

**Solutions
for demanding
business.**

ASSECO
SOUTH EASTERN EUROPE

**ANNUAL REPORT
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED
31 DECEMBER 2018**

Rzeszów, 20 February 2019



PRESIDENT'S LETTER
ASSECO SOUTH EASTERN EUROPE S.A.

Rzeszów, 20 February 2019

Dear Shareholders of ASEE Group,

The process of digitization taking place across all areas of life and business in recent years is also observed in the sectors of economy in which ASEE Group operates – banking and payments (Payten group). It affects the way customers want to use or already use banking and payment services, as well as the rules and regulations introduced for financial institutions. And although the advancement of digitalization varies depending on the sector of economy or country in the region where we offer IT solutions and services, our clients – including banks, financial institutions, or merchants – wanting to be successful in the era of global digitization must adapt their offerings to the current trends and regulatory requirements. Last year we actively supported our clients in the area of digital transformation, by implementing our proprietary solutions for omni-channel banking, security and authentication, as well as solutions addressing the requirements of PSD II Directive, GDPR regulations, and instant payments.

The best year ever in the history of ASEE Group, including Payten

We are happy that our activities translated into strong financial results for 2018 which outperformed the previous ones for the fifth year in a row. Sales revenues generated by ASEE Group reached EUR 157 million, reflecting an increase by 17% in comparison with the previous year. Our key revenue driver were payment solutions marketed under the new brand of Payten (a company engaged in the payment business that was separated within the structure of ASEE Group) which generated EUR 57.3 million in sales during 2018, showing an improvement by 15% year on year. The largest revenue growth was recorded by the business lines dealing with maintenance of ATMs, primarily in Bosnia and Herzegovina, Croatia, and Romania. It is worth noting that revenues from processing of payment transactions increased by as much as 30%, continuing their upward tendency since the commencement of such activities by Group in April 2016. Whereas, the most dynamic revenue growth was achieved by the Systems Integration segment, whose sales reached EUR 61.5 million, this is 26% more than in 2017. Higher revenues were reported by the business line responsible for infrastructure, third-party solutions and integration services, mainly in Serbia and Romania, as well as by the business line offering own solutions, in particular in Serbia and Macedonia. Our Banking Solutions segment generated EUR 38.2 million in revenues, achieving an improvement by 7% in relation to the previous year. Such increase resulted from higher sales reported by the business line responsible for core banking systems primarily in Macedonia, Serbia, Bosnia and Herzegovina, and Romania, as well as by the business line offering mobile solutions mainly in Croatia.

Growing revenues from proprietary solutions

We have consistently pursued our strategy to boost sales of own software solutions. In 2018, sales of our proprietary solutions reached nearly EUR 98.7 million, reflecting an increase by more than EUR 10.5 million in relation to the previous year, and by more than EUR 17 million in relation to 2016.

New contracts, products, markets

As part of supporting banks in the process of digital transformation, in 2018 we completed, among others, the following projects: upgrading and implementation of e-Banking solutions for bank branches of our regional customer Intesa Sanpaolo Group in Egypt, Albania, Hungary and Croatia, while providing a set of innovative functionalities such as: Google Pay, card-not-present cash withdrawals, and P2P transfers; reconstruction of the Unicredit Group mobile application in order to provide its clients with cutting-edge access to banking products and services, thus enabling the bank to be an innovation leader in the region; implementation of Asseco SEE's new generation mBanking solution for Direktna Banka, one of the two electronic banks in Serbia, mts Banka, and for Sberbank's corporate clients; deployment of Digital Edge e-Banking platform for the first time in the software-as-a-service model at NLB Banka in Serbia; implementation of ASEE's online loan origination system for retail banking at Komercijalna Banka in Serbia; as well as supply of PSD2 Enabler Package that helps banks meet the requirements of the PSD II Directive, for Privredna Banka in Zagreb.

ASEE's expertise in the area of digital transformation has been noticed by Gartner research firm which placed ASEE on the list of Representative Vendors offering digital banking platforms.

Last year we also managed to enter new markets by selling PSD2 Enabler Package to MeDirect Bank in Malta, as well as by delivering our SX5 authentication and Mobile Token solutions for Sterling Bank in Nigeria. Moreover, we signed contracts for the implementation of our ERP solution called Fidelity at Is Bankas, one of the largest banks in Turkey, as well as for the implementation of Live, a modern Contact Center system, at Halk Banka AD Skopje in Macedonia, and at an international bank operating in Poland, and also at Gaspol, Poland's leading distributor of LPG.

Payten, MoneyGet, acquisitions planned

In 2018, we completed the process of separating our Payment Solutions segment into a standalone company called Payten in all the countries where it was planned, except for Turkey where it was finalized in January 2019. As part of Payten business, we launched MoneyGet – an independent network of 220 ATMs currently operated in Croatia, Montenegro and Serbia. In 2019, this network will expand to additional countries, including Albania. We are planning to conduct more acquisitions, as exemplified by our recent takeover of Necoplus, which will further strengthen our payment business in terms of quality provided and geographical reach, as well as contribute to the diversification of our product portfolio. I expect this will reinforce our leading position in the region of Central and Eastern Europe and help us capture new markets.

Emphasis on the quality of implemented projects

While striving continuously to improve the quality of our projects, we enhanced our regional implementation force with an experienced director and a manager, and took a number of initiatives in order to adapt the organization of our implementation teams to market standards. We also carried out, on a pilot basis, the Leadership Development Program that will be continued in 2019 at the levels of Personal Effectiveness and Leadership Effectiveness.

Strategic directions of development, final remarks

In 2019, we intend to focus on continuing efforts to enable economic and organizational independence of each of the operating segments of ASEE Group. We plan to further increase the share of own products and services in our revenue structure, among others by going into new markets and focusing on strategic products and services. 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. From among the markets in which the Group is currently present, following the acquisition of Necoplus, the largest potential for growth is seen in Spain, Peru, and Colombia. The Group will also strive to strengthen its position in the SEE region. In 2019, we will carry on the development of new products, including in particular the omnichannel banking platform (Digital Edge) which arouses much interest among ASEE's clients in the region. Our offering will feature new solutions, such as the PSD2 Enabler Package available as a service (SaaS). ASEE Group also intends to invest in the development of sales support solutions (Digital Origination), mobile solutions, authentication security systems, as well as in our financial fraud prevention system, and anti-money laundering system (AML). Trides2, our state-of-the-art 3D security solution fully compliant with the new EMV® 3-D Secure Protocol, will ensure improved authentication methods for card issuing institutions, as well as for transaction acquiring and clearing centers. Furthermore, we have developed a solution allowing for instant payments at points of sale, as well as a customer service tool being part of our LIVE solution. We will also offer our own solution enabling banks to satisfy the requirements of the General Data Protection Regulation. These are just examples of many innovative solutions that will be provided to our clients. I do believe that our sales force which was strengthened in the past year and the planned acquisitions will contribute to a more dynamic international expansion of ASEE Group, including Payten, in 2019.

Closing the best year in the history of ASEE Group, including Payten, and entering into a new, even more exciting time, I would like to thank you all for the credit of trust you have placed in our company.

Piotr Jeleński,
 CEO of Asseco South Eastern Europe S.A.

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**MANAGEMENT REPORT ON OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE
COMPANY AND GROUP
FOR THE YEAR ENDED
31 DECEMBER 2018**

Rzeszów, 20 February 2019

**MANAGEMENT REPORT ON OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE COMPANY AND GROUP
FOR THE YEAR ENDED 31 DECEMBER 2018**

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1. GENERAL INFORMATION ON THE ISSUER

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.

2. 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,
- 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 cardless 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 Systems Integration segment serves the financial, industry and public administration sectors 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 Systems Integration segment includes LeaseFlex, a fully-fledged lease and asset lifecycle management solution.

3. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

As at the date of publication of this report, this is on 20 February 2019, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Józef Klein	Piotr Jeleński	Artur Kucharski
Adam Góral	Miljan Mališ	Adam Pawłowicz
Jacek Duch	Miodrag Mirčetić	Jacek Duch
Artur Kucharski	Marcin Rulnicki	
Adam Pawłowicz		

During the reporting period, the composition of the Company's management and supervisory bodies remained unchanged.

In the period from 31 December 2018 till the publication of this report, this is till 20 February 2018, the compositions of the Company's Management Board, Supervisory Board and Audit Committee remained unchanged.

4. 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 2018 and 31 December 2017.

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights	
			31 Dec. 2018	31 Dec. 2017
Asseco South Eastern Europe S.A.	ASEE S.A.	Poland		
Asseco SEE s.r.l. (Bucharest)	ASEE Romania	Romania	100.00%	100.00%
Asseco s.r.l. MOLDOVA	ASEE Moldova	Moldova	100.00%	100.00%
Asseco SEE d.o.o., Belgrade	ASEE Serbia	Serbia	100.00%	100.00%
E-Mon d.o.o., Podgorica	E-Mon Montenegro	Montenegro	75.00%	75.00%
Asseco SEE d.o.o. (Zagreb)	ASEE Croatia	Croatia	100.00%	100.00%
Asseco SEE Sh.p.k. (Pristina)	ASEE Kosovo	Kosovo	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	ASEE Albania	Albania	100.00%	100.00%
Asseco SEE Teknoloji A.Ş. (İstanbul)	ASEE Turkey	Turkey	100.00%	100.00%
Nestpay Odeme Hizmetleri A.S.	ASEE Nestpay	Turkey	100.00%	100.00%
Asseco SEE DOOEL, Skopje	ASEE Macedonia	Macedonia	100.00%	100.00%
Asseco SEE d.o.o. (Sarajevo)	ASEE B&H	Bosnia and Herzegovina	100.00%	100.00%
Asseco SEE o.o.d., Sofia	ASEE Bulgaria	Bulgaria	100.00%	100.00%
Payten d.o.o. (Ljubljana)	Payten Slovenia	Slovenia	100.00%	100.00%
Payten d.o.o., Podgorica	Payten Montenegro	Montenegro	100.00%	100.00%
Payten d.o.o. (Zagreb)	Payten Croatia	Croatia	100.00%	100.00%
Payten Payment Solutions s.r.l. (Bucharest)	Payten Romania	Romania	100.00%	n/a
Payten d.o.o. New Belgrade	Payten Serbia	Serbia	100.00%	n/a
Chip Card a.d., Belgrade	Chip Card Serbia	Serbia	92.50%	92.50%
Multicard d.o.o., Belgrade	Multicard Serbia	Serbia	63.70%	45.00%
Payten DOOEL, Skopje	Payten Macedonia	Macedonia	100.00%	n/a
Payten d.o.o. (Sarajevo)	Payten B&H	Bosnia and Herzegovina	100.00%	n/a

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s., seated in Bratislava (AI).

