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**REPORT OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2016**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2016**

Rzeszów, 21 October 2016

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2016**

These interim condensed consolidated financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A.

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

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE GROUP

	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Sales revenues	391,210	347,487	89,547	83,560
II. Operating profit	36,453	38,691	8,344	9,304
III. Pre-tax profit	36,538	38,439	8,363	9,243
IV. Net profit for the reporting period	31,256	32,414	7,154	7,795
V. Net profit attributable to Shareholders of the Parent Company	31,292	32,492	7,163	7,813
VI. Net cash provided by (used in) operating activities	24,056	44,896	5,506	10,796
VII. Net cash provided by (used in) investing activities	(27,466)	(36,949)	(6,287)	(8,885)
VIII. Net cash provided by (used in) financing activities	(25,036)	(22,645)	(5,731)	(5,445)
IX. Cash and short-term deposits	73,670	72,709	17,085	17,154
Net profit for the reporting period				
X. Basic earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	0.60	0.63	0.14	0.15
XI. Diluted earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	0.60	0.63	0.14	0.15

The financial highlights disclosed in these interim condensed consolidated financial statements were translated into euros (EUR) in the following way:

- items of the interim condensed consolidated income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - for the period from 1 January 2016 to 30 September 2016: EUR 1 = PLN 4.3688
 - for the period from 1 January 2015 to 30 September 2015: EUR 1 = PLN 4.1585
- the Group's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 30 September 2016: EUR 1 = PLN 4.3120
 - exchange rate effective on 30 September 2015: EUR 1 = PLN 4.2386

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Sales revenues	<u>1</u>	131,172	391,210	127,087	347,487
Cost of sales (-)	<u>2</u>	(100,249)	(298,493)	(92,870)	(255,199)
Gross profit on sales		30,923	92,717	34,217	92,288
Selling costs (-)	<u>2</u>	(8,652)	(27,966)	(10,025)	(27,634)
General and administrative expenses (-)	<u>2</u>	(9,992)	(29,578)	(9,787)	(27,506)
Net profit on sales		12,279	35,173	14,405	37,148
Other operating income		306	1,324	185	2,075
Other operating expenses (-)		(243)	(502)	(115)	(853)
Share of profits of associates (+/-)		150	458	192	321
Operating profit		12,492	36,453	14,667	38,691
Financial income	<u>3</u>	728	2,060	821	2,984
Financial expenses (-)	<u>3</u>	(661)	(1,975)	(1,141)	(3,236)
Pre-tax profit		12,559	36,538	14,347	38,439
Corporate income tax (current and deferred tax expense)		(1,642)	(5,282)	(1,688)	(6,025)
Net profit for the reporting period		10,917	31,256	12,659	32,414
Attributable to:					
Shareholders of the Parent Company		10,916	31,292	12,714	32,492
Non-controlling interests		1	(36)	(55)	(78)

Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN):

Basic consolidated earnings per share for the reporting period	<u>4</u>	0.21	0.60	0.24	0.63
Diluted consolidated earnings per share for the reporting period	<u>4</u>	0.21	0.60	0.24	0.63

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Net profit for the reporting period		10,917	31,256	12,659	32,414
Other comprehensive income, of which:		(18,314)	4,778	1,539	(13,285)
Components that may be reclassified to profit or loss		(18,314)	4,778	1,539	(13,285)
Exchange differences on translation of foreign operations		(18,314)	4,778	1,539	(13,285)
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		(7,397)	36,034	14,198	19,129
Attributable to:					
Shareholders of the Parent Company		(7,358)	36,112	14,254	19,204
Non-controlling interests		(39)	(78)	(56)	(75)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 Sept.	30 June	31 Dec.	30 Sept.
		2016	2016	2015	2015
		(unaudited)	(unaudited)	(audited)	(unaudited)
Non-current assets		629,594	644,060	614,876	607,481
Property, plant and equipment	6	96,201	94,669	86,369	79,621
Investment property		1,138	1,183	1,160	1,171
Intangible assets	6	32,555	35,615	33,566	32,148
Goodwill	7	494,907	507,665	489,600	489,652
Investments accounted for using the equity method		1,170	1,413	1,028	1,367
Long-term financial assets	9	149	97	177	226
Long-term receivables		378	387	607	701
Deferred tax assets		2,505	2,414	1,864	2,062
Long-term prepayments and accrued income	11	591	617	505	533
Current assets		238,420	261,245	235,154	215,080
Inventories		29,467	29,568	15,506	22,924
Prepayments and accrued income	11	12,485	12,823	12,234	10,167
Trade receivables	8	88,429	88,483	83,683	72,131
Income tax receivable		1,247	909	91	1,279
Other receivables from the state and local budgets		1,579	1,117	904	1,598
Receivables arising from valuation of IT contracts		23,633	22,942	15,951	20,696
Other receivables	8	3,466	3,004	2,997	3,677
Short-term financial assets	9	4,444	12,265	2,713	9,899
Cash and short-term deposits	10	73,670	90,134	101,075	72,709
TOTAL ASSETS		868,014	905,305	850,030	822,561

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Note	30 Sept.	30 June	31 Dec.	30 Sept.
		2016	2016	2015	2015
		(unaudited)	(unaudited)	(audited)	(unaudited)
Equity (attributable to shareholders of the Parent Company)		703,578	710,976	689,309	677,452
Share capital		518,942	518,942	518,942	518,942
Share premium		38,825	38,825	38,825	38,825
Exchange differences on translation of foreign operations		(74,254)	(55,980)	(79,074)	(79,843)
Retained earnings and current net profit		220,065	209,189	210,616	199,528
Non-controlling interests		2,099	3,594	-	-
Total equity		705,677	714,570	689,309	677,452
Non-current liabilities		27,165	24,648	29,376	28,950
Interest-bearing bank loans and borrowings	13	22,018	19,283	24,849	23,929
Deferred tax liabilities		1,236	1,116	684	1,719
Long-term provisions		1,118	1,236	1,156	1,221
Long-term financial liabilities	12	2,153	2,307	2,023	1,502
Long-term deferred income	15	640	706	664	579
Current liabilities		135,172	166,087	131,345	116,159
Interest-bearing bank loans and borrowings	13	24,728	23,434	20,480	17,974
Trade payables	14	48,925	57,452	47,001	43,624
Corporate income tax payable	14	1,110	786	1,032	1,546
Other liabilities to the state and local budgets	14	9,138	8,407	13,723	6,359
Current financial liabilities	12	924	22,605	750	897
Liabilities and provisions arising from valuation of IT contracts (-)		7,517	8,845	4,562	1,727
Other liabilities	14	9,948	11,383	15,348	10,001
Short-term provisions		1,019	914	1,520	2,210
Deferred income	15	11,771	13,414	12,532	12,132
Accruals	15	20,092	18,847	14,397	19,689
TOTAL LIABILITIES		162,337	190,735	160,721	145,109
TOTAL EQUITY AND LIABILITIES		868,014	905,305	850,030	822,561

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 9 months ended 30 September 2016

	Share capital	Share premium	Exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2016	518,942	38,825	(79,074)	210,616	689,309	-	689,309
Net profit (loss) for the reporting period	-	-	-	31,292	31,292	(36)	31,256
Other comprehensive income	-	-	4,820	-	4,820	(42)	4,778
Total comprehensive income for the reporting period	-	-	4,820	31,292	36,112	(78)	36,034
Changes in the Group structure, of which:							
<i>Acquisition of shares in a subsidiary</i>	-	-	-	-	-	4,320	4,320
<i>Acquisition of non-controlling interests</i>	-	-	-	(47)	(47)	(2,143)	(2,190)
Dividend	-	-	-	(21,796)	(21,796)	-	(21,796)
As at 30 September 2016 <i>(unaudited)</i>	518,942	38,825	(74,254)	220,065	703,578	2,099	705,677

for the period of 9 months ended 30 September 2015

	Share capital	Share premium	Exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2015	518,942	38,825	(66,555)	187,794	679,006	162	679,168
Net profit (loss) for the reporting period	-	-	-	32,492	32,492	(78)	32,414
Other comprehensive income	-	-	(13,288)	-	(13,288)	3	(13,285)
Total comprehensive income for the reporting period	-	-	(13,288)	32,492	19,204	(75)	19,129
Dividend	-	-	-	(20,758)	(20,758)	(87)	(20,845)
As at 30 September 2015 <i>(unaudited)</i>	518,942	38,825	(79,843)	199,528	677,452	-	677,452

for the period of 12 months ended 31 December 2015

	Share capital	Share premium	Exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2015	518,942	38,825	(66,555)	187,794	679,006	162	679,168
Net profit (loss) for the reporting period	-	-	-	43,580	43,580	(78)	43,502
Other comprehensive income	-	-	(12,519)	-	(12,519)	3	(12,516)
Total comprehensive income for the reporting period	-	-	(12,519)	43,580	31,061	(75)	30,986
Dividend	-	-	-	(20,758)	(20,758)	(87)	(20,845)
As at 31 December 2015 <i>(audited)</i>	518,942	38,825	(79,074)	210,616	689,309	-	689,309

