible assets

Changes in net worth of intangible assets in the period of the six months ended 30 June 2017 and in the comparable period were attributed to the following:

Intangible assets	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Net value as at 1 January	10,528	10,717
Increase through:	**21,746**	**3,361**
Acquisitions	25	59
Taking control of subsidiaries	18,572	–
Capitalization of costs of pursued development projects	3,149	3,302
Decrease through:	**(3,271)**	**(3,426)**
Amortization allowance for the reporting period	(3,271)	(3,426)
Sales and liquidation	–	–
Net value of fixed assets as at 30 June	**29,003**	**10,652**

16. Goodwill

Goodwill presented in the interim condensed consolidated financial statements includes goodwill created from the merger of Asseco Business Solutions S.A., Safo Sp. z o.o., Softlab Sp. z o.o., Softlab Trade Sp. z o.o. and WA-PRO Sp. z o.o., goodwill on consolidation resulting from the merger of Asseco Business Solutions S.A. with Anica System S.A. and goodwill created upon the acquisition of shares of Macrologic S.A.

	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Carrying value of goodwill	242,981	170,938	170,938

Goodwill is allocated to a cash-generating unit which is also a separate operating segment – ERP systems.

In the period ended 30 June 2017, the following changes in goodwill took place:

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

	30 June 2017 (unaudited)
Goodwill at the beginning of period	170,938
Increase in goodwill from acquisition	72,043
Total carrying value at the end of period	**242,981**

At 30 June 2017, there were no indications that there might be any loss of goodwill, and any assumptions to the test at the end of 2016 (which are described in the financial statements for the year ended 31 December 2016 in Note 18) remain valid on the balance sheet date of 30 June 2017.

17. Acquisition of subsidiaries

On 14 June 2017, the transactions were settled that were concluded in connection with the tender offer for the shares of Macrologic S.A. announced by Asseco Business Solutions S.A. on 11 April 2017. After the settlement of the tender offer, Asseco BS holds 1,667,603 shares of Macrologic S.A., representing 88,29% of the share capital and votes at the General Meeting of Macrologic S.A. In addition, Macrologic S.A. holds 159,436 own shares, which is approximately 8.44% of the share capital and votes at the General Meeting of Macrologic S.A.

The share price in the tender offer was PLN 59.0 per share. The total transaction value amounted to PLN 98,389 thousand.

The Group acquired Macrologic S.A. with a view to growing its expertise and technological know-how in the ERP area. The ultimate objective of the acquisition is the mutual exchange of knowledge and the synergy effect to broaden the product offering and boost the overall quality of products and services.

The acquisition was settled using the purchase method. The Management Board of Asseco Business Solutions S.A. has decided to initiate the consolidation of Macrologic S.A. starting 30 June 2017, assuming that the lack of consolidation of Macrologic's results from the date of taking control does not influence these interim condensed consolidated financial statements.

By 30 June 2017, the process of purchase price allocation had not yet been completed by the Group. Thus, goodwill recognized upon the acquisition of Macrologic S.A. may still be subject to change. However, no part of recognized goodwill is expected to be deductible for taxation purposes.

The provisional value of the identifiable assets and liabilities of Macrologic S.A. on the date of taking control is as follows:

	Provisional values at the acquisition date in PLN thou.
Acquired assets	
Property, plant and equipment.	8,630
Intangible assets	18,572
Trade receivables	7,149
Cash and cash equivalents	873
Other assets	1,422
Assets total	**36,646**
Acquired liabilities	
Bank loans	1,481

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Liabilities under finance lease	1,781
Trade liabilities	2,333
Provisions	444
Prepayments and accrued income	1,246
Other liabilities	2,039
Liabilities total	**9,324**
Net value of assets	**27,322**
Value of non-controlling interest (in proportion to the interest in net assets)	**976**
Acquired % of share capital	**96.43%**
Acquisition price	**98,389**
Goodwill on acquisition date	**72,043**

Transaction costs of PLN 87 thousand were recognized as administrative expenses in the statement of comprehensive income and as part of cash flows from operating activities in the statement of cash flows.