Both as at 31 December 2018 and 31 December 2017, Asseco International a.s. held a 51.06% stake in the share capital of ASEE S.A.

Since 1 November 2016, E-Mon Montenegro has been treated as a subsidiary company within the Group's organizational structure and therefore it is fully consolidated. Until the date of obtaining control by ASEE Serbia, that company was treated as a jointly controlled company and therefore consolidated under the equity method in line with IFRS 11.

Multicard Serbia is an associated company accounted for using the equity method. During the reporting period, as a result of conversion of Multicard Serbia's debt towards Payten Serbia to equity, the equity interest held by Payten Serbia in Multicard increased from 45% to 63.70%. Because the articles of association of Multicard stipulate that most resolutions of its general meeting must be adopted by unanimous decision, Payten Serbia has not obtained control over that company.

The remaining companies incorporated within the Group are treated as subsidiaries and are subject to full consolidation.

Both as at 31 December 2018 and 31 December 2017, voting rights held by the Group in ASEE Group companies were equivalent to the Group's equity interests in these entities.

5. EFFECTS OF CHANGES IN THE STRUCTURE OF THE ISSUER AND THE ISSUER'S GROUP

During the year ended 31 December 2018, the organizational structure of ASEE Group changed as described below. These changes were implemented as part of a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017.

Separation of Payten d.o.o., New Belgrade (Payten Serbia)

On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

Changing the name of Asseco SEE d.o.o. Podgorica (ASEE Montenegro) to Payten d.o.o., Podgorica (Payten Montenegro)

On 10 January 2018, ASEE Montenegro was renamed as Payten Montenegro. Because our operations in Montenegro are focused primarily on payment services, they will all be incorporated into the new structure of Payten Montenegro.

Establishing of Payten DOOEL Skopje (Payten Macedonia)

On 8 February 2018, a new company called Payten DOOEL Skopje (Payten Macedonia) was registered in Macedonia. The existing operations of ASEE Macedonia in the area of payment services will be transferred into the new company.

Establishing of Payten d.o.o. Sarajevo (Payten B&H)

On 7 May 2018, a new company called Payten d.o.o. Sarajevo (Payten B&H) was registered in Bosnia and Herzegovina. The existing operations of ASEE B&H in the area of payment services will be transferred into the new company.

Increasing the shareholding in Multicard

On 9 May 2018, a resolution was passed in order to convert Multicard's debt towards Payten Serbia in the amount of RSD 24,713 thousand. As a result of such conversion the equity interest held by Payten Serbia in Multicard increased from 45% to 63.70%. Because the articles of association of Multicard stipulate that most resolutions of its general meeting must be

adopted by unanimous decision, Payten Serbia has not obtained control over that company and Multicard is still accounted for using the equity method.

Separation of Payten Payment Solution s.r.l., Bucharest (Payten Romania)

On 16 May 2018, a new company called Payten Romania was officially separated from ASEE Romania. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

Changing the name of Asseco SEE d.o.o., (Ljubljana) to Payten d.o.o., (Ljubljana) (Payten Slovenia)

On 5 July 2018, the company of ASEE Slovenia was renamed as Payten Slovenia. Because our operations in Slovenia are focused primarily on payment services, they will all be incorporated into the new structure of Payten Slovenia.

During the period of 12 months ended 31 December 2018, there were no other changes in the organizational structure of either ASEE Group or the Issuer.

6. DIRECTIONS OF DEVELOPMENT POLICY OF THE COMPANY AND THE GROUP

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. Its operating activities also include the sale of services and software to support customer communication channels and business processes (contact center).

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 2019, the Group intends to focus on:

- Continuing 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;
- Enriching and reinforcing the portfolio of the Payment Solutions segment 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 recent acquisition of the Spanish company Necoplus;

- Transferring the assets related to operations of the Payment Solutions segment to a dedicated holding company called Payten, thus completing the formal separation of this segment within the Group structure;
- Raising awareness of the importance of the Payment Solutions segment within ASEE Group, among others, through the 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;
- 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;
- Gaining more benefits from the geographical and operational scale of the Group's business through more centralized management of resources, product development, relations with key customers and suppliers;
- 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;
- Improving the efficiency of our operations through better project management and greater utilization of available resources.

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 recent acquisition of Necoplus, the geographical coverage of ASEE operations has been extended to further markets, including Spain, Portugal, Peru, and Colombia.

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 (sales, R&D, operations, HR, marketing, finance)

The Geographical management is based on our local organizational structures.

The Competence management is based on our key business segments:

- Payment Solutions
- Banking Solutions

- Systems Integration (including the sale of proprietary solutions and services as well as third-party solutions).

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

Sales-oriented organization

For several years already, the main task of ASEE's sales force 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 2019, the Group intends to continue sales efforts aimed at increasing revenues also outside the territory of South Eastern Europe.

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.

The year 2019 will be crucial for harmonizing the standards and tools that are used in assisting our business lines engaged in the implementation and support of software solutions.

Moreover, in 2019 we will begin to implement the standard for testing our own software.

We also continue to unify our existing methods applied for project management as well as for measuring the efficiency of our resources. 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 2019, the Group is going to continue to implement standard procedures in this area, as well as to set goals based on selected indicators of operational efficiency. The Management believes that such efforts will make it possible to eliminate any

unprofitable projects and increase 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.

The Management intends to carry on building a comprehensive and consistent portfolio of IT solutions in each of the Group's operating segments, including though the use of software that is not currently marketed by ASEE.

In a longer term, the Group plans to go global with several of its key software solutions, in the areas where ASEE's know-how and expertise 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 ASEE's strong position in the region, expertise and good customer relations in order to build the competence of professional advisors and service providers for important clients 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 reached nearly PLN 421 million, reflecting an increase by more than PLN 45 million or almost 12% in relation to the previous year, and an increase by more than PLN 73 million or over 21% in relation to 2016. We expect that during 2019 the value of our revenues from proprietary solutions will continue to grow.

In the Management's opinion, in order to achieve higher growth in sales of proprietary solutions, ASEE Group will need to generate more revenues in markets outside the current area of its business operations. 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. 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. The Management Board intends to continue our sales

activities outside the markets of South Eastern Europe and Turkey also in 2019.

Within the Payment Solutions segment, 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 acquisition of Necoplus, 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.

The strategic goal of ASEE 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 force. The Management hopes this will translate into improved financial performance of our operations in Romania in 2019 and in the coming years. Among the countries where we just started to develop our banking sector competence, Bulgaria seems to be the most promising. In that market, 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 2019, 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 and anti-money laundering systems.

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 2019 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 is considered by the Management as the most mature and uniform among all business lines currently operating within 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 in a formally separated organizational unit.

In the first days of 2019, we managed to finalize the separation of this segment into an individual company 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 are gradually transferred. Smaller companies where the payment solutions business plays a dominant role (as in Montenegro and Slovenia), simply changed their names to Payten and will be transferred in whole into the separated organizational unit.

In the next stage of this reorganization process, all Payten companies will be incorporated into a new holding company that will be responsible for managing the entire separated Payment Solutions segment.

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. A good example of such initiative is our recent acquisition of Necoplus.

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

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, Bosnia and Herzegovina, Romania, Macedonia, Slovenia, and Montenegro. As a consequence of acquiring Necoplus, Spain is going to be one of the Group's key markets from February 2019. Apart from that, ASEE is consistently building its market share in Albania and Kosovo, and strives to reinforce its position in Bulgaria. Following the acquisition of Necoplus, we will put much emphasis on expanding our operations in the markets of Peru and Colombia. 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. In 2018, the Company 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, and in Serbia. In 2019, the Management intends to expand our independent ATMs network in the same markets, as well as to run a pilot MoneyGet project in Albania.

The division of online payment systems focuses on offering the Turkish NestPay® solution, hence 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 merchants supported through banks will grow less dynamically. 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 which enables secure storing of credit card data of website customers, 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. During 2018, we completed the first implementations

of Paratika solution and began to provide regular services for our new 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.

The remaining two business lines do not yet have a significant share in the segment's sales structure. It is the Management's objective to expand our services related to processing and authorization of payment transactions as well as services related to mobile payments, and to increase their importance for the Payment Solutions segment. In order to achieve the above-mentioned goal, during 2017 ASEE took over Chip Card company which is a provider of services in the field of processing and authorization of payment transactions. In 2017 and 2018, ASEE signed several contracts with new customers, benefiting from the infrastructure and experience of Chip Card. The Management anticipates this business line to generate higher sales in the coming years.

Development of the **Systems Integration** segment will primarily involve strengthening the presence of our proprietary solutions on individual markets of the region. Currently, the Systems Integration 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 Group is also planning to increase the share of IT solutions developed for individual large customers, mainly in the public administration sector, seeing the greatest potential in this field in Macedonia and Serbia. 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.

7. KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES

BANKING BUSINESS UNIT / ASEE/

ASEE'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.

Omni-channel 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.

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

Advanced authentication solution: 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'.

Infrastructure as a Service

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.

SYSTEMS INTEGRATION BUSINESS UNIT /ASEE/

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 Systems Integration 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 BUSINESS UNIT / PAYTEN/

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

24/7 Service Support
Center
Multivendor solutions for ATMs and POS terminals

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 9,000 ATM, ATS and KIOSK terminals as well as 200,000 POS's, 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.

Payment card processing

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.

ATM software

TermHost 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.

POS software

PayPro 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.

POS instant payments

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.

UNAC

UNAC 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.

MoneyGet

MoneyGet is a network of more than 220 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, and Montenegro. 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.

Solutions for merchants

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.

Switching & Tokenization:
- **MerchantSafe® Unipay**

MerchantSafe® Unipay (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.

8. 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.