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9 months ended 30 September 2016 (unaudited)	9 months ended 30 September 2015 (unaudited)
Cash flows – operating activities			
Pre-tax profit		36,538	38,439
Total adjustments:			
Depreciation and amortization		27,237	21,961
Change in inventories		(18,310)	(7,810)
Change in receivables		(12,348)	12,535
Change in liabilities, accruals and provisions		(2,345)	(17,209)
Interest income and expenses		844	205
Gain (loss) on foreign exchange differences		(105)	1,771
Gain (loss) on investing activities		(873)	1,231
Other		(88)	(52)
Net cash generated from operating activities		30,550	51,071
Corporate income tax paid		(6,494)	(6,175)
Net cash provided by (used in) operating activities		24,056	44,896
Cash flows – investing activities			
Disposal of property, plant and equipment and intangible assets		1,140	949
Acquisition of property, plant and equipment and intangible assets		(20,610)	(26,412)
Expenditures for development projects		(2,853)	(3,831)
Acquisition of subsidiaries		(3,539)	(1,668)
Acquisition of financial instruments carried at fair value through profit or loss		(14,888)	(9,648)
Disposal of financial assets carried at fair value through profit or loss		12,998	-
Bank deposits withdrawn		-	12,352
Bank deposits made		-	(9,800)
Loans collected		55	7
Loans granted		(137)	(337)
Interest received		366	893
Dividends received		2	550
Other		-	(4)
Net cash provided by (used in) investing activities		(27,466)	(36,949)

	Note	9 months ended 30 September 2016 (unaudited)	9 months ended 30 September 2015 (unaudited)
Cash flows – financing activities			
Proceeds from (repayments of) short-term bank loans and borrowings		599	859
Proceeds from other bank loans and borrowings		12,305	10,654
Repayments of other bank loans and borrowings		(12,228)	(11,710)
Finance lease liabilities paid		(755)	(464)
Dividends paid out to shareholders of the Parent Company		(21,796)	(20,757)
Expenditures for the acquisition of non-controlling interests		(2,191)	-
Dividends paid out to non-controlling interests		-	(87)
Interest paid		(970)	(1,140)
Net cash provided by (used in) financing activities		(25,036)	(22,645)
Net increase/(decrease) in cash and cash equivalents		(28,446)	(14,698)
Net foreign exchange differences		656	(1,904)
Cash and cash equivalents as at 1 January		99,868	88,117
Cash and cash equivalents as at 30 September	10	72,078	71,515

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

I. GENERAL INFORMATION

Asseco South Eastern Europe Group (the "Group", "ASEE Group", "ASEE") is a group of companies, the Parent Company of which in Asseco South Eastern Europe S.A. (the "Parent Company", "ASEE S.A.", "Company", "Issuer") seated at 14 Olchowa St., Rzeszów, Poland.

The Parent Company Asseco South Eastern Europe S.A. was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

ASEE S.A. is the parent of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

Asseco South Eastern Europe 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 and online payment settlement systems, while it also delivers and performs maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware. The Group conducts business operations in the markets of Poland, South Eastern Europe, and Turkey.

The Group's business profile and product portfolio have been described in detail in its financial statements for the year 2015 which are available at the Issuer's website: www.asseco.com/see.

These interim condensed consolidated financial statements cover the interim period ended 30 September 2016 and contain comparable data for the interim period ended 30 September 2015 in the case of the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, as well as comparable data as at 30 June 2016, 31 December 2015 and 30 September 2015 in the case of the statement of financial position.

The Group draws up its financial statements in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

These interim consolidated financial statements have been approved for publication by the Management Board of ASEE S.A. on 21 October 2016.

II. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A., as at 30 September 2016 as well as at the publication of this report, i.e. on 21 October 2016, the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	26,494,676	51.06%
Aviva Pension Fund	7,561,000	14.57%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,349,350	6.45%
Other shareholders	9,678,345	18.65%
	51,894,251	100.00%

As at 30 September 2016 and on the date of publication of these financial statements, the share capital of ASEE S.A. amounted to PLN 518,942,510 and it 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.

To the best knowledge of the Management Board of ASEE S.A., the Company's shareholders structure, as presented above, has remained unchanged both in period of 3 months ended 30 September 2016 and since the end of the reporting period till the publication of this report, this is till 21 October 2016.

III. COMPANY'S SHARES AND RIGHTS TO SHARES HELD BY ITS MANAGEMENT AND SUPERVISORY STAFF

Supervisory Board Members	Number of shares held as at			
	21 Oct. 2016	30 Sept. 2016	5 August 2016	31 Dec. 2015
Adam Góral ¹⁾	-	-	-	-
Jacek Duch ²⁾	-	-	-	-
Jan Dauman	-	-	-	-
Artur Kucharski ³⁾	-	-	-	n/a
Andrzej Mauberg ⁴⁾	n/a	n/a	n/a	-
Mihail Petreski ⁵⁾	-	-	-	-
Przemysław Sęczkowski	-	-	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	21 Oct. 2016	30 Sept. 2016	5 August 2016	31 Dec. 2015
Piotr Jeleński	550	550	550	550
Calin Barseti	-	-	-	-
Miljan Mališ ⁶⁾	-	-	-	-
Miodrag Mirčetić ⁷⁾	-	-	-	-
Marcin Rulnicki	-	-	-	-

¹⁾ Adam Góral, President of the Management Board of Asseco Poland S.A., serving as Chairman of the Supervisory Board of ASEE S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; as at 30 September 2016, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

²⁾ Jacek Duch, Chairman of the Supervisory Board of Asseco Poland S.A., serving as Member of the Supervisory Board of ASEE S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; as at 30 September 2016, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

³⁾ Artur Kucharski has been appointed as Member of the Supervisory Board of ASEE S.A. with effect from 31 March 2016.

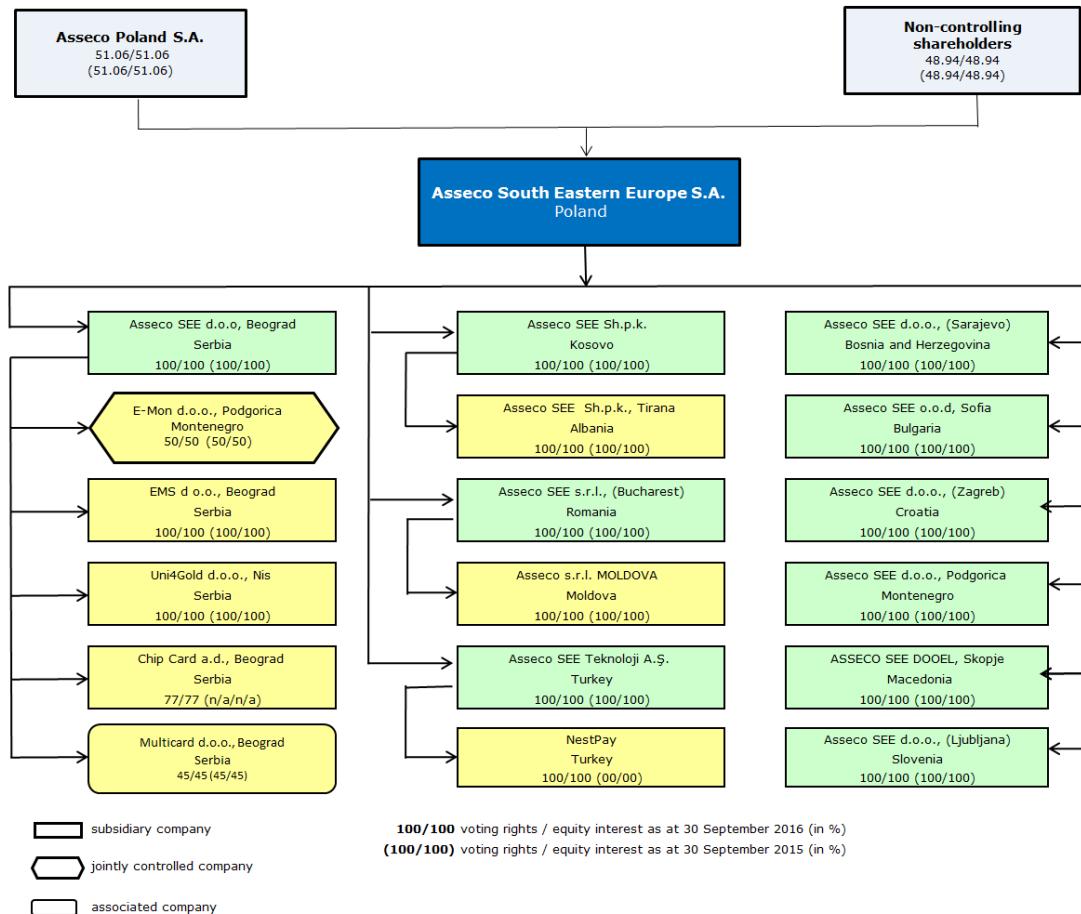
⁴⁾ Andrzej Mauberg resigned from the position of Member of the Supervisory Board of ASEE S.A. with effect from 26 February 2016.

