

Asseco Business Solutions S.A.

Report of the Management Board on the  
Operations of Asseco Business Solutions S.A.  
in 2016

asseco

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## DEAR SHAREHOLDERS OF ASSECO BUSINESS SOLUTIONS S.A.

We are glad indeed to inform you that our good financial results and growth in many areas of the business continue to be in a strong uptrend. Also in 2016, our results demonstrate that we possess tremendous potential, largely owing to our long-established agenda of growth through the expansion of the Company's portfolio.

In 2016 Asseco Business Solutions reported the revenues on sales of PLN 169 million (up by 11% compared with 2015). Besides, the previous year closed with the net profit of over PLN 42.5 million, which is up by 27 % more compared with the figure for 2015. Other indicators, such as EBITDA and EBIT also showed a growth of 22 % and 27 %, respectively.

We also reported very high liquidity. At the end of 2016, the Company's carrying balance of cash along with short-term deposits amounted to nearly PLN 70.5 million.

I also wish to point out that in the first six months of 2016 our Company allocated the total of PLN 33.4 million to the payment of the dividend (PLN 1 per share). We are proud to be among the listed companies that have regularly paid a dividend to their shareholders for a number of years. Since its listing on the Warsaw Stock Exchange (2007), Asseco Business Solutions have paid eight dividends of the total value of over PLN 216 million.

The cash that we accumulated over 2016 will be allocated to the development of the Company and our product offering, not to mention the improvement of our sales, implementation, and maintenance competence. With our stable and effective development strategy, we are growing our portfolio of customers, both at home and abroad. In Poland we partner up with tens of thousands of companies that run our ERP, HR, SFA, data exchange, or factoring software. Our foreign FMCG customers can select among our mobile sales support solutions. Such and similar software have been already deployed in 40 countries world-wide. We are proud to inform that our foreign sales went up by impressive 58% in 2016.

We want to thank you for your trust and hope that the timely and regularly paid dividend demonstrates that our effort and invested funds yield desirable results.

Please, read the attached Financial Statements of Asseco Business Solutions S.A. for 2016.

Wojciech Barczentewicz  
President of the Management Board of Asseco Business Solutions SA

Wojciech Barczentewicz,  
President of the Management Board of Asseco  
Business Solutions S.A.

## 1. Selected financial data of Asseco Business Solutions S.A.

	in EUR PLN		in EUR EUR	
	Year ended 31 December 2016 2014	Year ended 31 December 2015 2014	Year ended 31 December 2016 2014	Year ended 31 December 2015 2014
Revenue on sales	168,756	151,834	38,567	36,283
Gross profit on sales	72,763	60,180	16,629	14,381
<b>Profit on operating activities</b>	<b>51,560</b>	<b>40,459</b>	<b>11,783</b>	<b>9,668</b>
Gross profit	52,479	41,607	11,993	9,942
Net profit	42,446	33,509	9,700	8,007
Net cash from financing activities	49,163	46,484	11,236	11,108
Net cash from investing activities	14,052	(34,993)	3,211	(8,362)
Net cash from financing activities	(33,418)	(28,286)	(7,637)	(6,759)
Cash and short-term deposits	70,456	40,658	15,926	9,541
Weighted average number of shares	33,418,193	33,418,193	33,418,193	33,418,193
Earnings per ordinary share	1.27	1.00	0.29	0.24

Selected financial data presented in the financial statements has been converted into EURO as follows:

- the Company's cash position at the end of the current reporting period and at the end of the previous reporting period is translated at the average exchange rate announced by the National Bank of Poland on the balance sheet date.

On 31 December 2016, 1 EUR = 4.4240 PLN,

On 31 December 2015, 1 EUR = 4.2615 PLN.

- selected items from the statement of comprehensive income and the statement of cash flows are translated at the exchange rate being the arithmetic average of average exchange rates announced by the National Bank of Poland on the last day of each month.

Between 1 January and 31 December 2016, 1 EUR = 4.3757 PLN.

Between 1 January and 31 December 2015, 1 EUR = 4.1848 PLN.

## 2. Issuer's Activity

Asseco Business Solutions specializes in the design and development of IT solutions for business. Enterprises that need modern management systems partner up with Asseco BS to obtain a complete and dedicated suite of solutions, tailored to their nature, industry, size, and requirements.

*"The goal of Asseco Business Solutions is to provide innovative IT solutions that enhance the enterprise management capacity and help develop and strengthen a competitive advantage in the market. When designing its systems, Asseco Business Solutions is always open and responsive to companies' needs and does its utmost to provide the most practical and effective tools that help grow the business."*

Mission Statement

The comprehensive offering of Asseco Business Solutions includes ERP systems that support business processes in SMEs, a suite of applications for small-company management, programs optimizing the HR area, mobile SFA applications for the mobile workforce marketed Europe-wide, data exchange platforms, and programs handling factoring transactions.

Asseco Business Solutions is part of the international Asseco Group, a Europe-leading vendor of proprietary software. The Group is a federation of companies involved in the advancement of information technology. It is present in over 50 countries, e.g. in most European countries, in the US, Canada, Israel, or Japan.