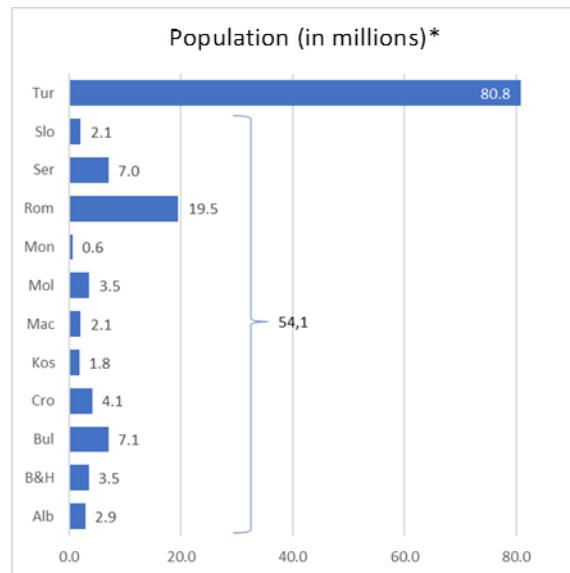
ASEE S.A. also generates revenues from the sale of services and software for voice automation systems, as well as from the sale of software, services and hardware to the banking sector. Sales of IT services and software are made primarily in the Polish market.

Asseco South Eastern Europe Group conducts business operations in twelve countries of South Eastern Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Kosovo, Macedonia, Moldova, Romania, Serbia, Slovenia, and Turkey), as well as in Poland.

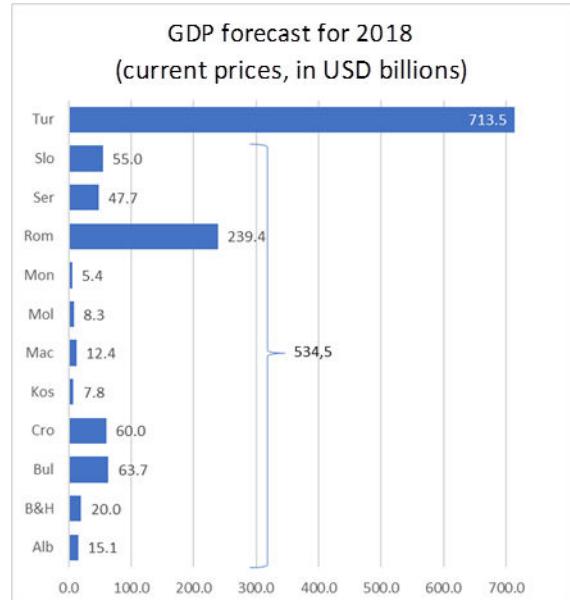
Four of the region's countries, namely Slovenia, Romania, Bulgaria and Croatia are member states of the European Union. Other countries are at various stages of applying for membership in the European Union.

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.

The following charts display the size of the markets in which ASEE operates, measured by population (as at 1 January 2018) and annual GDP (in October 2018) of each country.

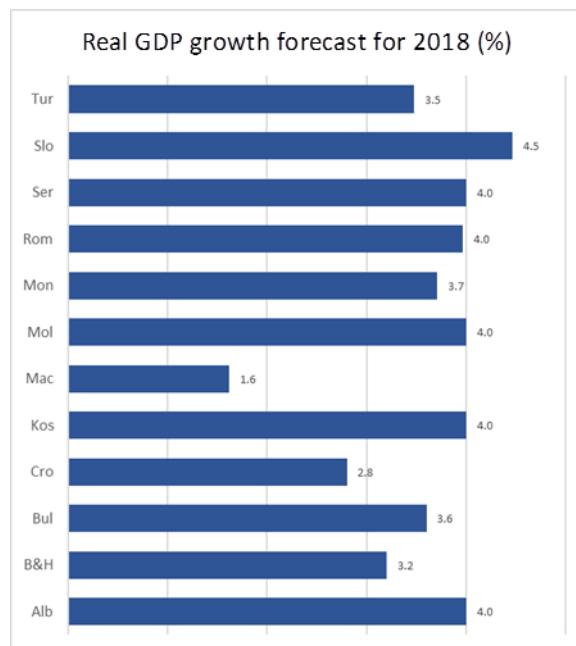


Source: Eurostat, data as at 1 January 2018



Source: International Monetary Fund, Ministry of Economy of Moldova

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 countries of ASEE operations taken together.



Source: International Monetary Fund, Ministry of Economy of Moldova

The forecasts of real GDP changes published by the International Monetary Fund indicate that economic conditions in the countries of South Eastern Europe remained good throughout 2018. The projections of GDP growth range between 1.6 and 4.5%, while in most of these countries they are close to 4% 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, and Turkey.

In the case of Turkey, the macroeconomic situation has 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 record-high inflation. Most analysts expect the Turkish economy to slow down significantly or even go into recession in the coming years. The developments in Turkey had some impact on the financial results of ASEE achieved in this market in 2018, but it was insignificant. In the opinion of ASEE Management, any further deterioration in the economic situation may hinder long-term business planning in Turkey and consequently have a negative impact on the level of IT spending in the coming years.

Macroeconomic forecasts for other countries in which ASEE operates, rather anticipate a continuation of economic growth, while the rate of growth in selected countries may be somewhat weaker than in 2018. The analysis of our order backlog for 2019 suggests that the prevailing economic prosperity and strong competitive position of our Company should

translate into further growth of our sales in the next year.

As mentioned above, the Group operates in the markets of South Eastern Europe and Turkey, and that is where most of our revenues were generated during the year ended 31 December 2018. The breakdown of our sales revenues by the client's location is as follows: Serbia - 29.1%, Romania - 19.5%, Croatia - 16.0%, Macedonia - 7.9%, Turkey - 7%, and other South Eastern European countries - 13.3%. Sales generated in markets located outside the region of South Eastern Europe (including in Poland) accounted for 7.2% of total revenues of ASEE in 2018.

One of the strategic objectives pursued by the Management of ASEE is to expand our sales in markets outside of South Eastern Europe and Turkey. 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. The Management intends to continue our sales efforts in markets located outside of South Eastern Europe and Turkey also in 2019.

During the year ended 31 December 2018, 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 Systems Integration 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.

9. SIGNIFICANT CONTRACTS CONCLUDED BY THE COMPANY AND THE GROUP

Contracts significant for the Group's operations that were signed during 2018 are presented below in a breakdown to individual operating segments:

Banking Solutions:

- Implementation of a core banking system, payment processing system as well as Experience branch, iBank and Tezauri solutions, following an acquisition in the banking sector in Serbia;
- Implementation of Bapo Risk and Tezauri solutions at two international and two local banks in Bosnia and Herzegovina, and one bank in Montenegro, in connection with the requirements of the new standard IFRS 9;

- Analysis of a core banking system for an international bank in Romania, in connection with the planned merger;
- Implementation of Absolut core banking system at an international bank in Romania, due to its merger with another bank;
- Installation of Experience Collateral Management solution for a bank in Serbia;
- Implementation of GDPR module for Absolut system at international banks in Romania;
- Installation of Tezauri Basel III and Bapo Risk solutions for a bank in Serbia;
- Implementation of AML solution at an international bank in Bosnia and Herzegovina;
- Implementation of InAct External Fraud module at a payment services company in Turkey;
- Installation of SxS authentication and Mobile Token solutions for Sterling Bank Nigeria;
- Implementation of PKI at UniCredit Banja Luka bank;
- Installation of PSD Enabler Package for a bank in Malta;
- Implementation of Digital Edge solution at an international bank in Romania;
- Implementation of Instant Payment solution at three banks in Serbia;
- Installation of Mobile Banking solution for an international bank in Croatia;
- Installation of PKI authentication solution for a bank and a financial agency in Croatia;
- Installation of SxS authentication solution for a regional bank in Croatia;
- Implementation of InAct External Fraud Management solution including PSD2 components at a bank in Romania;
- Implementation of Instant Payment solution at five banks in Serbia;
- Implementation of Digital Edge WEB Corporate Solution including SxS authentication solution at a bank in Romania;
- Implementation of Mobile banking solution along with PKI and mToken at an international bank in Croatia;
- Supply of additional licenses for PKI authentication solution for banks in Croatia.

Payment Solutions:

- Contracts for outsourcing of POS terminals with an international bank in Serbia and a bank in Macedonia;
- Supply of POS terminals and ATMs along with related services for an international bank in Croatia;
- Supply of ATMs along with related services for an international bank in Croatia;

- Implementation of MSU solution for Turkish clients engaged in renting cars and trading in food products;
- Supply of ATMs along with installation and maintenance services for Komercijalna Banka a.d. Banja Luka;
- Supply of ATMs along with installation and maintenance services for Hrvatska Postanska Banka in Croatia;
- Supply of ATMs along with related services for Raiffeisen Bank in Croatia;
- Supply of POS terminals along with installation and maintenance services for Erste Card Club in Croatia;
- Supply of ATMs along with installation and maintenance services for Hrvatska Postanska Banka and Raiffeisen Bank in Croatia, as well as for a bank in Bosnia and Herzegovina;
- Contract for outsourcing of POS terminals with PBZ Card in Croatia;
- Supply of Tetra POS terminals for BRD Bank;
- 8-year contract for outsourcing of 150 ATMs for one of the banks in Croatia;
- Supply of ATMs for FIB Bank in Albania, Komercijalna Banka Banja Luka in Bosnia and Herzegovina, as well as for a bank in Romania;
- Supply of POS terminals for a bank in Macedonia;
- Upgrading ATMs software with new functionalities for an international bank in Serbia;
- Implementation of MSU solution for an international food manufacturer.

Systems Integration:

- Supply of Live Virtual Branch solution for Hrvatska Postanska Banka in Croatia;
- Supply of Live e-Office solution for an energy industry company in Croatia;
- Implementation of Live system based solution for management of customer requests at EPS, the largest energy producer in Serbia;
- Implementation of our proprietary process management solution and supply of infrastructure for a public institution in Romania;
- Supply of Remote Digital Signature solution for consumer loans offered online for a bank in Romania;
- Implementation of Digital Account Enrollment System at an international bank in Romania;
- Supply of IT system for the Central Office of Geodesy in Serbia;
- Supply of tailor-made IT solution for the tax administration in Serbia;
- Implementation of Dynatrace solution at Turkish Airlines;
- Implementation of Fidelity, our proprietary asset lifecycle management solution at a bank in Turkey;
- Implementation of Dynatrace solution for a retail sales network offering construction and finishing products;

- Supply of Microsoft software licenses for customers in Romania;
- Supply of data storage infrastructure for an electricity distribution company in Macedonia;
- Supply of data storage infrastructure and servers for a bank in Serbia;
- Supply of IT infrastructure for the Central Office of Geodesy in Serbia;
- Upgrading of vEPC DataPlane Ericsson Cloud solution for a telecommunications company in Serbia;
- Supply of Oracle licenses, infrastructure and integration services to build a data center for customer billing processes at EPS, a power production company in Serbia;
- Implementation of Live solution at an insurance company in Croatia, and integration of Live and CRM solutions at a bank in Croatia;
- Implementation of Live solution for banks in Serbia and Macedonia;
- Implementation of a software solution developed by Genesys at a call center in Turkey.

10. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the year ended 31 December 2018 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegr o	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Elimination s	Total
Sales revenues	1,863	41,139	4,927	128,579	12,289	16,199	60,636	8,650	144,098	223,615	18,919	50,040	(40,577)	670,377
Cost of sales (-)	(1,435)	(32,117)	(4,198)	(94,724)	(8,445)	(12,944)	(42,243)	(4,510)	(123,748)	(174,949)	(14,945)	(32,952)	38,374	(508,836)
Recognition (reversal) of impairment losses on financial assets (+/-)	-	-	(9)	64	(211)	225	(14)	16	22	(341)	-	(299)	3	(544)
Gross profit on sales	428	9,022	720	33,919	3,633	3,480	18,379	4,156	20,372	48,325	3,974	16,789	(2,200)	160,997
Selling costs (-)	(125)	(1,623)	(360)	(7,774)	(840)	(833)	(3,872)	(1,988)	(9,743)	(13,607)	(469)	(6,855)	1,478	(46,611)
General and administrative expenses (-)	(212)	(1,807)	(450)	(7,401)	(373)	(942)	(3,474)	(61)	(6,614)	(10,362)	(888)	(6,530)	(357)	(39,471)
Net profit (loss) on sales	91	5,592	(90)	18,744	2,420	1,705	11,033	2,107	4,015	24,356	2,617	3,404	(1,079)	74,915
Other operating income	2	9,289	48	125	72	1	647	71	566	329	152	116	(9,905)	1,513
Other operating expenses	(1)	(9,380)	(58)	(33)	(52)	(24)	(365)	(29)	(576)	(408)	(132)	(328)	9,742	(1,644)
Share of profits of associates	-	-	-	-	-	-	-	-	-	(302)	-	-	-	(302)
Operating profit (loss)	92	5,501	(100)	18,836	2,440	1,682	11,315	2,149	4,005	23,975	2,637	3,192	(1,242)	74,482

For the year ended 31 December 2018 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegr o	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Elimination s	Total
Sales revenues	437	9,641	1,155	30,134	2,880	3,796	14,211	2,027	33,771	52,407	4,434	11,727	(9,510)	157,110
Cost of sales (-)	(336)	(7,527)	(984)	(22,200)	(1,979)	(3,034)	(9,900)	(1,057)	(29,002)	(41,000)	(3,503)	(7,723)	8,993	(119,252)
Recognition (reversal) of impairment losses on financial assets (+/-)	-	-	(2)	15	(49)	53	(3)	4	5	(81)	-	(70)	1	(127)
Gross profit on sales	101	2,114	169	7,949	852	815	4,308	974	4,774	11,326	931	3,934	(516)	37,731
Selling costs (-)	(29)	(380)	(84)	(1,822)	(197)	(195)	(907)	(466)	(2,283)	(3,190)	(110)	(1,607)	346	(10,924)
General and administrative expenses (-)	(50)	(423)	(105)	(1,735)	(87)	(221)	(814)	(14)	(1,550)	(2,429)	(208)	(1,530)	(84)	(9,250)
Net profit (loss) on sales	22	1,311	(20)	4,392	568	399	2,587	494	941	5,707	613	797	(254)	17,557
Other operating income	-	2,177	11	29	17	-	152	17	133	77	36	27	(2,321)	355
Other operating expenses	-	(2,198)	(14)	(8)	(12)	(6)	(86)	(7)	(135)	(94)	(31)	(77)	2,283	(385)
Share of profits of associates	-	-	-	-	-	-	-	-	-	(71)	-	-	-	(71)
Operating profit (loss)	22	1,290	(23)	4,413	573	393	2,653	504	939	5,619	618	747	(292)	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

For the year ended 31 December 2017 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegr o	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Elimination s	Total
Sales revenues	1,699	22,105	5,727	103,504	14,212	14,254	49,171	7,650	135,064	171,200	27,134	52,590	(33,451)	570,859
Cost of sales (-)	(1,221)	(16,048)	(4,935)	(72,563)	(9,652)	(11,833)	(31,907)	(5,408)	(113,691)	(130,570)	(23,735)	(37,074)	32,430	(426,207)
Recognition (reversal) of impairment losses on financial assets (+/-)	(3)	-	-	(95)	-	(200)	(53)	-	(81)	(249)	-	(158)	-	(839)
Gross profit on sales	475	6,057	792	30,846	4,560	2,221	17,211	2,242	21,292	40,381	3,399	15,358	(1,021)	143,813
Selling costs (-)	(65)	(778)	(265)	(6,658)	(217)	(644)	(2,017)	(891)	(7,677)	(10,317)	(320)	(5,943)	696	(35,096)
General and administrative expenses (-)	(237)	(1,705)	(988)	(8,115)	(912)	(946)	(3,512)	135	(7,383)	(10,168)	(1,018)	(7,787)	38	(42,598)
Net profit (loss) on sales	173	3,574	(461)	16,073	3,431	631	11,682	1,486	6,232	19,896	2,061	1,628	(287)	66,119
Other operating income	5	34	33	411	32	36	194	316	400	53	7	245	(475)	1,291
Other operating expenses	(7)	(14)	(61)	(385)	(22)	(71)	(101)	(220)	(306)	(531)	(4)	(357)	535	(1,544)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss)	171	3,594	(489)	16,099	3,441	596	11,775	1,582	6,326	19,418	2,064	1,516	(227)	65,866

For the year ended 31 December 2017 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegr o	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Elimination s	Total
Sales revenues	400	5,208	1,349	24,384	3,348	3,358	11,584	1,802	31,819	40,334	6,392	12,390	(7,881)	134,487
Cost of sales (-)	(288)	(3,781)	(1,163)	(17,095)	(2,274)	(2,788)	(7,517)	(1,274)	(26,783)	(30,760)	(5,592)	(8,734)	7,640	(100,409)
Recognition (reversal) of impairment losses on financial assets (+/-)	(1)	-	-	(22)	-	(47)	(12)	-	(19)	(59)	-	(37)	-	(197)
Gross profit on sales	111	1,427	186	7,267	1,074	523	4,055	528	5,017	9,515	800	3,619	(241)	33,881
Selling costs (-)	(15)	(183)	(62)	(1,569)	(51)	(152)	(475)	(210)	(1,809)	(2,431)	(75)	(1,400)	164	(8,268)
General and administrative expenses (-)	(56)	(402)	(233)	(1,912)	(215)	(223)	(827)	32	(1,739)	(2,395)	(240)	(1,835)	9	(10,036)
Net profit (loss) on sales	40	842	(109)	3,786	808	148	2,753	350	1,469	4,689	485	384	(68)	15,577
Other operating income	1	8	8	97	8	8	46	74	94	12	2	58	(112)	304
Other operating expenses	(2)	(3)	(14)	(91)	(5)	(17)	(24)	(52)	(72)	(125)	(1)	(84)	126	(364)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss)	39	847	(115)	3,792	811	139	2,775	372	1,491	4,576	486	358	(54)	15,517

The above figures have been converted at the average exchange rate for the period from 1 January 2017 to 31 December 2017: EUR 1 = PLN 4.2447

11. KEY ECONOMIC AND FINANCIAL FIGURES OF THE COMPANY

Financial results for 2018

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	PLN'000	PLN'000
Dividend income	27,832	30,527
Revenues from sales of services	21,890	16,527
Cost of sales (-)	(15,463)	(12,232)
Selling costs (-)	(4,543)	(3,256)
General and administrative expenses (-)	(279)	(61)
Operating profit	29,496	31,565
Net profit for the reporting period	28,501	19,831

As a consequence of lower dividend income and revenues from consulting, business and technical support services provided to our subsidiaries, operating profit of ASEE S.A. declined from PLN 31,565 thousand in 2017 to PLN 29,496 thousand in 2018, reflecting a decrease by PLN 2 million or 6.5%. Despite that, net profit for the year 2018 reached PLN 28,501 thousand, increasing by PLN 8,670 thousand in relation to the previous year. Net profit for the year 2017 was reduced by an impairment write-down of PLN 9 million that was recognized on our investment in Kosovo. In 2018, we recognized no impairment losses on our investments.

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

Structure of assets	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	PLN'000	PLN'000	%	%
Non-current assets	591,941	594,963	92%	93%
Property, plant and equipment, and intangible assets	6,209	6,060	1%	1%
Investments in subsidiaries	571,174	571,101	89%	90%
Long-term financial assets	11,637	14,173	2%	2%
Other	2,921	3,629	0%	1%
Current assets	52,322	42,319	8%	7%
Trade receivables and prepayments	7,200	2,818	1%	0%
Cash and cash deposits	36,944	26,074	6%	4%
Short-term financial assets	6,657	10,841	1%	2%
Other	1,521	2,586	0%	0%
TOTAL ASSETS	644,263	637,282	100%	100%

The structure of assets of ASEE S.A. is dominated by investments in subsidiaries. As at 31 December 2018, the value of our investments in subsidiaries amounted to PLN 571,174 thousand and was just a bit higher than a year ago, which was associated with the process of formal separation of the Payment Solutions segment into a standalone organizational unit operating within ASEE Group.

The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017. If a given change involved

dividing a company, the previous value of our investment was allocated to entities created from such division on the basis of the share in fair value of each of these companies that was estimated on the basis of their discounted cash flows.

Structure of equity and liabilities	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	PLN'000	PLN'000	%	%
Equity	623,486	620,843	97%	98%
Non-current liabilities	7,811	9,489	1%	1%
Current liabilities	12,966	6,950	2%	1%
TOTAL EQUITY AND LIABILITIES	644,263	637,282	100%	100%

The value of equity increased by PLN 2,643 thousand in relation to the previous year. Such change resulted from a higher net profit for the fiscal year, payment of dividends, as well as the costs of employee share-based payment plan.

The decrease in non-current liabilities by PLN 1,678 thousand was related to our liabilities under a bank loan. This bank loan has been described in explanatory note 20 to the Company's annual financial statements for the year 2018.