⁵⁾ Mihail Petreski, Member of the Supervisory Board of ASEE S.A. and a shareholder in the company Liatris d.o.o. which in turn is a shareholder in ASEE S.A.; as at 30 September 2016, Liatris d.o.o. held 3,349,350 shares in ASEE S.A.

⁶⁾ Miljan Mališ, Member of the Management Board of ASEE S.A. and a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.; as at 30 September 2016, Mini Invest d.o.o. held 500,000 shares in ASEE S.A.

⁷⁾ Miodrag Mirčetić, Member of the Management Board of ASEE S.A. and a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.; as at 30 September 2016, I4-INVENTION d.o.o. held 1,032,212 shares in ASEE S.A.

IV. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP



The chart above presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners as at 30 September 2016.

The parent of Asseco South Eastern Europe S.A. is Asseco Poland S.A. (the higher-level parent company). As at 30 September 2016, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

Within the Group's organizational structure, E-Mon Montenegro is 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. Up until 30 September 2013, Multicard Serbia was treated as a subsidiary and subject to full consolidation.

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

Both as at 30 September 2016 and 31 December 2015, voting rights held by the Group in its subsidiaries were equivalent to the Group's equity interests in these entities.

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

Acquisition of Chip Card a.d. (Serbia)

On 14 March 2016, ASEE Serbia, a subsidiary of ASEE S.A., was registered as the owner of 136,121 shares, representing 53.81% of the share capital in Chip Card a.d. The control over that company was obtained on 1 April 2016. The purchase price of these shares amounted to EUR 1,171 thousand (PLN 5,126 thousand). In the statement of cash

flows, this amount has been presented in investing activities, net of cash held by the acquired company as at the acquisition date, i.e. after deducting EUR 368 thousand (PLN 1,587 thousand).

On 28 April 2016, ASEE Serbia acquired an additional 7.49% stake of shares in Chip Card for EUR 163 thousand. Whereas, on 5 July 2016, ASEE Serbia purchased a further 15.59% stake of shares for EUR 342 thousand, thereby increasing its shareholding in the acquired company to 76.89%. Expenditures for the acquisition of these non-controlling interests amounting in total to EUR 505 thousand (PLN 2,191 thousand) have been disclosed in the statement of cash flows in financing activities.

Chip Card is engaged in processing and authentication of payment transactions.

VI. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for the preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were prepared in accordance with the historical cost convention, except for derivative financial instruments and assets that are carried at fair value through profit or loss.

The presentation currency of these interim condensed consolidated financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN'000), unless stated otherwise.

These interim condensed consolidated financial statements were prepared on a going-concern basis, assuming the Group, Parent Company as well as its subsidiaries will continue their business activities in the foreseeable future.

Till the date of approving these financial statements, we have not observed any circumstances that would threaten the Company and the Group companies' ability to continue as going concerns for at least 12 months after the reporting period.

2. Compliance statement

These interim condensed consolidated financial statements have been prepared in conformity with the International Accounting Standard 34 Interim Financial Reporting as endorsed by the European Union ("IAS 34").

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The interim condensed consolidated financial statements include adjustments not

disclosed in the accounting books of the Group's entities which were introduced to adjust the financial statements of those entities to IFRS.

3. Significant accounting policies

The significant accounting policies adopted by ASEE Group have been described in its consolidated financial statements for the year ended 31 December 2015, which were published on 18 February 2016 and are available at the Issuer's website: www.asseco.com/see. These interim condensed consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and therefore they should be read together with the Group's consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the consolidated financial statements for the year ended 31 December 2015, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2016.

4. Functional currency and reporting currency

The functional currency applied by the Parent Company as well as the reporting currency used in these interim condensed consolidated financial statements is the Polish zloty (PLN).

Separate and consolidated financial statements of the Group companies are drawn up in the functional currencies of their primary business environments. The functional currencies of direct subsidiaries of ASEE S.A. include the Romanian leu (RON), Croatian kuna (HRK), Serbian dinar (RDS), Macedonian denar (MKD), euro (EUR), Turkish lira (TRY), Bulgarian lev (BGN), and Bosnia and Herzegovina convertible mark (BAM).

5. Professional judgement and changes in estimates

Preparation of consolidated financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements. Although the adopted assumptions and estimates have been based on the Group management's best knowledge on the current activities and occurrences, the actual results may differ from those anticipated. The main areas which, in the process of applying accounting policies, were largely subject to the management's professional judgement remained unchanged as compared with their description presented in the annual financial statements for the year 2015.

6. Seasonal nature of business

The Group's business operations are subject to seasonality, which involves revenue fluctuations in individual quarters of the year. Because the bulk of sales revenues are generated from IT services contracts executed for large companies and public institutions, turnovers recorded in the fourth quarter tend to be higher than in the remaining periods.

VII. INFORMATION ON OPERATING SEGMENTS

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

- a) Banking Solutions,
- b) Payment Solutions,
- c) Systems Integration.

Banking Solutions

This segment deals with integrated banking systems based on the Oracle and Microsoft platforms, including primarily core banking systems.

As part of integrated systems, we also offer the Digital Edge omnichannel solutions dedicated to support various bank access channels, payment systems, mandatory reporting and management information systems, as well as risk management and anti-fraud systems.

This segment also provides systems enabling secure authentication of bank clients or IT system users, as well as e-banking solutions available on mobile phones. These solutions are marketed as an integral part of the core and multi-channel banking systems offered by the Group companies, or separately for the purpose of being integrated with legacy IT solutions or third-party software already utilized by banks. Our offering features the authentication technologies that make use of mobile tokens, SMS, PKI (Public Key Infrastructure) / chip cards (smartcards) acting as electronic signature devices. Our mobile banking system and a variety of e-commerce solutions are state-of-the-art products providing access to banking services over the Internet from mobile phones.

Such phenomenon occurs for the reason that the above-mentioned entities close their annual budgets for implementation of IT projects and carry out investment purchases of hardware and licenses usually in the last quarter.

7. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any misstatements.

Payment Solutions

Products and services offered by this segment are dedicated both to payment organizations and financial institutions, as well as directly to retail merchants.

This segment is engaged in the sale and maintenance of ATMs and POS terminals as well as in the provision of related support services. ATMs and POS terminals are also offered by the Group in the outsourcing model, which allows customers to just rent the equipment from ASEE and take advantage of our maintenance and infrastructure management services.

This operating segment also provides IT systems for the settlement of internet credit card payments as well as for fast and direct online money transfers. ASEE Group offers these systems based on its proprietary IT solutions - a group of software products developed on the NestPay® platform. These solutions are offered either in the form of outsourcing or on-premise implementation of software.

In 2016, the segment's services portfolio has been supplemented with processing and settlement of transactions conducted at POS terminals.

Systems Integration

This segment is engaged in the development of customized IT systems, integration of third-party software and elements of infrastructure, as well as in the sale and installation of hardware solutions. Furthermore, the Systems Integration segment includes the presentation of sales of a number of the Group's proprietary solutions. Among such solutions are BPS (content management solution), *call/contact center* systems, CRM LIVE platform, as well as Fidelity (asset lifecycle management solution). Furthermore, the product portfolio of the Systems Integration segment includes LeaseFlex, a fully-fledged lease product and asset lifecycle management solution.

The Group's business profile and product portfolio have been described in detail in its financial statements for the year 2015.

