



# Asseco South Eastern Europe Annual Report

for the year ended 31 December 2019

**asseco**  
SOUTH EASTERN EUROPE



Present in  
**21 countries**



**PLN 881 million**  
in sales revenues



**2,675**  
highly committed  
employees



**PLN 90 million**  
in net profit for  
Shareholders of  
the Parent Company



**EUR 160 million**  
in order backlog  
for 2020



**PLN 1.5 billion**  
in market capitalization

## PRESIDENT'S LETTER

Dear Shareholders of ASEE Group,

Another very good year for Asseco South Eastern Group is behind us. In 2019 the company continued to grow both within proprietary banking software and payment services offered by Payten. The growth resulted mainly from a big demand for our digital banking software and e-Commerce solutions, costs optimization as well as acquisitions enhancing our offer and geographic presence within Payment business unit (Payten). Once again we improved our results compared with the previous year. We generated operating profit amounting to EUR 25.6 million, up 47% compared with 2018. Implementing the strategy of making each business unit of the Group economically and structurally independent, the company achieved very good results in all three business units: Banking, Dedicated solutions and Payment.

### **Supporting digital transformation with Banking business unit solutions**

The demand for digital banking solutions and for the solutions enabling meeting regulatory requirements by the banks were the key drivers of organic growth in the Banking business unit. Within this area we signed agreements with the banks in Belgium, Malta, Croatia and Romania for the delivery of our PSD2 Enabler package. Moreover PSD2 increased banks' demand for our SxS authentication solution and InAct antifraud solution. In 2019 we also enhanced our co-operation with our biggest regional banking clients, Intesa Sanpaolo Group and UniCredit Group, within mobile banking, signing new contracts with them and implementing innovative solutions, for example Adaptive Elements solution improving mobile application architecture at UniCredit. Our cutting-edge Digital Origination solution enabling banks to give loans online, gained first references last year too.

Apart from expanding our co-operation with existing clients and signing contracts with new clients in the SEE region we intensified our sales efforts on new markets, especially in Africa - in Nigeria, Egypt and Ghana. It resulted in winning first contracts for the delivery of our flagship authentication solution to the banks in Nigeria.

Our activities resulted in the increase in operating profit of the Banking business unit by 45% compared with 2018.

### **Own solutions' development and cost optimization in Dedicated solutions business unit**

In the Dedicated solutions business unit we focused on cost optimization and developing own products. We strengthened a family of solutions of Live, client engagement platform. We implemented tailor made proprietary solutions at clients from utility, public and local administration sectors in Serbia. In Macedonia we signed contract with telecommunication company, first of this type, for IT infrastructure & services management outsourcing. It is also worth mentioning that we implemented our ERP Fidelity solution in Central Bank in Turkey. At the end of 2019 operating profit of Dedicated solutions business unit amounted to EUR 3.7 million, up 17% compared with the previous year.

### **Acquisitions and excellent e-Commerce results in Payment business unit (Payten)**

At the beginning of 2019, with the launch of Payten in Turkey, we completed the process of a demerger of Payment business unit into a separate company. Moreover, 2019 was for Payten the year of acquisitions, thanks to which we enriched our payment portfolio and entered markets outside the SEE region. Thanks to the purchase of Necomplus we entered the markets in Spain, Portugal and Latin America. The acquisition of Sonet in Czech Republic and Slovakia added 2 more countries to Payten's operations. Thanks to Mobven joining the Group, Payten increased its competences in mobile payments and in testing of mobile and Internet applications.

As a result of the acquisitions we tripled the number of POS terminals reaching 600,000 pieces and the network of ATMs maintained by us grew to 9,500. Additionally our solution portfolio, apart from MoneyGet ATM independent network which exceeded 300 ATMs and improved results considerably in the second year of its operations, also includes now independent POS network SinglePOS thanks to the purchase of Monri company.

Apart from the above acquisitions which undoubtedly influenced sales revenues in a positive way in 2019, excellent results of e-Commerce business line also contributed to such a good performance of Payment business unit. The number of e-Commerce transactions processed per month exceeded 60 million and sales revenues of certified and renewed TriDES2 solution doubled compared with 2018.

Dynamic sales revenue increase in the Payment business unit resulted in the biggest, among all three business units, increase in operating profit of this segment, up 60% compared with 2018, and totalled over EUR 12.9 million.

### **The future**

In 2020 we will continue the growth strategy at Asseco South Eastern Europe Group through further efforts of making each business unit of the Group economically and structurally independent, focusing on the development of strategic products, conquering new markets both in terms of new products and new geographic presence, supported by acquisitions, and constantly optimizing our costs.

Last year Group's strategic directions, activities and achieved results were appreciated by investors which was reflected in a 123-percent increase in Asseco SEE share price in 2019. I would like to take this opportunity to thank investors, clients and partners for their trust in the company and our employees for their hard work and dedication.

Piotr Jeleński,  
President of the Management Board of Asseco South Eastern Europe S.A.



## **Management Report on Operations of Asseco South Eastern Europe Group and Asseco South Eastern Europe S.A.**

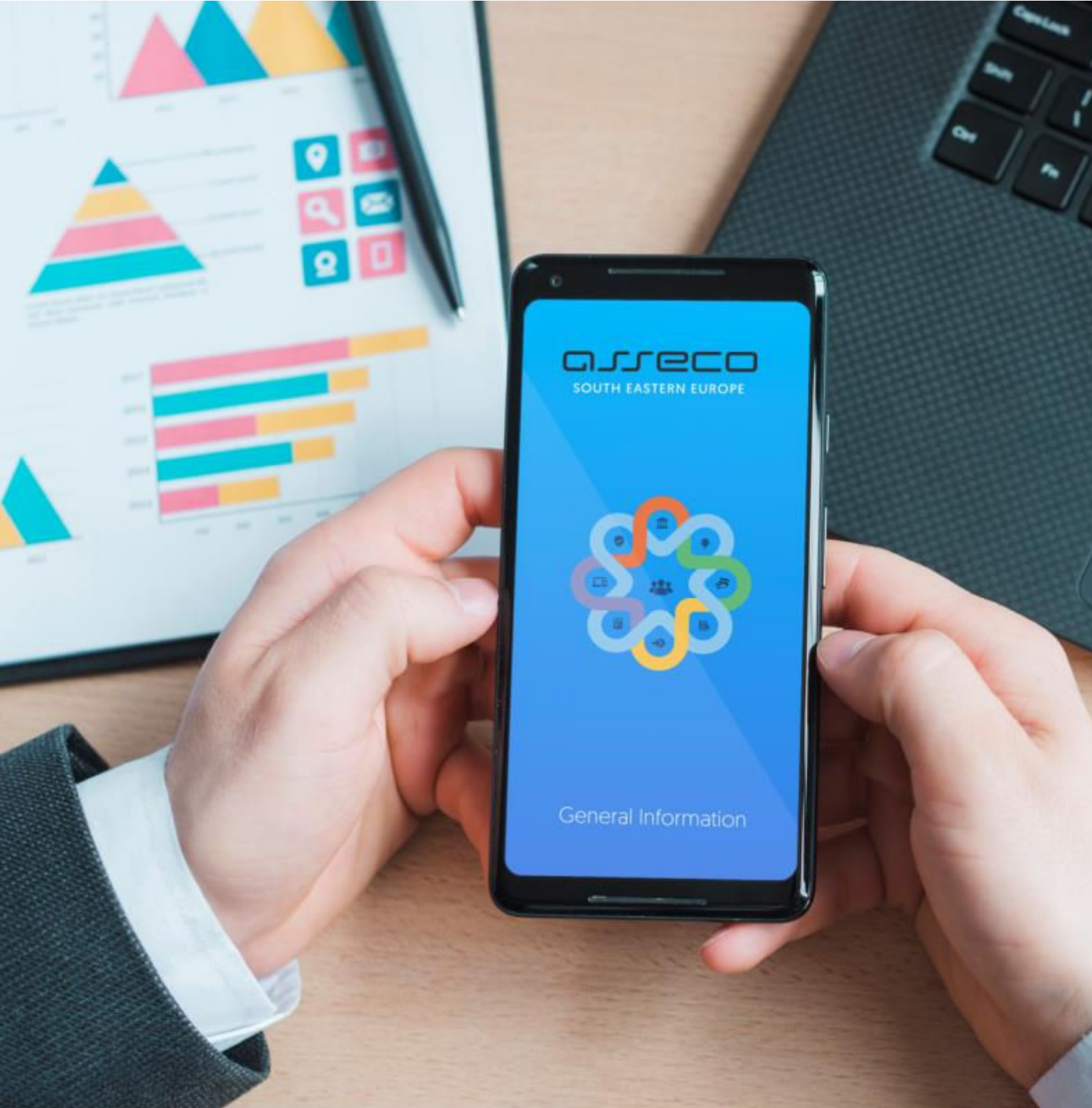


# Management Report on Operations of Asseco South Eastern Europe Group and Asseco South Eastern Europe S.A.

for the year ended 31 December 2019

<b>PRESIDENT'S LETTER .....</b>	<b>3</b>
<b>GENERAL INFORMATION ON ASSECO SOUTH EASTERN EUROPE S.A. AND ASSECO SOUTH EASTERN EUROPE GROUP .....</b>	<b>9</b>
BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP .....	9
AUTHORITIES OF ASSECO SOUTH EASTERN EUROPE S.A. ....	10
ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP .....	11
STRATEGY AND DIRECTIONS OF DEVELOPMENT .....	13
KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES .....	18
SELLING MARKETS OF THE COMPANY AND THE GROUP .....	25
SIGNIFICANT CONTRACTS CONCLUDED BY THE COMPANY AND THE GROUP .....	27
<b>FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE S.A. ....</b>	<b>30</b>
Financial results of Asseco South Eastern Europe S.A. ....	30
Structure of the statement of financial position of ASEE S.A. ....	30
Structure of the statement of cash flows .....	31
Analysis of financial ratios .....	31
<b>FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE GROUP .....</b>	<b>34</b>
Financial results of Asseco South Eastern Europe Group for the fourth quarter 2019 .....	34
Financial results of Asseco South Eastern Europe Group for the full year 2019 /cumulative/ .....	36
Analysis of financial ratios .....	39
Structure of the consolidated statement of financial position .....	40
Structure of the statement of cash flows .....	42
Information on geographical structure of financial results .....	42
<b>SHARES AND SHAREHOLDERS .....</b>	<b>45</b>
Shareholders structure .....	45
Information on the agreements known to the Issuer which may result in future changes of the equity interests held by the existing shareholders and bondholders .....	46
<b>STATEMENT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE STANDARDS .....</b>	<b>48</b>
Set of corporate governance standards applicable to Asseco South Eastern Europe .....	48
Corporate governance standards which have been waived by Asseco South Eastern Europe and the rationale for doing so .....	48
Key features of the internal control and risk management systems applied by Asseco South Eastern Europe in relation to the process of preparing standalone and consolidated financial statements .....	49
Shareholders who, directly or indirectly, hold significant stakes of shares .....	51
Holders of any securities carrying special controlling rights .....	52
Limitations on the exercise of voting rights .....	52
Limitations on transferability of ownership rights to the Issuer's securities .....	52
Rules regarding appointment and dismissal of the management personnel and determining their authority, in particular the right to decide on the issuance or redemption of shares .....	52
Rules regarding amendment of the Articles of Association of Asseco South Eastern Europe .....	52
Manner of operation of the General Meeting and its basic powers, as well as shareholders' rights and the manner of their exercise .....	53
Description of activities of the management, supervisory and administrative bodies of Asseco South Eastern Europe and their committees, including the Audit Committee, along with indication of their composition and changes thereto during the last financial year .....	54

<b>OTHER INFORMATION ON ASEE GROUP AND ASSECO SOUTH EASTERN EUROPE S.A.</b>	<b>63</b>
External and internal factors significant for development of the Company and the Group	63
Non-recurring events with impact on our financial performance	64
Discussion of significant risk factors and threats	64
Description of major equity investments made within ASEE Group	67
Organizational and equity relationships of the Issuer	67
Related party transactions	67
Assessment of financial resources management	68
Bank loans, borrowings, sureties and guarantees	68
Loans granted in 2019	68
Utilization of proceeds from issuance of shares	68
Financial forecasts	68
Opinion on feasibility of investment plans	68
Changes in the Group and Company management policies	68
Agreements concluded by the Group and Company with its management personnel providing for payment of compensations if such persons resign or are dismissed from their positions	68
Monitoring of employee stock option plans	68
Remuneration due to the Issuer's management and supervisory personnel	69
Information on liabilities arising from pensions and benefits of a similar nature	69
Agreement with the entity authorized to audit financial statements	69
Remuneration of the entity authorized to audit financial statements	69
Significant off-balance-sheet items	69
Information on significant judicial proceedings	69
Significant events with impact on ASEE Group operations after 31 December 2019	69
Statement on non-financial information	69
<b>STATEMENT BY THE MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A. TO THE ANNUAL REPORT</b>	<b>70</b>



## **General Information** **on Asseco South Eastern Europe** **and Asseco South Eastern Europe Group**



## GENERAL INFORMATION ON ASSECO SOUTH EASTERN EUROPE S.A. AND ASSECO SOUTH EASTERN EUROPE GROUP

Asseco South Eastern Europe S.A. (the “Parent Company”, “Company”, “Issuer”, “ASEE S.A.”) seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007 as a joint stock company.

On 11 July 2007, the Company was entered in the register of entrepreneurs maintained by the District Court in Rzeszów, XII Commercial Department of the National Court Register, under the number 0000284571.

The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

Asseco South Eastern Europe Group (the “Group”, “ASEE Group”, “ASEE”) is comprised of Asseco South Eastern Europe S.A. and its subsidiaries.

## BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP

ASEE S.A. is primarily engaged in holding operations and focuses on managing the Group of companies as well as on extending its geographical coverage and product portfolio. Its operating activities also include the sale of services and software to support customer communication channels and business processes (contact center).

ASEE Group is engaged in the sale of its own and third-party software as well as in the provision of implementation, integration and outsourcing services. The Group is a provider of IT solutions, authentication solutions, online payment settlement systems, and transaction processing services, while it is also engaged in the sale, outsourcing and maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware.

Asseco South Eastern Europe Group has identified the following reportable segments reflecting the structure of its business operations:

- Banking Solutions,
- Payment Solutions,
- Dedicated Solutions (formerly Systems Integration).

These reportable segments correspond to the Group’s operating segments.

The **Banking Solutions** segment portfolio includes the Digital Edge omnichannel solution designed to distribute banking products and services over new, alternative distribution channels and to improve business relations and communication with the customer, as well as integrated core banking systems based on the Oracle and Microsoft platforms. This segment also offers authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. The Group also offers its clients online 24x7 services and consultancy in the area of digital banking and digital transformation.

The **Payment Solutions** segment provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. The product portfolio of ASEE includes solutions for e-Commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as services related to ATMs and POS terminals. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet.

The **Dedicated Solutions** segment (formerly Systems Integration) serves the sectors of finance, industry and public administration with the following business lines: development of IT infrastructure, implementation and support services, ensuring continuity of business processes, automation of operations, and customized software development. This segment also includes a group of proprietary solutions of ASEE. Among such solutions are LIVE contact center, BPS content management solution, as well as Fidelity asset lifecycle management solution. Furthermore, the product portfolio of the Dedicated Solutions segment includes LeaseFlex, a fully-fledged lease and asset lifecycle management solution.

## AUTHORITIES OF ASSECO SOUTH EASTERN EUROPE S.A.

As at the date of publication of this report, this is on 24 February 2020, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Jozef Klein	Piotr Jeleński	Artur Kucharski
Adam Góral	Miljan Mališ	Adam Pawłowicz
Jacek Duch	Miodrag Mirčetić (till 30 September 2019)	Jacek Duch
Artur Kucharski	Marcin Rułnicki	
Adam Pawłowicz	Kostadin Slavkoski (since 1 October 2019)	

On 27 May 2019, Mr. Miodrag Mirčetić filed a resignation from the position of Member of the Company's Management Board, with effect from 30 September 2019. On 16 September 2019, the Supervisory Board of ASEE S.A. appointed Mr. Kostadin Slavkoski to serve as Member of the Company's Management Board during the joint term of office running till 12 July 2022, with effect from 1 October 2019.

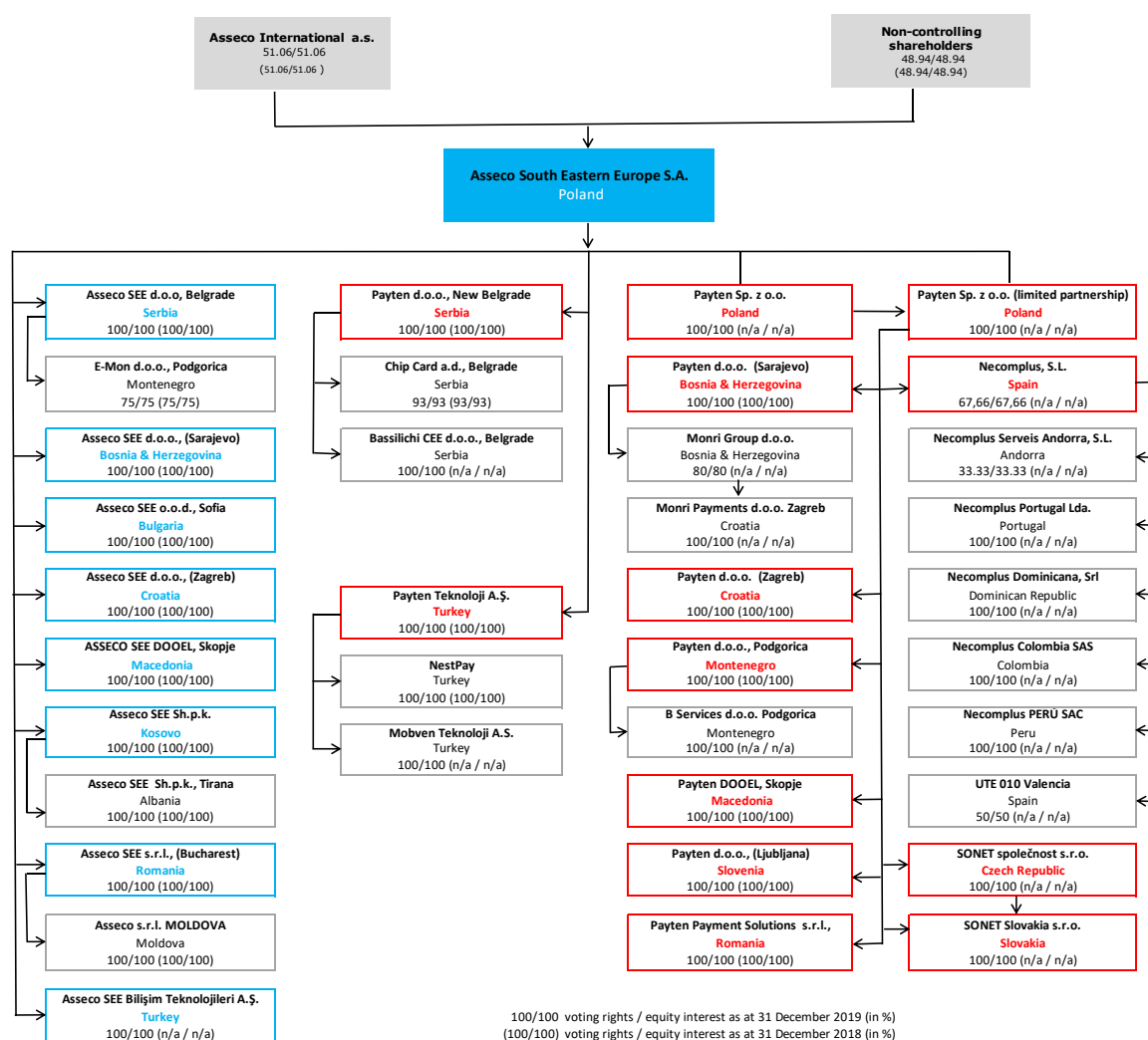
During the reporting period, the composition of the Issuer's management and supervisory bodies did not undergo any other changes except for those described above.

In the period from 31 December 2019 till the publication of this report, this is till 24 February 2020, the compositions of the Company's Management Board, Supervisory Board and Audit Committee remained unchanged.

## ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP

The table below presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners of its subsidiaries as at 31 December 2019 and 31 December 2018.

Organizational structure of Asseco South Eastern Europe Group



The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s., seated in Bratislava. Both as at 31 December 2019 and 31 December 2018, Asseco International a.s. held a 51.06% stake in the share capital of ASEE S.A.

All companies incorporated within the Group are controlled, either directly or indirectly, by ASEE S.A. and thus they are treated as subsidiaries and are subject to full consolidation.

Both as at 31 December 2019 and 31 December 2018, voting rights held by the Group in ASEE Group companies were equivalent to the Group's equity interests in these entities.

## Changes in the Group structure

During the year ended 31 December 2019, the organizational structure of ASEE Group changed as described below.

- **Changing the name of ASSECO SEE TEKNOLOJİ A.Ş. to PAYTEN TEKNOLOJİ A.Ş. and company division**

On 2 January 2019, the company ASSECO SEE TEKNOLOJİ A.Ş. was renamed as PAYTEN TEKNOLOJİ A.Ş. Subsequently, PAYTEN TEKNOLOJİ A.Ş. was divided on 2 January 2019, in connection with the process of spinning off our payment services into a standalone organizational unit.

This division resulted in the creation of two separate entities, namely Payten Turkey (Payten Teknoloji A.Ş.) and ASEE Turkey (Asseco SEE Bilişim Teknolojileri A.Ş.), being engaged in the payment business and other operations, respectively.

- **Establishing of a new company Payten Sp. z o.o.**

On 29 January 2019, we established a new company called Payten Sp. z o.o. based in Poland. The newly founded company is a 100% owned subsidiary of Asseco South Eastern Europe S.A.

- **Acquisition of shares in Necomplus S.L. based in Alicante**

On 29 January 2019, the ASEE S.A. signed an agreement to acquire a 67.66% stake in the share capital of Necomplus S.L. based in Alicante, Spain ("Necomplus").

Concurrently, ASEE signed an agreement with the shareholders of Necomplus, based on the existing agreement concluded by the seller, among others providing for a put option reserved for minority shareholders.

Necomplus conducts business operations in Spain, Portugal, Peru, Colombia, Andorra, and in the Dominican Republic. The company is mainly engaged in installation and maintenance of POS terminals, as well as in BPO/call center services. Necomplus has been a member of the capital group of Asseco Poland since 2010. The said shares were sold by Asseco Western Europe S.A., a subsidiary of Asseco Poland S.A.

The goal of this acquisition is to further develop the payment services business within the target organizational structure called Payten.

- **Establishing of a new company Payten Sp. z o.o. (limited partnership)**

On 20 March 2019, we registered a new company called Payten Sp. z o.o. (limited partnership) seated in Warsaw. 99% of shares in this company are held by ASEE S.A., while a 1% stake is held by Payten Sp. z o.o.

- **Acquisition of shares in Multicard d.o.o., Belgrade**

On 17 April 2019, Payten Serbia signed an agreement to purchase a 36.30% stake in the share capital of Multicard. As a result of this transaction, Payten Serbia obtained control over Multicard and became its sole shareholder.

- **Transfer of shares in Payten and Necomplus companies**

On 28 June 2019, ASEE S.A. made a non-cash contribution to Payten Sp. z o.o. sp.k. of shares in the following companies of Payten Group:

- Payten B&H
- Payten Croatia
- Payten Montenegro
- Payten Macedonia
- Payten Romania
- Payten Slovenia
- Necomplus

This transaction consisted in making a contribution of our investments in several subsidiaries to another subsidiary company of ASEE S.A. and therefore it had no impact on the financial position and financial results of the Group.