18. Other assets

18.1. Prepayments and accrued income

Prepayments and accrued income	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Prepaid maintenance services	372	401	239
Prepaid insurance	522	438	261
Prepaid subscriptions	15	8	25
Prepaid training	10	93	30
Other prepaid services	700	209	264
Total	**1,619**	**1,149**	**819**
- short-term	1,543	1,053	756
- long-term	76	96	63

19. Inventories

At 30 June 2017 inventory write-down amounted to PLN 141 thousand (as at 31 December 2016: PLN 130 thousand). In the year ended 30 June 2017, the Group wrote down the inventory value to the recoverable net value in the amount of PLN 11 thousand to operating expenses. The created write-down was related to computer accessories stored in the warehouse for more than 12 months.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

20. Trade and other receivables

Trade receivables (short-term)	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Trade receivables from unrelated parties	35,331	30,892	26,738
Trade receivables from related parties	433	410	527
Trade receivables (net)	**35,764**	**31,302**	**27,265**
Allowance on doubtful accounts	1,291	702	735
Trade receivables (gross)	**37,055**	**32,004**	**28,000**

Other receivables	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Receivables arising from the valuation of long-term IT contracts	3,458	2,206	1,604
Advances paid to suppliers	101	46	2
Other trade receivables (bid bonds, deposits)	394	455	351
Other receivables	765	93	569
	4,718	**2,800**	**2,526**

Receivables from the valuation of IT contracts (implementation contracts) result from the degree of advancement of the execution of implementation contracts in relation to the invoices issued.

Terms and conditions of related party transactions are set out in Note 26.

The Group has an appropriate policy in place governing the sales only to verified customers. The Group controls the collection of receivables regularly, creates allowances in accordance with the adopted accounting policy and, in justified cases, asserts its claims amicably or at court. Thus, in the opinion of management, there is no additional credit risk beyond the level specified in the allowance for bad debts applicable to the Group's trade receivables.

21. Cash and short-term deposits

Cash at bank bears interest at variable interest rates, the amount of which depends on the rate on overnight bank deposits. Short-term deposits are made at different periods, from one day to six months, depending on the actual demand for cash, and bear interest at a fixed interest rate. Deposits with a maturity of up to three months are classified as cash equivalents. Deposits with a maturity of 3 to 6 months are presented as other current financial assets.

Cash	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Cash at bank and in hand	8,890	1,442	936

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Short-term deposits up to 3 months	827	69,014	46,116
Cash in the balance	**9,717**	**70,456**	**47,052**
Interest accrued on short-term deposits	–	(86)	(69)
Cash in cash flows statement	**9,717**	**70,370**	**46,983**

22. Interest-bearing loans and borrowings

On 30 May 2017, Asseco Business Solutions S.A. entered into a credit facility agreement with Raiffeisen Bank Polska covering the amount of PLN 65,000 thousand. The credit facility will be used as follows:

- an overdraft facility of up to PLN 45,000 thousand with the repayment date of 30 June 2020;

- a revolving loan facility of up to PLN 20,000 thousand with the repayment date of 30 September 2020.

The collateral security is a power of attorney to the bank accounts at Raiffeisen Bank Polska S.A. and a declaration of submission to enforcement. The facility's interest is WIBOR + margin.

23. Trade liabilities, other liabilities, accruals and deferred income

23.1. Trade and other liabilities (short-term)

Trade liabilities	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
To related parties	348	51	118
To other parties	3,851	2,954	3,917
Total	**4,199**	**3,005**	**4,035**

Other liabilities	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Amounts owed to employees as wages	307	315	190
Liabilities arising from the valuation of long-term IT contracts	1,106	361	154
Liabilities due to non-invoiced deliveries	199	169	263
Other liabilities	14	312	21
Total	**1,626**	**1,157**	**628**

Terms and conditions of payment of the above financial liabilities:

Terms and conditions of related party transactions are set out in Note 26.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

Trade and other liabilities are not interest-bearing. Interest liabilities are generally settled on a monthly basis throughout the financial year.

Liabilities from taxes, duties, social security and other	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Liabilities from taxes, duties, social security and other	6,679	5,009	4,666
Liabilities to Social Security	2,771	1,476	1,640
Personal Income Tax	674	652	433
VAT	3,178	2,843	2,556
Other budgetary commitments	56	38	37
Tax liabilities on corporate income tax	1,231	3,738	1,348
Total	**7,910**	**8,747**	**6,014**
- short-term	7,910	8,747	6,014
- long-term	–	–	–

The amount of the difference between the liabilities and receivables in respect of value added tax is paid to the competent tax authorities on a monthly basis.