Current liabilities increased due to the presentation of a short-term portion of the above-mentioned bank loan. Furthermore, we observed an increase in trade payables as well as in accruals and deferred income.

Structure of the statement of cash flows

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	PLN'000	PLN'000
Net cash provided by (used in) operating activities	31,919	30,449
Net cash provided by (used in) investing activities	7,002	10,664
Net cash provided by (used in) financing activities	(28,339)	(26,278)
Net change in cash and cash equivalents	10,582	14,835
Cash and cash equivalents at the end of period	36,944	26,074

In 2018, cash flows from operating activities included primarily dividends received from our subsidiaries in the amount of PLN 28,372 thousand. Because ASEE S.A. operates as a holding company, our operating cash flows include also proceeds from the sale of shares in Sigma Turkey which amounted to PLN 1,748 thousand in 2018.

Cash flows from investing activities were primarily related to proceeds and outlays under loans granted to our subsidiaries (resulting in net cash flows of PLN 6,657 thousand), as well as interest received on loans granted (PLN 830 thousand).

Whereas, cash flows from financing activities reflected basically the dividend payment to shareholders of ASEE S.A. (PLN 26,986 thousand).

Analysis of financial ratios

Profitability ratios

	Year ended 31 Dec. 2018 %	Year ended 31 Dec. 2017 %
Return on equity (ROE)	4.6%	3.2%
Return on assets (ROA)	4.5%	3.1%

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 2018 as compared to those reported for 2017, following an increase in net profit for the reporting period.

Liquidity ratios

	31 Dec. 2018	31 Dec. 2017
Working capital	39,356	35,369
Current liquidity ratio	4.0	6.1
Quick liquidity ratio	3.9	6.0
Absolute liquidity ratio	3.4	3.7

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 at 31 December 2018 increased in comparison to that reported at the end of the previous year primarily due to an increase in cash and short-term bank deposits as a result of receiving dividends from our subsidiaries.

Other liquidity ratios declined a bit basically due to an increase in short-term liabilities.

12. KEY ECONOMIC AND FINANCIAL FIGURES OF ASEE GROUP AND SIGNIFICANT EVENTS WITH IMPACT ON BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE OF THE GROUP

PLN'000	3 months ended 31 Dec. 2018 (unaudited)	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Sales revenues	221,503	160,228	38%	670,377	570,859	17%
Gross profit on sales	50,237	43,296	16%	160,997	143,813	12%
Net profit on sales	25,233	22,171	14%	74,915	66,119	13%
Operating profit	24,840	21,815	14%	74,482	65,866	13%
EBITDA	36,734	32,857	12%	120,114	106,478	13%
Net profit for the reporting period	20,074	18,152	11%	65,163	55,009	18%
Net profit attributable to Shareholders of the Parent Company	19,923	18,063	10%	64,716	54,648	18%
EUR'000	3 months ended 31 Dec. 2018 (unaudited)	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Sales revenues	51,579	38,019	36%	157,110	134,487	17%
Gross profit on sales	11,691	10,267	14%	37,731	33,881	11%
Net profit on sales	5,877	5,252	12%	17,557	15,577	13%
Operating profit	5,785	5,168	12%	17,456	15,517	12%
EBITDA	8,547	7,789	10%	28,150	25,085	12%
Net profit for the reporting period	4,671	4,300	9%	15,272	12,959	18%
Net profit attributable to Shareholders of the Parent Company	4,636	4,279	8%	15,167	12,874	18%

ASEE Group results for the fourth quarter of 2018

Financial results achieved by ASEE Group in the fourth quarter of 2018 were considerably stronger than in the comparable period last year. Hence, the successful fourth quarter of 2018 closed the best year ever for ASEE Group.

In the fourth quarter of 2018, sales revenues of ASEE Group presented in Polish zlotys reached PLN 221.5 million, reflecting an increase by PLN 61.3 million or 38% as compared with the fourth quarter of the prior year. Consolidated operating profit amounted to PLN 24.8 million, increasing by PLN 3

million or 14%, while consolidated EBITDA amounted to PLN 36.7 million, improving by PLN 3.9 million or 12%. Higher revenues to a large extent resulted from the resale of infrastructure, therefore our profits grew less dynamically.

In the fourth quarter of 2018, the Group's sales revenues presented in euros equalled EUR 51.6 million, reflecting an increase by EUR 13.6 million or 36% in relation to the comparable period of 2017. Whereas, operating profit amounted to EUR 5.8 million, increasing by EUR 0.6 million or 12%, while EBITDA amounted to over EUR 8.5 million, improving by nearly EUR 0.8 million or 10%.

Sales revenues by segments

PLN'000	3 months ended 31 Dec. 2018	3 months ended 31 Dec. 2017	Change %	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017	Change %
	(unaudited)	(unaudited)	%	(audited)	(audited)	%
Banking Solutions	54,375	47,040	16%	163,227	152,316	7%
Payment Solutions	66,797	56,583	18%	244,661	211,907	15%
Systems Integration	100,331	56,605	77%	262,489	206,636	27%
	221,503	160,228	38%	670,377	570,859	17%

EUR'000	3 months ended 31 Dec. 2018	3 months ended 31 Dec. 2017	Change %	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017	Change %
	(unaudited)	(unaudited)	%	(audited)	(audited)	%
Banking Solutions	12,663	11,151	14%	38,254	35,883	7%
Payment Solutions	15,523	13,433	16%	57,339	49,923	15%
Systems Integration	23,393	13,435	74%	61,517	48,681	26%
	51,579	38,019	36%	157,110	134,487	17%

Revenues of the Payment Solutions segment in the fourth quarter of 2018 amounted to EUR 15.5 million, increasing by EUR 2.1 million or 16% in relation to the comparable period last year. The strongest revenue growth was recorded by the business line dealing with maintenance of ATMs, primarily owing to deliveries of ATMs and additional services in Bosnia and Herzegovina, Croatia, and Serbia. Stronger sales were generated also by the business lines responsible for the maintenance of POS terminals, as well as for authorization and processing of payment card transactions. Despite growing revenues, operating profit of the Payment Solutions segment declined from EUR 1.8 million for the fourth quarter of 2017 to EUR 1.5 million in the last three months of 2018. Such deterioration in operating profit was mainly a consequence of the costs of maintenance of our independent network of ATMs, which were not incurred a year ago.

In the fourth quarter of 2018, revenues of the Banking Solutions segment reached EUR 12.7 million, increasing by EUR 1.5 million or 14%. The rate of revenue growth was similar across all business lines of the segment, while, in terms of money, the most significant increase was recorded by the business line responsible for core banking system, mainly on the back of new projects executed in Serbia and Macedonia. Operating profit of the Banking Solutions segment increased from EUR 1.6 million for the fourth quarter of 2017 to EUR 3.2 million in the corresponding period of 2018. Stronger operating performance was reported especially by the business line offering core banking systems, primarily in Serbia and Macedonia. This was achieved owing to the implementation of many new projects in the last

months of the year, and partially due to the recognition of revenue for work carried out during previous quarters that was formally accepted by our customers only at the end of the year. The Turkish subsidiary of ASEE also contributed to improvement of the segment's results. This was a consequence of optimizing the costs of our team responsible for the InAct software solution, as well as writing-down capitalized software development expenditures that were charged as costs in 2017.

In the fourth quarter of 2018, the highest revenue growth was recorded in the Systems Integration segment, whose sales increased from EUR 13.4 million to EUR 23.4 million, this is by EUR 10 million or 74%. Most of these additional revenues (over EUR 8 million) were generated by the business line dealing with delivery of infrastructure and third-party solutions, mainly in Romania and Serbia. Because additional revenues generated by the segment to a large extent resulted from the resale of infrastructure and third-party licenses, they had a limited impact on profits. Hence, operating profit of the Systems Integration segment for the fourth quarter of 2018 amounted to EUR 1 million, decreasing by EUR 0.8 million in relation to the comparable period last year. The business line dealing with delivery of infrastructure and third-party solutions managed to improve its operating profit a bit, but the business line offering own solutions recorded a weaker performance. This resulted from both a smaller number of projects executed, increase in operating costs, as well as unplanned write-downs of capitalized software development expenditures that eroded the segment's results in Turkey.

Operating profit by segments

	3 months ended 31 Dec. 2018 PLN'000	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Banking Solutions	13,893	6,672	108%	26,830	20,061	34%
Payment Solutions	6,624	7,490	-12%	34,311	29,844	15%
Systems Integration	4,323	7,653	-44%	13,341	15,961	-16%
	24,840	21,815	14%	74,482	65,866	13%
	3 months ended 31 Dec. 2018 EUR'000	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Banking Solutions	3,245	1,582	105%	6,288	4,727	33%
Payment Solutions	1,532	1,779	-14%	8,041	7,031	14%
Systems Integration	1,008	1,807	-44%	3,127	3,759	-17%
	5,785	5,168	12%	17,456	15,517	12%

	3 months ended 31 Dec. 2018 PLN'000	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Banking Solutions	14,919	8,347	79%	31,280	26,227	19%
Payment Solutions	16,520	15,651	6%	71,694	60,219	19%
Systems Integration	5,295	8,859	-40%	17,140	20,032	-14%
	36,734	32,857	12%	120,114	106,478	13%
	3 months ended 31 Dec. 2018 PLN'000	3 months ended 31 Dec. 2017 (unaudited)	Change %	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Change %
Banking Solutions	3,485	1,979	76%	7,331	6,180	19%
Payment Solutions	3,830	3,717	3%	16,802	14,187	18%
Systems Integration	1,232	2,093	-41%	4,017	4,718	-15%
	8,547	7,789	10%	28,150	25,085	12%

Presented below are the most important factors that have affected the financial results of individual segments of ASEE Group in the entire 2018.

Results of the Payment Solutions segment

Sales generated by the Payment Solutions segment in 2018 reached EUR 57.3 million, improving by EUR 7.4 million or almost 15% in relation to previous year. The strongest revenue growth (by EUR 5.6 million or nearly 26%) was recorded by the segment's business line dealing with maintenance of ATMs. This was achieved primarily by our companies operating in Bosnia and Herzegovina, Croatia and Romania which in 2018 completed large deliveries of infrastructure along with related services for customers using the traditional model of ATMs maintenance. In addition, Payten Croatia has been engaged in the execution of new contracts for outsourcing of payment services that did not yet bring any revenues back in 2017. Revenues of the business line responsible for maintenance of ATMs improved also due to the launch of an independent network of ATMs by Payten, which operates under the brand of MoneyGet in Croatia, Montenegro and Serbia. Higher sales were reported also by other business

lines of this segment which are responsible for maintenance of POS terminals (mainly in Croatia), processing of payment transactions (in Serbia), as well as e-Commerce. We are especially satisfied with the growing revenues from processing of payment transactions. In 2018, sales of this business line increased by EUR 0.6 million or nearly 30%, continuing their upward tendency since the commencement of such activities by ASEE Group in April 2016.