- **Acquisition of shares in Basilichi CEE d.o.o. Belgrade**

On 30 July 2019, Payten d.o.o. Belgrade purchased 100% of shares in the company Basilichi CEE d.o.o. Belgrade.

▪ **Acquisition of shares in B Services d.o.o. Podgorica**

On 31 July 2019, Payten d.o.o. Podgorica signed an agreement to acquire 100% of shares in the company B Services d.o.o. Podgorica.

▪ **Acquisition of shares in Mobven Teknoloji A.S.**

On 9 August 2019, Payten Teknoloji A.S. signed an agreement to acquire 100% shares in the company Mobven Teknoloji A.S. based in Istanbul. ASEE Group obtained control over Mobven company on 3 September 2019 upon satisfying all the conditions precedent.

▪ **Acquisition of shares in SONET spol. s.r.o. and SONET Slovakia s.r.o.**

On 5 September 2019, Payten Sp. z o.o. sp.k. based in Warsaw signed an agreement to acquire 100% of shares in the company Sonet spol. s.r.o. based in Brno, as well as 50% of shares in the company Sonet Slovakia s.r.o. based in Bratislava, in which the remaining 50% stake is held by Sonet spol. s.r.o. based in Brno.

▪ **Merger of Payten d.o.o. Belgrade with Multicard d.o.o.**

On 1 October 2019, Payten d.o.o. Beograd (the taking-over company) merged with Multicard d.o.o. (the acquired company).

▪ **Signing an agreement to acquire shares in Monri Group d.o.o.**

On 8 October 2019, Payten d.o.o. Sarajevo concluded a conditional agreement to acquire 80% of shares in Monri Group d.o.o. The Group obtained control over Monri Group d.o.o. on 15 November 2019 upon satisfying all the conditions precedent.

## STRATEGY AND DIRECTIONS OF DEVELOPMENT

ASEE S.A. is primarily engaged in holding operations and focuses on managing the Group of companies, including the payment services business consolidated under the brand name of Payten, as well as on extending its geographical coverage and product portfolio.

Because the Parent Company is primarily engaged in holding operations, directions of the Company's development need to be examined taking into account the development and operations of the entire ASEE Group.

In 2020, the Group intends to continue its efforts to enable economic and organizational independence of each of the operating segments of ASEE Group, while adjusting the strategy to the opportunities and growth prospects of each segment in our present and new geographical regions, focusing on proprietary solutions and increasing the role of our own software and outsourcing services.

Goals for 2020 in the payments business – Payten:

- Expanding and reinforcing the portfolio of the Payment Solutions segment (Payten) with new services and products both through organic growth and acquisitions, also beyond the present geographical area of the Group's operations as exemplified by our takeovers of Necomplus, Sonet and Monri companies;
- Completion of the process of transferring the assets related to operations of the Payment Solutions segment to the dedicated holding company called Payten in order to finalize the formal separation of this segment within the Group structure;
- Promotion of the Payten brand under which the segment operates, as well as the MoneyGet brand under which Payten operates its independent network of ATMs;
- Developing a network of independent POS terminals leveraging on the experience of Monri.

Goals for 2020 in the business of banking and other solutions:

- Further increasing the share of our own products and services in the revenue structure of ASEE Group;
- Making selective investments in the development of new IT products in the Banking Solutions segment;
- Boosting sales by entering into new markets, understood as new geographical locations as well as offering of our products in new business areas in the existing territory of ASEE's operations;
- Gaining more benefits from the geographical and operational scale of the Group's business through well-coordinated management of resources, product development, relations with key customers and suppliers;



- Improving the efficiency of our operations through better project management, greater utilization of available resources, and optimization of customer support.

#### Turning a Holding of loosely related companies into a Corporation

ASEE Group was created through acquisitions and integration of IT companies operating in the markets of South Eastern Europe and Turkey. Owing to our acquisitions of Necomplus and Sonet companies during 2019, the geographical coverage of ASEE (and Payten) has been extended to further markets, including Spain, Portugal, Peru, Colombia, Czech Republic and Slovakia.

We have made efforts aimed at deepening the integration of the acquired business operations, as a result of which ASEE has evolved from a loose federation of companies into a coherent corporate structure with multidimensional management related to:

1. Geographical location
2. Products / competence
3. Functions

The **Geographical dimension** of management is based on our local organizational structures.

The **Competence dimension** of management is based on our key business segments:

- Payment Solutions
- Banking Solutions
- Dedicated Solutions (including the sale of own solutions and services as well as third-party solutions).

The **Functional dimension** of management refers to processes implemented as part of the key functions within our organization (sales, R&D, delivery, support, HR, marketing, finance).

Both the Competence and Function-related management along with relevant standard procedures are centralized and cover all geographical locations of our business.

#### Sales-oriented organization

For several years already, the main task of our sales force at ASEE and Payten has been to expand our business in new markets as well as to provide greater support for our most promising products and solutions.

We continue to invest in resources that are necessary to serve international clients, who have centralized organizational structures and are present in the region of ASEE and Payten operations.

We have undertaken a big challenge to engage selected persons from other departments, such as business line managers and product managers, into the sales and sales support processes. This is being accomplished gradually, including through professional training and implementation of additional processes to encourage cooperation within the Group.

In 2020, the Group intends to continue sales efforts aimed at increasing revenues also outside the territory of Central and South Eastern Europe, Spain, Portugal and Latin America.

#### Improving the efficiency of Operations

One of the key elements in introducing the functional dimension of management in the Group is to unify the standards adopted in managing our projects and implementation resources.

In 2019, we carried on the harmonization of standards and tools that are used in assisting our business lines engaged in the implementation and support of software solutions. Moreover, in 2019, we began the implementation of a standard for testing our own software in the mobile and Internet area based on our proprietary solution called Momentum, as well as the 'service desk' standard based on our proprietary solution called Live. We also continue to unify our existing methods applied for project management as well as for measuring the efficiency of our resources.

We gradually set up international implementation teams that are dedicated to the execution of selected projects in the areas of mobile solutions and multi-channel banking (Digital Edge), as well as solutions for development and offering of financial products via mobile and Internet channels (Digital Origination).

Thanks to the standardization of metrics and tools, it has become possible to set coherent targets across the Group based on selected performance indicators and link them to the remuneration of those responsible for our operations.

In cooperation with the Sales team and heads of our product segments, we managed to verify our product development expenditures which helped rationalize the Group's budget more towards the development of strategically important products.

In 2020, the Group is going to continue to implement standard procedures and improve efficiency in this area. The Management believes that such efforts will result in the elimination of unprofitable projects and higher utilization of resources, thus increasing the profitability of own services.

#### Focusing on strategic products and services

In the process of further development of ASEE, the Management intends to focus on continuing expansion and enhancement of the portfolio of our own products and services. Therefore, it may be necessary to concentrate more on the Group's key competencies, and as a result we may need to resign from offering certain solutions, which are not strategically important for ASEE.

In a longer term, the Group plans to go global with several of its key software solutions, in the areas where the know-how and expertise of ASEE and Payten allow us to compete with the major vendors in the market.

Irrespective of the planned concentration on our key products, the Management intends to leverage on the strong position of ASEE and Payten in the region, its expertise, experience and good customer relations in order to build our competence as professional advisors and service providers for important customers of the Group.

#### Strategic directions of development

By focusing on the development of strategic products, the Group will be able to achieve higher revenue growth and boost the sales of its proprietary solutions. This is one of the strategic objectives pursued by the Group and the signs of improvement in this area have been observed for a few years already. In 2018, sales of our proprietary solutions exceeded PLN 593 million, reflecting an increase by almost PLN 173 million or 41% in relation to the previous year. Revenues from own solutions accounted for 67.3% of total sales generated by ASEE Group, up from 62.7% a year ago. We expect the value of revenues from our proprietary solutions to grow also in 2020.

In the Management's opinion, in order to achieve higher sales, ASEE Group will need to generate more revenues in markets outside the current area of its business operations while supporting growth through acquisitions. In the long run, our Company plans to expand its sales beyond South Eastern Europe and Turkey, in particular by creating a network of partners to collaborate with ASEE and Payten. In recent years, the Group was engaged in the execution of projects, among others, in Italy, Belgium, Morocco, Egypt, Kazakhstan, Nigeria, Malta, as well as in Saudi Arabia. In 2020, the Management plans to continue sales activities in markets outside the current area of operations.

Within the Payment Solutions segment (Payten), the Management anticipates the possibility of going beyond the current region of the Group's operations, also through acquisitions of companies whose products are complementary to the existing portfolio of solutions that are marketed under the brand name of Payten. This is well exemplified by our recent acquisitions of Necomplus, Sonet and Monri, thanks to which the Group has significantly expanded the area where it will offer its solutions and services.

From among the markets in which the Group is currently present, the largest potential for growth is seen in Spain, Peru, and Colombia. The Group will also strive to strengthen its market position in Central and Eastern Europe, especially in the Czech Republic and Slovakia.

The strategic goal of ASEE and Payten is to become one of the three largest and most recognizable players in each of the markets where the Group conducts its business.

#### Plans for individual operating segments

In the **Banking Solutions segment**, the nearest plans assume primarily selective investments in the development of chosen products, further recovery of our position in the banking sector in Romania, as well as continued growth of this segment in Bosnia and Herzegovina and in Bulgaria.

After a thorough reorganization of our Romanian team over the recent years, it has been on a good way to regain full operational efficiency and sales potential. The Management hopes this will bring further improvement in the financial performance of our operations in Romania in 2020 and in the coming years. Among the countries where we just started to develop our banking sector competence, not only Romania seems promising, but also Bulgaria where ASEE Group has recently gained several new references for the implementation of IT systems at Bulgarian branches of international banking groups.

One element of the strategy for the Banking Solutions segment is making selective investments in the development of IT products for banks. In 2020, we will carry on the development of several new products, including primarily omnichannel banking solutions (Digital Edge), about which ASEE is often inquired by clients in the region. The development plans of ASEE Group also include investments in sales support solutions (Digital Origination), mobile solutions and authentication security systems, as well as

financial fraud prevention (InAct) and anti-money laundering systems (AML). Recently, we have observed a strong increase of interest in the Digital Origination solution.

Regardless of the country of origin, each of the IT solutions offered by ASEE is available across the whole region. Mobile banking solutions, authentication systems or fraud prevention software can be offered separately, but also as complementary products for larger projects, such as core banking systems or multi-channel banking solutions (Digital Edge). In countries outside the region of ASEE's operations, this segment is seeking local business partners in order to offer our software solutions through their distribution networks.

Another factor that may affect the segment's results in 2020 is the expected further improvement of its operational efficiency. The above-mentioned initiatives, aiming at high-quality project management and effective use of resources, should contribute to achieving higher margins of profit across the entire operating segment.

The **Payment Solutions segment**, trading under the name of Payten, is considered by the Management to be the most mature and uniform among all the existing business lines of ASEE. Therefore, we decided to formally separate this segment into an independent organizational entity called Payten. In practice, this means that after such reorganization the segment still operates as part of ASEE Group, but as a standalone organizational unit called Payten.

In the first days of 2019, we managed to finalize the separation of this segment into individual companies called Payten in all the countries where it was planned. Such division by separation was carried out in Croatia, Serbia, Romania, and Turkey. Whereas, in Macedonia as well as in Bosnia and Herzegovina we established new companies called Payten, to which the segment operations were gradually transferred. Smaller companies where the payment solutions business played a dominant role (as in Montenegro and Slovenia), simply changed their names to Payten and were transferred in whole into the separated organizational unit. In mid-2019, most Payten companies as well as Necomplus were incorporated into a new holding company that will be responsible for managing the entire separated Payment Solutions segment. Payten companies operating in Turkey and Serbia have not yet been brought into the new holding company, because such operation requires the consent of local regulatory authorities.

Apart from the segment's formal separation in the organizational structure of ASEE, the strategic plans of this business line include expanding the segment's portfolio with new products and services in order to enable comprehensive processing of both physical and virtual payments. Our offering will be enriched through organic growth or by way of potential acquisition of companies with desirable business profiles. The Management also considers acquiring companies operating outside the current area of our business operations, which would additionally enable introduction of the segment's offering into new markets. Our recent takeovers of Necomplus, Sonet and Monri companies are a good example here.

All the solutions offered by this segment are currently divided into four business lines: maintenance of POS terminals and ATMs, e-Commerce support solutions, and processing of payment transactions.

Most of the segment's revenues are still generated from services related to the maintenance of POS terminals and ATMs. In this business, our most important markets are Croatia, Serbia, Romania, Bosnia and Herzegovina, Slovenia, Macedonia, and Montenegro. Further important markets of the Group include Spain, Portugal, Peru and Colombia as a consequence of the acquisition of Necomplus in February 2019, as well as the Czech Republic and Slovakia following the takeover of Sonnet in September 2019. Apart from that, Payten is consistently building its market share in Albania and Kosovo, and strives to reinforce its presence in Bulgaria. The division of physical payments handling is consistently expanding its business model to cover both the traditional supply and maintenance of equipment, and the complete outsourcing of payment processes. These actions translate into greater security and predictability of our business, as well as give ASEE Group a competitive advantage over local firms. Since 2018, the Company has invested in building an independent network of ATMs, also supporting dynamic currency conversion (DCC), operating under the brand name of MoneyGet. The operations of MoneyGet have been developed in Croatia, Montenegro, Serbia, and in Albania. In 2020, the Management intends to expand our independent ATMs network in the same markets, as well as to run a pilot MoneyGet project in Slovenia. At the same time, Payten makes preparations to launch an independent network of POS terminals based on the competence gained through the acquisition of Monri. First revenues from this business are expected in 2020.

The division of online payment systems focuses on offering the NestPay® solution, where Turkey is still the largest market for these products. We adopted a strategy to provide our online payment gateways in the outsourcing model. Hence, our sales revenues depend on the number of retailers who are supported by banks, acting as the clients of ASEE, as well as the volume of generated transactions. According to the Management's estimates, the number of transactions will continue grow dynamically but it will be accompanied by the pressure to reduce prices. Additionally, banks are looking for alternative solutions in order to increase competitive pressure on Payten. In response to this trend, the Management is looking for new sources of revenue in the area of settlement of online payments. Leveraging on our experience gained with NestPay®, we developed Merchant Safe Unipay (MSU) solution that enables secure storing of credit card data of website customers and automates payments for online purchases, as well as Paratika solution which supports the settlement of online payments and is dedicated directly for retailers. In

August 2017, a Turkish subsidiary of ASEE obtained a license to carry out such activities and, since then, has completed successive implementations of Paratika solution and provided regular services for customers. Currently, the local team efforts are focused on acquiring further clients and increasing the number of transactions processed, which should translate into stronger financial performance of this project.

Recently, sales of the TriDES2 solution that secures mobile and online payments have been developing very well.

The business line that provides services of processing and authorization of payment transactions (Processing) does not yet have a significant share in the Payten's revenue structure, but it systematically increases the scale of operations and improves its financial results. In 2017, ASEE took over Chip Card company which offered services in the field of processing and authorization of payment transactions. During 2017 and subsequent years, ASEE signed several contracts with new customers, benefiting from the infrastructure and experience of Chip Card. The Management believes that payment processing and authorization services very well complement the offer of the Payment Solutions segment and anticipates this business line to generate higher sales in the coming years.

Development of the **Dedicated Solutions segment** will primarily involve strengthening the presence of our proprietary solutions on individual markets of the region. Currently, the Dedicated Solutions segment promotes its proprietary solutions with high revenue potential, which are ready for distribution in the whole region of ASEE operations, also outside the country of product origination. Such solutions, among others, include Live (CRM platform supporting communication and business processes), Fidelity (asset lifecycle management solution), and LeaseFlex (lease management solution). The Management plans to continue investing in new functionalities of the Live solution in the Service Desk area, which will be used by ASEE Group and which have already been offered to external customers. We also invest in the ABC solution that supports business processes management, as well as in the Momentum solution for testing of mobile and web applications. The Group is also planning to increase the share of IT solutions developed to individual orders from large customers, mainly in the public administration sector, seeing the greatest potential in this field in Serbia and Macedonia. ASEE continues to develop its competence in the implementation of projects co-financed by the European Union, both in the area of accession programs and structural funds.

## KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES

### BANKING SOLUTIONS

Asseco SEE's offer within banking software ranges from an omnichannel solution designed to distribute banking products and services over new, alternative distribution channels and improve business relations and communication with the customer, through integrated core banking systems based on the Oracle and Microsoft platforms, to authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management systems. We also offer our clients online 24x7 services and consultancy in the area of digital banking and digital transformation. Our key products are described below.

#### Omnichannel sales and services

##### Digital Edge

Digital Edge is a digital banking platform with a set of touchpoint applications and a set of customer engagement capabilities that ensure true omnichannel experience for bank's customers. Thanks to Digital Edge a bank can increase engagement and loyalty of its existing customer base and acquire new customers in a cost effective way. Digital Edge encompasses the touchpoint applications that account owners see, the administrative panel that the bankers see, and the middleware that connects the platform to all kinds of back-end systems. Digital Edge provides 24x7 services regardless of back-end systems availability by queuing initiated transactions for later execution. Digital Edge supports the following online channels: **Mobile/Tablet**, **Digital Edge Web**, ATM, Facebook, as well as **Chatbot** channel. Ultimately, Digital Edge fulfils the PSD2 requirements for strong customer authentication, transaction authorization, fraud monitoring, and provides open APIs for access to customer information and payment initiation.

##### Digital Origination

**Digital Origination** is a sales and underwriting system that provides full flexibility in offering of bank products, services and bundles, enabling short time to market and full control and transparency of origination processes for both assisted and self-service touchpoints. Thanks to its open architecture and brand new technology stack, it is a strong accelerator of digital transformation, wide open for innovations and extensive third-party integrations. Digital Origination provides consistent user experience on all screen sizes – desktop, tablet and mobile.

##### Experience Frontline

**Experience Frontline** (Experience Branch, Experience Customer Insight) is a software package supporting bank's sales and servicing operations on assisted channels, such as bank's branch network, external agencies and call center. The platform is characterized by rich UI, 3-tier architecture, strong and flexible input validations, high security standards, multi-language support, context-sensitivity, common workplace functionality, and a wide range of integration options. Products are developed using model-driven approach, on top of customized IBM IFW models which represent world's leading practice in banking domain.

##### Experience Customer Analytics

**Experience Customer Analytics**, with a set of analysis and predictive models, aims to help banks gain new clients, retain current customers and maximize their profitability with well-timed actions and offers that improve customers' loyalty and their relationship with the bank. Customer Analytics is designed to boost marketing efforts, with campaigns and marketing offers as central points. Multi-channel approach allows for integration of campaign offers through all bank's channels in a unified manner. Utilization of machine learning and predictive models gives our users a power not to rely solely on empirical expert knowledge, but to use predictions obtained through contemporary science methodologies.



**PFM**

**PFM** (Personal Finance Management) is an advanced online personal finance management solution that enables online banking clients to manage their finances by keeping track and making analysis of personal incomes, through automatic categorization of all transactions, by making plans for spending and incomes, and through receiving financial help and recommendations.

**Banking operations**

The Banking Business unit of ASEE offers three different core banking systems. Two of them are based on the Oracle platform (**Absolut** and **Bapo**), and one on the Microsoft platform (Pub2000).

**Systems on Oracle platform:**

- **Absolut**
- **Bapo**

**Absolut** is a suite of applications designed to support finance and banking operations. The system consists of the core module and several additional modules, such as Internet banking, management information system, cards management system, and insurance management system. It also includes the Absolut leasing application which effectively supports operations of leasing companies.

**Bapo** is an integrated core banking system offering numerous front-end functions, optimized for retail and commercial banks conducting operations in Southern and Eastern Europe.

**Systems on Microsoft platform:**

- **Pub2000**

**Pub2000** is an integrated application for retail and corporate banking. Owing to its integrated Product Factory function it is quite a unique product on the market, which enables our clients to generate new banking products and services, and to define or modify process workflows without altering the application.

Apart from core banking solutions within banking operations ASEE offers **Experience Treasury** and **Experience Collateral Management** solutions.

**Experience Treasury**

**Experience Treasury** is an advanced front, middle and back office solution designed to meet the complete needs of treasury operations in a modern environment. It helps to increase the bank's overall profitability with simultaneously accurate risk anticipation and planning in accordance with the domestic and international regulations.

**Experience Collateral Management**

The main purpose of **Experience Collateral Management** solution is to provide a reliable registration and allocation of all types of collaterals used to cover exposure in order to control and mitigate credit risk. Furthermore, the application enables revaluation of collateral asset fair value, enhanced workflow and task mechanism, automatic alerts and detailed reporting package, as well as allocation by various methodologies and distribution algorithms.

**Risk and compliance**

**Tezauri™**

**Tezauri™** is an integrated Business Intelligence solution for banks, which enables risk management, credit assessment through an integrated scoring system and profitability analysis, monitoring of regulatory compliance as well as implementation of related solutions.

**Experience Scoring**

**Experience Scoring** solution helps banks automate important operational decisions with predictive models. With simple yet powerful environment, easy access to data and built-in best practices, the solution enables holistic management of predictive models starting from development, ongoing validation and monitoring all the way to model revision and retirement.

**Experience™ Funds Transfer Pricing**

**Experience™ Funds Transfer Pricing** enables banks and other financial institutions to better understand the business performance at all levels and take advantage of all opportunities and ultimately improve profitability. Experience FTP is specially tailored to answer the market needs in South Eastern Europe. Flexible funding models, integration with Tezauri BDW or any third-party data source and detailed reports based on customizable profitability dimensions provide effective and robust FTP solution for any financial institutions on the market.

**AML**

**AML** (Anti-Money Laundering) is an integrated solution for detection and prevention of money laundering. It enables monitoring and fast, accurate and timely reporting of transactions according to certain parameters, and recognition of those which can be considered as transactions intended to legalize illegal funds, as well as their timely prevention, in order to counteract money laundering.

**Asseco Impairment Solution**

**Asseco Impairment Solution** is a sophisticated risk management tool for identification and segmentation of credit risk in accordance with IFRS 9, and for calculation of expected credit losses. It is designed to facilitate easy transition to IFRS 9 and assist institutions in conducting necessary processes and generating reports in line with the regulatory requirements.

**InACT®**

**InACT®** is a modular application that monitors and prevents multi-channel transactional and non-transactional frauds, misconduct attempts, operational faults, and performs regulatory controls. InACT® includes the following modules: Enterprise Fraud Detection & Prevention, Internal Fraud Management, InACT® Euler with Predictive Anomaly Detection with Intelligent Methods, and Relationship Network Analysis. InACT® complies with the requirements of PSD2 Directive and is offered to financial institutions as part of our PSD2 Enabler Package. InACT® Enterprise Fraud Detection & Prevention helps financial institutions protect their customers from multi-channel fraud attacks. InACT® Internal Fraud is designed to detect and prevent employee frauds, operational failures and compliance breaches. InACT® Euler prevents frauds by using artificial intelligence to detect any anomalies with the help of predictive analytics. Whereas, InACT® Relationship Network Analysis enables companies to easily detect sophisticated loops and fraud networks.

**Authentication security solutions**

**SxS**

**SxS** is a comprehensive, proven, multi-factor authentication solution designed to provide extremely secure access to any application and system through the use of progressive technology. In order to ensure the highest level of security and identification of end users, SxS applies a wide range of authentication methods. It combines biometrics with a risk analysis mechanism, making sure the user is undisturbed and satisfied. This multi-level solution overcomes all security-related obstacles, regardless of whether the users chose to apply a hardware or software authentication token.