23.2. Prepayments and accrued income

	30 June 2017 (unaudited)	31 December 2016	30 June 2016 (unaudited)
Accrued expenses for:			
Unused leaves	3,798	2,567	3,256
Bonuses	5,566	8,697	4,669
Provision for other expenses	784	741	646
	10,148	**12,005**	**8,571**
Accrued income for:			
Prepaid services	182	330	226
Grants related to assets	423	–	–
	605	**330**	**226**
Total	**10,753**	**12,335**	**8,797**
- short-term	10,656	12,335	8,797
- long-term	97	–	–

Accrued expenses are primarily provisions for unused leave, provisions for wages of a period intended for distribution in subsequent periods, resulting from the principles of bonus systems effective in the companies of the Asseco Business Solutions Group, and provisions for the costs of current operations. The balance of deferred income concerns primarily prepayments for services rendered, such as maintenance and IT assistance.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

24. Share capital and reserve capitals

During the six months ended 30 June 2017, Asseco Business Solutions S.A. did not issue any shares.

All issued shares have a nominal value of PLN 5 and have been fully paid up. All shares are ordinary shares. There are no preference shares.

25. Lawsuits

Asseco Business Solutions S.A. is a party to several lawsuits and enforcement proceedings to recover payments for delivered products and services.

In addition to matters relating to the said recovery, the Company appealed to the District Court in Warsaw, the Court of Competition and Consumer Protection, which dismissed the Company's appeal against a decision of the Office of Competition and Consumer Protection imposing a fine on the Company. The fine was associated with investigations by the OCCP related to the use of abusive clauses in agreements concluded by the Company (and its legal predecessors) with the distributors of the WAPRO-branded software. In November 2016, the Court of Appeal in Warsaw changed the contested decision of the District Court and revoked the decision of the President of the Office of Competition and Consumer Protection. The Office of Competition and Consumer Protection appealed to the highest instance against the decision of the Court of Appeal. The appeal contained, inter alia, a request for the cancellation of the contested decision of that court. In March 2017, Asseco Business Solutions S.A. responded to the appeal. In accordance with the precautionary principle, the entire amount of the fine was secured by a provision created within the 2013 expenses.

26. Transactions with related entities

Transactions with related parties are held at arm's length. The amounts of outstanding payments are not protected and will be settled in cash. No guarantees were granted or received. In the accounting period, the costs attributable to bad or unsafe debt arising from transactions with related parties were not recognised.

The following table shows the total amount of transactions with related parties during the six months ended 30 June 2017 and 2016:

Related party		*Sales to related parties*	*Purchase from related parties*	*Receivables from related parties*	*Liabilities to related parties*
The parent of the Group:					
Asseco Poland S.A.	*1st half 2017*	844	1,100	261	303
	1st half 2016	1,061	850	498	80
Other related parties:					
Other parties	*1st half 2017*	204	200	172	55
	1st half 2016	79	91	29	38

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

1st half 2017	**1,048**	**1,300**	**433**	**358**
1st half 2016	**1,140**	**941**	**527**	**118**

According to the information held by Asseco Business Solutions S.A., neither at 30 June 2017 nor at 30 June 2016, there was an outstanding balance of receivables arising from related party transactions held by the Company Executives and with the Company Executives.

According to the information held by Asseco Business Solutions S.A., neither at 30 June 2017 nor at 30 June 2016 there were outstanding liabilities arising from related party transactions held by the Company Executives and with the Company Executives.

According to the records of Asseco Business Solutions S.A., for the six months ended 30 June 2017, the (net) value of purchase transactions for goods and services (including lease) with related parties by the Company Executives and with the Company Executives amounted to PLN 931 thousand (in the six months ended 30 June 2016: PLN 918 thousand).

27. Remuneration of the Issuer's executives

The remuneration paid or payable to the members of the Management Board and Supervisory Board:

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Management Board	3,974	3,341
Supervisory Board	147	159
Total	**4,121**	**3,500**

28. Objectives and principles of financial risk management

The objectives and principles of financial risk management applied by the Group are consistent with the objectives and principles that were reported in the Issuer's financial statements for the year ended 31 December 2016.