For the period of 9 months ended 30 September 2016 in thousands of PLN (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Total Banking Business (I-II)	Systems Integration (III)	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	113,267	147,369	260,636	153,153	7,247	(29,826)	391,210
Sales to external customers	98,121	142,893	241,014	150,196	-	-	391,210
Inter/intra segment sales	15,146	4,476	19,622	2,957	7,247	(29,826)	-
Gross profit on sales	26,587	42,043	68,630	24,087	-	-	92,717
Selling costs (-)	(7,352)	(8,397)	(15,749)	(12,217)	-	-	(27,966)
General and administrative expenses (-)	(10,678)	(10,965)	(21,643)	(7,935)	-	-	(29,578)
Net profit on sales	8,557	22,681	31,238	3,935	-	-	35,173
Goodwill	197,615	110,474	308,089	186,818	-	-	494,907

For the period of 9 months ended 30 September 2016 in thousands of EUR (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Total Banking Business (I-II)	Systems Integration (III)	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	25,927	33,733	59,660	35,056	1,659	(6,828)	89,547
Sales to external customers	22,460	32,708	55,168	34,379	-	-	89,547
Inter/intra segment sales	3,467	1,025	4,492	677	1,659	(6,828)	-
Gross profit on sales	6,086	9,624	15,710	5,513	-	-	21,223
Selling costs (-)	(1,683)	(1,922)	(3,605)	(2,796)	-	-	(6,401)
General and administrative expenses (-)	(2,444)	(2,510)	(4,954)	(1,817)	-	-	(6,771)
Net profit on sales	1,959	5,192	7,151	900	-	-	8,051

The above figures have been converted at the average exchange rate for the period from 1 January 2016 to 30 September 2016: EUR 1 = PLN 4.3688

For the period of 9 months ended 30 September 2015 in thousands of PLN (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Total Banking Business (I-II)	Systems Integration (III)	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	111,946	123,283	235,229	133,169	6,849	(27,760)	347,487
Sales to external customers	96,195	119,956	216,151	131,336	-	-	347,487
Inter/intra segment sales	15,751	3,327	19,078	1,833	6,849	(27,760)	-
Gross profit on sales	31,216	37,683	68,899	23,389	-	-	92,288
Selling costs (-)	(8,208)	(7,353)	(15,561)	(12,073)	-	-	(27,634)
General and administrative expenses (-)	(9,884)	(9,081)	(18,965)	(8,541)	-	-	(27,506)
Net profit on sales	13,124	21,249	34,373	2,775	-	-	37,148
Goodwill	196,124	109,920	306,044	183,608	-	-	489,652

For the period of 9 months ended 30 September 2015 in thousands of EUR (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Total Banking Business (I-II)	Systems Integration (III)	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	26,920	29,646	56,566	32,023	1,647	(6,676)	83,560
Sales to external customers	23,132	28,846	51,978	31,582	-	-	83,560
Inter/intra segment sales	3,788	800	4,588	441	1,647	(6,676)	-
Gross profit on sales	7,506	9,062	16,568	5,624	-	-	22,192
Selling costs (-)	(1,974)	(1,768)	(3,742)	(2,903)	-	-	(6,645)
General and administrative expenses (-)	(2,377)	(2,183)	(4,560)	(2,054)	-	-	(6,614)
Net profit on sales	3,155	5,111	8,266	667	-	-	8,933

The above figures have been converted at the average exchange rate for the period from 1 January 2015 to 30 September 2015: EUR 1 = PLN 4.1585

VIII. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 9 months ended 30 September 2016 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	1,572	12,467	3,376	61,830	7,217	8,401	39,038	4,952	78,855	117,473	12,272	43,757	391,210
Cost of sales (-)	(1,216)	(8,301)	(2,250)	(48,526)	(4,875)	(6,664)	(26,131)	(3,148)	(67,031)	(91,624)	(9,445)	(29,282)	(298,493)
Gross profit on sales	356	4,166	1,126	13,304	2,342	1,737	12,907	1,804	11,824	25,849	2,827	14,475	92,717
Selling costs (-)	(39)	(492)	(251)	(4,777)	(126)	(351)	(2,531)	(755)	(5,476)	(8,240)	(202)	(4,726)	(27,966)
General and administrative expenses (-)	(205)	(1,415)	(722)	(5,488)	(496)	(781)	(2,342)	(129)	(4,537)	(6,956)	(760)	(5,747)	(29,578)
Net profit/(loss) on sales	112	2,259	153	3,039	1,720	605	8,034	920	1,811	10,653	1,865	4,002	35,173
Other operating income	-	13	39	62	35	18	386	58	101	120	-	492	1,324
Other operating expenses	(4)	-	(49)	(7)	4	(18)	(174)	(2)	(1)	(221)	-	(30)	(502)
Share of profits of associates	-	-	-	-	458	-	-	-	-	-	-	-	458
Operating profit/(loss)	108	2,272	143	3,094	2,217	605	8,246	976	1,911	10,552	1,865	4,464	36,453
For the period of 9 months ended 30 September 2015 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	1,719	11,231	3,873	57,160	6,280	10,878	37,065	6,018	66,411	97,906	9,491	39,455	347,487
Cost of sales (-)	(1,246)	(7,574)	(3,591)	(44,681)	(3,959)	(8,421)	(24,508)	(3,080)	(54,973)	(71,579)	(6,881)	(24,706)	(255,199)
Gross profit on sales	473	3,657	282	12,479	2,321	2,457	12,557	2,938	11,438	26,327	2,610	14,749	92,288
Selling costs (-)	(89)	(661)	(226)	(4,776)	(647)	(461)	(2,458)	(1,081)	(5,545)	(8,426)	(123)	(3,141)	(27,634)
General and administrative expenses (-)	(137)	(1,038)	(537)	(5,051)	(459)	(704)	(2,163)	(501)	(4,132)	(5,858)	(737)	(6,189)	(27,506)
Net profit/(loss) on sales	247	1,958	(481)	2,652	1,215	1,292	7,936	1,356	1,761	12,043	1,750	5,419	37,148
Other operating income	-	32	127	73	4	48	210	919	122	3	-	537	2,075
Other operating expenses	-	-	(21)	(49)	(8)	(8)	(79)	(324)	(15)	(293)	-	(56)	(853)
Share of profits of associates	-	-	-	-	426	-	-	-	-	(105)	-	-	321
Operating profit/(loss)	247	1,990	(375)	2,676	1,637	1,332	8,067	1,951	1,868	11,648	1,750	5,900	38,691
For the period of 9 months ended 30 September 2016 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	360	2,854	773	14,153	1,652	1,923	8,936	1,133	18,050	26,889	2,809	10,015	89,547
Cost of sales (-)	(278)	(1,900)	(515)	(11,107)	(1,116)	(1,525)	(5,981)	(721)	(15,343)	(20,972)	(2,162)	(6,704)	(68,324)
Gross profit on sales	82	954	258	3,046	536	398	2,955	412	2,707	5,917	647	3,311	21,223
Selling costs (-)	(9)	(113)	(57)	(1,093)	(29)	(80)	(579)	(173)	(1,253)	(1,886)	(46)	(1,083)	(6,401)
General and administrative expenses (-)	(47)	(324)	(165)	(1,256)	(114)	(179)	(536)	(30)	(1,039)	(1,592)	(174)	(1,315)	(6,771)
Net profit/(loss) on sales	26	517	36	697	393	139	1,840	209	415	2,439	427	913	8,051
Other operating income	-	3	9	14	8	4	88	13	23	27	-	114	303
Other operating expenses	(1)	-	(11)	(2)	1	(4)	(40)	-	-	(51)	-	(7)	(115)
Share of profits of associates	-	-	-	-	105	-	-	-	-	-	-	-	105
Operating profit/(loss)	25	520	34	709	507	139	1,888	222	438	2,415	427	1,020	8,344
For the period of 9 months ended 30 September 2015 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	413	2,701	931	13,745	1,510	2,616	8,913	1,447	15,970	23,544	2,282	9,488	83,560
Cost of sales (-)	(300)	(1,821)	(864)	(10,744)	(952)	(2,025)	(5,893)	(741)	(13,219)	(17,213)	(1,655)	(5,941)	(61,368)
Gross profit on sales	113	880	67	3,001	558	591	3,020	706	2,751	6,331	627	3,547	22,192
Selling costs (-)	(21)	(159)	(54)	(1,148)	(156)	(111)	(591)	(260)	(1,333)	(2,026)	(30)	(756)	(6,645)
General and administrative expenses (-)	(33)	(250)	(129)	(1,215)	(110)	(169)	(520)	(120)	(994)	(1,409)	(177)	(1,488)	(6,614)
Net profit/(loss) on sales	59	471	(116)	638	292	311	1,909	326	424	2,896	420	1,303	8,933
Other operating income	-	8	31	18	1	12	50	221	29	1	-	128	499
Other operating expenses	-	-	(5)	(12)	(2)	(2)	(19)	(78)	(4)	(70)	-	(13)	(205)
Share of profits of associates	-	-	-	-	102	-	-	-	-	(25)	-	-	77
Operating profit/(loss)	59	479	(90)	644	393	321	1,940	469	449	2,802	420	1,418	9,304