**Solutions for advanced digital signature and encryption based on Public Key Infrastructure SmartCard technology: PKI VAS, PKI CMS**

**PKI VAS** (Validation Authority Suite) is a solution used for generating digital signatures using certificates stored on PKI smartcards/USB keys, as well as for encrypting documents shared over unsecure network (Internet, e-mail). The solution is easy to implement on existing web applications (i.e. Internet banking, web portals). PKI VAS can be used for secure authentication (login), signing transactions (one or more), and advanced electronic signature of documents (equal to handwritten signature). The solution is compatible with all modern web browsers and is operating system independent.

**PKI CMS** (Credential Management System) is a flexible solution designed to manage entities (users, servers/applications), devices, certificates and certification policies. PKI CMS enables issuance of certificates on hardware devices (e.g. smart cards or tokens), in files (software certificates), or using CSR (Certificate Signing Request). PKI CMS provides multi institution support, notification services, role dependent administration, and audit logging. The solution is compatible with all modern web browsers and is operating system independent.

**Solutions for advanced digital signature based on Public Key Infrastructure certificates stored in the cloud: PKI RDS**

**PKI RDS** (Remote Digital Signature) is a browser- and device-independent solution for creating advanced digital signatures using RDS certificates stored in a secure environment (in the cloud), secured by means of strong client authentication solutions. PKI RDS enables creating advanced digital signatures for clients without the need for hardware PKI devices or additional installation on the client's side.

#### Services

**Managed multichannel e-Banking service**

**Managed multichannel e-Banking** is a 24x7 online banking service which can be hosted in various countries of Central and Eastern Europe. It enables retail and corporate customers to access the bank's data and services from any place and using multiple devices.

**Consultancy**

Asseco SEE offers **consultancy services** in the area of digital banking and digital transformation. We work with banks and support them in their transition from 'bricks' to 'clicks'.

**IaaS – Infrastructure as a Service**

**IaaS** - Asseco SEE's Infrastructure-as-a-Service offer provides the businesses with IT computing, memory and storage resources on demand, from within our cloud infrastructure.

### DEDICATED SOLUTIONS

**Full range of integration services**

Asseco South Eastern Europe Group is a top player on the market of integration services in Kosovo, Macedonia, Romania and Serbia. The Group serves the financial, industry and public administration sectors with the following business lines: development of IT infrastructure, implementations and support, ensuring continuity of business processes, automation of operations, and customized software development. The Dedicated Solutions segment also presents a group of proprietary solutions of ASEE which, due to their profile, have not been classified to our banking or payment solutions.

#### Other software

**ABC**

**ABC** (Asseco Business Correspondence) is a producer-independent integrated solution including the following modules: digital office, electronic correspondence adapted to compliance rules, distribution and decision-making processes flow, document management and archiving. ABC provides tools for automation of processes and their adjustment to the customer needs.

**Live**

**Live** is a modern Contact Center system for improving relations with customers. It integrates a wide range of technologies and modules which are part of standard omnichannel Contact Center solutions. Thanks to its smooth integration with CRM and internal IT systems within an organization, Live provides a 360° client image, taking into account all communication channels.

**Fidelity**

**Fidelity** is a fully-fledged ERP solution for asset lifecycle management, dedicated primarily to large organizations with dispersed organizational structure. It is a unique solution on the market owing to the comprehensiveness of its modules addressing the full set of requirements of Asset and Spend Management, covering the functionalities of Budget Control, Procurement and Spend Analysis, as well as traditional ERP functions such as Inventory Management.

#### Solutions for leasing companies

**Lease product and asset management solution LeaseFlex**

**LeaseFlex** is a web-based Lease and Asset Management software for equipment and consumer finance. It enables financial service companies to maximize their operational efficiency in business administration and monitoring with a centralized management platform for operational processes and end-to-end management of the lease and asset lifecycle.

**Financial services for retail customers**

FinanceFlex is a scalable solution for car finance companies, targeting to increase regulatory compliance, operational efficiency and effectiveness within their organization. FinanceFlex offers additional modules for suppliers and sales channels of equipment finance companies, increasing speed in offering pricing and credit approval for potential customers.

**PAYMENT SOLUTIONS**

Payten provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. Our offering includes e-Commerce related solutions, mPayments, Processing as well as ATM and POS related services. We deliver software, services including outsourcing and equipment, providing highest level of expertise, maintenance and support through the entire portfolio.

**ATMs and POS terminals**

- installation
- maintenance
- replacement

Payten's well positioned service network, counting over 100 service centers, enables us to provide the best SLA possible. In the SEE region, we successfully maintain over 9,500 ATM, ATS and KIOSK terminals as well as 600,000 POS terminals, utilizing fully automated business process management. We are constantly updating and improving functionalities, and bringing added value to our Clients, by tracking latest world trends and significantly investing in R&D (bill payment, recycling, automatic exchange office, GSM top-ups, mCash payments, etc.). One of our priorities is outsourcing, since Payten above all aspires to having long-term agreements with its Clients, reducing their operational costs and, at the same time, enabling them to focus on business.

**24/7 Service Support Center**

**Multivendor solutions for ATMs and POS terminals**

**Processing of payment card transactions**

Payten's **processing center** provides quality support in all aspects of payment card processing. We offer our clients high quality service, knowledge and experience of our experts, complete solutions and consulting services concerning the payment card business. The processing offer includes: **transaction processing & switching services, card issuing & hosting services, ATM & POS acquiring services, fraud management, and contact center services.**

**Mobile payments:**

- mPOS

mPOS solution represents a new generation of intelligent and interactive mobile POS solutions for accepting payment cards. The integrated mobile payment solution enables merchants to transform their smartphones into mobile point of sale (mPOS) systems that fully support PIN based transactions (including the use of EMV chip cards), thus reducing start-up costs and minimizing equipment needs. Moreover, this system provides merchants with additional payment-acceptance-related services, for example certain level of application and slip customization, branding, inventory management, and online preview of transaction history.

**e-Commerce:**

- Virtual POS – NestPay®

**NestPay®** solution is a B2C online card payment platform, referred to as a payment gateway, that handles payments between merchants and acquirer banks. NestPay® is designed to enable banks to offer card acquiring services to their web merchants. Financial institutions offering online payment services can get benefit from NestPay® as a service provided by Payten, using its PCI-DSS certified environment. NestPay® technology empowers the banks to enter "Card-Not-Present" (CNP) payment market with full confidence.

**Trides2**

**Trides2** is a complete 3D Secure solution targeted to card issuing institutions, as well as transaction acquiring and clearing centers, that want to reduce the risk of fraudulent online transactions by using Strong Customer Authentication (SCA). In accordance with the new EMV® 3-D Secure Protocol, Trides2 provides enhanced authentication methods, including biometrics, transaction risk analysis, and risk-based authentication, which increases customer satisfaction and transaction security.

<b>ATM software</b>	<b>TermHost</b> software solution provides the implementation of Value Added Services on top of the standard ATM transaction set. This results in generating new revenue streams on these terminals for the bank, and completely changes customer experience of the cardholder. By using TermHost and its modules banks seamlessly integrate ATM terminals into their omni-channel world, making an ATM a modern point of accessing various bank functionalities. This way ATMs can offer transactions that previously were not possible using the rigid outdated NDC ATM protocol. Currently we offer the following functionalities using various TermHost modules: Campaigns, Personalised User Experience, mCash – withdrawal using a mobile phone, on-us transactions authorized by bank instead of their ATM processing host, and many others.
<b>POS software</b>	<b>PayPro</b> is an application for EFT POS terminal devices that are used on merchant locations for acceptance of payment cards, such as Visa, MasterCard, American Express and others. It supports different models and vendors of terminals, offering the banks and merchants common user experience on various devices, and reducing the time to market for new products. We continuously follow the mandates from payment organizations, improving the software functionality in order to provide customer service at the highest level of security.
<b>POS instant payments</b>	Value-added solution for the standard instant payments system that enables the acceptance of instant payments at a point of sale. This provides a guarantee of payment and availability of funds for merchants, while ensuring convenience to customers resulting from, among others, no need to carry cash or a credit card, but just a mobile phone.
<b>UNAC</b>	<b>UNAC</b> is a NAC system used to redirect payments directly to the payer's bank. It is a reliable and secure network transaction platform that can be easily configured and managed. This solution has been specially designed and optimized to process a large number of concurrent transactions, making it ideal for networks with a high volume of payments. UNAC combines and offers the best qualities of NAC class systems, while eliminating their shortcomings.
<b>MoneyGet</b>	<b>MoneyGet</b> is a network of more than 300 ATMs that are independent from financial institutions and owned by Payten. The network is being developed in the region of Central and Eastern Europe and is present in Croatia, Serbia, Montenegro, and in Albania. MoneyGet ATMs are located in the most convenient places – near supermarkets, city centers, tourist landmarks, beaches, etc. MoneyGet ATMs deliver cash and other financial services (balance checking, account statement, card-not-present withdrawals via QR codes) for both local and foreign clients, by accepting cards under Visa and MasterCard payment systems. Through the DCC (Dynamic Currency Conversion) service, our ATMs are able to provide foreign customers with cash withdrawals based on a known currency exchange rate, so as to charge the customer's account in its local currency, by the exact amount shown on the ATM screen during the transaction. Thanks to the DCC service, foreign customers are not exposed to the risk of unknown exchange rates as may be used by their banks.
<b>Solutions for merchants</b>	Payten offers a variety of solutions for merchants. In a competitive e-Commerce industry, merchants need to act fast and secure. Moreover, merchants need to conclude virtual POS agreements with multiple banks which makes it difficult to manage payment processes as electronic payment comes out as an alternative channel to the traditional payment systems. Furthermore, ensuring the security of end users' critical information becomes a key issue.
<b>Switching &amp; Tokenization:</b> <b>- MerchantSafe® Unipay</b>	<b>MerchantSafe® Unipay</b> (MSU) is a solution allowing merchants to collect payments remotely from various banks, featuring the services of payment card tokenization that reduces merchants' risk, as well as switching. The switching function redirects the transaction to the most suitable bank offering the lowest commission, or to the next available bank in the case of card rejection, without deteriorating the customer satisfaction. The tokenization service provides secure, easy and convenient payment checkout experience for both buyers and merchants, from multiple access points such as web, ERP systems, CRM systems and e-mail. In addition, it offers a quick payment function, called a one-click payment, by storing the card data in a secure PCI-DSS compliant environment, eliminating the need to re-enter card data during future purchases.



**Payment acceptance:**

**- Online payment facilitator  
Paratika**

Acting as a payment facilitator, Paratika is an electronic payment solution which enables the acceptance of online payments from multiple banks at points of sale, and can also store the card data for future payments in PCI-DSS compatible environment. Paratika comes with a card tokenization technology which provides cardholders with flexibility and ease of use in future payments. Moreover, fast check-out also known as single click payment feature, ensures secure, easy and convenient check-out experience to cardholders.

**SinglePOS**

**SinglePOS** solution is a service enabling merchants to replace two or more EFT POS terminals at point of sale with a single device connected to a number of acquirers (usually banks). In addition to switching service, the solution enables merchants to always use the lowest acquiring transaction fee (by selecting on-us scheme as first). SinglePOS important advantage is also a facilitation of fast and easy checkout process both for merchants and customers, since the device is connected to the ECR, removing the need of cashier manipulation on EFT POS and thus eliminating any possible mistakes usually occurring when SinglePOS is not present. Merchants also have access to the Merchant Portal with a possibility to (re)view processed payment transactions in real time. Other features include: instalments processing, presenting marketing messages on the device screen, support for loyalty programmes, tokenization service, DCC service, instant payments, mobile top-ups, customised reporting (including integration with accounting systems, e.g. SAP) and much more.

**Momentum QA Suite**

**Momentum QA Suite** is a software bundle provided by Mobven, member of Payten, which offers quality assurance tools for Mobile, Web and Desktop applications. The software can be provided as a SaaS model or on-premise licensing. The software has two components which are Momentum Desktop: helps clients to identify the objects and manage devices and Momentum Dashboard: manages client's test scenarios and cases, runs or schedules tests and reports test results. The software has 3 main tools which are Momentum Automate - the test automation tool, Momentum Capture - error and feedback capture tool and Momentum Remote Device Control - a web-based solution that enables remote access and control of mobile devices running on IOS and Android platforms for mobile application testing on real devices. With the combination of these tools, the Momentum QA Suite is created to provide quality assurance.

## SELLING MARKETS OF THE COMPANY AND THE GROUP

The Company of ASEE S.A. earns revenues from dividends received from its subsidiaries, as well as from the sale of business and technical support services to its subsidiaries. Such revenues are generated in countries where the Company holds its investments.

ASEE S.A. also generates revenues from the sale of services and software for voice automation systems, as well as from the sale of software, services and hardware to the banking sector. Sales of IT services and software are made primarily in the Polish market.

Asseco South Eastern Europe Group conducts business operations in several regions: **South Eastern Europe** (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Kosovo, Macedonia, Moldova, Romania, Serbia, Slovenia, Turkey), **Central Europe** (Czech Republic, Poland, Slovakia), **Western Europe** (Spain, Portugal), and **South America** (Dominican Republic, Colombia, Peru).

### South Eastern Europe

In South Eastern Europe, the Group's biggest operations are conducted in the markets of Serbia, Romania, Macedonia, Croatia, and Turkey. We have also managed to develop a significant scale of business in Bosnia and Herzegovina. As far as other markets are concerned, the scale of our operations will be gradually expanded by launching comprehensive offerings of products from all of our business segments.

Four countries in this region, namely Slovenia, Romania, Bulgaria and Croatia are member states of the European Union. Other countries are at various stages of applying for membership in the European Union.

Presented below are the basic statistics for the markets of South Eastern Europe where ASEE Group operates.

	Population (millions)	GDP forecast for 2019 (USD billions)	Real GDP growth forecast for 2019 (% per annum)	Real GDP growth forecast for 2020 (% per annum)	Inflation rate 2019 (% per annum)	Unemployment rate (%)
Albania	2.9	15.4	3.0	4.0	1.8	13.7
Bosnia and Herzegovina	3.5	20.1	2.8	2.6	1.1	18.0
Bulgaria	7.0	66.3	3.7	3.2	2.5	4.9
Croatia	4.1	60.7	3.0	2.7	1.0	9.0
Kosovo	1.8	8.0	4.2	4.0	2.8	24.5
Moldova	3.5	11.7	3.5	3.8	4.9	3.0
Montenegro	0.6	5.4	3.0	2.5	1.1	16.2
Macedonia	2.1	12.7	3.2	3.4	1.3	17.9
Romania	19.5	243.7	4.0	3.5	4.2	4.3
Serbia	7.0	51.5	3.5	4.0	2.2	13.1
Slovenia	2.1	54.2	2.9	2.9	1.8	4.5
Turkey	83.0	743.7	0.2	3.0	15.7	13.8

Source: International Monetary Fund, [tradingeconomics.com](https://tradingeconomics.com)

The analysis of data on the population and gross domestic product (GDP) shows that most of the countries in which ASEE operates are small markets, with a relatively low purchasing power. Turkey is an exception where both the number of inhabitants and GDP are higher than in all other South Eastern European countries of ASEE operations taken together.

The forecasts of real GDP changes published by the International Monetary Fund indicate that economic conditions remained good throughout 2019 in all the countries of South Eastern Europe except for Turkey. The projections of GDP growth range between 2.8 and 4.2%, which is much above the European average. We are pleased with the expectations for a high rate of GDP growth in the countries where ASEE conducts its major operations, in particular in Serbia, Romania, Croatia, and Macedonia.

In the case of Turkey, the macroeconomic situation deteriorated drastically in the last months of 2018. Political tensions and structural problems in the economy have led to a considerable reduction in GDP growth rate as well as to a substantial weakening of the Turkish lira and high inflation. This downturn prevailed also in 2019, while according to the forecasts of the International Monetary Fund, Turkey should return to the path of economic growth already in 2020. A gradual decline in inflation is also expected.

The macroeconomic forecasts for the countries of South Eastern Europe, in which ASEE operates, assume a continuation of economic growth in 2020 at the pace comparable to that of 2019. The analysis of our order backlog for 2020 suggests that the prevailing economic prosperity and strong competitive position of the Group companies should translate into further growth of ASEE Group's sales in the next year.

### Central Europe

For many years, ASEE Group has conducted small operations in Poland, where it offers services and software to support customer communication channels and business processes (contact center). As a consequence of taking over Sonet Group in September 2019, ASEE's operations in Central Europe are also carried out in the Czech Republic and Slovakia. In these markets, ASEE Group provides its customers with payment technology services, including installation and servicing of devices, as well as implementation of proprietary software for POS terminals.

	Population (millions)	GDP forecast for 2019 (USD billions)	Real GDP growth forecast for 2019 (% per annum)	Real GDP growth forecast for 2020 (% per annum)	Inflation rate 2019 (% per annum)	Unemploy-ment rate (%)
Czech Republic	10.6	247.0	2.5	2.6	2.6	2.2
Poland	38.0	565.9	4.0	3.1	2.4	3.8
Slovakia	5.5	106.6	2.6	2.7	2.6	6.0

Source: International Monetary Fund

Presented above are the basic statistics for the markets of Central Europe where ASEE Group operates.

The Management plans to use the Group's presence in the Czech Republic and Slovakia to offer additional ASEE solutions available in other markets to the local clients of Sonet companies, as well as to gain new contracts and increase the Group's share in the Czech and Slovak market by supporting sales processes. On the other hand, IT solutions developed by Sonnet, in particular software for POS terminals, will be offered to the Group's customers located outside Central Europe.

### Western Europe

ASEE Group commenced its business in Spain and Portugal by acquiring Necomplus companies in January 2019. The main operations of Necomplus companies in Spain and Portugal include installation and maintenance of POS terminals, as well as BPO services (call center). Necomplus is also engaged in installation and maintenance POS terminals in Andorra, however on a small scale.

	Population (millions)	GDP forecast for 2019 (USD billions)	Real GDP growth forecast for 2019 (% per annum)	Real GDP growth forecast for 2020 (% per annum)	Inflation rate 2019 (% per annum)	Unemploy-ment rate (%)
Spain	46.7	1,397.9	2.2	1.8	0.7	13.9
Portugal	10.3	236.4	1.9	1.6	0.9	6.1

Source: International Monetary Fund

Presented above are the basic statistics for the markets of Western Europe where ASEE Group operates.

The Management anticipates that ASEE Group's presence in Spain and Portugal will allow to expand the offering of Necomplus with additional solutions from the product portfolio of Payten. With such enhancement of the offering and sales support provided by the Group, Necomplus should be able to win new contracts and increase its market share.

### South America

Just as in the case of Western Europe, ASEE Group's operations in South America began with the acquisition of Necomplus. This Spanish company, operating through its subsidiaries, offers installation and maintenance of POS terminals to customers in Colombia, Dominican Republic and Peru.

Presented below are the basic statistics for the markets of South America where ASEE Group operates.

	Population (millions)	GDP forecast for 2019 (USD billions)	Real GDP growth forecast for 2019 (% per annum)	Real GDP growth forecast for 2020 (% per annum)	Inflation rate 2019 (% per annum)	Unemploy-ment rate (%)
Colombia	50.4	327.9	3.4	3.6	3.6	9.7
Dominican Republic	10.4	89.5	5.0	5.2	1.8	5.5
Peru	32.5	229.0	2.6	3.6	2.2	6.7

Source: International Monetary Fund

In the Management's opinion, the presence of ASEE in South America creates significant potential for the Group's development. In the coming years, the Management intends to expand the portfolio of solutions offered to customers in this region, first of all in the field of payment solutions. Building up on the existing organizational structure, the Group will also try to gain new projects in other countries of the region.

It is a strategic objective of the Management of ASEE to increase sales of the Group's solutions also outside the regions described above. In countries where ASEE Group is not present through its subsidiaries, the Management plans to conduct sales activities and implement projects in cooperation with local partners. In recent years, the Group was engaged in the execution of projects, among others, in Italy, Morocco, Egypt, Kazakhstan, Nigeria, Malta, as well as in Saudi Arabia. In 2020, the Management intends to continue our sales activities in markets where ASEE subsidiaries do not operate yet, focusing on North Africa, the Middle East and South America.

As mentioned above, ASEE Group operates in several regions, however our major operations are still located in South Eastern Europe. Our business activities in other regions are the result of acquisitions carried out in 2019 and, apart from sales generated in the Spanish market, they did not change much in the revenue structure of the entire Group in the last year. The breakdown of our sales revenues in 2019 by the customer location is as follows:

- South Eastern Europe 80.0% (of which Serbia 28.4%; Romania 16.1%; Croatia 11.8%; Turkey 6.9%; Macedonia 5.6%);
- Western Europe 12.5% (of which Spain 11.0%);
- Central Europe 2.1%;
- South America 0.9%;
- Other countries, where ASEE is not present through its subsidiaries 4.6%.

During the year ended 31 December 2019, sales to any individual client of the Group did not exceed 10% of our total revenues.

In most regions where ASEE Group is present, our subsidiaries operating in particular countries have their own suppliers and therefore the Group is not substantially dependent upon any single vendor. Within the Payment Solutions segment, Payten Group is engaged in cooperation mainly with Diebold Nixdorf concerning the delivery of ATMs, as well as with Ingenico in the supply of POS terminals. Within the Dedicated Solutions segment, the Group's key suppliers include Microsoft whose products are offered by ASEE primarily in Romania, as well as Cisco whose solutions are used mainly in Serbia and Macedonia.

## SIGNIFICANT CONTRACTS CONCLUDED BY THE COMPANY AND THE GROUP

Contracts significant for the Group's operations that were signed during 2019 are presented below in a breakdown to individual operating segments:

### Banking Solutions:

- Implementation of Digital Origination solution at a bank in Romania;
- Implementation of Digital Origination solution, SxS authentication system and Bapo Payment module at a bank in Serbia;
- Implementation PSD2 Enabler and SxS Mobile Token solutions and Factoring module at an international bank in Romania;
- Implementation of PSD2 Enabler solution at an international bank in Croatia;
- Modification of Jimba mobile banking system at an international bank in Croatia;
- Implementation of SxS authentication system at a bank in Bulgaria;
- Implementation of SxS Mobile Token solution at an international bank in Croatia;
- Supply of Instant Payment system in the outsourcing model for an international bank in Serbia;
- Implementation of PSD2 Enabler solution at a bank in Croatia and two banks in Romania;
- Implementation of Digital Edge HUB solution at a bank in Serbia;
- Implementation of InAct financial fraud prevention solution at two banks in Romania;
- Implementation of Tezauri Business Intelligence solution at two banks in Serbia;
- Implementation of mobile banking system for an international banking group;
- Implementation of InAct financial fraud prevention solution at three banks in the region;
- Implementation of SxS authentication solution and mToken for Eurobank in Bulgaria;
- Implementation of Digital Origination and GDPR solutions at two banks in Serbia;
- Supply of licenses for a mobile banking solution in Romania;
- Implementation of selected functionalities of AbSolut system for an asset management firm in Romania;
- Implementation of Digital Edge solution for Sparkasse Bank d.d.;
- Implementation of Digital Origination solution at a bank in Serbia;

- Implementation of GDPR and IFRS9 solutions for Sberbank a.d. Banja Luka;
- Implementation of IFRS9 solution for Sberbank d.d. Sarajevo;
- Implementation of FIPO back-office treasury solution at an international bank in Romania;
- Implementation of ANAF and FATCA/CRS reporting modules at a bank in Romania.