All Asseco BS's solutions reflect the knowledge of experienced professionals, a proven development methodology and the use of modern IT tools. With high quality products and related services, the software from Asseco BS has been successful in supporting the operations of tens of thousands of companies for many years. Asseco BS's track record covers dozens of completed software deployments in Poland and in most European countries.

## 3. Company's Products and Services

Asseco Business Solutions S.A. furnishes modern IT solutions for enterprises of any size, character, and industry. Within the Asseco Capital Group, the Company serves as a Competence Centre accountable for ERP software, mobile reporting systems of SFA class, factoring systems, and software for SMEs.

In the ERP segment, Asseco Business Solutions S.A. offers modern and integrated software (**Asseco Softlab ERP**) handling the management of medium and large enterprises. This product features a wealth of functions. It facilitates the management of most business areas of an enterprise, e.g. production, finance and accounting, HR and payroll, logistics as well as sales and inventory management. It is also equipped with a number of management tools intended for administration and offering specific analytical capabilities. The ERP solution for SMEs is the **Asseco WAPRO ERP** suite of management applications for small and medium-sized enterprises, supporting the work of internal departments: sales, finance and accounting, human resources, and mobile personnel. The Asseco WAPRO ERP software

fits any industry. Asseco WAPRO ERP is known for simple installation, easy configuration, and intuitive handling.

In addition to the ERP segment, Asseco Business Solutions offers a bespoke solution for human resources management. **Asseco Softlab HR** is an HRM-class product that supports all the processes in the area of personnel management and payroll. The system proves most effective in large and medium-sized organizations and always fits their individual needs and nature of the business. The solution handles both the HR and accounting for the workload, as well as offering an across-the-board system for human capital management.

The offering of Asseco Business Solutions also features mature sales support systems (**Mobile Touch**), including the mobile SFA and FFA solutions, and services of electronic exchange of commercial data between the different links in a distribution chain, mainly between manufacturers and their wholesale partners (**Connector Platform**). The mobile systems by Asseco BS are among the leading SFA solutions in the world. They have been implemented in 40 countries and boast as many as more than 30 thousand active users.

Most sales support system deployments are performed in the full outsourcing model. It means that the Company assumes the full responsibility not only for the programs but also for the most sensitive components of the solutions: the system infrastructure, communications, supervision over the integration processes, or transfer of orders to distributors. Such an implementation approach is possible thanks to Asseco BS's own Data Processing Centre (**Data Centre**).

Asseco Business Solutions S.A. has also designed the **Faktor** system: a novel application tailored to the needs of the financial market, enabling a comprehensive handling of factoring transactions.

In addition, the Company generates the so-called unallocated revenue which falls outside the main segment. This category includes revenues from sales and deployments of Central Data Processing systems (including deployments of terminal solutions), based on third-party technologies, e.g. Citrix.

## 4. The Markets

The primary market for Asseco Business Solutions S.A. is Poland. The Company keeps growing its global footprint. The products of Asseco Business Solutions S.A. have been implemented in more than 40 European countries, for example: Belgium, the Czech Republic, Estonia, Finland, France, Spain, the Netherlands, Lithuania, Latvia, Portugal, Romania, Slovakia, Turkey, Hungary and the United Kingdom, but also in the Asia-Pacific region.

As regards its sales plans in foreign markets, Asseco Business Solutions S.A. aspires to vend its products across the entire European continent. A way to expand its markets is to take advantage of the membership in the Asseco Capital Group and the development of its networking capacity.

Asseco Business Solutions S.A. has six offices Poland-wide (including the HQ in Lublin and a trade office in Warsaw), own Data Centre in Lublin and a network of hundreds of commercial partners (selling Asseco WAPRO ERP) country-wide. The technological and business partners of Asseco BS are the largest global software and hardware vendors, such as: Oracle, Microsoft, HP, IBM, Citrix.

Our IT solutions are deployed at tens of thousands of companies in Poland and abroad. Among them, there are many market leaders, but also smaller organizations aspiring to gain a competitive edge. Some of the users of Asseco BS solutions: Adamed, EURO RTV-AGD, Bacardi, Ferrero, Grupa Atlas, Grupa Maspex, Grupa Żywiec, Henkel Polska, Jutrzenka Colian, Kamis, Lotte Wedel, Bank Millennium, Mondelez International, Mokate, Nestlé, Nivea, PTK Centertel (Orange), P4 (Play), Pekao Faktoring, Polpharma, Raiffeisen Bank Polska, Rieber Foods, Soudal, Tchibo, USP Zdrowie, Wyborowa, Wydawnictwo Naukowe PWN, and many others.

## 5. Company's Position in the IT Sector

According to numerous studies and rankings published by the mass-media and research companies, for several years Asseco Business Solutions has been topping a number of industry rankings reflecting the situation on the market.

Asseco Business Solutions is one of the key domestic vendors of **ERP systems**, both intended for large and medium-sized companies – **Asseco Softlab ERP** and for SMEs – **Asseco WAPRO ERP**.

The Company also comes first in the market of **SFA mobile solutions**. **Mobile Touch** from Asseco BS is used by more than 26,000 users; it has been deployed in 40 countries world-wide.