IX. SUMMARY AND ANALYSIS OF THE FINANCIAL RESULTS OF ASEE GROUP

	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	Change %	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	Change %
in thousands of PLN						
Sales revenues	131,172	127,087	3%	391,210	347,487	13%
Gross profit on sales	30,923	34,217	-10%	92,717	92,288	1%
Net profit on sales	12,279	14,405	-15%	35,173	37,148	-5%
Operating profit	12,492	14,667	-15%	36,453	38,691	-6%
EBITDA	21,904	22,466	-3%	63,690	60,652	5%
Net profit for the reporting period	10,917	12,659	-14%	31,256	32,414	-4%
Net profit attributable to Shareholders of the Parent Company	10,916	12,714	-14%	31,292	32,492	-4%
 in thousands of EUR						
Sales revenues	30,185	30,248	0%	89,547	83,560	7%
Gross profit on sales	7,115	8,145	-13%	21,222	22,192	-4%
Net profit on sales	2,825	3,431	-18%	8,051	8,933	-10%
Operating profit	2,874	3,493	-18%	8,344	9,304	-10%
EBITDA	5,039	5,348	-6%	14,578	14,585	0%
Net profit for the reporting period	2,511	3,016	-17%	7,154	7,795	-8%
Net profit attributable to Shareholders of the Parent Company	2,511	3,029	-17%	7,163	7,813	-8%

Financial results achieved by ASEE Group in the third quarter of 2016 were weaker than in the comparable period last year. The higher cost base arising mainly from the planned investments in production resources and sales force was not compensated by growth in sales revenues, causing a decrease at each level of our profits. ASEE Group's cumulative results for the three quarters of 2016 presented in euros show growth in sales revenues and a comparable level of EBITDA, nevertheless our operating profit and net profit for the first nine months of the year have both decreased.

Our Payment Solutions segment and Systems Integration segment both generated stronger operating results for the three quarters of 2016, however this was not enough to offset a decline in the operating profit of the Banking Solutions segment. The most important events that have affected the reported financial results are presented below.

Sales revenues

In the third quarter of 2016, sales revenues presented in Polish zlotys increased by PLN 4.1 million or 3%, while those expressed in euros remained at a similar level as in the comparable period of 2015. Despite ASEE Group's consolidated sales stated in euros have not changed substantially, some revenue fluctuations have been observed in our individual operating segments.

If compared to the previous year, lower revenues were generated by the Systems Integration segment (a decrease by EUR 1.77 million or 15%) as well as by the Banking Solutions segment (a decrease by EUR 1 million or 12%). Within the Systems Integration segment, the largest deterioration was observed in the sale of infrastructure in Romania where, due to the lack of significant projects in the third quarter of 2016, our revenues declined by more than EUR 2.4 million in relation to the comparable period last year. Whereas, lower sales of the Banking Solutions segment were primarily a consequence of weaker performance from our operations in Croatia (a decrease by EUR 0.6 million) and in Serbia (a decrease by EUR 0.3 million). On the other hand, revenues generated by our Payment Solutions segment reached EUR 12.8 million in the third quarter of 2016, reflecting an increase by EUR 2.7 million or 27%. Stronger revenues were achieved primarily from handling of physical payments, with the most dynamic increases recorded in Romania (by EUR 1.4 million) as well as in Croatia (by EUR 1.1 million). Additional revenues of EUR 0.65 million were generated by ChipCard, a company that was acquired by ASEE in March 2016.

Sales revenues by segments

in thousands of PLN	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	Change %	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	Change %
Banking Solutions	32,315	35,382	-9%	98,121	96,195	2%
Payment Solutions	55,738	42,556	31%	142,893	119,956	19%
Systems Integration	43,119	49,149	-12%	150,196	131,336	14%
	131,172	127,087	3%	391,210	347,487	13%
in thousands of EUR	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	Change %	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	Change %
Banking Solutions	7,438	8,422	-12%	22,460	23,132	-3%
Payment Solutions	12,812	10,124	27%	32,708	28,846	13%
Systems Integration	9,935	11,702	-15%	34,379	31,582	9%
	30,185	30,248	0%	89,547	83,560	7%

Total sales revenues of ASEE Group for the three quarters of 2016 reached PLN 391.2 million, increasing by PLN 43.7 million or 13% in comparison to the corresponding period last year. Whereas, revenues presented in euros equalled EUR 89.5 million, reflecting an increase by EUR 6 million or more than 7%.

Revenues of the Banking Solutions segment for the first nine months of 2016 amounted to EUR 22.5 million and were lower by EUR 0.7 million or 3% than in the comparable period last year. Our revenues decreased primarily in Croatia (by EUR 1 million) due to weaker sales of mobile devices, as well as in Kosovo (by EUR 0.2 million) where we implemented a new core banking system back in 2015. Weaker sales of our financial fraud prevention solutions caused a deterioration of the segment's revenues in Turkey (by EUR 0.2 million). At the same time, the Banking Solutions segment managed to generate higher revenues, among others, in Serbia (an increase by EUR 0.6 million) and in Macedonia (an increase by EUR 0.2 million).

During the interim period until 30 September 2016, sales generated by the Payment Solutions segment reached EUR 32.7 million, improving by EUR 4 million or 13% in relation to the comparable period last year. Higher revenues were achieved mainly from our physical payments business. In the first nine months of 2016, revenues from handling of physical payments increased most dynamically in Romania (by nearly EUR 1.9 million) where we signed new contracts for maintenance of POS terminals and moreover initiated to support ATMs. This segment recorded stronger sales also in Croatia (an increase by EUR 1.2 million) and in Slovenia (an increase by EUR 0.5 million) which were driven mainly by larger deliveries of infrastructure in the traditional model of maintenance of ATMs and POS terminals. It should be noted that the level of ASEE Group revenues in 2016 was also affected by the acquisition of ChipCard company whose operations are reported

within the Payment Solutions segment. ChipCard has been consolidated by ASEE since April 2016 and its revenues during the last six month period reached EUR 0.65 million.

The Systems Integration segment generated EUR 34.4 million in revenues for the first three quarters of 2016, achieving an increase of EUR 2.8 million or 9% in relation to the comparable period of 2015. Higher sales were recorded both in the segment's section engaged in the supply of infrastructure and integration services (an increase by EUR 1.4 million or 5%) as well as in the section offering ASEE's proprietary solutions (an increase by EUR 1.4 million or 27%). In the three quarters of 2016, the segment's revenues increased most considerably in Serbia, improving by EUR 2.8 million in comparison with the year-ago level.

Gross profit on sales

The above-mentioned growth in sales revenues by EUR 6 million was accompanied by an increase in the cost of sales by nearly EUR 7 million, as a result of which our gross profit on sales reached EUR 21.2 million, which is almost EUR 1 million or 4% less than in the first three quarters of 2015.

In the first nine months of 2016, our production costs amounted to EUR 34.2 million and were higher by almost EUR 3.2 or 10% than in the comparable period of the previous year. Furthermore, in the first three quarters of 2016, the cost of goods, materials and third-party services sold (COGS) increased by EUR 3.8 million or 13%. Such growth in the cost of goods, materials and third-party services sold resulted from higher sales of infrastructure and third-party software licenses by the Systems Integration segment, lower margins realized on such resale, as well as from additional subcontractor costs that were incurred on ongoing projects.

Net profit on sales

Our consolidated net profit on sales for the three quarters of 2016 dropped by EUR 882 thousand as a cumulative effect of a decrease in gross profit on sales by EUR 970 thousand, decrease in selling expenses by EUR 244 thousand or 4%, and an increase in general and administrative expenses by EUR 156 thousand or 2%. Our selling expenses stated in euros decreased in the wake of depreciation in the exchange rate of PLN vs. EUR in 2016, thus selling expenses presented in PLN and were slightly (by PLN 0.3 million) higher than in the comparable period last year.