Operating profit generated by the Payment Solutions segment increased by EUR 1 million or 14% and reached EUR 8 million. Stronger profits were achieved mainly by the segment's business line engaged in maintenance of POS terminals. A significant portion of this increase was contributed by Payten Croatia which, during the year 2018, completed a number of deliveries of POS terminals and signed new agreements for maintenance services. Operating profit earned on maintenance of POS terminals increased also in Slovenia, Bulgaria, and Kosovo. In 2018, EBIT improved also in the business lines dealing with e-Commerce and processing of payment transactions.

EBITDA of the Payment Solutions segment for the year 2018 amounted to EUR 16.8 million, rising by EUR 2.6 million or 18% in relation to the comparable period last year.

Results of the Banking Solutions segment

In 2018, the Banking Solutions segment generated EUR 38.2 million in sales revenues, achieving an increase by EUR 2.4 million or almost 7%. Such increase resulted from higher sales reported by the business line responsible for core banking systems primarily in Macedonia, Serbia, Bosnia and Herzegovina, and Romania, as well as by the business line offering mobile solutions mainly on the back of new projects executed in Croatia.

Operating profit of the Banking Solutions segment for 2018 amounted to EUR 6.3 million, reflecting an increase by nearly EUR 1.6 million or 32% in relation to the previous year. Such improvement was driven primarily by robust performance of our teams responsible for core banking systems in Serbia and Macedonia that carried out a number of new projects across the region. Considerably stronger results were also reported by our team responsible for the implementation of InAct fraud prevention and anti-money laundering system in Turkey. This was partly an effect of optimizing the costs of that team, and partly a consequence of writing-down capitalized software development expenditures that were charged as costs in 2017.

In 2018, the Banking Solutions segment generated EUR 7.3 million in EBITDA, achieving an increase by EUR 1.1 million or 19% in relation to the previous year.

Results of the Systems Integration segment

Sales generated by the Systems Integration segment in 2018 reached EUR 61.5 million, reflecting an increase by EUR 12.8 million or 26% in comparison to the year 2017. Higher revenues were reported by the business line responsible for infrastructure, third-party solutions and integration services, as well as by the business line offering own solutions. Sales of third-party solutions increased in particular in Serbia, but also in Romania, Macedonia, and Kosovo. However, the increase in sales of third-party solutions was primarily attributable to larger transactions involving the resale of infrastructure that were realized at lower margins than a year ago. Whereas, revenues from the sale of own software solutions increased mostly in our Serbian and Macedonian subsidiaries.

Operating profit of the Systems Integration segment for 2018 amounted to PLN 3.1 million, decreasing by over EUR 0.6 million or 17% as compared with the previous year. The business line responsible for infrastructure, third-party solutions and integration services recorded a slight increase in operating profit, yet it was not as dynamic as the revenue growth due to much lower margins of profit obtained on the resale of infrastructure and third-party licenses. Operating profit reported by the business line offering own solutions was weaker than a year ago, because of lower profitability of projects in some countries, as well as a consequence of unplanned write-downs of capitalized software development expenditures in Turkey.

In the wake of weaker operating profit of the Systems Integration segment, its EBITDA for 2018 also declined to EUR 4 million from the level of over EUR 4.7 million reported for the prior year.

Net profit

Consolidated net profit of ASEE Group for 2018 amounted to EUR 15.3 million, increasing by EUR 2.3 million or 18% in relation to the previous year.

The Group's net result on financial operations equalled EUR 839 thousand in 2018, as compared with EUR 365 thousand reported a year ago. Such improvement was achieved mainly due to a significantly higher result on foreign exchange differences, including the valuation of hedging instruments. This was largely attributable to unrealized positive foreign exchange differences resulting from the revaluation of receivables and cash held in USD by the Turkish subsidiary of ASEE, in the wake of a significant depreciation of the Turkish lira in the second and third quarters of the year.

In 2018, our income tax expense amounted to EUR 3 million (effective tax rate of 16.5%), as compared with EUR 2.9 million incurred in the previous year (effective tax rate of 18.4%). 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 2017, dividend income from companies located outside of the European Union (Macedonia, Serbia, and Bosnia and Herzegovina) amounted to PLN 23 million, as compared with PLN 18 million received in 2018. Payment of dividends from outside of the EU resulted in an obligation to pay withholding tax which increased the effective tax rate of ASEE Group; however, such impact was greater in 2017. Excluding the effect of withholding

tax on dividends, our effective tax rate for 2018 was just a bit lower than in the previous year. This was basically due to lower income tax expenses incurred in Turkey as well as in Bosnia and Herzegovina. ASEE Turkey has had a status of an R&D center since April 2018 and is entitled to

Analysis of financial ratios

	3 months ended 31 Dec. 2018 (unaudited)	3 months ended 31 Dec. 2017 (unaudited)	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Gross profit margin	22.7%	27.0%	24.0%	25.2%
EBITDA margin	16.6%	20.5%	17.9%	18.7%
Operating profit margin	11.2%	13.6%	11.1%	11.5%
Net profit margin	9.0%	11.3%	9.7%	9.6%
Return on equity (ROE)			8.7%	7.5%
Return on assets (ROA)			6.8%	5.9%

The above ratios have been computed using the following formulas:

Gross profit margin = gross profit on sales / sales

EBITDA margin = (operating profit + depreciation and amortization) / sales

Operating profit margin = operating profit / sales

Net profit margin = net profit for the reporting period attributable to Shareholders of the Parent Company / sales

Return on equity (ROE) = net profit for the period of trailing 12 months attributable to Shareholders of the Parent Company / average annual equity

Return on assets (ROA) = net profit for the period of trailing 12 months attributable to Shareholders of the Parent Company / average annual assets

In 2018, our gross profit margin equalled 24%, falling by 1.2 percentage points in relation to the previous year. Such decrease in the gross profit margin resulted from a higher share of infrastructure and third-party solutions in the revenue structure of ASEE Group. They accounted for 37.2% of our total sales, rising from 34.2% in 2017. Furthermore, we realized lower margins on the resale of infrastructure and third-party solutions than a year ago. During the same period, the profitability of our proprietary IT solutions improved slightly, but not enough to fully compensate for the impact of the factors described above.

The larger share of sales of infrastructure and third-party solutions in the revenue structure and lower profitability of these transactions caused an erosion of margins of profit at subsequent levels. EBITDA margin dropped from 18.7% in 2017 to the level of 17.9%. At the same time, operating profit margin declined from 11.5% to 11.1%.

Despite the weaker operating margin, our net profit margin for the reporting period showed some improvement and reached 9.7% in 2018. This was achieved owing to a positive result on financial operations and a lower effective tax rate as described above.

The increase of net profit for 2018 translated into an improvement in both ROA and ROE ratios in this period. Return on equity for the trailing 12 months ended 31 December 2018 equalled 8.7%, increasing by 1.2 percentage points; whereas, return on assets reached the level of 6.8%, increasing by 0.9 percentage points.

additional tax reliefs, while our subsidiary in Bosnia and Herzegovina benefited from tax incentives related to new employees. On the other hand, ASEE Serbia incurred a higher income tax expense because a portion of write-downs recognized during the year were non-tax-deductible.

	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Working capital (in thousands of PLN)	159,613	118,177
Current liquidity ratio	1.8	1.7
Quick liquidity ratio	1.6	1.5
Absolute liquidity ratio	0.8	0.7

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 31 December 2018, our working capital amounted to PLN 159.6 million, reflecting an increase by PLN 41.5 million in relation to its level reported as at the end of December 2017. Such change resulted from an increase in current assets by PLN 74.2 million, which was accompanied by an increase in current liabilities by PLN 32.7 million. Current assets increased primarily due to higher amounts of cash and trade receivables and, at the same time, a lower balance of inventories. The increase in current liabilities was mainly the result of a higher balance of trade payables, and an increase in the short-term portion of bank loans and borrowings.

Higher amounts of cash and bank deposits as well as short-term financial assets helped increase the levels of our liquidity ratios as at the end of December 2018.

Analysis of debt

	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Total debt ratio	22.7%	21.7%
Debt / equity ratio	6.3%	6.3%
Debt / (debt + equity) ratio	5.9%	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 21.7% reported as at the end of 2017 to the level of 22.7% as at 31 December 2018. Such change is primarily attributable to the increase in trade payables by PLN 20.8 million during the year 2018. Our interest-bearing liabilities disclosed at the end of December 2018 increased only slightly (by PLN 3 million), as a result of which the ratios of debt to equity and debt to total liabilities remained at the same levels as in the previous year. We repaid our historical liabilities on a timely basis, while incurring new debt intended to finance our outlays for infrastructure to be used in subsequent projects of outsourcing of payment services.

Structure of the consolidated statement of financial position

Structure of assets

	31 Dec. 2018 PLN'000	31 Dec. 2017 PLN'000	31 Dec. 2018 %	31 Dec. 2017 %
Non-current assets	627,571	630,553	63%	69%
Property, plant and equipment	128,692	131,958	13%	14%
Intangible assets	10,854	17,946	1%	2%
Goodwill	481,089	475,360	49%	52%
Other	6,936	5,289	1%	1%
Current assets	361,995	287,762	37%	31%
Inventories	17,006	24,792	2%	3%
Trade receivables and prepayments	155,973	130,201	16%	14%
Contract assets	10,433	12,025	1%	1%
Short-term financial assets	3,761	792	0%	0%
Cash and cash deposits	164,887	115,712	17%	13%
Other	9,935	4,240	1%	0%
TOTAL ASSETS	989,566	918,315	100%	100%

Goodwill is the main component of ASEE Group's assets. 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 2018, goodwill increased by PLN 5.7 million solely by virtue of foreign currency translation differences.

The second largest component of ASEE Group's assets is constituted by property, plant and equipment, which includes POS terminals and ATMs used by the Payment Solutions segment in order to provide payment process outsourcing services. The total value of property, plant and equipment decreased slightly (by PLN 3.3 million) during the year 2018.