**Asseco Business Solutions in Gartner Special Report** – Gartner, Inc., the international research and advisory company in its latest report, Market Guide for Retail Execution and Monitoring Solutions for the Consumer Goods Industry 2016, mentions the Mobile Touch sales support platform among the solutions offering the best SFA functionality that can be quickly and efficiently adapted to the users' needs. The product was especially appreciated for its significant optimization capacity in commercial activities, the concept of Perfect Store, reporting and gamification features and training modules.

**Promotion Optimization Institute (POI)** issued a positive opinion on Asseco Business Solutions and its Mobile Touch product in its latest report, POI Retail Execution Vendor Panorama 2016. The report named Asseco BS's SFA solutions best-in-class. Among the assessed features were the completeness of the solution, its analytic capability, operations optimization capacity, and product development vision. POI sees Asseco BS as a strong global vendor of some of the best solutions for the FMCG industry.

Another Asseco BS's product is **Connector Platform**, a system of exchange of commercial data which processes more than 50 million messages a month.

Based on the data published by the Polish Factors Association (PFA) for the three quarters of 2016, the Company is in a position to assess that its **Faktor** processes **45%** of the turnover of all factoring transactions carried out by the factoring businesses associated in the PFA.

## 6. Asseco Business Solutions in the Capital Market

Asseco Business Solutions S.A. made its début on the Warsaw Stock Exchange on 19 November 2007. The total number of Company's shares is 33,33,418,193. The Company is listed in the sWIG80 and the WIG-Informatyka.



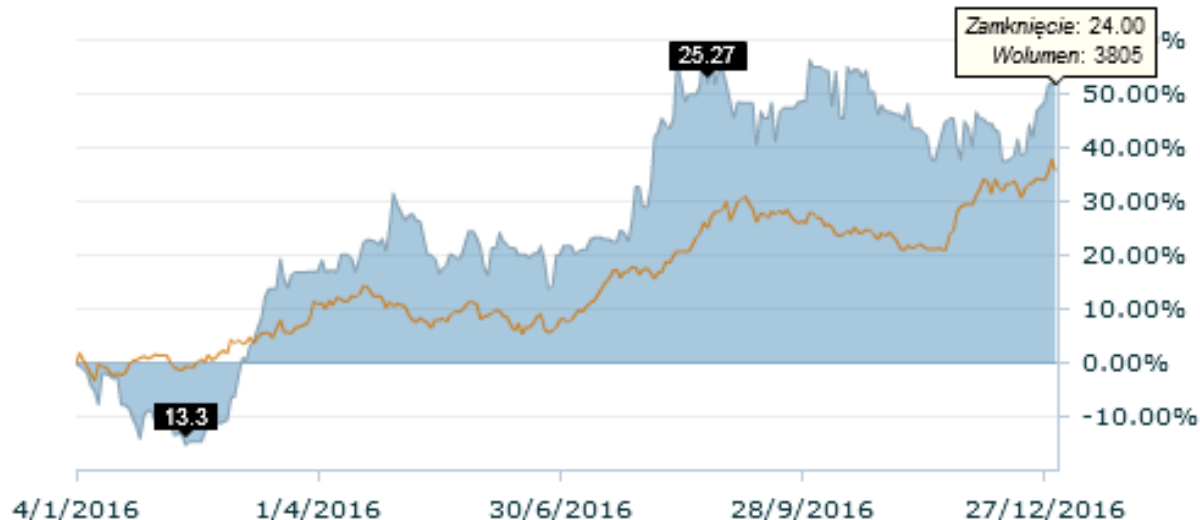
In the period from 1 January 2016 to 31/12/2016, the price of Asseco BS's shares and its position in the WIG-INFO index were as follows:



**ABS vs WIG-INFO**

Data: 30/12/2016

Kurs otwarcia: 24.00 Min: 24.00  
Kurs zamknięcia: 24.00 Max: 24.00



In the period from 1 January 2016 to 31 December 2016, the price of Asseco BS's shares ranged from PLN 13.41 to 25.10 per share. The spread between the top and lowest listing was PLN 11.69, which accounted for 87% of the lowest price. The top listing was recorded on 23 August 2016. At the close of the market session on 30 December 2016, the price of shares of Asseco Business Solutions amounted to PLN 24.00 and was 51% higher than at the close of the first market session of 2016 when it was reported at PLN 15.8.

## 7. Overview of the Basic Economic and Financial Figures and Factors and Events Having a Significant Impact on the Company's Operations and Achieved Result

	Year ended 31 December 2016	Year ended 31 December 2015	Growth rate 12 mths 2016/ 12 mts 2015
Revenue on sales	168,756	151,834	11.15%
Gross profit on sales	72,763	60,180	20.91%
EBIT	51,560	40,459	27.44%
EBITDA	62,552	51,306	21.92%
Net profit	42,446	33,509	26.67%

- In the reporting period, revenues on sales of Asseco Business Solutions S.A. amounted to PLN 168,756 thousand and were 11.15% higher than in 2015. A key factor in leading to improvement was the dynamic growth of sales in foreign markets. Also, some amendments to the law and the introduction of the Standard Audit File by large companies had their impact on the Company's operations.