Net profit on sales by segments

in thousands of PLN	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	Change	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	Change
	%	%				%
Banking Solutions	3,992	4,465	-11%	8,557	13,124	-35%
Payment Solutions	8,242	8,009	3%	22,681	21,249	7%
Systems Integration	45	1,931	-98%	3,935	2,775	42%
Net profit on sales	12,279	14,405	-15%	35,173	37,148	-5%
in thousands of EUR	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	Change	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	Change
	%	%				%
Banking Solutions	917	1,061	-14%	1,959	3,156	-38%
Payment Solutions	1,896	1,907	-1%	5,192	5,110	2%
Systems Integration	12	463	-97%	900	667	35%
Net profit on sales	2,825	3,431	-18%	8,051	8,933	-10%

Operating profit and EBITDA

Operating profit of ASEE Group for the first three quarters of 2016 reached EUR 8.3 million, decreasing by nearly EUR 1 million or 10% in relation to the comparable period last year. It should be noted that the Group's operating profit for the first three quarters of 2015 was favourably influenced by the reimbursement of excessive tax paid on civil law transactions by the holding company in the years 2008–2010. The net amount of reimbursed tax (after deducting the costs of legal proceedings) equalled EUR 144 thousand and was recognized in operating income.

Operating profit of the Banking Solutions segment for the first nine months of 2016 amounted to slightly more than EUR 1.9 million, declining by EUR 1.2 million or 38% in relation to the comparable period of 2015. Such deterioration in the segment's results was caused by the lack of new major implementation projects in the first months of this year as well as by the need to create provisions for additional costs of projects that are currently in progress. The largest declines were suffered in Serbia (by EUR 0.6 million) and in Turkey (by EUR 0.5 million).

Such deterioration of the consolidated net profit on sales of ASEE Group for the first nine months of 2016 is attributable to weaker results from the Banking Solutions segment (a decrease by EUR 1.2 million). This has been partially compensated by stronger results achieved by the Payment Solutions segment (an increase by EUR 0.1 million) and by the Systems Integration segment (an increase by EUR 0.2 million). The reasons behind such performance of individual segments have been described in the above section on sales revenues as well as in the below section discussing our operating profit.

Operating profit earned by the Payment Solutions segment in the first three quarters of 2016 reached EUR 5.2 million, increasing by EUR 0.1 million or 2% above the year-ago level. We achieved stronger results from handling of physical payments mainly in Romania where we signed a number of new contracts for maintenance of POS terminals. The segment's section responsible for the settlement of online payments generated an operating profit at a similar level as in the comparable period of 2015.

Despite a weaker third quarter, the Systems Integration segment managed to improve its cumulative results for the first nine months of 2016. The segment's operating profit for this period reached EUR 0.9 million, increasing by more than EUR 0.2 million or 35%. This improvement was achieved mainly by our business line engaged in the supply of infrastructure and integration services. New projects helped improve the segment's operating profit primarily in Turkey (by EUR 0.6 million) and Serbia (by EUR 0.4 million). At the same time, operating profit of this business line in Macedonia dropped by almost EUR 0.5 million.

Consolidated EBITDA for the first three quarters of 2016 reached EUR 14.6 million, remaining at a similar level as in the comparable period last year. Higher amounts of EBITDA generated by the Payment Solutions segment (an increase by EUR 1 million) and the Systems Integration segment (an increase by EUR 0.3 million) were offset by a decrease in the Banking Solutions segment by almost EUR 1.2 million. A further decline in EBITDA (by EUR 140 thousand) resulted from operations that have not been allocated to any of our operating segments. In the Payment Solutions segment, EBITDA increased faster than operating profit as a result of higher depreciation charges on equipment provided to our clients in the outsourcing model.

Net profit

Consolidated net profit of ASEE Group for the first three quarters of 2016 amounted to over EUR 7.1 million, yet it declined by EUR 640 thousand or 8% in relation to the comparable period last year.

The Group's net result on financial operations equalled EUR 19 thousand in the first three quarters of 2016, as compared with EUR -61 thousand in the corresponding period last year. This year ASEE Group incurred slightly lower interest expenses on its debt and achieved a considerably better result on foreign exchange differences, including the valuation of hedging instruments. Whereas, in 2015 ASEE earned a higher interest income on bank cash deposits. Yet it should be noted that in the first nine months of 2015, we recognized a one-off financial income of EUR 121 thousand of interest that was related to

the above-mentioned reimbursement of excessive tax paid on civil law transactions. If this amount was deducted, the Group would recognize a net financial expense of EUR 182 thousand for the first nine months of 2015, and consequently our result on financial operations for the comparable period of 2016 would be higher by EUR 201 thousand than a year ago.

In the first nine months of 2016, our income tax expense amounted to EUR 1.21 million (effective tax rate of 14.5%) as compared with EUR 1.45 million incurred in the previous year (effective tax rate of 15.7%). Income tax expense resulted from our current business operations conducted in individual countries as well as from income taxes on dividends received by the holding company from its subsidiaries. During the first three quarters of 2015, the holding company received dividends among others from Macedonia, Serbia, Kosovo as well as from Bosnia and Herzegovina amounting in total to EUR 3.9 million, which caused the obligation to pay withholding taxes and increased our effective tax rate. During the first nine months of 2016, the holding company received dividends only from its operations located in EU countries and Bosnia and Herzegovina amounting in total to EUR 0.2 million. The lack of significant dividend income from non-EU countries resulted in a decrease of our income tax expense in comparison to the previous year. Excluding taxes related to dividends, our effective tax rate for the first three quarters of 2016 remained at a similar level as a year ago.

Analysis of financial ratios

	3 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Gross profit margin	23.6%	26.9%	23.7%	26.6%
EBITDA margin	16.7%	17.7%	16.3%	17.5%
Operating profit margin	9.5%	11.5%	9.3%	11.1%
Net profit margin	8.3%	10.0%	8.0%	9.4%
Return on equity (ROE)			6.1%	6.9%
Return on assets (ROA)			5.0%	5.7%

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 attributable to Shareholders of the Parent Company

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

In the first three quarters of 2016, gross profit margin equalled 23.7%, decreasing by 2.9 percentage points in comparison to the comparable period of 2015. Our profitability at this level declined primarily as a result of a higher share of infrastructure and third-party solutions in the total sales of ASEE Group, as well as increased production costs incurred due to hiring new production employees and subcontractors for ongoing projects.

Such change in the revenue structure and increasing costs also affected our profitability at other levels; hence, EBITDA margin decreased from 17.5% in the first three quarters of 2015 to 16.3% in the comparable period of this year. At the same time, operating profit margin declined from 11.1% to 9.3%. Changes in the levels of our operating profit and margin have been explained in detail above.

As a consequence of lower income tax expense, our net profit margin dropped a bit less than operating profit margin and reached the level of 8% in the first three quarters of 2016.

Slightly weaker financial performance of ASEE Group during the period of 12 months ended 30 September 2016 was accompanied by an increase in the value of equity and total assets; hence our ROA and ROE ratios have both dropped. Return on equity for the trailing 12 months ended 30 September 2016 equalled 6.1% decreasing by 0.8 percentage points; whereas, return on assets reached the level of 5.0% decreasing by 0.7 percentage points.

	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (unaudited)	30 Sept. 2015 (unaudited)
Working capital (in thousands of PLN)	103,248	95,158	103,809	98,921
Current liquidity ratio	1.76	1.57	1.79	1.85
Quick liquidity ratio	1.45	1.32	1.58	1.57
Absolute liquidity ratio	0.58	0.62	0.79	0.71

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 30 September 2016, our working capital amounted to PLN 103.2 million, remaining at a similar level as at the end of December 2015. During the last nine months, total current assets increased by PLN 3.3 million, mainly due to increases in the amount of receivables by PLN 15 million and inventories by PLN 14 million, which was partially offset by a decrease in cash and short-term financial assets by PLN 26 million.

The decrease in cash was basically a consequence of our dividend payment amounting to PLN 21.8 million that was carried out in mid-July 2016. During the first three quarters of 2016, the amount of current liabilities increased by almost PLN 4 million.

Our liquidity ratios as at the end of September 2016 were slightly lower than as at the end of the previous year, but they remain at safe levels.

Analysis of debt

	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Total debt ratio	18.7%	21.1%	18.9%	17.6%
Debt / equity ratio	6.6%	6.0%	6.6%	6.2%
Debt / (debt + equity) ratio	6.2%	5.6%	6.2%	5.8%

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)

As at the end of September 2016, our total debt ratio just like the debt-to-equity ratio remained at similar levels to those reported as at 31 December 2015. The amount of interest-bearing bank loans and borrowings increased slightly by PLN 1.4 million, which was partially attributable to the higher exchange rate of EUR vs. PLN because most of ASEE Group's debt is denominated in euros. Hence, our debt increased from EUR 10.6 million as at the end of December 2015 to the level of EUR 10.8 million as at the end of September 2016.