29. Financial instruments

29.1. Fair values of each class of financial instruments

Fair values of financial assets and financial liabilities are determined as follows:

- fair value of financial assets and financial liabilities with standard conditions, which are traded on active, liquid markets, is determined by reference to stock prices;
- the fair value of other financial assets and liabilities (with the exception of derivatives) is determined in accordance with the generally accepted pricing models and based on the analysis of discounted cash flows and with prices used in the current market transactions and dealer quotes for similar instruments.

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

The following table compares the carrying values and fair values of all the Group's financial instruments, broken down by classes and categories of assets and liabilities.

	Category in accordance with IAS 39	carrying values		fair values	
		30 June 2017 (unaudited)	31 December 2016	30 June 2017 (unaudited)	31 December 2016
Financial assets					
Forward currency contracts	ALFVPL	343	–	343	–
Trade receivables and other receivables	L&R	40,381	34,056	40,381	34,056
Other financial assets	L&R	–	–	–	–
Cash and short-term deposits	ALFVPL	9,717	70,456	9,717	70,456
		50,441	**104,512**	**50,441**	**104,512**
Financial liabilities					
Interest-bearing loans and borrowings - Fixed %	FLMAC	20,003	–	20,003	–
Credit on running account	FLMAC	43,540	–	43,540	–
Trade and other liabilities	FLMAC	5,825	4,162	5,825	4,162
Finance lease obligations	FLMAC	1,781	–	1,781	–
Forward currency contracts	ALFVPL	–	164	–	164
		71,149	**4,326**	**71,149**	**4,326**

Abbreviations used:

ALFVPL - financial assets/liabilities at fair value through profit and loss,

L&R - loans and receivables

FLMAC - other financial liabilities measured at amortized cost

According to the Group's assessment, the fair value of cash, short-term deposits, trade receivables, trade liabilities, credits on running account and other short-term liabilities does not differ from the carrying amounts largely due to the short period of maturity.

At 30 June 2017 and at 31 December 2015, the Group held the following financial instruments measured at fair value:

Interim condensed financial statements for the six months ended 30 June 2017 (in PLN thousand)

	30 June 2017 (unaudited)	Level 1	Level 2	Level 3
Financial assets valued at fair value through profit or loss				
Concluded forward contracts	343	–	343	–
	343	**–**	**343**	**–**

	31 December 2016	Level 1	Level 2	Level 3
Financial liabilities valued at fair value through profit or loss				
Concluded forward contracts	164	–	164	–
	164	**–**	**164**	**–**

i. fair value is determined based on quoted prices offered for identical assets in active markets;

ii. fair value determined by using models for which the input data is observable either directly or indirectly in active markets;

iii. fair value determined by using models for which the input data is not observable either directly or indirectly in active markets;

In the period ended 30 June 2017 and in the period ended 30 June 2016, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, or none of the instruments was moved from/to Level 3 of the fair value hierarchy.

30. Capital management

The objectives and principles of capital management are consistent with the objectives and principles that were reported in the Issuer's financial statements for the year ended 31 December 2016.

31. Events after the balance sheet

On 19 July 2017, Asseco Business Solutions S.A. initiated a squeeze-out procedure in relation to 61,680 shares of Macrologic S.A. held by the Minority Shareholders. The redemption date was 24 July 2017, and the redemption price was PLN 59.

In conjunction with the squeeze-out, the trade in the shares of Macrologic S.A. at the Warsaw Stock Exchange was suspended as from 19 July 2017.

On 24 July 2017, as a result of the settlement of the squeeze-out transaction, Asseco BS acquired the remaining shares of Macrologic S.A. As a result, Asseco Business Solutions S.A. holds 1,729,283 shares of Macrologic S.A. shares constituting 91.56% of the share capital and votes at the General Meeting of Macrologic S.A.

32. Signatures of the Management Board Members

Name and surname	Position/Function	Signature
Wojciech Barczentewicz	President of the Management Board	
Piotr Masłowski	Vice-President of the Management Board	
Andreas Enders	Vice-President of the Management Board	
Mariusz Lizon	Member of the Management Board	
Artur Czabaj	The person responsible for bookkeeping	

Asseco Business Solutions S.A.

info@assecobs.pl

assecobs