#### Payment Solutions:

- 12 new contracts for the supply of NestPay and MSU solutions signed in the first quarter of 2019, among others with customers from the insurance, petrochemical and banking sectors;
- 57 contracts for the supply of Paratika solution signed in the first quarter of 2019, among others with Sixt car rental company, Bugece.co concert organizer, and Timac Agro fertilizer production company;
- Supply of ATMs for an international bank in Croatia;
- Sale of POS terminals to a regional bank in Bosnia and Herzegovina;
- Contracts for outsourcing of ATMs in Serbia and POS terminals in Montenegro;
- Contract for expanding the network of POS terminals in Peru;
- Implementation of Trides2 security solution at three banks;
- Implementation of Instant Payment solution at two banks in Serbia;
- Contract for the implementation of ProView software for monitoring of ATMs network at Borica AD, the largest provider of payment services in Bulgaria;
- Contract for supply of MSU solution for three insurance companies in Turkey: Anadolu Anonim Türk Sigorta Şirketi, Demir Sağlık ve Hayat Sigorta A.Ş., and Acıbadem sağlık ve Hayat Sigortası A.Ş.;
- 43 new contracts for the supply of Paratika solution in Turkey signed in the third quarter of 2019;
- Implementation of Trides2 security solution at two banks and a payment service company;
- Implementation of Instant Payment solution at Credit Agricole, Raiffeisen and OTP bank in Serbia in the third quarter;
- 3-year contract for maintenance of POS terminals network with VisaNet in Peru;
- Implementation of DCC (dynamic currency conversion) functionality in ATMs of Unicredit Bank Mostar;
- Renewal of the contract for outsourcing of POS terminals and processing of payment transactions with Delhaize in Serbia;
- Implementation of Trides2 ACS and Trides2 3DSS solutions for ASEE's customers: at a bank in Croatia and at a payments institution in Morocco;
- Implementation of Trides2 ACS solution in the SaaS model for a fintech firm in Slovenia;
- Implementation of MSU solution for a Turkish provider of electronic security systems and alarms;
- Implementation of MSU solution for a Turkish producer of durable consumer goods.

#### Dedicated Solutions:

- Implementation of Live solution for a car dealer in Croatia;
- Implementation of Fidelity asset lifecycle management solution at a bank in Turkey;
- Design and implementation of a dedicated infrastructure management solution for Elektroprivreda Srbije in Serbia;
- Implementation of a dedicated solution for the Ministry of Public Administration in Serbia;
- Implementation of business process management (BPM) solution for an international bank in Romania;
- Dedicated solution for dispute management for an energy distributor in Serbia;
- Design and implementation of a dedicated application to support communication at the Ministry of Public Administration and local authorities in Serbia;
- Implementation of Fadoc document management system, Service Desk module of Live solution, and mobile application for Elektroprivreda Srbije in Serbia;
- Supply of Microsoft licenses for a transportation company in Romania;
- Implementation of VMware solution for the Employment Office in Serbia;
- Implementation of e-Invoices solution for the Ministry of Finance in Serbia;
- Implementation of Live and SxS solutions for an energy distributor in Serbia;
- Implementation of new functionalities of Live solution at an insurance company in Croatia;
- Implementation of FinanceFlex solution at a consumer finance company;
- Design and implementation of a dedicated solution for the Central Population Register in Serbia;
- Design and implementation of a dedicated solution for the Register of Healthcare Institutions;
- 8 implementations of Dynatrace 3P solution in the fourth quarter of 2019 for customers in Turkey.





**Financial Information**  
**of Asseco South Eastern Europe S.A.**  
**for the year 2019**

## FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE S.A.

### Financial results of Asseco South Eastern Europe S.A.

	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018 <i>restated</i>
	PLN'000	PLN'000
Dividend income	39,554	27,832
Revenues from sale of services	25,175	21,890
Cost of sales (-)	(20,082)	(18,186)
Selling costs (-)	(828)	(1,063)
General and administrative expenses (-)	(1,163)	(1,036)
Operating profit	42,675	29,496
<b>Net profit for the reporting period</b>	<b>40,245</b>	<b>28,501</b>

In comparison with the previous year, in 2019 income from dividends received from our subsidiaries increased by PLN 11.7 million, revenues from consulting and support services provided to our subsidiaries increased by PLN 2.1 million, while sales of IT services rose by PLN 1.2 million. As a consequence, operating profit of ASEE S.A. grew from PLN 29.5 million reported in 2018 to the level of PLN 42.7 million in 2019, reflecting an improvement by PLN 13.2 million or 45%, while our net profit increased from PLN 28.5 million in 2018 to PLN 40.2 million in 2019, improving by PLN 11.7 million or 41%.

### Structure of the statement of financial position of ASEE S.A.

Other operating income	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000	31 Dec. 2019 %	31 Dec. 2018 %
<b>Non-current assets</b>	<b>646,229</b>	<b>591,941</b>	<b>95%</b>	<b>92%</b>
Property, plant and equipment, and intangible assets	6,011	6,209	1%	1%
Right-of-use assets	376	-	0%	-
Investments in subsidiaries	606,812	571,174	89%	89%
Long-term financial assets	31,738	11,637	5%	2%
Other	1,292	2,921	0%	0%
<b>Current assets</b>	<b>33,526</b>	<b>52,322</b>	<b>5%</b>	<b>8%</b>
Trade receivables and prepayments	4,845	7,200	1%	1%
Cash and bank deposits	11,044	36,944	2%	6%
Short-term financial assets	15,995	6,657	2%	1%
Other	1,642	1,521	0%	0%
<b>TOTAL ASSETS</b>	<b>679,755</b>	<b>644,263</b>	<b>100%</b>	<b>100%</b>

The structure of assets of ASEE S.A. is dominated by investments in subsidiaries. As at 31 December 2019, the value of our investments in subsidiaries reached PLN 606.8 thousand and was higher than a year ago, due to the acquisition of Necomplus Spain and the process of formal separation of the Payment Solutions segment into a standalone organizational unit operating within ASEE Group.

Structure of equity and liabilities	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000	31 Dec. 2019 %	31 Dec. 2018 %
Equity	637,685	623,486	94%	97%
Non-current liabilities	20,002	7,811	3%	1%
Current liabilities	22,068	12,966	3%	2%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>679,755</b>	<b>644,263</b>	<b>100%</b>	<b>100%</b>

The value of equity increased by PLN 14.2 million in relation to the previous year. Such change resulted from a higher net profit for the current year, payment of dividends, as well as the costs of employee share-based payment plan.

Non-current liabilities grew by PLN 12.2 million primarily as a result of higher liabilities under a bank loan by PLN 6.9 million, as well as higher liabilities under deferred payments for shares in subsidiaries by almost PLN 5 million. The bank loan has been described in explanatory note 5.11, while liabilities from the acquisition of shares have been described in explanatory note 5.13 to the Company's annual financial statements for the year 2019.

Current liabilities increased also due to higher liabilities under a bank loan by PLN 4.8 million as well as higher liabilities under deferred payments for shares in subsidiaries by PLN 4.9 million. In comparison with 2018, in 2019 we also observed a decrease in trade payables and liabilities to the state and local budgets by PLN 1.3 million and an increase in accruals by PLN 0.6 million.

### Structure of the statement of cash flows

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Net cash provided by (used in) operating activities	18,820	31,919
Net cash provided by (used in) investing activities	(29,696)	7,002
Net cash provided by (used in) financing activities	(15,047)	(28,339)
Net change in cash and cash equivalents	(25,923)	10,582
<b>Cash and cash equivalents at the end of period</b>	<b>11,044</b>	<b>36,944</b>

Because ASEE S.A. operates as a holding company, our operating cash flows include also proceeds from the sale and expenditures for the acquisition of shares in subsidiaries, as well as dividends received.

In 2019, cash flows from operating activities amounted to PLN 18.8 million, decreasing by PLN 13.1 million in comparison to the previous year. Such a decline was a consequence of the acquisitions of shares in related companies for the amount of PLN 25.8 million. Dividends received from our subsidiaries reached PLN 37.9 million, increasing by PLN 9.5 million in relation to the previous year.

Cash flows from investing activities were primarily related to proceeds and outlays related to loans granted to our subsidiaries (resulting in net cash flows of PLN -30.1 million), as well as interest received on loans granted (PLN 0.7 million).

Whereas, cash flows from financing activities reflected basically the dividend payment to the shareholders of ASEE S.A. (PLN 27.0 million).

### Analysis of financial ratios

#### Profitability ratios

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Return on equity (ROE)	6.4%	4.6%
Return on assets (ROA)	6.1%	4.5%

The above ratios have been computed using the following formulas:  
Return on equity (ROE) = net profit for the reporting period / average annual equity  
Return on assets (ROA) = net profit for the reporting period / average annual assets

Both return on equity and return on assets metrics improved in 2019 as compared to those reported for 2018, following an increase in net profit for the reporting period.

## Liquidity ratios

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Working capital	11,458	39,356
Current liquidity ratio	1.5	4.0
Quick liquidity ratio	1.5	3.9
Absolute liquidity ratio	0.5	2.9

The above ratios have been computed using the following formulas:

Working capital = current assets – current liabilities

Current liquidity ratio = current assets / current liabilities

Quick liquidity ratio = (current assets – inventories – prepayments) / current liabilities

Absolute liquidity ratio = (bonds and securities held to maturity + cash and short-term bank deposits) / current liabilities

Our working capital as well as liquidity ratios as at 31 December 2019 declined in comparison to those reported at the end of the previous year primarily due to a decrease in cash and short-term bank deposits, in the wake of company acquisitions and loans granted to subsidiaries.



**Financial Information and Significant Events  
with Impact on Business Operations  
of Asseco South Eastern Europe Group**

## FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE GROUP

### Financial results of Asseco South Eastern Europe Group for the fourth quarter 2019

PLN'000	3 months ended	3 months ended	Change %	3 months ended	3 months ended	Change %
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	275,560	221,503	24%	64,279	51,579	25%
Gross profit on sales	68,539	50,237	36%	15,986	11,691	37%
Net profit on sales	36,091	25,233	43%	8,416	5,877	43%
Operating profit	36,524	24,840	47%	8,517	5,785	47%
EBITDA	53,587	36,734	46%	12,502	8,547	46%
Net profit for the reporting period	29,509	20,074	47%	6,883	4,672	47%
<b>Net profit attributable to Shareholders of the Parent Company</b>	<b>28,930</b>	<b>19,923</b>	<b>45%</b>	<b>6,748</b>	<b>4,636</b>	<b>46%</b>

Financial results achieved by ASEE Group in the fourth quarter of 2019 were once again considerably stronger than in the comparable period last year. Hence, the successful fourth quarter closed the best year ever for ASEE Group.

Sales revenues presented in Polish zlotys amounted to PLN 275.6 million, reflecting an increase by PLN 54.1 million or 24% in relation to the fourth quarter of 2018. Operating profit reached PLN 36.5 million increasing by 47%, while EBITDA for the fourth quarter of 2019 amounted to PLN 53.6 million showing an improvement by 46%.

Our sales presented in euros equalled EUR 64.3 million, increasing by EUR 12.7 million or 25%. Operating profit reached EUR 8.5 million, while EBITDA amounted to EUR 12.5 million, both going up by 47% and 46%, respectively.

Such dynamic growth was achieved owing to expanding the scale and improving the efficiency of our operations primarily in the segments of Payment Solutions and Banking Solutions, as well as due to the consolidation of several new subsidiaries by ASEE Group. Since 1 February 2019, ASEE Group has consolidated the financial results of Necomplus companies which generated EUR 7.9 million in sales revenues, EUR 382 thousand in EBITDA, and EUR 96 thousand of operating profit for the fourth quarter of 2019. Since 1 September 2019, the Group has consolidated the financial results of Sonet companies (Czech Republic and Slovakia) which generated EUR 1.6 million in sales revenues and EUR 239 thousand of operating profit in the fourth quarter of 2019. Furthermore, during 2019 ASEE Group conducted a number of smaller, local acquisitions, including in Serbia, Montenegro, Croatia, Turkey, and Bosnia and Herzegovina. The aggregate impact of the newly acquired companies (inclusive of Necomplus and Sonet) on the sales revenues of ASEE Group in the fourth quarter of 2019 amounted to EUR 11.4 million. At the same time, our new subsidiaries contributed EUR 880 thousand to EBIT (including the effect of reversing depreciation charges from purchase price allocation which were recognized in earlier quarters in the amount of EUR 309 thousand), and nearly EUR 1.3 million to EBITDA.

It should be also noted that our results for the fourth quarter of 2019, and especially the level of EBITDA, were influenced by the new presentation of lease contracts, in accordance with IFRS 16. The adoption of this new standard had a positive impact on our EBITDA for the fourth quarter of 2019, amounting to PLN 4.4 million (approx. EUR 1 million).



### Results of the **Payment Solutions** segment

Payment Solutions	3 months ended	3 months ended	Change %	3 months ended	3 months ended	Change %
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	108,570	66,797	63%	25,333	15,523	63%
Operating profit	13,835	6,624	109%	3,232	1,532	111%
EBITDA	26,687	16,520	62%	6,232	3,830	63%

Higher sales were generated by all the three operating segments of ASEE Group, while the largest increase was recorded in the **Payment Solutions** segment. In the fourth quarter of 2019, sales of the Payment Solutions segment reached EUR 25.3 million, increasing by EUR 9.8 million or 63%. Such revenue growth was driven mainly by the business line engaged in maintenance of POS

terminals which consolidates most of sales generated by Necomplus Group and Basilichi Serbia, as well as all sales generated by the companies of Sonet, B Services Montenegro, and Monri. In the fourth quarter of 2019, higher revenues were generated also from e-Commerce and processing of payment transactions. In turn, the business line dealing with maintenance of ATMs reported weaker sales for the same period. Such decline in revenues was basically a consequence of large deliveries of hardware that were performed by Payten companies in Bosnia and Herzegovina and Croatia in the fourth quarter of 2018. The Group did not execute any projects of similar scale during the last three months of 2019.

Operating profit of the Payment Solutions segment for the fourth quarter of 2019 amounted to EUR 3.2 million, improving by EUR 1.7 million or 111%. The segment's EBIT increased primarily owing to the business line offering e-Commerce solutions where the number of supported transactions is steadily increasing as a result of signing new contracts and thanks to the growing popularity of online shopping. Operating performance improved also in the business line dealing with maintenance of POS terminals which consolidates most of results achieved by the newly acquired companies. However, the business lines responsible for maintenance of ATMs and processing of payment card transactions reported weaker results for the fourth quarter of 2019 than in the previous year.

Consolidated EBITDA of the Payment Solutions segment for the fourth quarter of 2019 exceeded EUR 6.2 million, improving by almost EUR 2.4 million or 63% in relation to the comparable period last year.



### Results of the **Banking Solutions** segment

Banking Solutions	3 months ended	3 months ended	Change	3 months ended	3 months ended	Change
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	59,134	54,375	9%	13,793	12,663	9%
Operating profit	18,783	13,893	35%	4,374	3,246	35%
EBITDA	21,285	14,919	43%	4,958	3,485	42%

In the fourth quarter of 2019, the **Banking Solutions** segment generated EUR 13.8 million in sales revenues, achieving an increase by EUR 1.1 million or 9% in relation to the comparable period last year. Higher revenues were recorded mostly by the business line responsible for mobile solutions which carried out projects in Croatia, Serbia, and Bulgaria. In the fourth quarter of 2019, stronger revenues were achieved also by the business line offering security solutions, including authentication solutions as well as fraud prevention and anti-money laundering solutions, whereas sales generated by the business line offering core banking systems were slightly lower.

In the fourth quarter of 2019, the Banking Solutions segment earned an operating profit of EUR 4.4 million, achieving an increase by EUR 1.1 million or 35% in relation to the comparable period last year. Just as in the case of sales, EBIT improved in the segment's business lines offering mobile solutions and security solutions, while it dropped in the business line offering core banking systems and other software.

Consolidated EBITDA of the Banking Solutions segment for the fourth quarter of 2019 reached nearly EUR 5 million, improving by almost EUR 1.5 million or 42%.



### Results of the **Dedicated Solutions** segment

Dedicated Solutions	3 months ended	3 months ended	Change	3 months ended	3 months ended	Change
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	107,856	100,331	8%	25,151	23,393	8%
Operating profit	3,906	4,323	-10%	912	1,007	-9%
EBITDA	5,615	5,295	6%	1,311	1,232	6%



Sales revenues generated by the **Dedicated Solutions** segment increased by EUR 1.8 million or 8% in the fourth quarter of 2019 and reached the level of EUR 25.2 million. Higher revenues were reported by the business line offering own solutions, while the business line responsible for the resale of infrastructure, third-party solutions and integration services generated slightly lower sales than in the previous year. The increase in sales of own solutions was achieved basically due to the consolidation of business process outsourcing activities performed by Necomplus, our Spanish and Portuguese subsidiary, as well as all revenues of Mobven Turkey.

Operating profit of the Dedicated Solutions segment for the fourth quarter of 2019 amounted to EUR 0.9 million and was nearly EUR 0.1 million lower than in the comparable period last year. Such decrease in EBIT resulted from weaker operating performance of the business line offering own solutions. In the fourth quarter of 2019, the results of this business line were affected by one-time events, including mainly a significant provision for overdue receivables in Serbia. The business line responsible for third-party solutions and integration services achieved a slightly higher operating profit in the fourth quarter of 2019 than in the comparable period of the previous year.

Despite the lower operating profit, the Dedicated Solutions segment recorded a slight increase in EBITDA for the fourth quarter of 2019, by 7% to the level of EUR 1.3 million.

#### Net profit

Consolidated **net profit** of ASEE Group for the fourth quarter of 2019 amounted to EUR 6.9 million, increasing by EUR 2.2 million or 47% in relation to the comparable period last year. In the fourth quarter of 2019, our net result on financial operations equalled EUR -329 thousand, as compared with EUR -401 thousand reported for the comparable period last year. The main reason for such improvement was a better result on foreign exchange differences, partly due to the revaluation of our USD-denominated assets in Turkey in connection with the depreciation of the Turkish lira. The positive effect of foreign exchange differences was partially offset by the recognition of interest on lease contracts in financial expenses in accordance with IFRS 16, revaluation of a contingent liability arising from the acquisition of shares in Mobven (earn-out), as well as slightly higher interest paid on debt. In the fourth quarter of 2019, our effective tax rate equalled 16.0%, increasing by 2.8 percentage points in relation to the fourth quarter of 2018. Such an increase in the effective tax rate was the result of higher income tax rates in selected companies of the Group as well as a greater share of companies with high income tax rates in the structure of consolidated pre-tax profit of ASEE. During the fourth quarter of 2019, dividends received from our operations located outside the European Union were lower than in the comparable period last year, which partially offset the relatively higher amount of income tax on operating activities.

#### Financial results of Asseco South Eastern Europe Group for the full year 2019 /cumulative/

	12 months ended			12 months ended		
	31 Dec. 2019	31 Dec. 2018	Change	31 Dec. 2019	31 Dec. 2018	Change
	PLN'000	PLN'000	%	EUR'000	EUR'000	%
Sales revenues	881,336	670,377	32%	204,876	157,110	30%
Gross profit on sales	214,751	160,997	33%	49,921	37,731	32%
Net profit on sales	107,931	74,915	44%	25,090	17,557	43%
Operating profit	110,200	74,482	48%	25,617	17,456	47%
EBITDA	175,887	120,114	46%	40,887	28,150	45%
Net profit for the reporting period	91,322	65,163	40%	21,229	15,272	39%
<b>Net profit attributable to Shareholders of the Parent Company</b>	<b>89,989</b>	<b>64,716</b>	<b>39%</b>	<b>20,919</b>	<b>15,167</b>	<b>38%</b>

Sales revenues of ASEE Group presented in Polish zlotys reached PLN 881.3 million for the full year 2019, reflecting an increase by PLN 211 million or 32% in relation to 2018. Operating profit improved by PLN 35.7 million or 48% in the same period, reaching the level of PLN 110.2 million. The amount of EBITDA for 2019 amounted to PLN 175.9 million, showing an improvement by 46% in relation to PLN 120.1 million reported a year ago.

In 2019, our consolidated sales revenues presented in euros increased by EUR 47.8 million or 30% and reached EUR 204.9 million. In the same period, our operating profit amounted to EUR 25.6 million, improving by EUR 8.2 million or 47%. Whereas, EBITDA increased from the level of EUR 28.2 million reported last year to EUR 40.9 million or by 45%.

During 2019, ASEE Group carried out a number of acquisitions that affected our financial results. Since 1 February 2019, ASEE Group has consolidated the financial results of Necomplus companies. Since 1 May 2019, ASEE Group has fully consolidated the financial results of Multicard Serbia which used to be earlier accounted for using the equity method. Furthermore, since 1 August 2019, ASEE

Group has fully consolidated the financial results of B Services Montenegro and Basilichi Serbia, and since 1 September 2019, also the financial results of Sonet (Czech Republic and Slovakia) and Mobven in Turkey. In the fourth quarter, ASEE Group finalized the acquisition of Monri companies in Bosnia and Herzegovina and in Croatia which have been subsequently subject to consolidation since 1 November 2019. The aggregate impact of the newly acquired companies on the sales revenues of ASEE Group amounted to EUR 33 million in 2019. At the same time, our new subsidiaries contributed EUR 1.5 million to EBIT and EUR 3.0 million to EBITDA.



### Results of the **Payment Solutions** segment

Payment Solutions	12 months ended	12 months ended	Change	12 months ended	12 months ended	Change
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	368,041	244,661	50%	85,555	57,339	49%
Operating profit	55,333	34,311	61%	12,863	8,041	60%
EBITDA	104,365	71,694	46%	24,261	16,802	44%

Sales generated by the **Payment Solutions** segment in 2019 reached EUR 85.6 million, improving by EUR 28.2 million or 49% in relation to the previous year. The strongest revenue growth (by EUR 23.5 million) was achieved by the segment's business line dealing with maintenance of POS terminals, which included most of revenues generated by Necomplus Group and Basilichi Serbia, as well as all revenues generated by the companies of Sonet, B Services and Monri. Higher sales were recorded also by the segment's business lines offering e-Commerce solutions (primarily in Turkey) and processing of payment transactions (especially in Serbia). Whereas, the business line engaged in maintenance of ATMs reported a bit weaker sales. Lower proceeds from traditional maintenance services were partially offset by higher revenues generated by MoneyGet, our independent network of ATMs.

Operating profit generated by the Payment Solutions segment increased by EUR 4.8 million or 60% and reached EUR 12.9 million for the year 2019. Higher EBIT was recorded by all business lines of this segment. Stronger operating result of the business line dealing with e-Commerce was basically due to handling a larger volume of transactions and signing new contracts with customers. Operating performance improved also in the business line engaged in maintenance of POS terminals mainly due to the consolidation of EBIT earned by the Group's new subsidiaries, as well as in the business line responsible for maintenance of ATMs owing to higher margins realized on traditional maintenance and better results of our MoneyGet independent ATM network. The business lines responsible for processing of payment transactions also managed to achieve a slight improvement in EBIT by expanding the scale of its operations.

EBITDA of the Payment Solutions segment for the year 2019 amounted to EUR 24.3 million, rising by EUR 7.5 million or 44% in relation to the previous year.



### Results of the **Banking Solutions** segment

Banking Solutions	12 months ended	12 months ended	Change	12 months ended	12 months ended	Change
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	187,909	163,227	15%	43,681	38,254	14%
Operating profit	39,198	26,830	46%	9,112	6,288	45%
EBITDA	48,975	31,280	57%	11,385	7,331	55%

The **Banking Solutions** segment generated sales of EUR 43.7 million in 2019, recording an increase by EUR 5.4 million or 14% in relation to the previous year. Revenues improved across all of the segment's business lines, with the largest growth achieved in mobile solutions, mainly in Croatia, but also in Serbia, Bulgaria, Kosovo, and Bosnia and Herzegovina. Higher sales were generated also by the business line offering security solutions (primarily in Croatia and Turkey) and the business line responsible for core banking systems and other software (especially in Serbia, Macedonia, Croatia, Bulgaria, and Moldova).

Owing to stronger revenues, operating profit of the Banking Solutions segment improved to EUR 9.1 million for the year 2019. This reflects an increase by EUR 2.8 million or 45% in relation to the previous year. Higher EBIT was recorded by the segment's business lines offering mobile solutions and security solutions. Operating profit of the business line responsible for core banking systems and other software remained in 2019 at a similar level as in the previous year.