Structure of the statement of cash flows

	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Cash and cash equivalents at the beginning of the period	99,868	88,117
Net cash provided by (used in) operating activities	24,056	44,896
Net cash provided by (used in) investing activities	(27,466)	(36,949)
Net cash provided by (used in) financing activities	(25,036)	(22,645)
Foreign exchange differences	656	(1,904)
Cash and cash equivalents at the end of period	72,078	71,515

In the first three quarters of 2016, our operating activities generated PLN 24 million of net cash flows. These cash inflows were relatively low if compared to the Group's operating results, chiefly as a consequence of expenditures for inventories

as well as a higher amount of receivables. During the first nine months of 2016, ASEE Group invested more than PLN 18 million in inventories and, at the same time, its receivables increased by PLN 12 million. Some inventories (worth nearly PLN 3 million) represent purchases of infrastructure to be used in the outsourcing of payment processes. This amount is related to devices that have been already purchased by ASEE but not yet installed within actual projects. Significant changes in the level of operating cash flows in individual quarters of the year result from fluctuations in the relation of cash to other elements of our working capital, which in turn are a consequence of the values and phases of ongoing projects, and above all the schedule of settlements with suppliers and customers of ASEE. Hence, the biggest changes in the balances of receivables and liabilities are observed in the countries where our major projects are implemented and settled (Serbia, Romania, and Macedonia).

In the first three quarters of 2016, net cash used in our investing activities amounted to PLN 27.5 million which was almost PLN 9.5 million less than in the comparable period last year. Expenditures for the acquisition of property, plant and equipment and intangible assets amounted to PLN 20.6 million, decreasing by PLN 5.8 million from the level of PLN 26.4 million observed in the first nine months of 2015.

X. FACTORS THAT IN THE MANAGEMENT'S OPINION MAY AFFECT THE GROUP'S FINANCIAL PERFORMANCE AT LEAST TILL THE NEXT QUARTER END

The factors that will affect the Group's financial performance at least till the end of the next quarter have been indicated and explained as part of the summary and analysis of the financial results of ASEE Group in section IX of this report.

The factors that may affect the Group's financial performance in 2016 have been also described in the Management report on the Group's operations for the year 2015.

Such decrease resulted mainly from lower purchases of infrastructure to be used in the outsourcing of payment processes which are disclosed under investing activity cash flows. In the first three quarters of 2016, these purchases amounted to PLN 14 million as compared with nearly PLN 21 million spent during the same period of 2015. Software development costs that were capitalized in the first three quarters of 2016 amounted to PLN 2.8 million, reflecting a decrease by almost PLN 1 million from the year-ago level.

In the first three quarters of 2016, net cash used in our financing activities amounted to PLN 25 million. Such negative cash flows were basically a consequence of a dividend payment in the total amount of PLN 21.8 million that was distributed to shareholders of ASEE. Expenditures for the acquisition of non-controlling interests amounting to PLN 2.2 million were made to acquire further stakes of shares in Chip Card a.d. in Serbia, which was taken over by ASEE Group in April 2016. ASEE Group spent a total of EUR 1.68 million (PLN 7.3 million) to purchase 76.89% of shares in Chip Card. A portion of this investment is presented under investing activity cash flows (net of cash held by the acquired company as at the acquisition date), whereas the remaining portion is disclosed in cash flows from financing activities.

In addition to the above-mentioned descriptions, in the next quarter our financial results will be influenced by common factors with impact on the Group's operations (the existing order backlog, efficient implementation of ongoing projects, potential new contracts, etc.). The Group continues to invest in the development of new products.

XI. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Breakdown of sales revenues

During the period of 9 months ended 30 September 2016 and in the comparable period last year, operating revenues were as follows:

Sales revenues by type of products	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Proprietary software and services	81,778	239,588	75,116	211,661
Third-party software and services	14,111	58,422	18,990	52,804
Hardware and infrastructure	35,283	93,200	32,981	83,022
	131,172	391,210	127,087	347,487

2. Breakdown of operating costs

	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Employee benefits (-)	(43,897)	(132,112)	(41,336)	(119,249)
Third-party non-project services and outsourcing of employees (-)	(4,785)	(13,670)	(1,382)	(10,224)
Depreciation and amortization (-)	(9,412)	(27,237)	(7,799)	(21,961)
Maintenance costs of property and business cars (-)	(9,976)	(25,533)	(9,152)	(23,337)
Business trips (-)	(760)	(2,798)	(885)	(3,179)
Advertising (-)	(506)	(2,207)	(689)	(2,502)
Other operating expenses (-)	675	(3,619)	(2,242)	(3,955)
	(68,661)	(207,176)	(63,485)	(184,407)
Cost of sales, of which:	(100,249)	(298,493)	(92,870)	(255,199)
Cost of goods and third-party services sold (-)	(50,232)	(148,861)	(49,197)	(125,932)
Production costs (-)	(50,017)	(149,632)	(43,673)	(129,267)
Selling costs (-)	(8,652)	(27,966)	(10,025)	(27,634)
General and administrative expenses (-)	(9,992)	(29,578)	(9,787)	(27,506)

3. Financial income and expenses

Financial income	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Interest income on loans granted and bank deposits	236	874	277	1,153
Interest related to reimbursement of tax paid on civil law transactions	-	-	-	502
Revaluation of conditional payment for shares in EŽR	-	-	132	132
Positive foreign exchange differences	-	606	388	1,065
Gain on valuation of derivative instruments	491	578	12	111
Other financial income	1	2	12	21
Total financial income	728	2,060	821	2,984
Financial expenses	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Interest expense (-)	(76)	(638)	(269)	(1,047)
Bank fees and commissions (-)	(230)	(272)	(56)	(131)
Negative foreign exchange differences (-)	(310)	(154)	(570)	(1,581)
Company acquisition related expenses (-)	(8)	(153)	-	-
Interest expenses under finance leases (-)	(37)	(90)	(26)	(61)
Loss on valuation of derivative instruments (-)	-	(668)	(209)	(403)
Other financial expenses (-)	-	-	(11)	(13)
Total financial expenses	(661)	(1,975)	(1,141)	(3,236)

4. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during that financial year.

Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share.

The table below presents net profits and numbers of shares used for the calculation of basic and diluted earnings per share:

	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.	10,916	31,292	12,714	32,492
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251	51,894,251	51,894,251
Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN):				
Basic consolidated earnings per share for the reporting period	0.21	0.60	0.24	0.63
Diluted consolidated earnings per share for the reporting period	0.21	0.60	0.24	0.63

5. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of ASEE S.A. seated in Rzeszów, by its resolution passed on 31 March 2016, decided that the net profit for the financial year 2015 amounting to PLN 55,298,295.23, as well as retained earnings for the financial year 2013 amounting to PLN 2,825,183.42 and retained earnings for the financial year 2014 amounting to PLN 17,260,325.40 shall be distributed as follows:

- a) the amount of PLN 4,423,863.62 from the net profit for the financial year 2015 shall be allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;
- b) the amount of PLN 21,795,585.42 shall be distributed among all the Company's shareholders through payment of a dividend amounting to PLN 0.42 per share.
- c) the remaining portion of the net profit for 2015 amounting to PLN 49,164,355.01 shall be allocated to the reserve capital created by the Company in order to pay out dividends in future years and provide financing for the Company's investments.

The Company's Ordinary General Meeting of Shareholders established 30 June 2016 as the dividend record date. The dividend was paid out on 15 July 2016. The number of shares eligible for dividend was 51,894,251.

6. Property, plant and equipment, and intangible assets

	Tangible assets	Intangible assets
Net book value as at 1 January 2016	86,369	33,566
Purchases (+)	19,030	1,548
Capitalization of project development costs (+)	-	2,853
Transfers from inventories (+)	4,360	-
Finance lease liabilities (+)	1,287	-
Obtaining control over a subsidiary	4,995	2,336
Other increases/decreases (+/-)	(37)	-
Depreciation/amortization charge (-)	(20,335)	(7,015)
Disposal and liquidation (-)	(586)	-
Exchange differences on translation of foreign operations (+/-)	1,118	(733)
Net book value as at 30 September 2016	96,201	32,555

	Tangible assets	Intangible assets
Net book value as at 1 January 2015	69,846	38,114
Purchases (+)	24,431	1,812
Capitalization of project development costs (+)	-	3,833
Transfers from inventories (+)	1,367	-
Finance lease liabilities (+)	1,233	-
Depreciation/amortization charge (-)	(15,891)	(6,129)
Disposal and liquidation (-)	(831)	(1,397)
Exchange differences on translation of foreign operations (+/-)	(534)	(4,085)
Net book value as at 30 September 2015	79,621	32,148

In the period of 9 months ended 30 September 2016, capitalized costs of development projects amounted to PLN 2,853 thousand as compared with PLN 3,833 thousand in the comparable period of 2015. The capitalization of project development costs is related to the continuation of projects carried out as at 31 December 2015. A detailed description of these projects is provided in the Group's annual report for the year 2015.