- The Company keeps increasing its portfolio of higher profit-generating projects, which upped the gross profit compared with the parallel period in the previous year.
- The increase in sales eventuated in the growing level of operating expenses. The basic operating expenses (excluding COGS) were higher than in 2015 by 8.11%. The largest share in the Company's operating expenses was allocated to employee benefits (primarily salaries). Compared with 2015, these expenses grew by 11.32%. Another important cost item was the external services which grew by 4.76%.
- The net profit of Asseco Business Solutions S.A. realised in 2016 closed at PLN 42,446 thousand, compared with PLN 33,509 thousand in 2015 (up by 26.67%).
- EBITDA rose by 21.92% to PLN 62,552 thousand.
- The Company reported improvements of all the key profitability indicators, with the largest growth in the operating margin (3.9 percentage points).

<b>Profitability ratios</b>	Year ended 31 December 2016	Year ended 31 December 2015
Gross margin on sales	43.12%	39.64%
EBITDA profit margin	37.07%	33.79%
Operating margin	30.55%	26.65%
Net margin	25.15%	22.07%

- Asseco Business Solutions S.A. categorizes its revenues in the following segments: ERP systems and unallocated revenue. In 2016 the ERP segment revenues were 12.25% higher than in 2015, while the overall segment result increased by 28.58%.

<b>Revenue on sales by segment</b>	Year ended 31 December 2016	Year ended 31 December 2015	Growth rate 12 mths 2016/ 12 mts 2015
ERP Systems	154,544	137,683	12.25%
Unallocated	14,212	14,151	0.43%
	<b>168,756</b>	<b>151,834</b>	<b>11.15%</b>

- At 31 December 2016, the Company's assets and liabilities comprised the following items:

<b>Non-current assets, including:</b>	<b>195,877</b>
Property, plant and equipment	11,721
Intangible assets	10,528
Goodwill from consolidation	170,938
Long-term receivables	599
Deferred tax assets	1,995
Long-term accruals and deferred income	96
<b>Current assets, including:</b>	<b>105,805</b>
Inventories	194
Accruals and deferred income	1,053
Trade receivables	31,302
Other receivables	2,800

Cash and short-term deposits	70,456
<b>Total equity</b>	<b>275,008</b>
Share capital	167,091
Surplus from the sale of shares above their nominal value	62,543
Retained profit/(loss) and current period	45,374
<b>Liabilities and provisions for liabilities, including:</b>	<b>26,674</b>
Non-current liabilities	888
Current liabilities	13,451
Accruals and deferred income	12,335

- In the financial year 2016, there were no factors or single-time events that had a significant impact on the Company's operations and its financial statements, including the achieved results.

## 8. Risk Factors Associated with Pursued Operations

### Risks associated with the economic situation in the country and abroad

The IT services sector development is inextricably linked to the overall domestic and global economic situation. The financial results achieved by Asseco Business Solutions are definitely driven by the growing country's GDP and the level of investment in enterprises. A relatively good situation in the domestic market encourages businesses to new investment, including in the IT infrastructure. This should result in a greater number of new IT projects.

### Risks involved in the execution of IT projects

Asseco Business Solutions S.A. earns most of its income on the execution of complex information technology projects. The systems vended by the Company have a material impact on the key operations of our clientèle. Error-laden operation of the system can lead to significant financial losses at the customer's, resulting in legal claims that may dent the reputation of the Company, as well as its financial position and development outlooks. In extreme cases, clients may, even in the absence of explicit Company's fault, terminate the concluded agreements or demand contractual penalties applicable in the event of a delayed project implementation. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Company, as well as affecting its prospective development.

### Risks related to a more intense competition in the domestic market

The Company operates in the IT services market. This economy segment is marked by rapid development, on the one hand, and, on the other, by strong competition. The Company's operations are under the pressure of ever stronger competition both from the local players and international IT corporations and may have an adverse impact on the Company's operations, financial position, financial results, and future development outlook. Consolidation of the IT segment, the saturation of the domestic market and an increased use of in-house IT specialists by institutions and enterprises may also affect the Company's financial results.

### **Risks of becoming dependent on key customers**

ERP and HR software, mobile systems, Connector Platform, and factoring systems are the core offering of Asseco Business Solutions S.A. The ERP software is the core sales revenue generator, still there is no single client that brings in revenues in excess of 10% of the total revenue. Revenue earned in cooperation with Asseco Poland S.A. account for approx. 1% of Asseco BS's receipts on sales. The loss of agreements with key customers will mean a change in the Company's financial results, which will also affect its financial position.

### **Risks of losing clients' trust**

The implementation of ERP and HR systems, mobile solutions, Connector Platform or factoring systems in most cases involves long-term agreements with the system users and is based on customers' trust. Customer' trust is built up on the quality of our solutions and quality of implementation services rendered by the Company. Should the level of quality in both the provided services and customer service be reduced, it may lead to the loss of trust in Asseco BS. A consequence of this may be a tarnished Company's image, which can affect both the current market activity and the acquisition of new customers since customer references play a vital role in the sales process. The loss of customers' trust would have an adverse impact on the operations, financial position and financial performance of the Company, as well as affecting its prospective development.