Stronger operating profit translated into a higher amount of EBITDA achieved by the Banking Solutions segment. In 2019, it amounted to EUR 11.4 million, increasing by EUR 4.1 million or 45% in relation to the previous year.



#### Results of the Dedicated Solutions segment

Dedicated Solutions	12 months ended	12 months ended	Change	12 months ended	12 months ended	Change
	31 Dec. 2019	31 Dec. 2018		31 Dec. 2019	31 Dec. 2018	
	PLN'000	PLN'000		EUR'000	EUR'000	
Sales revenues	325,386	262,489	24%	75,639	61,517	23%
Operating profit	15,669	13,341	17%	3,642	3,127	17%
EBITDA	22,547	17,140	32%	5,241	4,017	31%

Sales revenues generated by the Dedicated Solutions segment in 2019 reached EUR 75.6 million, reflecting an increase by EUR 14.1 million or 23% in relation to 2018. Such strong revenue growth in 2019 was achieved in particular by the business line offering own solutions, owing to new projects implemented by ASEE Serbia and consolidation of a portion of revenues generated by Necomplus and Mobven companies. The business line responsible for infrastructure, third-party solutions and integration services also recorded higher sales, but this growth was not as dynamic. In this business line, stronger sales were generated by ASEE companies operating in Serbia and Romania.

Operating profit of the Dedicated Solutions segment increased from EUR 3.1 million in 2018 to the level of EUR 3.6 million. Stronger operating results were reported by the business line offering infrastructure and integration services, primarily owing to higher resale margins. This line improved its performance among others in Romania, Serbia and Poland. Whereas, the business line offering our proprietary solutions recorded slightly weaker results than in the previous year. This was to some extent caused by the consolidation of a loss recognized on such activities by Necomplus companies in connection with the termination of cooperation with one of their key clients, by a significant provision for overdue receivables in Serbia, as well as by weaker performance of ASEE companies operating in Croatia (where we incurred large expenditures for the development of Live solution) and in Romania.

Following a higher operating profit, the segment's EBITDA improved as well. In 2019, it amounted to EUR 5.2 million as compared with EUR 4.0 million in the previous year, growing by EUR 1.2 million or 31%.

#### Net profit

Consolidated net profit of ASEE Group for 2019 amounted to EUR 21.2 million, increasing by EUR 6.0 million or 39% in relation to the previous year.

The Group's net result on financial operations equalled EUR 53 thousand in 2019, as compared with EUR 839 thousand reported a year ago. Such a decline was caused mainly by a weaker result on foreign exchange differences. In 2018, it exceeded EUR 867 thousand, primarily as a result of the revaluation of USD-denominated assets in ASEE Turkey due to the depreciation of the Turkish lira. In 2019, foreign exchange differences amounted to EUR 158 thousand. Moreover, our result on financial operations deteriorated due to the recognition of interest on lease contracts in financial expenses in accordance with IFRS 16, revaluation of a contingent liability arising from the acquisition of shares in Mobven (earn-out), as well as slightly higher interest paid on debt. In 2019, we recognized a financial gain of EUR 468 thousand which resulted from the revaluation of shares in the company Multicard after it was taken over by Payten Serbia on 17 April 2019.

In 2019, our income tax expense amounted to EUR 4.4 million (effective tax rate of 17.3%) as compared with EUR 3.0 million incurred in the previous year (effective tax rate of 16.5%). Income tax expense resulted from our current business operations conducted in various countries, as well as from income taxes on dividends received by the holding company from its subsidiaries. During the year 2019, the holding company received PLN 29.5 million in dividends from companies located outside of the European Union, as compared with PLN 18 million in the previous year. As a consequence the amount of income tax paid on dividends received in 2019 was higher than a year ago. Concurrently, the effective rate of income tax on current operations increased a bit

because the effective tax rates in selected countries (including Bosnia and Herzegovina, Macedonia, Turkey) were higher than a year ago, and because companies with higher effective tax rates had a greater share in the structure of our consolidated pre-tax profit, primarily due to new acquisitions conducted in 2019.

### Analysis of financial ratios

	3 months ended	3 months ended	12 months ended	12 months ended
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Gross profit margin	24.9%	22.7%	24.4%	24.0%
EBITDA margin	19.4%	16.6%	20.0%	17.9%
Operating profit margin	13.3%	11.2%	12.5%	11.1%
Net profit margin	10.5%	9.0%	10.2%	9.7%
Return on equity (ROE)			11.5%	8.7%
Return on assets (ROA)			8.0%	6.8%

As described above, the share of our proprietary solutions and services in the revenue structure of ASEE Group increased from 62.7% in 2018 to 67.3% in 2019. Despite a higher share of own services in the revenue structure, the margin of gross profit on sales increased only slightly, this is from 24.0% in 2018 to 24.4% in the year reported. Our gross profit margin remained stable due to a slightly lower profitability of own software and services which was offset by higher margins realized on the resale of infrastructure and third-party solutions.

The Group managed to improve its overall profitability owing to stronger profit margins achieved by the segments of Banking Solutions and Payment Solutions. EBITDA margin of ASEE Group increased from 17.9% in 2018 to 20.0% in 2019. At the same time, our operating profit margin climbed from 11.1% to 12.5%.

The net profit margin for 2019 equalled 10.2%, showing some progress in relation to 9.7% reported a year ago. Our net profit did not grow as fast as the operating profit due to a weaker result on financial operations and a higher effective tax rate which have been described above.

The improved financial results of ASEE Group for the year 2019 resulted in higher values of ROE and ROA ratios. Return on equity for the trailing 12 months ended 31 September 2019 equalled 11.5%, increasing by 2.8 percentage points, while return on assets reached the level of 8.0%, increasing by 1.2 percentage points.

	31 Dec. 2019	31 Dec. 2018
Working capital (in thousands of PLN)	142,676	159,613
Current liquidity ratio	1.4	1.8
Quick liquidity ratio	1.3	1.6
Absolute liquidity ratio	0.6	0.8

The above ratios have been computed using the following formulas:  
Working capital = current assets - current liabilities  
Current liquidity ratio = current assets / current liabilities  
Quick liquidity ratio = (current assets - inventories - prepayments) / current liabilities  
Absolute liquidity ratio = (short-term financial assets + cash and short-term bank deposits) / current liabilities

As at the end of December 2019, our working capital amounted to PLN 142.7 million, reflecting a decrease by PLN 16.9 million in relation to the level reported a year ago. The value of current assets rose by PLN 106.3 million, mainly due increases in trade receivables (by PLN 32.4 million), cash and short-term financial assets (by PLN 31.6 million), as well as in inventories (by PLN 20.2 million). In the same period, our total current liabilities increased by PLN 123.2 million, primarily due to higher amounts of trade payables (by PLN 31.6 million), liabilities from contracts with customers (by PLN 21.5 million), short-term term portion of bank loans and borrowings (by PLN 18.9 million), lease liabilities in connection with their new presentation in accordance with IFRS 16 (by PLN 18.1 million), as well as of financial liabilities (by PLN 13.9 million).

The major components of other current financial liabilities include the short-term portion of deferred payment for shares in Necomplus, as well as upcoming conditional payments to the shareholders of Mobven and Sonet companies (earn-out).

Our liquidity ratios recorded as at the end of December 2019 are slightly lower than at the end of 2018, basically due to the above-mentioned increase in current liabilities.

	31 Dec. 2019	31 Dec. 2018
Total debt ratio	36.0%	22.7%
Debt / equity ratio	11.6%	6.3%
Debt / (debt + equity) ratio	10.4%	5.9%

The above ratios have been computed using the following formulas:  
 Total debt ratio = (long-term liabilities + short-term liabilities) / assets  
 Debt / equity ratio = interest-bearing bank loans / equity  
 Debt / (debt + equity) ratio = interest-bearing bank loans / (interest-bearing bank loans + equity)

The total debt ratio increased from 22.7% reported as at the end of 2018 to the level of 36.0% as at 31 December 2019. Such change is primarily attributable to the increase in liabilities by PLN 225 million. The increase in total liabilities of ASEE Group during 2019 was mainly caused by the new presentation of lease contracts in accordance with IFRS 16 (an increase by PLN 64.5 million), increase in the amount of bank loans and borrowings by PLN 44.9 million, recognition of financial liabilities arising from our recent acquisitions in the amount of PLN 42.4 million, as well as an increase in operating liabilities (trade payables and contract liabilities) amounting to PLN 53.7 million.

Financial liabilities arising from company acquisitions include deferred payments for shares in Necomplus, valuation of put options granted to minority shareholders of Necomplus and Monri, as well as conditional payments for shares in Mobven and Sonet depending on the future financial results of these companies (earn-out).

During 2019, ASEE Group's liabilities under bank loans and borrowings rose by PLN 44.9 million due to the consolidation of interest-bearing liabilities of Necomplus, Bassilichi and B Services, partial debt financing of new business acquisitions conducted by the holding company and some of its subsidiaries, as well as due to obtaining new bank loans for financing of projects carried out by the Group's subsidiaries in Croatia and Serbia. Our debt to equity ratio increased from 6.3% to 11.6% as at the end of December 2019, while the ratio of debt to total interest-bearing liabilities and equity increased from 5.9% to 10.4%.

### Structure of the consolidated statement of financial position

Structure of assets	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	PLN'000	PLN'000	%	%
<b>Non-current assets</b>	<b>781,483</b>	<b>627,571</b>	<b>63%</b>	<b>63%</b>
Property, plant and equipment, and intangible assets	161,181	139,546	13%	14%
Right-of-use assets	65,055	-	5%	0%
Goodwill	539,665	481,089	43%	49%
Other financial assets	4,670	588	0%	0%
Other	10,912	6,348	1%	1%
<b>Current assets</b>	<b>468,284</b>	<b>361,995</b>	<b>37%</b>	<b>37%</b>
Inventories	37,215	17,006	3%	2%
Prepayments and accrued income	21,746	15,264	2%	2%
Trade receivables	164,530	132,120	13%	13%
Contract assets	28,050	19,022	2%	2%
Cash and bank deposits	199,663	164,887	16%	17%
Short-term financial assets	572	3,761	0%	0%
Other	16,508	9,935	1%	1%
<b>TOTAL ASSETS</b>	<b>1,249,767</b>	<b>989,566</b>	<b>100%</b>	<b>100%</b>

The main component of non-current assets of ASEE Group is goodwill. The amounts of goodwill may change in the wake of an appreciation or depreciation of the Polish zloty against the foreign currencies in which individual items of goodwill are denominated, as well as due to potential company acquisitions or disposals conducted by the Group. During 2019, goodwill increased by PLN 58.6 million due to new acquisitions and foreign currency translation differences. Details concerning the accounting for new business acquisitions and their impact on the amount of goodwill have been presented in explanatory note 6.4 to the annual consolidated financial statements of ASEE Group for the year 2019. The share of goodwill in the balance sheet total decreased from 49% at the end of 2018 to 43% at the end of December 2019.

The second largest component of non-current assets of ASEE Group is constituted by property, plant and equipment, and intangible assets, which primarily include POS terminals and ATMs used for the provision of payment process outsourcing services in the Payment Solutions segment. The value of property, plant and equipment, and intangible assets increased by PLN 21.6 million during 2019.

Non-current assets at the end of 2019 include a new line called 'Right-of-use assets' that resulted from the new presentation of lease contracts in accordance with IFRS 16. The value of right-of-use assets stood at PLN 65 million as at the end of 2019, representing 5% of the total assets of ASEE Group.

As at the end of 2019, the value of current assets equalled PLN 468.3 million and it was higher by PLN 106.3 million than at the end of December 2018. Such higher value of current assets resulted primarily from an increase in receivables, cash and bank deposits, and short-term financial assets, as well as an increase in inventories.

Apart from the lower share of goodwill in total assets and the introduction of right-of-use assets, the structure of ASEE Group's assets was not subject to any significant changes in 2019.

Structure of equity and liabilities	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000	31 Dec. 2019 %	31 Dec. 2018 %
<b>Equity</b>	<b>800,203</b>	<b>765,089</b>	<b>64%</b>	<b>77%</b>
<b>Non-current liabilities</b>	<b>123,956</b>	<b>22,095</b>	<b>10%</b>	<b>2%</b>
Bank loans and borrowings	43,255	17,223	3%	2%
Lease liabilities	47,489	1,055	4%	0%
Other financial liabilities	28,557	-	2%	0%
Other	4,655	3,817	0%	0%
<b>Current liabilities</b>	<b>325,608</b>	<b>202,382</b>	<b>26%</b>	<b>20%</b>
Bank loans and borrowings	49,742	30,836	4%	3%
Lease liabilities	18,923	820	2%	0%
Other financial liabilities	13,879	9	1%	0%
Trade payables	109,977	78,362	9%	8%
Contract liabilities	58,707	37,166	5%	4%
Other current liabilities	74,380	55,189	6%	6%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,249,767</b>	<b>989,566</b>	<b>100%</b>	<b>100%</b>

The share of equity in the structure of total equity and liabilities decreased from 77% as at 31 December 2018 to 64% at the end of 2019. However, the value of equity increased by PLN 35.1 million, primarily owing to the net profit for the year 2019 which was partially offset by the distribution of a dividend to the shareholders of ASEE, as well as due to exchange differences on translation of foreign operations.

During the year 2019, total liabilities of ASEE Group swelled by PLN 225 million and reached the level of PLN 449.6 million, accounting for 36% of the balance sheet total. Non-current liabilities increased by PLN 101.9 million in 2019, mainly as a result of recognition of lease liabilities in accordance with IFRS 16 (PLN 46.4 million), increase in the amount of bank loans and borrowings (PLN 26 million), as well as recognition of other financial liabilities (PLN 28.6 million) arising from the accounting for acquisitions carried out during 2019. Total current liabilities rose by PLN 123.2 million in 2019. We have observed increases basically in all items of current liabilities, and especially in trade payables and contract liabilities, bank loans and borrowings, as well as in lease liabilities. Changes in the amounts of liabilities have been described in more detail in the 'Analysis of debt' above.

## Structure of the statement of cash flows

	12 months ended	12 months ended
	31 Dec. 2019	31 Dec. 2018
	PLN'000	PLN'000
Net cash provided by (used in) operating activities	158,813	120,804
Net cash provided by (used in) investing activities	(103,118)	(43,288)
Net cash provided by (used in) financing activities	(24,910)	(27,651)
Net change in cash and cash equivalents	30,785	49,865
<b>Cash and cash equivalents at the end of period</b>	<b>190,661</b>	<b>164,839</b>

In the year 2019, our operating activities provided PLN 158.8 million of net cash flows, which is PLN 38 million more than in the prior year. Such increase in operating cash flows was primarily a consequence of higher gross profit achieved by the Group and higher depreciation charges than in 2018.

Net cash outflows from our investing activities amounted to PLN 103.1 million in 2019, reflecting a large increase by PLN 59.8 million in relation to the previous year. In 2019, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment and intangible assets for the total amount of almost PLN 55.6 million, as well as by the acquisitions of subsidiary companies for PLN 45.4 million. The acquisitions of tangible and intangible assets included, among others, our expenditures for infrastructure used in the outsourcing of payment processes and setting up an independent network of ATMs. In 2019, we spent a total of PLN 45 million for this purpose. The largest investments were made by our Payten companies in Croatia and Serbia. Expenditures for the acquisition of subsidiaries included payments for purchases of shares in Necomplus (PLN 23.3 million), Sonet (PLN 21.3 million), as well as in other companies that were purchased directly by our Payten subsidiaries (PLN 26.7 million). Our acquisition expenditures disclosed in the cash flow statement were partially offset by cash and cash equivalents amounting to PLN 26 million that were held by the acquired subsidiaries, mainly the companies of Necomplus Group and Sonet.

In the year 2019, net cash used in our financing activities amounted to PLN -24.9 million. Proceeds from new bank loans in the amount of PLN 54.5 million were related to the financing of acquisitions and infrastructure for outsourcing projects carried out by the Payment Solutions segment primarily in Croatia and Serbia. Proceeds obtained from new bank loans were partially offset by repayments of previous debts that were related to purchases of infrastructure used in outsourcing projects carried out by the Payment Solutions segment, as well as purchases of third-party software for a project implemented by the Dedicated Solutions segment in Romania. Moreover, during 2019, ASEE Group repaid its lease liabilities in the amount of PLN 17 million and paid a dividend to the shareholders of ASEE in the amount of PLN 27 million.

## Information on geographical structure of financial results

The table below presents the basic financial data from the income statement for the year ended 31 December 2019, in a breakdown by geographical area:

For the year ended 31 December 2019	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Czech Republic & Slovakia	Other	Eliminations	Total
<i>in thousands of PLN</i>												
Sales revenues	32,064	137,725	57,874	145,606	275,806	67,722	104,659	17,329	8,698	72,769	(38,916)	881,336
Cost of sales	(22,725)	(96,256)	(38,170)	(122,931)	(221,535)	(32,821)	(93,604)	(13,553)	(6,294)	(52,730)	37,066	(663,553)
Recognition (reversal) of impairment losses on financial instruments	-	(260)	(123)	(544)	(1,483)	(631)	-	(9)	-	22	(4)	(3,032)
Gross profit on sales	9,339	41,209	19,581	22,131	52,788	34,270	11,055	3,767	2,404	20,061	(1,854)	214,751
Selling costs	(1,892)	(7,554)	(4,303)	(7,885)	(15,582)	(7,806)	(2,791)	(978)	(519)	(4,683)	954	(53,039)
General and administrative expenses	(2,385)	(8,487)	(3,688)	(7,381)	(11,353)	(7,677)	(7,019)	(1,287)	(612)	(3,943)	51	(53,781)
Net profit (loss) on sales	5,062	25,168	11,590	6,865	25,853	18,787	1,245	1,502	1,273	11,435	(849)	107,931
Other operating income	42	71	493	168	2,213	1,143	91	8	-	171	(147)	4,253
Other operating expenses	(77)	(7)	(317)	(155)	(323)	(835)	(62)	(109)	(47)	(134)	143	(1,923)
Share of profits of associates	-	-	-	-	(61)	-	-	-	-	-	-	(61)
Operating profit (loss)	5,027	25,232	11,766	6,878	27,682	19,095	1,274	1,401	1,226	11,472	(853)	110,200



For the year ended 31 December 2019	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Czech Republic & Slovakia	Other	Eliminations	Total
in thousands of EUR												
Sales revenues	7,454	32,016	13,453	33,848	64,114	15,743	24,329	4,028	2,022	16,915	(9,046)	204,876
Cost of sales	(5,283)	(22,376)	(8,873)	(28,577)	(51,498)	(7,630)	(21,759)	(3,151)	(1,463)	(12,258)	8,616	(154,252)
Recognition (reversal) of impairment losses on financial instruments	-	(60)	(29)	(126)	(345)	(147)	-	(2)	-	6	(1)	(704)
Gross profit on sales	2,171	9,580	4,551	5,145	12,271	7,966	2,570	875	559	4,663	(431)	49,920
Selling costs	(440)	(1,756)	(1,000)	(1,833)	(3,622)	(1,815)	(649)	(227)	(121)	(1,088)	222	(12,329)
General and administrative expenses	(554)	(1,973)	(857)	(1,716)	(2,639)	(1,785)	(1,632)	(299)	(142)	(917)	12	(12,502)
Net profit (loss) on sales	1,177	5,851	2,694	1,596	6,010	4,366	289	349	296	2,658	(197)	25,089
Other operating income	10	17	115	39	514	266	21	2	-	37	(34)	987
Other operating expenses	(18)	(2)	(74)	(36)	(75)	(194)	(14)	(25)	(11)	(31)	33	(447)
Share of profits of associates	-	-	-	-	(14)	-	-	-	-	-	-	(14)
Operating profit (loss)	1,169	5,866	2,735	1,599	6,435	4,438	296	326	285	2,664	(198)	25,615

The above figures have been converted at the average exchange rate for the period from 1 January 2019 to 31 December 2019: EUR 1 = PLN 4.3018

The table below presents the basic financial data from the income statement for the year ended 31 December 2018, in a breakdown by geographical area:

For the year ended 31 December 2018	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Czech Republic & Slovakia	Other	Eliminations	Total
in thousands of PLN												
Sales revenues	41,139	128,579	60,636	144,098	223,616	50,040	-	-	-	62,847	(40,578)	670,377
Cost of sales	(32,117)	(94,724)	(42,243)	(123,748)	(174,932)	(32,952)	-	-	-	(46,477)	38,357	(508,836)
Recognition (reversal) of impairment losses on financial instruments	-	64	(14)	22	(341)	(299)	-	-	-	21	3	(544)
Gross profit on sales	9,022	33,919	18,379	20,372	48,343	16,789	-	-	-	16,391	(2,218)	160,997
Selling costs	(1,623)	(7,774)	(3,873)	(9,743)	(13,607)	(6,855)	-	-	-	(4,615)	1,479	(46,611)
General and administrative expenses	(1,807)	(7,401)	(3,474)	(6,614)	(10,379)	(6,530)	-	-	-	(2,926)	(340)	(39,471)
Net profit (loss) on sales	5,592	18,744	11,032	4,015	24,357	3,404	-	-	-	8,850	(1,079)	74,915
Other operating income	9,289	125	647	566	329	116	-	-	-	347	(9,906)	1,513
Other operating expenses	(9,380)	(33)	(365)	(576)	(408)	(328)	-	-	-	(296)	9,742	(1,644)
Share of profits of associates	-	-	-	-	(302)	-	-	-	-	-	-	(302)
Operating profit (loss)	5,501	18,836	11,314	4,005	23,976	3,192	-	-	-	8,901	(1,243)	74,482

For the year ended 31 December 2018	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Czech Republic & Slovakia	Other	Eliminations	Total
in thousands of EUR												
Sales revenues	9,641	30,134	14,211	33,771	52,407	11,727	-	-	-	14,729	(9,510)	157,110
Cost of sales	(7,527)	(22,200)	(9,900)	(29,002)	(40,997)	(7,723)	-	-	-	(10,892)	8,989	(119,252)
Recognition (reversal) of impairment losses on financial instruments	-	15	(3)	5	(80)	(70)	-	-	-	5	1	(127)
Gross profit on sales	2,114	7,949	4,308	4,774	11,330	3,934	-	-	-	3,842	(520)	37,731
Selling costs	(380)	(1,822)	(908)	(2,283)	(3,189)	(1,607)	-	-	-	(1,082)	347	(10,924)
General and administrative expenses	(423)	(1,735)	(814)	(1,550)	(2,432)	(1,530)	-	-	-	(686)	(80)	(9,250)
Net profit (loss) on sales	1,311	4,392	2,586	941	5,709	797	-	-	-	2,074	(253)	17,557
Other operating income	2,177	29	152	133	77	27	-	-	-	81	(2,320)	356
Other operating expenses	(2,198)	(8)	(86)	(135)	(96)	(77)	-	-	-	(69)	2,283	(386)
Share of profits of associates	-	-	-	-	(71)	-	-	-	-	-	-	(71)
Operating profit (loss)	1,290	4,413	2,652	939	5,619	747	-	-	-	2,086	(290)	17,456

The above figures have been converted at the average exchange rate for the period from 1 January 2018 to 31 December 2018: EUR 1 = PLN 4.2669

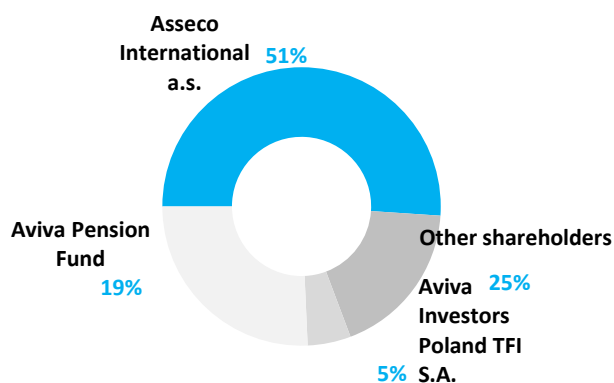


## Shares and Shareholders of Asseco South Eastern Europe

## SHARES AND SHAREHOLDERS

### Shareholders structure

#### Major Shareholders as at 31 December 2019



As at 31 December 2019, AI (our higher-level parent) held 26,494,676 shares representing 51.06% in the share capital of our Company, which carried 26,494,676 votes or 51.06% of total voting rights at the Company's General Meeting of Shareholders. The parent company of Asseco International is Asseco Poland S.A.