Intangible assets decreased by PLN 7.1 million, mainly due to amortization charges and partial liquidation of software disclosed in completed development projects, as well as a lower amount of capitalized product development costs.

As at the end of 2018, the value of current assets was higher by PLN 74.2 million than at the end of the previous year. This resulted primarily from an increase in cash, bank deposits, and short-term financial assets (by PLN 52.1 million), as well as an increase in receivables (by PLN 26.2 million).

Structure of equity and liabilities

	31 Dec. 2018 PLN'000	31 Dec. 2017 PLN'000	31 Dec. 2018 %	31 Dec. 2017 %
Equity	765,089	719,312	77%	78%
Non-current liabilities	22,095	29,418	2%	3%
Interest-bearing bank loans	17,223	22,281	2%	2%
Other	4,872	7,137	0%	1%
Current liabilities	202,382	169,585	20%	18%
Interest-bearing bank loans and borrowings	30,836	22,710	3%	2%
Trade payables and accruals	91,723	69,700	9%	8%
Contract liabilities	37,166	36,319	4%	4%
Financial liabilities	829	998	0%	0%
Other current liabilities	41,828	39,858	4%	4%
TOTAL EQUITY AND LIABILITIES	989,566	918,315	100%	100%

The share of equity in the structure of total equity and liabilities decreased from 78% as at 31 December 2017 to 77% at the end of 2018, although the value of equity increased by PLN 45.8 million owing to the net profit for the year 2018 and exchange differences on translation of foreign operations. During the year 2018, total non-current liabilities decreased by PLN 7.3 million, mainly due to the lower amount of bank loans and borrowings. In the same period, total current liabilities increased by PLN 32.7 million, mainly as a result of a higher amount of trade payables (by PLN 20.8 million) and an increase in the short-term portion of bank loans and borrowings.

Structure of the statement of cash flows

	Year ended 31 Dec. 2018 PLN'000	Year ended 31 Dec. 2017 PLN'000
Cash and cash equivalents at the beginning of the period	115,562	118,058
Net cash provided by (used in) operating activities	120,804	94,336
Net cash provided by (used in) investing activities	(43,288)	(64,758)
Net cash provided by (used in) financing activities	(27,651)	(23,880)
Foreign exchange differences	(588)	(8,194)
Cash and cash equivalents at the end of period	164,839	115,562

In the year 2018, our operating activities provided PLN 120.8 million of net cash flows, which is PLN 26.5 million more than in the prior year. Such increase in operating cash flows was primarily a consequence of stronger results achieved by the Group, accompanied by slightly higher depreciation charges than in 2017. From among changes in our working capital, the decrease in inventories had a positive effect on operating cash flows. The growing scale of our business caused an increase in the amount of income tax paid by PLN 4.2 million.

Net cash outflows in our investing activities amounted to PLN 43.3 million in 2018, declining by PLN 21.5 million in relation to the previous year. Such reduction in our investment outlays was primarily a consequence of lower expenditures for the acquisition of property, plant and equipment and intangible assets, which decreased to PLN 39.1 million from the level of PLN 65.1 million in 2017. This decrease of PLN 26 million was basically the effect of a smaller scale of expenditures for infrastructure within the Payment Solutions segment. Our expenditures for hardware used in the outsourcing of payment processes as well as in developing an independent network of ATMs amounted to PLN 32 million in 2018, as compared with PLN 58 million spent in the previous year.

In the year 2018, net cash flows in our financing activities amounted to PLN -27.6 million. Such negative cash flows were basically a consequence of dividend payment in the total amount of PLN 27 million that was distributed to the shareholders of ASEE in July 2018. Our proceeds from bank loans and borrowings exceeded the amount of such repayments by PLN 2.1 million in 2018. ASEE Group uses external sources of financing mainly for purchases of infrastructure to be provided under outsourcing projects that are implemented by the Payment Solutions segment. Expenditures for the acquisition of non-controlling interests amounting to PLN 0.7 million in 2017 were made to acquire additional shares in Serbia-based Chip Card.

13. 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 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 2019. 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 region of South Eastern Europe and Turkey, especially in the context of economic prosperity observed in the region in recent years that contributes 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 financial results of ASEE, whereas an economic slowdown may reduce the demand for products and services of the Group;
- Geopolitical situation in South Eastern Europe and Turkey, 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 in the region of South Eastern Europe and Turkey; this part of Europe remains still underinvested in terms of information technology solutions as compared with the West European countries;
- 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;

- Implementation of informatization processes at the region's public administration bodies in order to upgrade the quality and functionality of their services to international standards and especially to the European Union requirements;
- Availability of the EU structural funds in Romania, Bulgaria, Slovenia and Croatia, as well as pre-accession funds in other countries;
- Consolidation and development of the banking sector in the region of South Eastern Europe and Turkey;
- 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.

14. SIGNIFICANT RISK FACTORS AND THREATS

Major risk factors involved in the Group's business environment

Risk related to general macroeconomic situation in South Eastern Europe and Turkey

ASEE S.A. is the parent company of the Group which runs operations in the countries of South Eastern Europe and Turkey. The Company's and the Group's strategy assumes reinforcement of our position in the region as well as further expansion in the region and beyond. In connection with our current operations and planned development, the financial results achieved by ASEE may be influenced by factors related to economic and political stability in this region. Development of the IT services sector is closely correlated to the overall economic situation of South Eastern European countries. Therefore, our financial results depend on the level of capital expenditures made by enterprises, pace of GDP growth, and the inflation rate.

Risk associated with political instability in the region of South Eastern Europe and Turkey

Potential changes in the governments of South Eastern European countries and Turkey as well as 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 in South Eastern Europe and Turkey

The market of information technology infrastructure and services is becoming more and more competitive in South Eastern Europe. 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 regional 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, and especially in South Eastern Europe, 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 exposure risk

The Group conducts business operations in many countries of South Eastern Europe and Turkey. 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.

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. Adequate implementation 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 future investment plans, in the public and private sectors, with regard to information and telecommunications technology. Access to such information, in particular regarding the state sector, is very limited. Additionally, limited experience in obtaining the EU structural funds in Romania, Bulgaria, Slovenia and Croatia may hinder our ability to generate the expected level of growth.

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 4% of total revenues generated by the Group in 2018, 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 Systems Integration. 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 IT sector is 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 unfortunate 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 in South Eastern Europe. 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. ASEE Group decided to liquidate its capitalized costs of development projects in the amount of PLN 5.1 million as at 31 December 2018, which has been described in explanatory note 9 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. It is the Management's intention to allocate a portion of our net earnings to dividends; however, the Company is not in the position to guarantee that such plans will be actually executed nor to determine the amounts of future 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.

15. KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Company's financial statements are prepared in compliance with the International Accounting Standards (IAS) as well as the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

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:

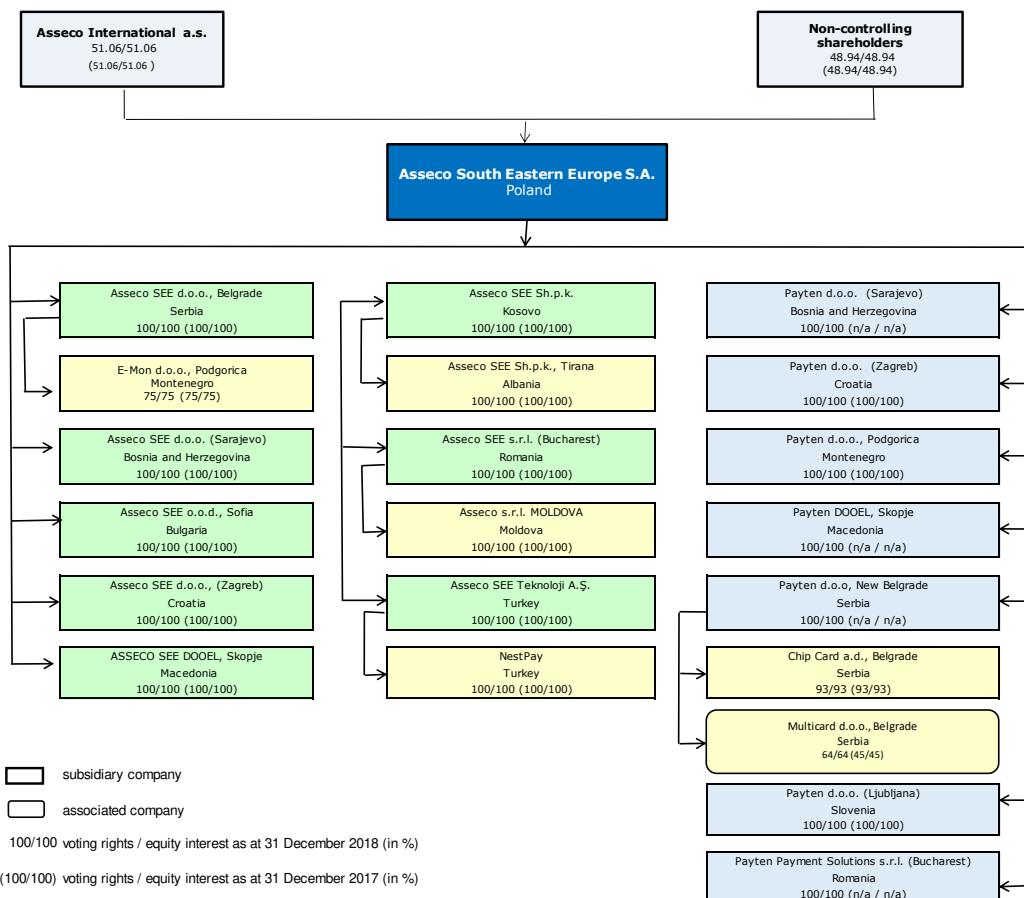
- ongoing controls undertaken at all the levels and organizational units of the Company as well as in its subsidiaries, which shall ensure compliance with guidelines issued by the Management Board and enable identification and appropriate response to any significant risks;
- efficient and reliable information 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 the Group companies;
- 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.

16. MAJOR CAPITAL INVESTMENTS

Our capital investments have been described in items 4 and 5 of this Management Report on Operations of ASEE Company and Group.



18. RELATED PARTY TRANSACTIONS

During 2018, 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 2018 has been presented in explanatory note 30 to the annual consolidated financial statements of ASEE Group as well as in explanatory note 25 to the annual financial statements of ASEE S.A.

19. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT

During the year ended 31 December 2018, 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.