### **Risks of becoming overdependent on key suppliers**

As part of its business, Asseco Business Solutions collaborates with global software and hardware vendors. In the event that the key suppliers modify their strategy of cooperation with local partners, e.g. begin favouring one partner over another, market their own services or products without intermediaries or revise the pricing policy, this may have a negative impact on the Company's operations and financial position, financial results and development prospects. Particular risks exist in the cooperation with Microsoft and Oracle because they are the only providers of database technology to the major ERP systems.

### **Risk involved in concluding contracts with the related parties**

In the course of its business, Asseco Business Solutions S.A. enters into transactions with related parties within the Asseco Capital Group. Such transactions ensure the effective operation of the entire Asseco Group and include the exchange of services, supply of goods as well as other transactions. With regard to the tax regulations pertaining to dealings with related parties and especially to transfer pricing applied in such transactions, and the documentation required to be completed for such transactions, as well as due to the increasing interest of the tax authorities in the transfer prices and terms in related party transactions, it cannot be precluded that Asseco Business Solutions S.A. will be subject to tax audits or other controlling activities undertaken by the tax authorities in this respect. Furthermore, judging by the past taxation practices, when taxpayers engaged in transactions which were non-standard for their type of business and which helped decrease their tax charges, they were exposed to the accusations of tax evasion, which may have a negative impact on the Company's operations and financial result.

### **Risks involved in the influence of the majority shareholder on the Company**

On the date of this report, the majority shareholder – Asseco Enterprise Solutions a.s. – holds 46.47% of shares of Asseco Business Solutions S.A., which represents the same percentage of votes at the General Meeting.

The scope of powers related to the share held by Asseco Enterprise Solutions a.s. in the share capital of Asseco BS can lead to a situation in which the remaining shareholders will have limited impact on the management and operations of the Company. In addition, the exercise of those powers may not be coinciding with the intentions of the other shareholders of Asseco Business Solutions

S.A. Moreover, there is no guarantee that other shareholder will not acquire a block of shares to allow them, through their shares in the share capital and appointed representatives on the Supervisory Board, to have a significant impact on the Company's activities.

### **Risks of changes in regulations**

Amendments, lack of cohesion and varied interpretation of the relevant rules and regulations, in particular tax regulations, the Act on Trading in Financial Instruments, the Act on Public Offering as well as the Polish Commercial Companies Code may give rise to the regulatory risk occurring in the environment in which the Company operates. Particularly frequent are changes to tax laws and their interpretation. In the event the taxation authorities take a position that is different from Asseco Business Solutions S.A.'s interpretation of tax regulations, the Company's operations, economic situation and financial results may be exposed to negative consequences. The growth of Asseco Business Solutions S.A.'s operations in the market of IT products depends to a large degree on the ownership of intellectual property rights, especially copyrights to computer programs. Potential (even ungrounded) claims of copyrights, which may be raised by third parties, will have a negative bearing on the Company's operations, financial position, and result.

### **Risks related to losing key personnel**

A successful performance under the Company's awarded agreements depends to a large extent on highly skilled personnel. Also the managerial staff exert a material influence on the overall shape of Asseco Business Solutions S.A. Any personnel drain, both of experts and managers, may entail the risk of compromising the quality of rendered services and lead to delays in performing under valid agreements. The growing demand for IT professionals and competitors' activities may lead to the loss of key personnel, as well as disrupting the recruitment of new talents with the desired competence, experience, and qualification. Another challenge is the pay-rise pressure by specialists. In the case of a dynamic development of the Company, this may cause a substantial shortage of key IT and managerial personnel, which would seriously impact the Company's results. Similar effects could be seen in the case of unlawful conduct of employees (e.g. damage to third parties, disloyalty manifested in, for example, undertaking competitive activity, or disclosure of confidential corporate and professional information).

## **9. Corporate Governance Statement**

The Corporate Governance Statement is contained in a separate document attached to the the Management Board's Report on the Operations of Asseco Business Solutions S.A.



## 10. Proceedings Pending before the Court

During the reporting period, no proceedings were pending before any court, competent authority for arbitration or a public administration body, whose value was at least 10% of the Issuer's equity.

## 11. Agreements Significant to the Company's Operations

Selected important agreements concluded by Asseco Business Solutions S.A. in 2016:

- **Akzo Nobel Decorative Paints Sp. z o.o.** – licensing and deployment of Connector Enterprise and the provision of comprehensive maintenance services for the deployed solution.
- **Akzo Nobel Decorative Paints Sp. z o.o.** – licensing and deployment of Mobile Touch and the provision of comprehensive maintenance services for the deployed solution.
- **Strauss Café Poland Sp. z o.o.** – licensing and deployment of Connector Enterprise and the provision of comprehensive maintenance services for the deployed solution.
- **Polskie Mięso i Wędliny Łukosz Sp. z o.o.** – licensing and deployment of Mobile Touch and the provision of comprehensive maintenance services for the deployed solution.
- **Coca-Cola HBC Polska sp. z o.o.** – licensing and deployment of Connector Enterprise and the provision of comprehensive maintenance services for the deployed solution.
- **Reckitt Benckiser (Poland) S.A.** – licensing and deployment of Mobile Touch and the provision of comprehensive maintenance services for the deployed solution.
- **A leading foodstuffs manufacturer in Poland** – licensing and deployment of Mobile Touch and the provision of comprehensive maintenance services for the deployed solution.
- **A leading foodstuffs manufacturer in Poland** – licensing and deployment of Connector Enterprise and the provision of comprehensive maintenance services for the deployed solution.
- **A leading FMCG company in Romania** – licensing and deployment of Connector B2B and the provision of comprehensive maintenance services for the deployed solution.
- **Inter Cars S.A.** - functional extension of Asseco Safo 2000 and Asseco Safo WMS. Integration of Asseco Safo 2000 and Asseco Safo WMS with the customer's IT systems.
- **EUROSER Dairy Group Sp. z o.o. – Sp. komandytowa** – implementation of Asseco Softlab ERP (WMS module).
- **F.R.B. Inter-Bud Sp. z o.o. – Sp. komandytowa** – implementation of Asseco Softlab ERP and Asseco Softlab HR.
- **Salamander Window&Door Systems S.A.** - implementation of a new version of Asseco Softlab ERP and Asseco Softlab WMS.
- **Tikurilla Polska S.A.** - licensing and implementation of Mobile Touch.
- **Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w Lublinie Sp. z o.o.** - modifications to Asseco Safo ERP (electronic invoice flow).

- **BizeA Sp. z o.o.** - implementation of Asseco Safo ERP and update of the database software.

## 12. Organisational Relations with Other Parties

Asseco Business Solutions S.A. belongs to the Asseco Capital Group through its shareholder Asseco Enterprise Solutions a.s. (AES). AES holds 46.47% of the shares of Asseco BS and exercises its mandate to the corresponding number of votes at the General Meeting. Asseco Enterprise Solutions a.s. is 100% owned by Asseco Poland S.A. AES is the ERP competence centre of the Asseco Group, and Asseco BS is its mainstay. Through the membership in the Asseco Capital Group, Asseco BS is implicitly organizationally linked with other companies making up the Asseco Capital Group.

## 13. Transactions with Related Parties on Terms Different from Market Conditions

The Issuer did not enter into transactions with related parties that were not typical or routine transactions, entered into on commercial terms between related parties. Details of transactions with related parties are highlighted in Note 31 of the financial statements.

## 14. Concluded or Terminated Loans Agreements

During the reporting period, the Issuer did not take any loans or credits.

## 15. Granted Loans

During the reporting period, the Issuer did not grant any loan.

## 16. Granted and Obtained Sureties and Guarantees

During the reporting period, the Issuer did not grant any sureties for credits or loans or guarantees, especially to parties related to the Issuer.

## 17. Proceeds from the Issuance of Shares

During the reporting period, the Company did not issue any shares.

## 18. Explanation of Differences between the Financial Results and Financial Forecasts

The Management Board of Asseco Business Solutions S.A. did not publish performance forecasts for 2016.

## 19. Evaluation of Management of Financial Resources

The Company's operations are financed from the proceeds of its current activity. Company's total liabilities increased by PLN 2.53 million compared to the end of 2015, while assets went up by PLN 11.64 million. Debt ratio increased to 8.8%.



<b>Debt ratios</b>	31 December 2016	31 December 2015
General debt ratio	8.8%	8.3%

*Total debt ratio = total liabilities/total assets*

Free cash is invested in safe money market instruments. At the balance sheet date, the Company had invested approximately PLN 69,014 thousand in this manner.

Working capital is defined as the difference between current assets and current liabilities and represents the volume of fixed capital (equity and long-term foreign capital) that finances current assets. As the most liquid part of the capital, it secures the liabilities arising from the current cash cycle in the Company. The working capital in the Company as at 31 December 2016 totalled PLN 80,019 thousand and was higher by PLN 7,672 thousand compared with 31 December 2015.

Current liabilities increased by 10.37%, while current assets by 10.55%. However, the share of current assets in total assets was 35.1%, while current liabilities represented only 8.6%. On the side of current liabilities, there was a drop in trade liabilities, yet there was an increase in income tax liabilities, other liabilities and provisions for accrued expenses. On the side of asset, there was a decrease in trade receivables and other receivables and a significant increase in cash and short-term deposits.

As a result, the Company's liquidity ratios remain high, which reaffirms its capacity to timely satisfy its current liabilities and promises financial security.

<b>Liquidity ratios</b>	31 December 2016	31 December 2015
Working capital (in PLN thou.)	80,019	72,347
Current ratio	4.10	4.10
Quick ratio	4.05	4.06
Super quick ratio	2.73	1.74

*These ratios have been calculated using the following formulas:*

*Working capital = current assets (short-term) - current liabilities*

*Current ratio = current assets (short-term) / current liabilities*

*Quick ratio = (current assets - inventories - accruals and prepayments) / current liabilities*

*Super quick ratio = (bonds and securities held to maturity + cash and short-term deposits) / current liabilities*

## 20. Opinion on Feasibility of Investment Projects

In the opinion of the Management Board of Asseco Business Solutions S.A., the current financial situation of the Company is satisfactory and promises advantageous conditions for further development in 2017. In 2016 Asseco Business Solutions reached the revenue on sales of PLN 168.76 million and the net profit of PLN 42.45 million. The Company's investment activity is financed from its own resources. Cash and short-term deposits at the end of December 2016 amounted to PLN 70.46 million. Any prospective acquisitions will be financed from own resources or new issuance of shares.