To the best knowledge of the Company's Management Board, as at the date of publication of this report, this is on 24 February 2020, as well as on 31 December 2019 and 7 November 2019, the Shareholders who, either directly or through their subsidiaries, held at least 5.0% of total voting rights were as follows:

Major Shareholders as at 24 February 2020, 31 December 2019, and 7 November 2019	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,610,000	18.52%
Aviva Investors Poland TFI S.A.	2,679,355	5.16%
Other shareholders	13,110,220	25.26%
<b>Total</b>	<b>51,894,251</b>	<b>100%</b>

To the best knowledge of the Company's Management Board, as at 31 December 2018, the Shareholders who, either directly or through their subsidiaries, held at least 5.0% of total voting rights were as follows:

Major Shareholders as at 31 December 2018	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,455,000	18.22%
Aviva Investors Poland TFI S.A.	2,607,217	5.02%
Other shareholders	13,337,358	25.70%
<b>Total</b>	<b>51,894,251</b>	<b>100%</b>

### Shares held by the management and supervisory personnel

The numbers of Asseco South Eastern Europe shares held by its management and supervisory staff are presented in the table below:

	24 Feb. 2020	31 Dec. 2019	7 Nov. 2019	31 Dec. 2018
Piotr Jeleński	973,492	973,492	973,492	967,492
Miljan Mališ <sup>1)</sup>	322,715	322,715	322,715	300,000
Miodrag Mirčetić <sup>2)</sup>	n/a	n/a	n/a	275,482
Marcin Rułnicki	30,000	30,000	30,000	30,000
Kostadin Slavkoski <sup>3)</sup>	35,600	35,600	35,600	n/a

1) Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.

2) Miodrag Mirčetić, who served as Member of the Management Board of ASEE S.A. till 30 September 2019, is a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.

3) Kostadin Slavkoski has served as Member of the Management Board of ASEE S.A. since 1 October 2019.

The remaining members of the Supervisory Board and Management Board did not hold any shares in Asseco South Eastern Europe S.A. in any of the above-mentioned periods.

### Information on the agreements known to the Issuer which may result in future changes of the equity interests held by the existing shareholders and bondholders

There are no agreements which may result in future changes of the equity interests held by the existing shareholders and bondholders.



## **Corporate Governance**

## STATEMENT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE STANDARDS

### Set of corporate governance standards applicable to Asseco South Eastern Europe

Asseco South Eastern Europe S.A. (the “Company” or “Issuer”) has, since 1 January 2016, been bound by the ‘Best Practice for WSE Listed Companies 2016’ as adopted by a resolution of the Board of the Warsaw Stock Exchange on 13 October 2015.

The set of corporate governance standards is available from the Warsaw Stock Exchange website:

<https://www.gpw.pl/dobre-praktyki>

### Corporate governance standards which have been waived by Asseco South Eastern Europe and the rationale for doing so

The Management Board has pointed out that the Company departed from applying the following corporate governance principles set forth in the ‘Best Practice for WSE Listed Companies 2016’ as adopted by a resolution of the Board of the Warsaw Stock Exchange on 13 October 2015:

- Recommendation II.R.2.

Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

Members of the Company’s Management Board and Supervisory Board are elected by an independent decision of the Supervisory Board and the General Meeting, respectively. Nonetheless, the main criteria for the election of persons to perform management and supervisory functions in the Company include the candidate’s competence, professionalism and skills, while other factors, such as gender and age, are not taken into account in this respect.

- Recommendation IV.R.2.

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

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

The Company does not enable its shareholders to participate in its general meetings by using means of electronic communication. Due to the lack of relevant provisions in the Company’s Articles of Association, it is currently not possible to implement the above-mentioned principle. Notwithstanding the above, the implementation of this principle would involve the risk of both technical and legal nature. Real-time broadcasting of general meetings, and in particular allowing the shareholders to speak during a general meeting without their physical presence at the meeting venue, by using means of electronic communication, would result in technical and legal risks for the proper and efficient conduct of such general meeting. In particular, it would create a real risk of technical disruptions that might prevent uninterrupted, bilateral communication with shareholders located in places other than the meeting room.

The present legal regulations do not regulate the rules for conducting general meetings through the means of electronic communication, including issues such as identification of shareholders or their proxies, raising an objection against a passed resolution, as well as for dealing with any broadcasting disruptions (preventing the proper participation of shareholders in a general meeting, or reception of a broadcast of the general meeting proceedings in real time). Furthermore, there are no specific regulatory consequences of being responsible for the improper conduct of a general meeting, including, in particular for an interruption in electronic access to the general meeting proceedings, which may be caused either by the Company or reasons beyond its control. The Company has assessed that the currently applicable rules of participation in general meetings enable adequate and effective execution of shareholder rights and appropriately protect the interests of all shareholders.

- Principle I.Z.1.15.

A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required by legal regulations: information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; if the company has not drafted or implemented a diversity policy, it should publish an explanation of its decision on its website.

The Company applies the above-mentioned principle to a limited extent. The Company's Recruitment Policy explicitly refers to the need to ensure diversity. Whereas, our labour regulations prohibit any forms of discrimination in employment. At the same time, the main criteria for hiring to key positions are competence and meeting the requirements for a given job.

Elements such as age or gender are not considered at the first place. While the election of the Company's authorities, including Members of the Management Board and the Supervisory Board, is a sovereign decision of the Supervisory Board and the General Meeting, respectively.

- Principle I.Z.1.16.

A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required by legal regulations: information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

Because the Company does not provide the ability to broadcast its general meetings due to reasons described above, in the commentary on Recommendation IV.R.2., information about the planned transmission is not posted on the Company's corporate website.

- Principle I.Z.1.20.

A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required by legal regulations: an audio or video recording of the course of a general meeting.

The Company does not record its general meetings in audio or video formats, and hence no recordings of the course of general meetings are published on its corporate website. This would make it necessary to ensure proper technical conditions and incur additional costs. The Company believes that current methods of documenting the proceedings of its general meetings ensure transparency of the Company's operations and protect the rights of all shareholders. The texts of resolutions adopted at the general meeting are published by the Company in the form of regulatory filings, as well as posted on its corporate website. In addition, detailed information on voting results and any objections raised against the adopted resolutions are made available in the same form. Investors therefore have the opportunity to learn about all the essential elements of the course of each general meeting. The Company does not exclude the possibility of applying this principle in the future.

- Principle IV.Z.2.

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

The Company does not provide the ability to broadcast its general meetings, because it is not justified by the shareholders structure and for technical reasons. In the Company's opinion, failure to implement this principle will not affect the transparency of the Company's operations which is ensured by the current methods of documenting such proceedings (as described above, in section regarding Principle I.Z.1.20.). The Company does not exclude the possibility of applying this principle in the future.

### Key features of the internal control and risk management systems applied by Asseco South Eastern Europe in relation to the process of preparing standalone and consolidated financial statements

The Company's standalone and consolidated financial statements are prepared in compliance with the International Financial Reporting Standards ("IFRS"). IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

One of the key mechanisms of control in the process of preparing the Company's financial statements involves periodical verification of such financial statements by independent certified auditors, and in particular the review of semi-annual financial statements as well as the audit of annual financial statements. The entity acting as a certified auditor shall be selected in such a way as to ensure their independence in performing the entrusted tasks.



In order to ensure the Company's compliance with regulatory changes resulting from the entry into force of the Act of 11 May 2017 on certified auditors, audit firms and public supervision, in connection with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, on 18 October 2017 the Supervisory Board approved documents, as prepared by the Audit Committee, that specifically regulate the selection and independence of certified auditors, i.e. the Policy and procedure for selecting a certified auditor, and the Policy for granting consent to the provision of permitted services. The Company has implemented new rules regarding the selection and rotation of the entity authorized to review/audit financial statements and the provision of non-audit services by such entity. The implementation of these regulations resulted in a significant increase in the responsibility and active involvement of the Audit Committee in the implementation of tasks related to selecting the entity authorized to review/audit financial statements in accordance with legal requirements. The Company's Audit Committee is responsible for conducting a tendering procedure for the entity authorized to review/audit financial statements, as well as for presenting recommendations to the Supervisory Board in this respect.

The entity authorized to audit financial statements shall be chosen by the Supervisory Board from among reputable audit firms, which can guarantee high standards of service and independence. An agreement to carry out audits shall be signed for a minimum period of two years. This rule was for the first time applied to the agreement for the audit of our annual financial statements for the years 2018 and 2019, as well as the review of our semi-annual financial statements in these years (previously such agreements were concluded for a period of 1 year).

The entity authorized to review/audit the Company's financial statements shall be selected in such a way as to ensure their independence in performing the entrusted tasks. In order to ensure independence, it is required to change not only the entity authorized to review/audit financial statements in the Company, but also to change the key certified auditor conducting the review and audit.

As part of ensuring the independence of external auditors, the Committee shall in particular:

- present recommendations to the Supervisory Board regarding the selection of an entity to audit the financial statements (external auditor), as well as their changes, assessment of their work, in particular in terms of their independence;
- express an opinion on the engagement of an external auditor in the performance of non-audit services, and communicate standpoints regarding the Company's policy in this respect;
- monitor the independence of the external auditor and their objectivity in performing the audits;
- review the efficiency of the external audit process.

The accuracy of the Company's accounting books as well as generation of highly reliable financial data is assured by:

- Accounting Policy and Chart of Accounts, both consistent with the International Financial Reporting Standards;
- Numerous internal procedures regulating the Company's operations with significant exposure to risk;
- Keeping the accounting books with the help of an ERP-class integrated IT system.

Responsibilities under the internal control and risk management systems, as adopted by ASEE S.A. in the process of preparing its financial statements, are performed by the Management Board, Supervisory Board, Audit Committee and other employees acting in accordance with the applicable internal procedures and regulations (such as dispositions, bylaws, instructions, job descriptions of respective employees). Members of the key personnel are responsible for design, implementation and monitoring of an effective and efficient internal control system as well as for identification and review of any risk exposures. The main elements of the Company's internal control system, whose objective is to eliminate the risks involved in the preparation of financial statements, are as follows:

- ongoing controls undertaken at all the levels and organizational units of the Company as well as in its subsidiaries, which shall ensure compliance with guidelines issued by the Management Board and enable identification and appropriate response to any significant risks;
- efficient and reliable information flow system, which shall enable collection and verification of data provided by the Group companies as well as prompt response in case any deviations from the budget are detected;
- annual and semi-annual audits of standalone and consolidated financial statements by an entity authorized to audit financial statements;
- audits of annual financial statements of companies significant to the Group;
- internal regulations specifying the duties, rights and responsibilities of individual organizational units, with particular emphasis on the staff directly engaged in the preparation of financial statements;
- protection of the Company's important information and prevention against their unauthorized disclosure;

- regular monitoring of financial directors and other staff responsible for the preparation of financial reports at the companies incorporated within ASEE Group, with the aim to maintain control, identify any risks and threats, and to determine the required preventive actions.

The Company's standalone and consolidated financial statements are drawn up by the Head of Group Reporting; whereas, their final content is subject to approval by the Company's Management Board which oversees all the business operations and processes.

Furthermore, the Audit Committee, established from among Members of the Supervisory Board, plays an important role in internal control of the preparation of standalone and consolidated financial statements.

In accordance with the Bylaws of the Company's Supervisory Board, as part of the oversight of the financial reporting process, the Audit Committee shall in particular:

- 1) analyze information presented by the Management Board concerning significant changes in the accounting policy or financial reporting;
- 2) analyze the financial statements of the Company and the Group as well as the results of the audit of such statements, if they have been audited by a certified auditor;
- 3) present recommendations to the Supervisory Board regarding the approval of the annual financial statements of the Company and ASEE Group that have been audited by an external auditor.

As part of the oversight of risk management and internal control, the Audit Committee shall in particular:

- 1) verify the adequacy and effectiveness of risk management and internal control;
- 2) verify the effectiveness of supervision over the compliance of the Company's operations with the law;
- 3) assess the effectiveness of risk management systems, internal control and compliance, as well as the internal audit function;
- 4) assesses the Company's adherence to observations, standpoints and decisions addressed to the Company by an external auditor or by other entities that maintain supervision over the Company's operations.

The internal control and risk management procedures applied in the process of preparing the financial statements of ASEE S.A. are effective and enable production of high quality reports, which is confirmed by opinions expressed without any reservations by certified auditors, following the audits of our financial statements.

### Shareholders who, directly or indirectly, hold significant stakes of shares

To the best knowledge of the Company's Management Board, as at the date of publication of this report, this is on 24 February 2020, the Shareholders who, either directly or through their subsidiaries, hold at least 5% of total voting rights at the General Meeting of Shareholders are as follows:

Major Shareholders as at 24 February 2020	Number of shares held / Number of votes at GMS	Par value of shares held	Percentage of total voting rights
Asseco International	26,494,676	264,946,760	51.06%
AVIVA Santander Open-End Pension Fund	9,610,000	96 10,000	18.52%
Aviva Investors Poland TFI S.A. managing the following investment funds: Aviva Investors SFIO Stocks Subfund, Aviva Investors SFIO Dividend Stocks Subfund, Aviva Investors FIO Polish Stocks Subfund, Aviva Investors FIO Stable Investments Subfund, Aviva Investors FIO Capital Plus Subfund, Aviva Investors FIO Balanced Subfund, Aviva Investors FIO Small Companies Subfund, Aviva Investors FIO New Companies Subfund, Aviva Investors FIO Modern Technologies Subfund.	2,679,355	26,793,550	5.16%
Other	13,110,220	131,102,200	25.26%
<b>Total</b>	<b>51,894,251</b>	<b>518,942,510</b>	<b>100%</b>

To the best knowledge of the Company's Management Board, the sole shareholder of Asseco International a.s. is Asseco Poland S.A., formerly the majority shareholder of our Company.

### Holders of any securities carrying special controlling rights

There are no holders of securities carrying special controlling rights.

### Limitations on the exercise of voting rights

There are no limitations on the exercise of voting rights, such as limitations on the exercise of voting rights by holders of a certain percentage or number of votes, time limitations on the exercise of voting rights, or provisions under which equity rights related to securities are detached from the ownership of securities.

### Limitations on transferability of ownership rights to the Issuer's securities

There are no limitations on the transfer of ownership of Asseco South Eastern Europe securities.

### Rules regarding appointment and dismissal of the management personnel and determining their authority, in particular the right to decide on the issuance or redemption of shares

The Management Board shall manage the Company's operations and assets and represent the Company externally in relations with courts, administration bodies, and other third parties. The Management Board shall take decisions concerning all the matters which, under the provisions of law or the Articles of Association, are not specifically reserved for the Supervisory Board or the General Meeting.

The Management Board shall be composed of 1 (one) to 9 (nine) members, including the President, Vice Presidents and remaining members of the Management Board. The joint term of office of members of the Management Board shall last 5 (five) years. Each Member of the Management Board may be reappointed for the next term of office. Members of the Management Board may be appointed from among the Company's shareholders or other persons.

The Management Board shall be appointed and dismissed by the Supervisory Board, whereas any motions for determining the number of persons in the Management Board composition, or for appointment of other Members of the Management Board, shall be submitted by President of the Management Board to Chairman of the Supervisory Board. Should President of the Management Board fail to submit adequate motions in due time, which guarantees efficient operation of the Management Board, the Supervisory Board shall take actions on its own initiative.

President of the Management Board shall submit motions to the Supervisory Board for determining the rules for remuneration of members of the Management Board other than himself. Should President of the Management Board fail to submit adequate motions in due time, which guarantees efficient operation of the Management Board, the Supervisory Board shall take actions on its own initiative. The remuneration of President of the Management Board shall be determined by the Supervisory Board on its own initiative.

Mandates of the Management Board Members shall expire at the latest on the date of holding the General Meeting that approves the report on the Company's operations and its financial statements for the last full financial year when such Management Board Members performed their duties.

A Member of the Management Board may be dismissed at any time. Such dismissal shall not deprive the dismissed person of any rights under their employment contract or any other legal relationship incidental to performing the function of the Management Board Member. A dismissed Member of the Management Board shall be entitled and obliged to provide explanations during preparation of the Company's Management report and financial statements for the period when he/she acted as Member of the Management Board, as well as to participate in the General Meeting which is to approve the reports/statements referred to in art. 395 § 2 item 1 of the Commercial Companies Code. Responsibilities and authority of the management personnel are described in art. 371 and subsequent articles of the Commercial Companies Code.

### Rules regarding amendment of the Articles of Association of Asseco South Eastern Europe

Amendments of the articles of association of a joint-stock are regulated in detail in chapters 4, 5 and 6 of the Commercial Companies Code (art. 430 and subsequent articles). The Company's Articles of Association do not contain any detailed regulations pertaining to amendments thereof. In this respect the Company adheres to the provisions of the Commercial Companies Code, under which an amendment of the articles of association shall require:

- a resolution of the general meeting, and
- an entry in the National Court Register (art. 430 of the CCC).

An amendment of the Articles of Association must be adopted by the General Meeting. In order to initiate amendment of the Articles of Association, the notification of calling the General Meeting must include both the existing provisions of the Articles of Association and the proposed amendments. If the intended amendments are extensive, the General Meeting announcement

should also contain a draft of the consolidated text of the Articles of Association, along with a specification of new or amended provisions thereof.

An amendment of the Articles of Association requires a resolution of the General Meeting adopted by a three-fourths majority of votes, with the exceptions indicated below. In the event an amendment of the provisions of the Articles of Association concerns:

- the company's business profile – such amendment requires a two-thirds majority of votes,
- an increase of the shareholders' contributions or a curtailment of their personal rights – such amendment shall be agreed to by all the shareholders involved (regardless of obtaining the majority of votes required for the amendment of the Articles of Association).

If a company has shares with different rights (e.g. preference shares and ordinary shares), an amendment of its Articles of Association that may adversely affect the rights of holders of a given class of shares should be adopted by passing a relevant resolution voted on separately in every group (class) of shares. In each of those groups, such resolution may be passed by the required majority of votes. In a resolution on amendment of the Articles of Association, the General Meeting may authorize the Supervisory Board to prepare a consolidated text of the amended Articles of Association or to make other corrections of editorial nature.

In exceptional circumstances, the Articles of Association may be amended not by a resolution of the General Meeting, but by a resolution of the Management Board recorded by a notary public. This may happen in certain cases determined in the Commercial Companies Code such as a decrease of the company's share capital (for instance, through the retirement of treasury shares which were not purchased by the company's employees during a given year).

Registration obligations:

An amendment of the Articles of Association shall become effective once it is entered in the National Court Register. Any amendment of the Articles of Association shall be submitted for registration by the Company's Management Board, within 3 months from the adoption of a relevant resolution. However, when the Articles of Association are amended following an increase of the company's share capital, such amendment may be submitted for registration within 6 months from the adoption of a resolution on the share capital increase, or from the date of an approval to introduce the newly issued shares to public trading if such approval is granted, provided a request for such approval or an announcement of a share issuance is made within 4 months from the adoption of a resolution on the share capital increase.

### **Manner of operation of the General Meeting and its basic powers, as well as shareholders' rights and the manner of their exercise**

The General Meeting of Shareholders constitutes the Company's supreme governing body. The General Meeting of Shareholders operates pursuant to the generally applicable legal regulations as well as in accordance with the Company's Articles of Association.

The manner of operations of the General Meeting is described in detail in the Bylaws of the General Meeting that were adopted by the Company's General Meeting on 27 April 2010, and amended by a resolution of the General Meeting of 24 April 2014.

The Company's Articles of Association as well as the Bylaws of the Extraordinary General Meeting have been published on the Company's corporate website.

The General Meeting is competent in the following matters:

- 1) considering and approving the Management report on the Company's operations and the financial statements for the prior year;
- 2) adopting resolutions on the distribution of profit or coverage of loss, on determining the amounts of appropriations to the Company's reserve capital or other funds, on establishing the dividend record date, amount of dividend, and the dividend payment date;
- 3) acknowledging the fulfilment of duties by members of Company's governing bodies;
- 4) taking decisions concerning the received claims for compensation of losses incurred whilst establishing, managing or supervising the Company;
- 5) passing resolutions on disposal, leasing or establishing a limited property right on the Company's enterprise or organized business unit;
- 6) passing resolutions on the Company's merger with another company, on liquidation of the Company and appointment of a liquidator;
- 7) passing resolutions on issuance of convertible or privileged bonds or subscription warrants as indicated in art. 453 § 2 of the Commercial Companies Code;
- 8) amending the Company's Articles of Association, inclusive of passing resolutions on increase or decrease of the Company's share capital;
- 9) changing the scope of the Company's business operations;
- 10) defining the principles for remuneration payable to members of the Supervisory Board;
- 11) adopting the Bylaws of the General Meeting;
- 12) passing resolutions on cancellation of shares;

- 13) taking other decisions provided for in the provisions of law and the Articles of Association, as well as settlement of cases submitted by the Company's shareholders, Management Board or Supervisory Board.

The General Meeting may adopt resolutions concerning all the Company's matters, irrespective of the number of shares represented thereat, unless otherwise stated in the Commercial Companies Code.

**Description of activities of the management, supervisory and administrative bodies of Asseco South Eastern Europe and their committees, including the Audit Committee, along with indication of their composition and changes thereto during the last financial year**

**Management Board:**

The Management Board operates pursuant to the Commercial Companies Code, in particular art. 371 and subsequent articles of the CCC, as well as in accordance with the Company's Articles of Association, and the Management Board Bylaws.

The Management Board shall manage the Company's operations and assets and represent the Company externally in relations with courts, administration bodies, and other third parties. The Management Board shall take decisions concerning all the matters which, under the provisions of law or the Articles of Association, are not specifically reserved for the Supervisory Board or the General Meeting.

*Execution of Management Functions:*

The Management Board shall operate basically by holding meetings and passing resolutions concerning the Company's operations and execution of management functions. Activities of the Management Board shall be managed by President of the Management Board, and during his absence by another Member of the Management Board designated by the President. Members of the Management Board are obliged to take an active part in meetings of the Management Board.

Periodical (holiday) leaves from the execution of management functions shall be allowed to Members of the Management Board by President of the Management Board.

President of the Management Board shall exercise superior control over all of the Company's employees and organizational units which, within the established organizational structure, are directly subordinated to individual Members of the Management Board.

President of the Management Board is entitled to take individual final decisions on the Company's internal relations, and in particular on the employee relations. Given such authority President of the Management Board may overrule a decision made by another Member of the Management Board, unless a prior resolution of the Management Board or the provisions of law require otherwise.

The Management Board may temporarily assign to any of its Members additional responsibilities, other than those resulting from the regular distribution of work, by adopting a resolution stipulating the scope and the period of performing such tasks.

The Management Board may grant a commercial power of attorney. A commercial power of attorney may be granted by a resolution adopted by unanimous decision by all Members of the Management Board. The Management Board may also appoint proxies in order to perform specific assignments, who shall be authorized to act within the limitations of the received power of attorney.