20. AGREEMENTS FOR BANK LOANS AND BORROWINGS

Information on liabilities of ASEE Group under bank loans and borrowings outstanding as at 31 December 2018 and 31 December 2018 has been presented in explanatory note 21 to the annual consolidated financial statements of the Group for the year 2018 as well as in explanatory note 20 to the annual financial statements of ASEE S.A.

21. LOANS GRANTED DURING THE FINANCIAL YEAR

During the year ended 31 December 2018, the Parent Company granted loans to its subsidiaries. Basic information on these loans is presented in the table below:

Name of entity	31 Dec. 2018	Effective interest rate %	Currency	Repayment date
PLN'000				
Payten B&H	430	3M EURIBOR + margin	EUR	2019-07-02
Payten B&H	3,037	3M EURIBOR + margin	EUR	2020-12-31
	3,467			

As at 31 December 2018, the amounts outstanding under loans granted in previous years were as follows:

Name of entity	31 Dec. 2018	Effective interest rate %	Currency	Repayment date
PLN'000				
ASEE Bulgaria	597	3M EURIBOR + margin	EUR	2019-07-15
Payten Slovenia	430	1M EURIBOR + margin	EUR	2020-12-19
Payten Slovenia	776	1M EURIBOR + margin	EUR	2020-12-19
Payten, Croatia	1,057	1M EURIBOR + margin	EUR	2020-12-19
Payten Slovenia	346	1M EURIBOR + margin	EUR	2020-12-19
Payten, Croatia	487	1M EURIBOR + margin	EUR	2020-12-19
Payten, Croatia	559	1M EURIBOR + margin	EUR	2020-12-14
ASEE Serbia	354	3M EURIBOR + margin	EUR	2019-03-31
Payten, Croatia	1,097	1M EURIBOR + margin	EUR	2020-12-14
ASEE Bulgaria	258	3M EURIBOR + margin	EUR	2019-05-30
Payten Serbia	89	3M EURIBOR + margin	EUR	2019-03-31
Payten Serbia	262	3M EURIBOR + margin	EUR	2019-03-31
ASEE B&H	876	3M EURIBOR + margin	EUR	2024-09-13
Payten, Croatia	4,997	1M EURIBOR + margin	EUR	2021-08-25
Payten, Croatia	3,240	1M EURIBOR + margin	EUR	2022-03-25
	15,425			

As at 31 December 2018, we recognized an allowance for loans granted to ASEE Bulgaria in the amount of PLN 774 thousand. Such allowance was made due to the recognition of an impairment loss on our investment in that company in 2017, and assessment of its ability to repay these loans.

Moreover, the Parent Company granted a loan to an unrelated entity which amounted to PLN 91 thousand as at the end of the reporting period. The borrower is a foreign company that cooperates with ASEE Group in the sale of our software solutions outside the region of South Eastern Europe.

22. SURETIES AND GUARANTIES

During the year ended 31 December 2018, the Parent Company did not issue any new guarantees/sureties for its subsidiaries.

Our off-balance-sheet liabilities arising from sureties and guarantees issued by ASEE Group have been described in explanatory note 27 to the annual consolidated financial statements of ASEE Group for the year 2018 as well as in explanatory note 24 to the annual financial statements of ASEE for the year 2018.

23. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES

During the reporting period ended 31 December 2018, we did not issue any new shares.

24. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUS FINANCIAL FORECASTS FOR THE YEAR

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

25. FEASIBILITY OF INVESTMENT PLANS

Referring to our business strategy described in item 6 above, the Group's investment plans include both capital 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.

26. CHANGES IN THE POLICIES OF COMPANY AND GROUP MANAGEMENT

Changes in the Group's management policies, which were introduced in 2018, and further plans concerning the direction of such changes have been described in item 6 of this report.

27. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND ITS MANAGEMENT AND SUPERVISORY PERSONNEL

ASEE S.A. did not sign any agreements of such nature.

28. MONITORING OF EMPLOYEE STOCK OPTION PLANS

On 23 June 2017, Asseco 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 28 to the annual consolidated financial statements of the Group for the year 2018.

29. 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 32 to the annual consolidated financial statements of ASEE Group for the year 2018 as well as in explanatory note 27 to the annual financial statements of ASEE S.A.

30. SHAREHOLDERS STRUCTURE

To the best knowledge of the Management Board of Asseco South Eastern Europe S.A., the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the Company's General Meeting of Shareholders were as follows:

As at 20 February 2019 and 31 December 2018

Name of shareholder	Number of shares and votes held at GMS	Equity interest and percentage of total voting rights at GMS
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%
	51,894,251	100.00%

As at 31 December 2018, 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.

As at 31 December 2017

Name of shareholder	Number of shares and votes held at GMS	Equity interest and percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,809,000	16.97%
Other shareholders	16,590,575	31.97%
	51,894,251	100.00%

Both as at 31 December 2018 and 31 December 2017, the share capital of ASEE S.A. amounted to PLN 518,942,510 and was divided into 51,894,251

ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

31. SHARES HELD BY MANAGEMENT AND SUPERVISORY PERSONNEL

Changes in the numbers of Asseco South Eastern Europe shares held by the Company's management and supervisory staff:

Supervisory Board		Number of shares held as at			
Members		20 Feb. 2019	31 Dec. 2018	24 Oct. 2019	31 Dec. 2017
Józef Klein		-	-	-	-
Adam Góral		-	-	-	-
Jacek Duch		-	-	-	-
Artur Kucharski		-	-	-	-
Adam Pawłowicz		-	-	-	-

Management Board		Number of shares held as at			
Members		20 Feb. 2019	31 Dec. 2018	24 Oct. 2019	31 Dec. 2017
Piotr Jeleński		967,492	967,492	967,492	967,492
Miljan Mališ ¹⁾		300,000	300,000	300,000	300,000
Miodrag Mirčetić ²⁾		275,482	275,482	275,482	275,482
Marcin Rulnicki		30,000	30,000	30,000	30,000

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. Both as at 31 December 2018 and 20 February 2019, Mini Invest d.o.o. held 300,000 shares in ASEE S.A.

2) Miodrag Mirčetić, Member of the Management Board of ASEE S.A., is a shareholder in the company I4 INVENTION d.o.o. which in turn is a shareholder in ASEE S.A. Both as at 31 December 2018 and 20 February 2019, I4 INVENTION d.o.o. held 275,482 shares in ASEE S.A.

32. AGREEMENTS WHICH MAY RESULT IN CHANGES OF THE EQUITY INTERESTS HELD

According to the best knowledge of the Management Board of Asseco South Eastern Europe S.A., there are no agreements under which the equity interests held by the Company's existing shareholders would change in the future.

Information concerning any restrictions on sale of shares, which may result in changes of the equity interests held by existing shareholders, is presented in item 7 of the Asseco South Eastern Europe's Declaration of compliance with the corporate governance standards.

33. AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The agreement with the entity authorized to audit financial statements, namely Deloitte Audit 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 2018 was signed on 9 May 2018.

34. REMUNERATION PAID OR PAYABLE TO 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 33 to the annual consolidated financial statements of ASEE Group for the year 2018.

35. SIGNIFICANT OFF-BALANCE-SHEET ITEMS

Significant off-balance-sheet items have been described in explanatory note 27 to the annual consolidated financial statements of ASEE Group for the year 2018 as well as in explanatory note 24 to the annual financial statements of ASEE for the year 2018.

36. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASSECO SOUTH EASTERN EUROPE S.A. OR ITS SUBSIDIARIES

As at 31 December 2018, ASEE Romania has been party to legal proceedings brought by Romsys S.R.L. that demands ASEE Romania to pay compensation in the amount of EUR 1,226 thousand in order to compensate for their losses so far incurred due to allegedly unfair competition. On 28 February 2018, the first instance court dismissed the claim made by Romsys S.R.L. This judgment is not legally binding and the counterparty has the right to appeal against it. The Management of ASEE Romania, after seeking legal opinion, believes it is unlikely that the company will incur any significant losses in connection with this case. In line with the Management's standpoint, ASEE Romania created a provision for the costs of court proceedings only.

ASEE Croatia is party to legal proceedings brought by eSanctuary SAGL that demands ASEE Croatia to pay compensation in the amount of EUR 306 thousand for commissions on contracts executed by ASEE Croatia in the Italian market. Until 2016, the parties were bound by the Partner and Reseller Agreement which was terminated by ASEE Croatia. The court hearing in this case was scheduled for 11 February 2019. Concurrently, the parties to this dispute hold conciliatory talks. At the current stage of proceedings, the Management of ASEE Croatia believes it is unlikely that the company will incur any significant losses in connection with this case.

During the reporting period, no other proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of Asseco South Eastern Europe S.A. or its subsidiaries, whose aggregate value would equal or exceed 10% of the Company's equity.

37. INFORMATION ON THE ISSUER

Information on the issuer as required under § 71 sect. 5 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 (Journal of Laws of 2018, item 757) is included in the declaration of compliance with the corporate governance standards which has been published along with the annual report of ASEE S.A. on 20 February 2019.

38. DECLARATION ON NON-FINANCIAL INFORMATION

The declaration 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.

**Signatures of all Members of the Management Board of Asseco South Eastern Europe S.A. under
the Management Report on Operations of Asseco South Eastern Europe Company and Group for the
year ended 31 December 2018**

MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.:

Piotr Jeleński

President
of the Management Board

Miljan Mališ

Member of the Management Board

Miodrag Mirčetić

Member of the Management Board

Marcin Rulnicki

Member of the Management Board

Rzeszów, 20 February 2019

DECLARATIONS MADE BY THE MANAGEMENT BOARD OF ASEE S.A.

Pursuant to the requirements under the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities, the Management Board of Asseco South Eastern Europe S.A. hereby declares that:

- to the best of its knowledge, the financial statements of Asseco South Eastern Europe S.A. and the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2018, as well as the comparable data contained therein, have been prepared in compliance with the International Financial Reporting Standards as endorsed by the European Union, issued and effective as at the date of preparation of these financial statements, and furthermore the presented data give a true, reliable and fair view of the assets, financial position and financial results of the Company and the Group of Asseco South Eastern Europe. The report on operations of Asseco South Eastern Europe Company and Group provides a fair description of the development, achievements and financial position of the Company and the Group of Asseco South Eastern Europe, inclusive of major risks and threats to their operations.

MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.

Piotr Jeleński
President
of the Management Board

Milan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki Member of the Management Board

Rzeszów, 20 February 2019