## 21. Evaluation of Factors and Single-Time Events Affecting the Financial Results

In the reporting period, there were no factors and single-time events that would affect the Company's results.

## 22. Characteristics of Factors Relevant to the Company's Development and Further Development Outlook

The condition of the Polish IT industry largely depends on the overall economic fitness of the country. This is particularly evident in the case of IT solutions for business, which is closely associated with the private sector and depends on the prevailing economic conditions. Today, however, many analytical firms believe that the outlooks for the IT industry in Poland is very promising, and Poland is leading the region in terms of the scale of forecast IT investment, particularly in cloud computing and mobile technologies. A profound impact on the development of the IT market is also exerted by the use of ERP systems by Polish enterprises. It is still significantly lower than in the developed EU markets. It is expected that in the next few years the demand for management support systems in Polish enterprises is expected to grow steadily.

In the opinion of the Management Board of Asseco Business Solutions S.A., the current financial situation of the Company is satisfactory and conducive to further growth in 2017. In the opinion of the Management Board, the most important external and internal factors that may affect the operations of Asseco Business Solutions S.A. and its prospective results in the following year are:

### External factors:

- the developments in the global economic and financial markets and their impact on the economic situation in Poland, the EU and other geographies penetrated by the Company,
- the geopolitical situation in the EU and other countries where the Company operates; political tensions and instability that may undermine the investment climate,
- attitude of potential customers to investment in IT against the backdrop of the general economic situation,
- the level of capital earmarked for IT investment in companies and the volume of used EU funds,
- intensity of direct and indirect competitive activity,

- the prospects for expanding markets outside the existing Company's areas of operation,
- opportunities and risks associated with a relatively rapid technological progress and innovation in the IT market.
- market openness and absorption capacity for new product solutions.

**Internal factors:**

- the quality and comprehensive nature of Company's offering,
- the results of intense and regular business-making activities,
- activities run under currently valid agreements,
- the need to attract and keep the most qualified and key employees,
- effects of work on new products.

## 23. Changes in the Basic Principles of the Company Management

In the reporting period, there were no changes to the basic principles of management of Asseco Business Solutions S.A.

## 24. Agreements Concluded between the Company and Its Executives

In the reporting period, no agreements were concluded between Asseco Business Solutions S.A. and its Executives that would provide for compensation in case of their resignation or dismissal.

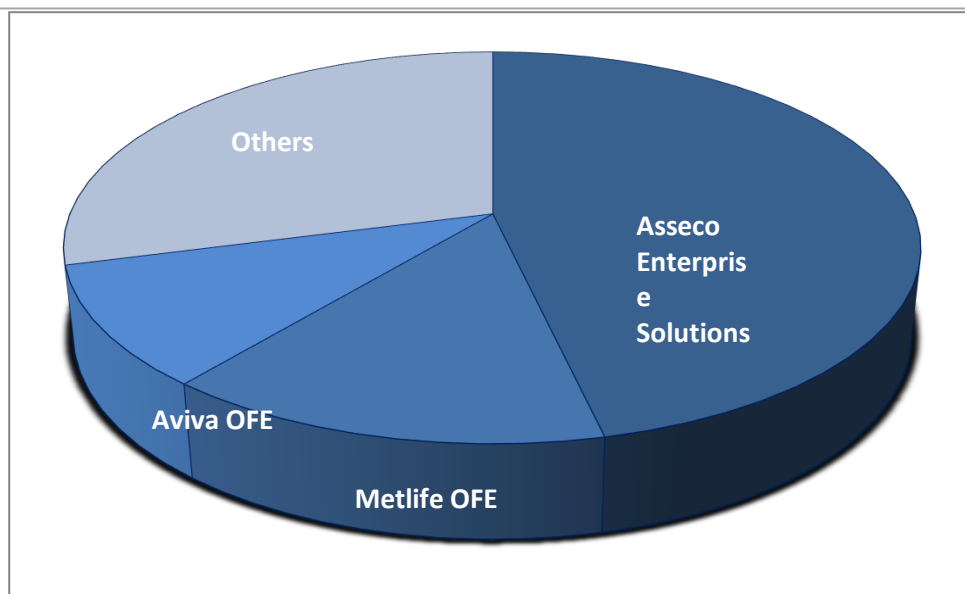
There are no service agreements entered into between Asseco Business Solutions S.A. and the members of the Supervisory Board, setting out the benefits paid upon termination of such agreements.

## 25. Remuneration, Bonuses and Benefits of Incentive Programmes for the Executives

For the information on remuneration, see Note 31.3 of the financial statements.