The Management Board shall pass resolutions particularly on the following matters:

- 1) Determining a development strategy both for the Company and its Capital Group, and introducing any necessary modifications during the implementation of such strategy, as well as defining the principles for ownership supervision and management of the Capital Group, inclusive of its financial management.
- 2) Determining the Company's asset and financial plans and their implementation schedules.
- 3) Taking decisions concerning the establishment or liquidation the Company's organizational entities or units.
- 4) Determining the Company's organizational regulations, work regulations, and employee remuneration regulations, as well as introducing amendments of such regulations.
- 5) Accepting annual financial statements of the Company and annual consolidated financial statements of the Capital Group, as well as annual reports on operations of the Company and the Capital Group, in sufficient time to receive an opinion of the Supervisory Board and approval by the General Meeting, in accordance with the Company's Articles of Association and the applicable provisions of law.
- 6) Division of responsibilities among the Management Board Members.
- 7) Determining and amending the Management Board Bylaws.
- 8) Granting a commercial power of attorney.
- 9) Submitting motions to the Supervisory Board or to the General Meeting in all the matters which, under the applicable provisions of law and the Company's Articles of Association, are specifically reserved to the competence of those governing bodies.
- 10) Convening of Annual and Extraordinary General Meeting as well as proposing the meeting agenda and preparing draft resolutions.

Each Member of the Management Board shall be entitled and obliged to manage the matters assigned to him/her under the Management Board resolution on delegation of responsibilities among the Management Board Members. However, if before taking a decision on a particular matter, any of the remaining Members of the Management Board raises an objection or the matter needs to be addressed by collective decision (pursuant to the Commercial Companies Code, the Company's Articles of Association or the Management Board Bylaws), then such matter shall be decided by a resolution of the Management Board.

Bearing in mind the best interest of the Company, the Management Board shall set forth the strategy and main objectives of the Company's operations, submit them to the Supervisory Board, and furthermore it shall be liable for their implementation and performance. The Management Board shall care for the transparency and effectiveness of the Company's management system as well as for conducting its operations in accordance with legal regulations and best practices.

When making decisions on the Company's operations, Members of the Management Board should act within the limits of justified economic risk; this is after examining all the available information, analyses and opinions that, as reasonably believed by the Management Board, should be taken into account in a given case to serve the Company's best interest. When determining the Company's interest, the Management Board should keep in mind justified long-term interests of the Company's shareholders, creditors, employees and other entities and persons involved in the Company's business operations, as well as interests of the local community.

In transactions with shareholders and other persons whose interests have impact on the Company's interest, the Management Board should act with utmost care to ensure that such transactions are conducted at arm's length.

A Member of the Management Board should display full loyalty towards the Company and avoid any actions which could lead to implementing exclusively his/her own material interest. If a Member of the Management Board receives information on the possibility of making an investment or another beneficial transaction related to the Company's business operations, he/she should immediately present such information to the Management Board for the purpose of considering the Company's ability to take advantage of such opportunity. Such information may only be used by a Member of the Management Board or passed over to a third party upon consent of the Management Board and only when doing so does not infringe the Company's interest.

Members of the Management Board are obliged to inform the Supervisory Board of any conflict of interest arising in connection with the performance of their duties as well as any risk of such conflict. They should also request the Supervisory Board for permission to act as a supervisory board member in companies outside the Group.

#### *Meetings of the Management Board:*

The Management Board shall hold meetings at least once per two months. Meetings of the Management Board shall be held at the Company's registered office or in other places as may be indicated by President of the Management Board. Meetings of the Management Board may also be held at a distance by using means of direct remote communication. Meetings of the Management Board shall be called by President or instead of him/her by Vice President of the Management Board. In justified cases any Member of the Management Board may convene a meeting. The Meeting Convener shall notify all Members of the Management Board of convening a meeting of the Management Board at least 7 days before the date of such meeting, in writing or by electronic mail. In urgent cases, President or instead of him/her Vice President of the Management Board may decide on another manner or deadline of notifying Members of the Management Board about the meeting date.

A notification of the Management Board meeting should provide the meeting agenda as well as the materials concerning the issues included in the meeting agenda, unless such materials shall be prepared for presentation at the meeting. The meeting agenda may be changed during the meeting provided none of the attending Members of the Management Board raises an objection against such change.

Each Member of the Management Board shall be entitled to request for including a certain issue in the meeting agenda on condition he/she prepares a relevant draft resolution of the Management Board and an appropriate, written or oral, justification thereof two days in advance, with reservation that President of the Management Board may request for including a certain issue in the meeting agenda at any time.

All the support activities related to convening and conducting a meeting of the Management Board shall be performed by the Management Office or by a person so designated by President of the Management Board. Minutes of the Management Board meeting shall be taken in a complete or abridged version. Preparation of the meeting minutes may be abandoned on condition the resolutions adopted at that meeting are recorded otherwise. The meeting minutes shall be subject to acceptance by the Management Board during the same meeting.

Subsequently the accepted meeting minutes shall be signed by President and all Members of the Management Board participating in the meeting covered by such minutes, as well as by the person taking the minutes. The original meeting minutes shall be retained in the Register of the Management Board Work.

#### *Adoption of resolutions:*

Resolutions of the Management Board shall be adopted by a simple majority of votes, except for granting a commercial power of attorney which shall be subject to obtaining consent of all the Management Board Members. Effective resolutions of the Management Board may be adopted provided that all Members of the Management Board have been notified of the meeting and



at least half of them are present at the meeting. In the event of an equal number of votes cast for and against, the President's vote shall prevail.

Members of the Management Board may participate in its meetings by using means of direct remote communication. Resolutions passed in this manner shall be effective provided all Members of the Management Board have been notified of the text of draft resolutions and that the meeting minutes are signed by Members of the Management Board participating in such meeting. Chairman of the Management Board meeting shall sign the meeting minutes on behalf of Members of the Management Board participating in such meeting via phone or other means of communication, in which case the meeting minutes signed in this manner shall be appended with the votes cast by Members of the Management Board participating in such meeting through the means of direct remote communication. Absent Members of the Management Board may also sign a separate document containing the minutes of the Management Board meeting, in which case such document shall be attached to the meeting minutes signed by other Members of the Management Board.

Members of the Management Board may also participate in adopting resolutions by casting their votes in the form of a signature under the document that contains the text of the proposed resolution; however, resolutions passed in this manner shall be effective provided they are signed by all Members of the Management Board.

The Management Board may invite to its meeting the Company's employees or other persons competent in the issues to be discussed.

Voting of the Supervisory Board shall be open. However, upon request of even one of the attending Members of the Management Board, President of the Management Board or the person in charge of the meeting shall administer a secret ballot.

Resolutions of the Management Board shall come into force upon their adoption or on the date indicated therein. A resolution may be amended by passing a new resolution on the same issue.

During the period from 1 January to 30 September 2019, the Company's Management Board was composed of the following persons:

Piotr Jeleński	President of the Management Board
Marcin Rulnicki	Member of the Management Board
Miljan Mališ	Member of the Management Board
Miodrag Mirčetić <sup>1</sup>	Member of the Management Board

Since 1 October 2019, as at 31 December 2019 as well as on the date of publication of this report, this is on 24 February 2020, the Company's Management Board was composed of the following persons:

Piotr Jeleński	President of the Management Board
Marcin Rulnicki	Member of the Management Board
Miljan Mališ	Member of the Management Board
Kostadin Slavkoski <sup>2</sup>	Member of the Management Board

#### **Supervisory Board:**

The Supervisory Board operates pursuant to the Commercial Companies Code, the Company's Articles of Association, and the Supervisory Board Bylaws which were adopted by a resolution of the Supervisory Board on 18 January 2010, and amended by resolutions of the Supervisory Board of 8 August 2012, 24 September 2013 and 18 October 2017.

The Supervisory Board shall exercise continuing supervision over the Company's activities in all areas of business. It shall be composed of 5 (five) to 7 (seven) Members to be appointed in accordance with the Company's Articles of Association. Each member of the Supervisory Board may be reappointed to perform this function.

Mandate of a Member of the Supervisory Board shall expire prior to the end of the term of office in the event of:

- 1) filing a written resignation to the Supervisory Board Chairman;
- 2) dismissal in accordance with the Company's Articles of Association;
- 3) death.

---

<sup>1</sup> Miodrag Mirčetić złożył rezygnację z pełnienia funkcji Członka Zarządu ze skutkiem na dzień 30 września 2019 roku

<sup>2</sup> Kostadin Slavkoski został powołany na Członka Zarządu uchwałą Rady Nadzorczej z dnia 16 września 2019r. ze skutkiem od dnia 1 października 2019 roku



In the event of early expiry of the mandate of a Supervisory Board Member, the composition of the Supervisory Board shall be supplemented pursuant to the Company's Articles of Association.

Members of the Supervisory Board may be also appointed or dismissed during an ongoing term of office subject to the procedure determined by the Company's Articles of Association. Mandates of the Supervisory Board Members shall expire on the date of holding the General Meeting that approves the Company's financial statements for the last full financial year when the Supervisory Board Members performed their duties.

Members of the Supervisory Board may be paid remuneration as determined by a resolution of the General Meeting.

Members of the Supervisory Board are obliged to provide to the Management Board quarterly information on their organizational relationships with certain shareholders, in particular with majority shareholders, in order to enable the Company to disclose such information to the public.

A Member of the Supervisory Board is obliged to notify the Management Board about the sale or acquisition of shares in the Company or in its parent or subsidiary company, as well as about any transactions with such companies, as long as they are significant for his/her financial standing. The Member of the Supervisory Board shall provide the above-mentioned information without delay so that it could be disclosed to the public by the Management Board in accordance with the provisions of law. If publication of such information is not required by law, any public disclosure thereof shall be subject to obtaining prior consent of the Supervisory Board Member involved.

#### **Competence of the Supervisory Board:**

The Supervisory Board shall exercise continuing supervision over the Company's business operations, and its responsibilities include in particular:

- 1) assessment of the financial statements in terms of their conformity with the accounting books and evidence, as well as with the actual state of affairs;
- 2) assessment of the Management Board reports on business operations as well as Management Board recommendations for the distribution of profit or coverage of loss, and motions for issuance of corporate bonds;
- 3) submitting, on an annual basis, a written report on the results of assessments specified in items 1 and 2 above to the General Meeting.

In order to fulfil its responsibilities specified above, the Supervisory Board is authorized and obliged to examine activities of any kind undertaken by the Company's organizational units or employees, review the Company's assets, and inspect the Company's accounting books and documents. The Supervisory Board should obtain regular information from the Management Board on any and all issues significant for the Company's business operations, as well as on the risks involved therein and ways of managing such risks. To this effect, the Supervisory Board may impose a deadline for the preparation of relevant reports and explanations.

In addition to the above-mentioned responsibilities, the Supervisory Board's competence shall include:

- 1) representing the Company in any agreements with Members of the Management Board as well as in any disputes with the Management Board or with its Members;
- 2) defining the principles for employment and remuneration payable to Members of the Management Board;
- 3) approving the Bylaws of the Management Board;
- 4) selecting certified auditors to carry out audits the Company's financial statements;
- 5) determining the consolidated text of the amended Articles of Association and making other corrections of editorial nature as specified in a resolution of the General Meeting;
- 6) appointment and dismissal of the Management Board officers (inclusive of President, Vice Presidents, and Members of the Management Board);
- 7) adopting the Bylaws of the Supervisory Board;
- 8) expressing consent to granting a commercial power of attorney by the Management Board;
- 9) approving of the Company's annual financial budgets and long-term business plans;
- 10) giving consent, by a resolution, to the acquisition of own shares by the Company;
- 11) giving consent to the Company to grant loans, or to obtain bank loans or borrowings, or to incur other financial liabilities in excess of PLN 100,000 (one hundred thousand zlotys) or its equivalent in other currencies, in a single transaction or in a series of related transactions that have not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 12) giving consent to the Company to a purchase or sale of real estate, or a share in real estate or perpetual usufruct of land, regardless of the value of the right being purchased or sold, if such an action has not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 13) giving consent to the incurring of expenses or capital expenditures by the Company or its subsidiaries and associates, as well as to the incurring of liabilities in excess of EUR 250,000 or its equivalent in other currencies, in a single transaction or in a series of related transactions that have not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;

- 14) giving consent to the Company to grant any guarantees or sureties, or to assume other off-balance-sheet liabilities or an obligation to repair a damage, if such an action has not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 15) giving consent to a disposal, rental, pledge or registered pledge, mortgage or any other encumbrance or transfer of any part of the Company's assets, if such an action has not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 16) giving consent to the Company to purchase or acquire shares in other commercial companies as well as to enter into any personal or civil law partnerships;
- 17) giving consent to a disposal of the Company's assets with a value exceeding 10% (ten percent) of the total net book value of property, plant and equipment of the seller's entity to be determined on the basis of the latest financial statements examined by certified auditors, if such a transaction has not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 18) giving consent to a disposal, encumbrance, or free-of-charge transfer of copyrights and rights in inventions, industrial property rights, or other intellectual property rights, and in particular rights in the software source codes and trademarks, if such a transaction has not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association;
- 19) giving consent to conclude agreements between the Company, its subsidiaries or associates, and Members of Company's Management Board or Supervisory Board, the Company's shareholders or their related parties, where the total annual expenses exceed PLN 100,000 or its equivalent in other currencies, in a single transaction or in a series of related transactions that have not been provided for in the Company's financial budgets or business plans approved in accordance with the Articles of Association. For the purposes of this provision the "related party" means a person, company, or other entity that has either financial or family ties to any Member of the Company's Management Board or Supervisory Board, or to the Company's shareholder. The "related party" shall in particular include: (i) spouse, (ii) children, (iii) grandchildren, (iv) parents, (v) grandparents, or (vi) brothers and sisters, as well as (vii) any entity indirectly or directly controlled by the persons specified above, or from which the persons specified above obtain significant economic benefits;
- 20) giving consent to the Company to hire any advisors or other persons, who are not employees of the Company, in the capacity of consultants, lawyers, agents, etc. if the annual cost of hiring such a person exceeds EUR 100,000 or its equivalent in other currencies.

Members of the Supervisory Board shall appoint from among themselves the Members that will be obliged to participate in the Company's General Meetings, in such a composition as to be able to provide substantive answers to any questions asked at the General Meeting.

#### **Organization of the Supervisory Board Operation:**

The Supervisory Board shall fulfil its obligations by holding meetings and passing resolutions. The Supervisory Board may also engage in control and consultancy activities.

During the first meeting in a given term of office, the Supervisory Board shall appoint a Chairman from among its members, who will chair the Supervisory Board meetings and manage its work, and appoint a Vice Chairman to replace the Chairman during his absence.

The first meeting of a newly elected Supervisory Board shall be opened by the Chairman of the prior term of office, who shall chair the meeting until the new Supervisory Board is constituted. In the case of prior Chairman's absence, the meeting shall be opened and chaired by the prior Vice Chairman until the new Supervisory Board is constituted, and in case of his absence – by the oldest by age Member of the Supervisory Board.

The Supervisory Board may at any time dismiss its Chairman or Vice Chairman and appoint other Members of the Supervisory Board to perform these functions. Such dismissal and reappointment shall be carried out during the same meeting of the Supervisory Board.

Meetings of the Supervisory Board shall be held at least once per 3 months. A meeting shall be convened by the Chairman or, in case of his absence, by Vice Chairman of the Supervisory Board. Whereas, in the event Vice Chairman is absent a meeting shall be convened by another Member of the Supervisory Board duly authorized in writing by Vice Chairman.

Chairman of the Supervisory Board is obliged to convene a meeting of the Supervisory Board within 2 weeks of receiving a written motion filed by the Management Board or a Member of the Supervisory Board. Along with such motion the petitioners shall enclose a proposed agenda for the meeting.

If, in the event referred to above, Chairman of the Supervisory Board does not convene a meeting of the Supervisory Board, the petitioners may call such meeting on their own and shall notify about the date, place and proposed agenda for the meeting.

The meeting agenda shall also include the issues proposed by Members of the Supervisory Board, provided a motion for doing so is filed at least 14 days before the meeting date or at the previous meeting of the Supervisory Board.

If all Members of the Supervisory Board are present at the meeting, each Member of the Supervisory Board or Member of the Management Board attending the meeting may request the meeting agenda to be supplemented with new issues that were not included in the meeting agenda as distributed before the meeting. Such a motion may also be submitted in spite of absence of some Members of the Supervisory Board, but then only and solely concerning actions that must be taken by the Supervisory Board in order to protect the Company against suffering a loss, or in the event it is necessary to pass a resolution on determining whether there is any conflict of interest between a Member of the Supervisory Board and the Company. The motion shall be put to vote and adopted/rejected by a simple majority of votes.

A written notification indicating the date, place and agenda for the meeting should be delivered to Members of the Supervisory Board not later than a week before the date of the Supervisory Board meeting. In urgent cases, the Chairman may order delivery of a notification about the meeting to the Supervisory Board Members within a deadline shorter than one week. The notification shall be delivered by fax, electronic mail or by other means, provided they produce a confirmation of receipt of the invitation by a Member of the Supervisory Board. Such notification shall indicate the date, place, and the proposed agenda for the Supervisory Board meeting.

A Member of the Supervisory Board that is unable to participate in a meeting should inform the Supervisory Board Chairman accordingly and specify the reason for his/her absence.

Meetings of the Supervisory Board shall be held at the Company's registered office or in another place as may be indicated the notification.

Meetings of the Supervisory Board, save for issues which directly concern the Management Board or its Members, and, in particular, dismissal or holding such persons accountable, or determining their remuneration, should be open to Members of the Management Board.

Chairman of the Supervisory Board, on his own initiative or to a request of a Member of the Supervisory Board, may also invite other persons to attend a meeting of the Supervisory Board, depending on the subject matters under consideration.

A meeting of the Supervisory Board should be managed and led by Chairman of the Supervisory Board, or in case of his absence by Vice Chairman of the Supervisory Board, or in the case of Vice Chairman's absence by another Member of the Supervisory Board designated in writing by the Chairman.

A meeting of the Supervisory Board shall be deemed valid provided it is participated by at least half of the Supervisory Board Members and that all of its Members have been properly notified about the date and place of the meeting.

Resolutions of the Supervisory Board shall be adopted by a simple majority of votes, unless the provisions of law or the Company's Articles of Association impose stricter conditions for adoption of such resolutions.

Meetings of the Supervisory Board may be participated by using means of direct remote communication. Resolutions passed in this manner shall be effective provided all Members of the Supervisory Board have been notified of the text of draft resolutions.

When voting by means of direct remote communication, the meeting minutes shall be drawn up and contain information on the subject of voting, Members of the Supervisory Board participating in the vote, and the voting results.

Furthermore, a separate document shall be prepared to confirm the contents of the adopted resolution, indicating the voting procedure applied and the date of its adoption; such document shall be signed by all Members of the Supervisory Board participating in the vote. This document shall be enclosed with the above-mentioned minutes.

Members of the Supervisory Board may participate in adopting resolutions by casting their votes in writing to be communicated through another Member of the Supervisory Board.

Votes in writing cannot be cast on the issues introduced into the meeting agenda during a meeting of the Supervisory Board. The minutes of the Supervisory Board meeting should contain a clear description of any votes cast in writing, including the name of the Supervisory Board Member who has cast such vote and the name of the Supervisory Board Member through whom such vote has been communicated.

In case the numbers of votes "For" and "Against" are equal, the vote of Chairman of the Supervisory Board shall prevail, or in case of his absence – the vote of Vice Chairman, or in the case of Vice Chairman's absence – the vote of the person acting as the meeting chairman.

Voting of the Supervisory Board shall be open. A secret ballot shall be administered by Chairman of the Supervisory Board in the following cases:

- 1) suspending the President or a Member of the Management Board from their duties;
- 2) appointment or dismissal of Chairman or Vice Chairman of the Supervisory Board;
- 3) in other matters, upon request of even one of the Supervisory Board Members taking part in voting.

Effective resolutions of the Supervisory Board may be adopted provided that at least half of the Supervisory Board Members are present at the meeting and that all of its Members have been notified about the meeting date and place.

Resolutions of the Supervisory Board shall come into force upon their adoption unless otherwise stated in a given resolution.

Minutes shall be taken from each meeting of the Supervisory Board.

During the financial year 2019, the composition of the Supervisory Board remained unchanged. As at 31 December 2019 as well as on the date of publication of this report, the Company's Supervisory Board was composed of the following persons:

Jozef Klein	Chairman of the Supervisory Board
Adam Góral	Vice Chairman of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board
Jacek Duch	Member of the Supervisory Board
Adam Pawłowicz	Member of the Supervisory Board

#### **Audit Committee**

On 17 May 2010, the Supervisory Board of Asseco South Eastern Europe S.A., in order to fulfil the obligation under art. 86 sect. 3 and 7 of the Act of 7 May 2009 on certified auditors, their self-government, entities authorized to audit financial statements and on public supervision, established an Audit Committee from among its members.

Organization and functioning of the Audit Committee have been, since 18 October 2017, regulated in the Bylaws of the Supervisory Board (earlier these issues were regulated in a separate document, namely the Regulations of the Audit Committee that were adopted by the Audit Committee on 24 August 2010).

In the current term of office of the Supervisory Board, the Audit Committee was appointed on 15 May 2017.

During the financial year 2019, the composition of the Supervisory Board remained unchanged. As at 31 December 2019 as well as on the date of publication of this report, the Company's Audit Committee was composed of the following persons:

Artur Kucharski	Chairman of the Audit Committee
Adam Pawłowicz	Member of the Audit Committee
Jacek Duch	Member of the Audit Committee

The Audit Committee, in its present composition, meets the requirements regarding independence, knowledge and skills provided for in the Act of 11 May 2017 on certified auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089).

The statutory criterion of independence is met by the following members of the Audit Committee: Artur Kucharski – Chairman, and Adam Pawłowicz – Member.

Artur Kucharski, Chairman of the Audit Committee, has knowledge and skills in accounting/auditing of financial statements (knowledge and skills acquired through job experience, including at PricewaterhouseCoopers Sp. z o.o. – Financial Audit Department, member of the Association of Chartered Certified Accountants – ACCA).

Moreover, all members of the Audit Committee have knowledge and skills in the industry of the Company's business. Such knowledge and skills were acquired through education and job experience:

1. Artur Kucharski – member of supervisory boards in the IT sector companies, engineering education (Warsaw University of Technology, University of Central London, Moscow Power Engineering Institute),
2. Adam Pawłowicz – member of supervisory boards in the IT sector companies (Asseco Group),
3. Jacek Duch – IT engineer (Warsaw University of Technology), many years of experience in software engineering as well as in managing IT companies in Poland and abroad (Nixdorf Computer, PSI AG, Digital Equipment Corporation – DEC), companies of Prokom and Asseco groups.

The main assumptions of the Policy for selecting an audit firm and the Policy for providing permitted services:

1. The main objectives of the Policy for selecting an audit firm, as approved by a resolution of the Supervisory Board of 18 October 2017, are to ensure the process transparency, independence in selection, equal access to information for entities involved in the process, transparent and non-discriminatory selection criteria, adequate audit quality, and independence of the amount of remuneration from the provision of permitted non-audit services or from the result of the audit;

2. The main objective of the Policy for providing permitted services, as approved by a resolution of the Supervisory Board of 18 October 2017, is to enable only the provision of services listed in the Policy that are not prohibited, and each time subject to the approval of the Audit Committee after it has properly assessed threats to independence and its safeguards.

The recommendation regarding the selection of an audit firm to carry out audits of the financial statements for the years 2018-2019 was issued upon completion of the selection procedure organized by the Company in line with the applicable criteria.

The audit firm that audited the financial statements did not provide any permitted non-audit services to the Issuer.

The Audit Committee held 6 meetings during the year 2019.

During these meetings, the Audit Committee met with representatives of the audit firm Deloitte Polska Sp. z o.o. Sp.k. prior to the publication of financial results for the year 2018 and for the first half of 2019, as well as prior to commencing the audit of financial statements for the year 2019, to discuss the scope and plan of the audit, as well as the auditor's independence. At the first meeting of the Audit Committee in 2019, the auditor also presented the final report from the audit of financial statements for the year 2018 that was prepared for the Audit Committee.

At the meeting held on 18 February 2019, the Audit Committee performed a self-assessment of compliance with the formal requirements pursuant to art. 129 of the Act on certified auditors, and in addition it adopted the report on the Committee's activities in 2018, and discussed the work plan of the Audit Committee for 2019.

At subsequent meetings, the Audit Committee discussed issues related to the publication of financial statements for the first quarter of 2019, for the first half of 2019 and for the third quarter of 2019. The Audit Committee also verified the audit firm's compliance with the independence requirements.

In addition, the Audit Committee analyzed the presented results of audit procedures performed by the Internal Audit Department, the draft of the Internal Audit methodology developed by the Internal Audit Manager, as well as the presentation of the progress of implementation of corrective actions. Moreover, the Audit Committee verified the independence of the person responsible for internal audit, namely Simeon Sumanski, Internal Audit Manager.

At the last meeting in 2019, the Audit Committee discussed the most important issues affecting the financial reporting of the Company and ASEE Group, determined the work plan of the Audit Committee for the next year, and reviewed arguable issues.



**Other Information**  
**on Asseco South Eastern Europe Group**  
**and Asseco South Eastern Europe S.A.**



## OTHER INFORMATION ON ASEE GROUP AND ASSECO SOUTH EASTERN EUROPE S.A.

### External and internal factors significant for development of the Company and the Group

Because Asseco South Eastern Europe S.A. is primarily engaged in holding operations, factors significant for the Company's development need to be examined taking into account the development and business operations of the entire ASEE Group.

The Management Board of ASEE S.A. believes the Group's current financial standing, operating potential and market position pose no threats to its ability to continue as a going concern throughout the year 2020. However, there are numerous factors, of both internal and external nature, which may directly or indirectly affect the Group's financial performance in the next quarters.

External factors with a bearing on the future financial performance of ASEE Group include:

- Economic situation in the regions of ASEE Group operations, and particularly in South Eastern Europe and Turkey where our major operations are located and which have in recent years benefited from economic prosperity that contributed to the financial condition of ASEE Group's customers and their willingness to invest in IT solutions; maintaining favourable business environment in the coming years may translate into further improvement of the financial results of ASEE, while a potential economic slowdown may reduce the demand for the Group's products and services;
- Geopolitical situation in the regions of ASEE Group operations, where potential political tensions and instability of local governments may cause a deterioration of the investment climate and thus induce ASEE customers to delay or even abandon the implementation of IT projects; another consequence of potential political tensions might be an interruption of IT investments in the public administration which is a client of ASEE Group;
- Condition of the IT market and payment services market in the regions of ASEE Group operations; it seems South Eastern Europe and Turkey remain still underinvested as compared with the West European countries, which may generate additional demand for technology solutions offered by ASEE Group;
- Opportunities and risks resulting from rapid technological changes and innovations in the IT market, as well as in the banking and payments sector;
- Regulatory changes in the banking and payments sector, which may generate demand for additional services performed by the Group, but on the other hand may open up access to the sector for new players and new technologies that may reduce the competitive advantages of solutions offered by ASEE;
- Informatization processes in the public administration of South Eastern European countries, aiming to upgrade the quality and functionality of their services to international standards and especially to the requirements of the European Union;
- Availability of the EU structural funds in Romania, Bulgaria, Slovenia and Croatia, as well as pre-accession funds in South Eastern European countries;
- Consolidation and development of the banking sector which may result in mergers and liquidations of business entities that are clients of ASEE Group, but also in gaining new customers in the sector;
- Outlook for expansion of the Group's operations into new markets through cooperation with partners;
- More and more severe competition both from local and international IT companies which is observed especially when it comes to the execution of large and prestigious contracts;
- Changes in the credit standing, financial liquidity and availability of financing for the Group's customers;
- Inflation and fluctuations in the currency exchange rates of countries in which the Group operates;
- Level of interest rates in the Eurozone because a significant portion of ASEE Group's debt is denominated in EUR.

Internal factors with a bearing on the future financial performance of our Group include:

- Quality and comprehensive offering of ASEE Group;
- Research and development expenditures made by the Group;
- Prospects for expansion of ASEE's product portfolio on the back of organic growth or in connection with potential future acquisitions;
- Stability and experience of our managerial staff;
- Transparent organizational structure and efficient operations of the Group;
- Experience in the execution of complex IT projects involving the provision of diversified services in broad geographical regions;
- Effective activities of our sales force;
- Execution of complex information technology projects carried out under long-term contracts;



- Implementation of the Group's business strategy that involves focusing on strategic products and services, expansion into new markets, and improving operating efficiency;
- Successful completion of potential company acquisitions in the future.

### Non-recurring events with impact on our financial performance

Non-recurring events which affected the financial performance, financial position and cash flows of ASEE Group in 2019 and in the comparable period included the acquisitions of subsidiary companies as well as other organizational changes in the Group as described in section 'Organizational Structure of Asseco South Eastern Europe Group'.

### Discussion of significant risk factors and threats

ASEE Group constantly monitors major factors posing risk to its operations in order to identify, prevent and mitigate their possible effects. For this purpose, the Parent Company and its subsidiaries have implemented a number of management systems as well as internal control and audit procedures.

The utilized systems, including our integrated management structures and efficient internal audits, are effective in reducing the negative impact of the below-mentioned risk factors and threats to the operations of both the Company and the Group.

### Major risk factors involved in the Group's business environment

#### Risk related to the macroeconomic situation

ASEE S.A. is the parent company of the Group which runs operations in South Eastern Europe, Central Europe, Western Europe, as well as in South America. The Company's and the Group's strategy assumes reinforcement of our position in each of these regions as well as further expansion in selected regions and beyond their borders. In connection with our current operations and planned business development, the financial results achieved by ASEE may be influenced by factors related to economic and political stability. Development of the IT services and payment services sectors as well as IT spending of our customers are closely related to the overall economic situation. Therefore, our financial results depend on the level of capital expenditures made by enterprises, pace of GDP growth, inflation rate etc.

#### Risk associated with the lack of political stability

Potential changes in governments of the countries where ASEE operates as well as any civil unrest may initiate periods of political instability, which may result in a reduction of public spending and lower inclination towards investments among enterprises.

#### Risk related to intensified competition

The market of information technology infrastructure and services is becoming more and more competitive. With a variety of services and products in our portfolio, we are tough competition to large consulting firms, multinational technological tycoons, IT outsourcing providers as well as software houses, inclusive of internal IT departments of large corporations operating in the region. The IT industry undergoes rapid changes resulting from investments in new technologies made primarily by large companies and acquisitions of local businesses by international players. Furthermore, the biggest global corporations, which have been so far active only in the large enterprises market, expand their offerings with solutions and implementation methodologies dedicated also to medium-sized enterprises, which increases the competitive pressure.

#### Risk associated with the condition of the banking sector

The provision of IT solutions and services to banks and other financial institutions is one of our core businesses. The financial sector experiences a lack of stability and is under strong pressure to cut investment spending and optimize operating costs, which may have an adverse impact on the Group's operations. The banking sector around the world undergoes intensive processes of consolidation where much attention is paid to the standardization of solutions and optimization of costs at the corporate level. Headquarters of various banks may possibly decide to choose other IT market participants to provide for their technological needs, which may adversely affect the Group's operations.

#### Risk of potential legal disputes concerning copyrights

Development of the Group's operations in the market of IT products depends to a large degree on the ownership of intellectual property rights, and especially copyrights to computer programs. Because of a variety of legal regulations pertaining to the protection of intellectual property applicable in the countries where our subsidiaries operate, there is a risk that in some circumstances there may be doubts as to the effectiveness of assignment of copyrights in software codes compiled by employees in favour of their employers.

Furthermore, there is also a risk that in some countries where the Group operates, local regulations may not provide adequate protection of copyrights in computer programs owned by our subsidiaries. Taking advantage of such situation by other local firms with a similar business profile may lead to the loss of ASEE's competitive edge in a given market.

**Risk of changes in local tax regulations**

Some of the Group companies are engaged in innovative research and development activities which, according to local regulations, may be taxed on a preferential basis compared to typical operations. In the event of any amendment of local tax regulations, there is a risk of losing tax benefits in this respect and thus increasing the tax burden on ASEE's income.

**Foreign currency risk**

The Group conducts business operations in many countries and makes settlements in various currencies. Contracts concluded by the Group companies are denominated in miscellaneous currencies, also in currencies that are foreign to the countries where the Group operates. Temporary fluctuations in the currency exchange rates as well as long-term trends in the currency market may impact the financial results of the Group.

In addition, the financial statements of ASEE Group are published in PLN and in the consolidation process the amounts stated in local foreign currencies are translated into PLN. Therefore, possible changes in the exchange rates of foreign currencies to PLN may affect the values presented in our financial statements.

**Risk of interest rate hikes in the Eurozone**

Most of ASEE Group's external debt is denominated in EUR and bears a variable interest rate based on EURIBOR. A potential increase in the Eurozone interest rates would translate into higher financial costs incurred on the Group's debt.

**Major risk factors involved in the Group's business operations****Risk of fluctuations in revenues and expenditures**

Due to the project-driven nature of IT investments, sales revenues generated by the Group companies may be subject to considerable fluctuations from period to period. It is possible that in the future our revenues and operating results will fall short of the market expectations because of the completion of work performed under large-scale projects. Moreover, due to technological changes, the Group's existing technology and products may become obsolete and will require making sizeable new investments. The above processes may have negative impact on the rate of return on investment or the amount of dividends to be paid out.

**Risk of non-performance or improper performance of projects and losing the clients' trust**

In each area of our business, the provision of services by the Group depends on the clients' trust and the quality of our products and services. Proper performance of an IT project, which is mission critical for the operations of our client, in most cases results in signing a long-term contract. The quality of solutions and customer service provided to our clients determines their confidence in our Group.

**Risk associated with fixed-price contracts**

The majority of contracts for provision of IT services or products concluded by the Group determine a fixed remuneration. Therefore, they are not settled on a time-and-material basis. If we misevaluate the resources and time required for the project performance, future salary increases, inflation or foreign exchange rates, or if we fail to perform our contractual obligations within the agreed deadline, this may have an adverse impact on the Group's financial results and cash flows.

**Risk associated with gaining new IT contracts**

Some of the Group's revenues are generated from projects that are awarded through tendering procedures organized by state institutions and companies as well as by large private enterprises. Most of such tenders are attended by leading IT players in the region and major foreign companies, which results in considerably high competition. Our business depends on the access to reliable information about the future investment plans of prospective customers, as well as on appropriate competence and experience that would enable us to win tenders.

**Risk of becoming dependent on the key customers**

The Group's business is to a great extent based on the execution of long-term projects which require a large work effort. Implementation of the key account contracts will impact the level of our sales revenues in the coming years. Although sales to none of our clients exceeded 10% of total revenues generated by the Group in 2019, our customers in various countries are often members of international banking groups and potential loss of such an entire group could have a noticeable impact on revenues of ASEE.

**Risk of becoming dependent on the key suppliers**

The Group's business is characterized by close cooperation with big international companies, especially in the segments of Payment Solutions and Dedicated Solutions. There is a risk that the key suppliers to our Group may change their strategies for cooperation with local partners or may want to tighten their cooperation with one partner of their choice. Furthermore, they may start to offer the implementation services for their solutions themselves or else increase the prices of the products supplied.

**Risk related to the profitability of integration projects**

In some of the markets where the Group operates, providers of integration services generate higher margins of profit than average margins realized in mature economies. Hence, it may be expected that such margins will be squeezed once our markets become saturated and more mature.

**Risk related to insolvency or misconduct of our subcontractors**

In certain cases, we provide our clients with solutions that have been developed and completed by our subcontractors. Just as any other entrepreneurs, our subcontractors may face business or financial difficulties and become unable to fulfil their obligations towards us or our clients.

**Risk related to technological changes in the industry and development of new products and services**

The sector of IT and payment services are characterized by rapid development of solutions and technologies. Hence, the product lifecycles in such a market are relatively short. In order to maintain a competitive advantage in this market, it is necessary to undertake research work and invest in new products. There is a risk that new solutions will be launched to the market, causing the products and services offered by the Group to become less attractive and eventually not as profitable as expected.

**Risk involved in strategic investments in complementary industries, technologies, services or products as well as in strategic alliances with third parties**

While implementing the Group's development strategy, we may engage in strategic investments, establish companies, undertake joint ventures and make acquisitions related to complementary industries, technologies, services or products. Despite exercising due care when selecting our business partners, we may be unable to identify a suitable partner or to manage such a venture or acquisition appropriately. As a consequence we may be exposed to typical risks involved in mergers and acquisitions.

**Risk of misfortunate acquisitions**

Business acquisitions are one of the cornerstones of ASEE's development. We are trying to take over businesses that are truly complementary to the Group's offering and are in good financial condition. Our acquisition processes are based on the best market practices. However, there is a risk that our acquisition decisions will turn out to be wrong and that acquired companies will fail to meet our expectations, which may adversely affect the Group's financial results.

**Risk involved in the Group integration process**

The Group is exposed to a risk associated with effective integration of ASEE and its subsidiaries, especially as the Group companies operate in different markets and in various countries. It is our strategy to integrate our subsidiary undertakings into operating segments as well as to make further company acquisitions. Nonetheless, we cannot entirely exclude the risks of delays, partial completion or failure to complete the intended integration process.

Apart from that, even if our subsidiaries and further potentially acquired entities are successfully integrated with the Group, we may still be unable to fully integrate the products and services portfolios of particular companies, or to continue the development processes in line with our present corporate practices.

**Risk of becoming dependent on the key management personnel of the Company and the Group**

Just as in the majority of companies developing IT systems, highly qualified personnel and managerial staff are the main pillars of the Group's success. We operate in the information technology industry which is characterized by a high rotation of personnel. It is

probable that the Group will be unable to retain its present employees or to recruit new, equally highly qualified employees in the future. Losing some of the key personnel members would have a negative impact on the Group's operations, financial position and results, as well as on its future development outlook.

**Risk of impairment of intangible assets**

A significant portion of our consolidated assets is represented by goodwill arising from the acquisition of companies that currently comprise ASEE Group, as well as by proprietary software resulting from capitalized software development expenditures. These assets are tested for impairment at the end of each year. In the event such test showed that the fair value of an asset was lower than its carrying value, we would have to recognize a fair value impairment loss that would weigh on the Group's financial results. During 2019, ASEE Group decided to liquidate its capitalized costs of development projects in the amount of PLN 774 thousand as well as intangible assets recognized in the purchase price allocation process in the amount of PLN 848 thousand, which has been described in explanatory note 6.2 to the consolidated financial statements of the Group. There is a risk that in the future we will have to recognize further write-downs on intangible assets.

**Risk of low liquidity and loss of value of our shares**

Investors considering the purchase of ASEE shares should take into account that the trading price of our shares may change in the future and that they may not be able to recover all invested funds. Furthermore, any purchase or sale of ASEE shares depend on the market liquidity, hence the execution of an investment decision may not be possible at a given time.

**Risk related to dividends**

Our potential investors should be aware of the fact that distribution of any dividends by ASEE will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. The Company's dividend policy stipulates that 30 to 50% of consolidated profits shall be distributed in dividends, and it is the Management's intention to allocate an appropriate portion of net earnings to dividend payments in the future. However, the Company is not in the position to guarantee that such plans will be actually implemented nor to determine the amounts of expected dividend payments.

**Risk related to influence exerted by the Company's majority shareholder**

As at the date of publication of this report, Asseco International a.s., our majority shareholder and a subsidiary of Asseco Poland S.A., holds 51.06% of shares in our Company. We expect that Asseco International a.s. will maintain its position as a majority shareholder and retain significant influence on our Company's business operations. Asseco International a.s. is entitled to exercise broad rights and powers with respect to its shareholding in the Company, and it must be taken into consideration that in the present situation Asseco International a.s. has a decisive impact on the Company's strategic decisions.

**Description of major equity investments made within ASEE Group**

Description of major equity investments made within ASEE Group is provided in section III of the consolidated financial statements of ASEE Group for the year ended 31 December 2019.

**Organizational and equity relationships of the Issuer**

Asseco South Eastern Europe S.A. is the parent of Asseco South Eastern Europe Group and concurrently a subsidiary of the higher-level parent Asseco International a.s. The Company's position within the Group's structure as well as its equity and organizational relationships and changes thereof that took place during the year 2019 have been presented in section 'Organizational Structure of Asseco South Eastern Europe Group' of this report, and also in section III of the consolidated financial statements of ASEE Group for the year ended 31 December 2019.

**Related party transactions**

During 2019, neither Asseco South Eastern Europe S.A. nor any of its subsidiaries conducted any transactions with their related parties other than on an arm's length basis.

Information on related party transactions carried out during the period of 12 months ended 31 December 2019 has been presented in explanatory note 6.20 to the annual consolidated financial statements of ASEE Group, as well as in explanatory note 5.16 to the annual financial statements of ASEE S.A.

### Assessment of financial resources management

During the year ended 31 December 2019, ASEE Group had no problems with timely settlement of its liabilities towards both suppliers and creditors, payment of state regulatory charges, or with fulfilling its investment commitments.

### Bank loans, borrowings, sureties and guarantees

Bank loans and borrowings obtained and sureties and guarantees granted have been described in explanatory note 6.14 to the consolidated financial statements of ASEE Group for the year ended 31 December 2019, as well as in explanatory note 5.11 to the standalone financial statements of ASEE S.A. for the year ended 31 December 2019.

### Loans granted in 2019

Information on loans granted by the Group companies during the financial year has been presented in explanatory note 6.6 to the consolidated financial statements of ASEE Group for the year ended 31 December 2019, as well as in explanatory note 5.8 to the standalone financial statements of ASEE S.A. for the year ended 31 December 2019.

### Utilization of proceeds from issuance of shares

During the reporting period ended 31 December 2019, we did not issue any new shares.

### Financial forecasts

Asesco South Eastern Europe S.A. did not publish any financial forecasts for the year reported.

### Opinion on feasibility of investment plans

Referring to the above-described business strategy, the Group's investment plans include both equity investments in new entities as well as organic growth, which shall involve making expenditures for research and development in order to enhance innovation of our product portfolio, expenditures for infrastructure used in the outsourcing of payment processes and within independent ATM networks, as well as expenditures for replacement and maintenance of infrastructure used in our operating activities.

Our capital expenditures are mostly financed from the Group's own funds, except for infrastructure used in the outsourcing of payment processes that is largely financed with bank loans.

It is also probable that any potential company acquisitions will be financed from external sources.

Furthermore, ASEE Group may choose to finance its future investment expenditures through the issuance of new shares.

### Changes in the Group and Company management policies

Changes in the Group's management principles, which were introduced in 2019, and further plans concerning the direction of such changes have been described in section 'Strategy and Directions of Development' in this report.

During the year 2019, the management practices of ASEE Group and Company remained unchanged.

### Agreements concluded by the Group and Company with its management personnel providing for payment of compensations if such persons resign or are dismissed from their positions

The Group companies did not conclude any agreements with their management officers that would provide for payment of compensations in the event such persons resign or are dismissed from their positions without substantial reason, or when they are dismissed as a result of a company merger by acquisition.

### Monitoring of employee stock option plans

On 23 June 2017, Asesco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of 2,221,356 shares in ASEE S.A., representing 4.28% of the company's share capital. Members of the Management Board of ASEE S.A. as well as parties related through Members of the Management Board of ASEE S.A. acquired 1,572,424 shares in total. The remaining 648,932 shares were acquired by the management staff of subsidiary companies of ASEE Group.

The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2.

Detailed information on the share-based payment plan has been presented in explanatory note 5.2 to the annual consolidated financial statements of the Group for the year 2019.

#### **Remuneration due to the Issuer's management and supervisory personnel**

Information on remuneration due to the Issuer's management and supervisory personnel has been disclosed in explanatory note 9.5 to the annual consolidated financial statements of ASEE Group for the year 2019, as well as in explanatory note 8.4 to the annual financial statements of ASEE S.A.

#### **Information on liabilities arising from pensions and benefits of a similar nature**

As at 31 December 2019, ASEE S.A. had no liabilities arising from pensions and benefits of a similar nature payable to former members of management and supervisory boards or to former members of administrative bodies.

#### **Agreement with the entity authorized to audit financial statements**

The agreement with the entity authorized to audit financial statements, namely Deloitte Audyt Sp. z o.o. (limited partnership), to carry out audits of the standalone and consolidated financial statements of ASEE S.A. drawn up for the year ended 31 December 2019 was signed on 9 May 2018.

#### **Remuneration of the entity authorized to audit financial statements**

Information on remuneration due to the entity authorized to audit financial statements has been presented in explanatory note 8.4 to the annual standalone financial statements of ASEE S.A. for the year 2019, as well as in explanatory note 9.4 to the annual consolidated financial statements of ASEE Group for the year 2019.

#### **Significant off-balance-sheet items**

Significant off-balance-sheet items have been described in explanatory note 9.1 to the annual consolidated financial statements of ASEE Group for the year 2019, as well as in explanatory note 8.1 to the annual financial statements of ASEE for the year 2019.

#### **Information on significant judicial proceedings**

At the publication date of this report, neither Asseco South Eastern Europe S.A. nor Asseco South Eastern Europe Group were party to any proceedings pending before any court, arbitration authority or public administration authority.

#### **Significant events with impact on ASEE Group operations after 31 December 2019**

Significant events that took place after the reporting date of 31 December 2019 have been described in explanatory note 9.7 to the consolidated financial statements of ASEE Group for the year ended 31 December 2019, as well as in explanatory note 8.6 to the standalone financial statements of ASEE S.A. for the year ended 31 December 2019.

#### **Statement on non-financial information**

The statement on non-financial information of Asseco Group, which includes the Issuer and its subsidiaries, shall be prepared by Asseco Poland S.A. seated in Rzeszów.

## STATEMENT BY THE MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A. TO THE ANNUAL REPORT

Statement by the Management Board of Asseco South Eastern Europe S.A. made pursuant to §70 sect. 1 item 6 and §71 sect. 1 item 6 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states.

The Management Board of Asseco South Eastern Europe S.A. hereby declares that, to the best of its knowledge, the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2019 and comparable data contained therein, as well as the standalone financial statements of Asseco South Eastern Europe S.A. for the year ended 31 December 2019 and comparable data contained therein, have been prepared in compliance with the applicable accounting standards, namely the International Financial Reporting Standards as endorsed by the European Union. The standalone financial statements of Asseco South Eastern Europe S.A. for the year ended 31 December 2019 as well as the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2019 give a true, reliable and fair view of the assets and financial position of ASEE S.A. and ASEE Group and their financial performance.

Furthermore, the Management Board declares that the report on operations of ASEE S.A. and ASEE Group provides a fair description of the development, achievements and position of ASEE S.A. and ASEE Group, inclusive of major risks and threats to their operations.

**We hereby approve the Management Report on Operations of Asseco South Eastern Europe Group and Asseco South Eastern Europe S.A. and confirm the accuracy of the above statement.**

**Management Board:**

Piotr Jeleński

President of the Management Board

Miljan Mališ

Member of the Management Board

Marcin Rulnicki

Member of the Management Board

Kostadin Slavkoski

Member of the Management Board



# Solutions for demanding business.

Asseco South Eastern Europe S.A.

14 Olchowa St., 35-322 Rzeszów, Poland

Phone: +48 22 574 86 30

Fax: +48 22 574 86 90

Email: [office@asseco-see.pl](mailto:office@asseco-see.pl)

see. [asseco.com](http://asseco.com)

**ASSECO**  
SOUTH EASTERN EUROPE