## 26. Shareholding Structure

To the best knowledge of the Management Board of Asseco Business Solutions S.A., that is, on 3 March 2017, and based on the notification of changes in the shareholding received later, the shareholders of Asseco Business Solutions S.A. holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting on the day of 20 April 2016 are as follows:



Shareholder	Number of shares held	Shareholding	Number of votes	% in the total number of votes at GM
Asseco Enterprise Solutions a.s.	15,528,570	46.47%	15,528,570	46.47%
Metlife Otworthy Fundusz Emerytalny	4,816,439	14.41%	4,816,439	14.41%
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	3,330,000	9.96%	3,330,000	9.96%
Other shareholders	9,743,184	29.16%	9,743,184	29.16%
	<b>33,418,193</b>	<b>100.00%</b>	<b>33,418,193</b>	<b>100.00%</b>

The number of shares attributable to the critical shareholders corresponds to the number of votes at the General Meeting.

#### OVERVIEW OF THE ISSUER'S SHARES OR RIGHTS TO THEM HELD BY THE MANAGING AND SUPERVISING PERSONS:

Status on 31/12/2016

	31 December 2016		31 December 2015	
	number of shares held	shareholding in %	number of shares held	shareholding in %
<b>Executive persons</b>				
Wojciech Barcentewicz	461,267	1.38%	461,267	1.38%
Piotr Masłowski	715,063	2.14%	715,063	2.14%
Mariusz Lizon	183,000	0.55%	240,000	0.72%
<b>Supervising persons</b>				
Romuald Rutkowski	426,828	1.28%	426,828	1.28%

<b>TOTAL</b>	<b>1,786,158</b>	<b>5.34%</b>	<b>1,843,158</b>	<b>5.52%</b>
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## 27. Agreements That May Result in the Changing of Proportions of Shareholding

At the date of this report, the Management Board of Asseco Business Solutions S.A. has no knowledge of agreements which could prospectively result in changes in the proportion of shares held by the existing shareholders.

## 28. Control of Employee Share Schemes

In the reporting period, Asseco Business Solutions S.A. did not propose any employee share schemes.

## 29. Information on the Company's Sponsoring and Charity Policy or Any Other Similar Activities

The Company supports financially different charity initiatives. Company's charitable activity is mainly the sponsoring of community organisations aiding people in need and supporting disadvantaged individuals and families and offering funding to socially-beneficial charity.

## 30. Statement of the Management Board on the Adopted Accounting Standards

The agreement with Ernst&Young Audyt Polska Sp. z o.o., based in Warsaw, at Rondo ONZ 1, the entity authorized to audit the financial statements of Asseco Business Solutions S.A., was concluded on 16 June 2016. The agreement was concluded for a period sufficient to ensure that the Company is able meet its obligations in terms of information provided and reporting deadlines established by the Warsaw Stock Exchange. The auditing of the financial statements closed on 3 March 2017. The basic remuneration for Ernst&Young Audyt Polska Sp. z o.o. amounted to PLN 105 thousand; an extra consideration of PLN 10 thousand will be paid for additional services (travel, accommodation, per diem allowances). For the review of the interim financial statements, Ernst&Young Audyt Polska Sp. z o.o. was paid PLN 50 thousand; the entity received no more than PLN 10 thousand for additional services.

In 2015 the cost of the review of the interim financial statements amounted to PLN 50 thousand, and the cost of auditing the annual financial statements to PLN 105 thousand.

## Statement of the Management Board of Asseco Business Solutions S.A. to the Annual Financial Statements for the 12 Months Ended 31 December 2016.

### 1. Statement of the Management Board on the Adopted Accounting Standards

The Management Board of Asseco Business Solutions S.A. declares that to the best of its knowledge the annual financial statements of Asseco Business Solutions S.A. for the period ended 31 December 2016 and comparative figures for the 12 months ended 31 December 2015 have been prepared in accordance with the Company's accounting policy and the International Financial Reporting Standards and in a reliable, accurate and clear manner reflects the financial position and financial performance of the Company. The report on operations of Asseco Business Solutions S.A. provides a true picture of the development and achievements of the Company, including an overview of the major risks and uncertainties.

Management Board of Asseco Business Solutions S.A.:

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

## 2. Statement of the Management Board on the Selection of Entity Auditing the Annual Financial Statements

The Management Board of Asseco Business Solutions S.A. declares that the entity authorized to audit the financial statements, reviewing the annual separate financial statements of Asseco Business Solutions S.A., has been selected in accordance with the law, and that this entity and the certified auditors reviewing the financial statements meet the requirements of issuing an impartial and independent opinion on the audited financial statements, in accordance with any relevant regulations and professional standards.

Management Board of Asseco Business Solutions S.A.:

Wojciech Barczentewicz	President of the Management Board
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Piotr Masłowski	Vice-President of the Management Board
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Andreas Enders	Vice-President of the Management Board
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Mariusz Lizon	Member of the Management Board
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**Asseco Business Solutions S.A.**

ul. Konrada Wallenroda 4c,  
20-607 Lublin, Poland

Phone +48 81 535 30 00

Fax +48 81 535 30 05

[info@assecobs.pl](mailto:info@assecobs.pl)

[assecobs.pl](http://assecobs.pl)

The logo for Asseco, featuring the word "asseco" in a stylized, bold, black font. The letters are composed of thick, blocky strokes, with the 'a' and 's' having a distinctive geometric shape.