Liabilities resulting from purchases of property, plant and equipment and intangible assets amounted to PLN 144 thousand as at 30 September 2016, as compared with PLN 333 thousand as at 30 June 2016, PLN 170 thousand as at 31 December 2015, and PLN 139 thousand as at 30 September 2015.

7. Goodwill

During the reporting period and comparable period, the amount of goodwill changed as follows:

	9 months ended 30 Sept. 2016 (unaudited)	6 months ended 30 June 2016 (unaudited)	12 months ended 31 Dec. 2015 (audited)	9 months ended 30 Sept. 2015 (unaudited)
Goodwill at the beginning of the period	489,600	489,600	498,113	498,113
Banking Solutions	194,590	194,590	196,645	196,645
Payment Solutions	110,292	110,292	112,810	112,810
Systems Integration	184,718	184,718	188,658	188,658
Changes in goodwill due to the acquisition of shares (+/-)	94	94	-	-
Banking Solutions	-	-	-	-
Payment Solutions	94	94	-	-
Systems Integration	-	-	-	-
Exchange differences on translation of goodwill in foreign subsidiaries (+/-)	5,213	17,971	(8,513)	(8,461)
Banking Solutions	3,025	7,095	(2,055)	(521)
Payment Solutions	88	3,471	(2,518)	(2,890)
Systems Integration	2,100	7,405	(3,940)	(5,050)
Total book value at the end of period	494,907	507,665	489,600	489,652
Banking Solutions	197,615	201,685	194,590	196,124
Payment Solutions	110,474	113,857	110,292	109,920
Systems Integration	186,818	192,123	184,718	183,608

8. Short-term receivables

Trade receivables	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Trade receivables, of which:				
From related parties	75,783	77,165	75,231	63,423
From other entities	634	736	566	432
Allowance for doubtful receivables (-)	78,540	79,962	77,541	66,624
Receivables from univested deliveries, of which:				
From related parties	(3,391)	(3,533)	(2,876)	(3,633)
From other entities	12,646	11,318	8,452	8,708
Receivables from univested deliveries, of which:				
From related parties	36	-	-	-
From other entities	12,610	11,318	8,452	8,708
88,429	88,483	83,683	72,131	
Other receivables	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Advance payments to other suppliers	1,969	1,849	2,036	3,136
Security deposits receivable	509	517	451	195
Other receivables	988	638	510	346
3,466	3,004	2,997	3,677	

9. Financial assets

	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Financial assets available for sale:	125	124	129	128
Shares in companies listed on regulated markets	104	104	109	108
Shares in companies not listed on regulated markets	21	20	20	20
Loans granted:	123	36	49	240
Loans granted to unrelated entities	123	36	-	189
Loans granted to employees	-	-	49	51
Bank deposits:	37	31	93	84
Deposits for 3 to 12 months	7	31	17	8
Deposits for over 12 months	30	-	76	76
Financial assets carried at fair value through profit or loss:	4,308	12,171	2,619	9,673
Investment fund units	4,308	12,171	2,619	9,673
Long-term	149	97	177	226
short-term	4,444	12,265	2,713	9,899

10. Cash and short-term deposits

	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Cash at bank and in hand	44,771	36,532	41,558	45,579
Short-term bank deposits	28,876	53,588	59,512	27,081
Cash equivalents	23	14	5	49
	73,670	90,134	101,075	72,709
<i>Interest accrued on cash and cash equivalents as at the end of the reporting period</i>	-	(3)	(14)	(20)
<i>Overdraft facilities utilized for liquidity management</i>	(1,592)	(2,854)	(1,193)	(1,174)
Cash and cash equivalents as disclosed in the cash flow statement	72,078	87,277	99,868	71,515

11. Prepayments and accrued income

Long-term	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Prepaid maintenance services and license fees	244	264	244	56
Other	347	353	261	-
	591	617	505	56
Short-term	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Prepaid maintenance services and license fees	8,463	8,127	7,489	6,189
Prepaid insurance	678	1,096	583	507
Prepaid rents	332	417	591	638
Prepaid consulting services	820	738	1,068	762
Other prepaid services	873	1,018	362	677
Costs of services performed for which revenues have not been recognized yet	653	641	883	407
Other	666	786	1,258	987
	12,485	12,823	12,234	10,167

As at 30 September 2016, 30 June 2016, 31 December 2015 and 30 September 2015, prepayments included primarily the costs of maintenance services and license fees amounting to

PLN 8,707 thousand, PLN 8,391 thousand, PLN 7,733 thousand, and PLN 6,245 thousand, respectively, that will be successively expensed in future periods.

12. Long-term and short-term financial liabilities

Long-term	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Currency forward contracts	195	741	394	-
Finance lease liabilities	1,958	1,566	1,629	1,502
	2,153	2,307	2,023	1,502
Short-term	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Dividend payment liabilities	-	21,796	-	-
Finance lease liabilities	885	761	663	584
Currency forward contracts	-	-	31	256
Other	39	48	56	57
	924	22,605	750	897

13. Interest-bearing bank loans and borrowings

As at 30 September 2016, total liabilities of ASEE Group under all bank loans and borrowings aggregated at PLN 46,746 thousand as compared with PLN 42,717 thousand as at 30 June 2016, PLN 45,329 thousand as at 31 December 2015, and PLN 41,903 thousand as at 30 September 2015.

Proceeds from and repayments of bank loans disclosed in the statement of cash flows for the

period of 9 months ended 30 September 2016 amounted respectively to PLN 12.3 million (proceeds) and PLN 12.2 million (repayments). In addition, net cash flows (proceeds less repayments) from short-term bank loans amounted to PLN 599 thousand.

As at 30 September 2016, tangible assets with a book value of PLN 3,227 thousand served as security for bank loans. As at 30 September 2016,

liabilities that were secured with such assets amounted to PLN 9,912 thousand.

The book values of assets serving as security for bank loans as well as the amounts of liabilities that

were secured with such assets in the comparable periods have been presented in the financial reports drawn up for those periods.

14. Current liabilities

Trade payables	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Trade payables, of which:	40,767	49,205	41,186	37,549
To related parties	76	142	187	150
To other entities	40,691	49,063	40,999	37,399
Liabilities for univouched deliveries, of which:	8,158	8,247	5,815	6,075
To related parties	-	-	-	-
To other entities	8,158	8,247	5,815	6,075
	48,925	57,452	47,001	43,624
Other current liabilities	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Liabilities to employees relating to salaries	3,358	4,080	6,843	3,852
Trade prepayments received	5,788	6,190	8,073	5,806
Liabilities for purchases of tangible assets and intangible assets	144	333	170	139
Other liabilities	658	780	262	204
	9,948	11,383	15,348	10,001
Current liabilities to the state and local budgets	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Value added tax	5,852	5,120	9,355	3,412
Corporate income tax (CIT)	1,110	786	1,032	1,546
Personal income tax (PIT)	863	892	1,705	777
Social security payable	2,086	2,104	2,181	1,767
Other	337	291	482	403
	10,248	9,193	14,755	7,905

15. Accruals and deferred income

Short-term accruals	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Recognition of accruals for unused holiday leaves	1,862	2,630	2,105	1,810
Recognition of accruals for employee bonuses	18,230	16,217	12,292	17,879
	20,092	18,847	14,397	19,689
Long-term deferred income	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Prepaid maintenance services	227	263	152	32
Grants for the development of assets	14	416	497	528
Other	399	27	15	19
	640	706	664	579
Short-term deferred income	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Prepaid maintenance services	10,142	10,536	9,428	8,659
Prepaid implementation services	717	1,316	794	2,606
License fees	637	1,016	56	280
Grants for the development of assets	138	197	191	24
Other	137	349	2,063	563
	11,771	13,414	12,532	12,132

The balance of deferred income relates mainly to prepayments that have been received by ASEE Croatia, ASEE Turkey, ASEE Romania and ASEE S.A.

for the provision of support and maintenance services as well as for future implementations.

16. Changes in impairment write-downs on assets

	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (audited)	9 months ended 30 Sept. 2015 (unaudited)
Trade receivables				
Opening balance	3,533	2,876	4,268	3,666
Created	234	1,133	113	1,327
Reversed	(213)	(515)	(694)	(1,199)
Utilized	(78)	(122)	(119)	(155)
Foreign exchange differences	(85)	19	65	(6)
Closing balance	3,391	3,391	3,633	3,633
Inventories				
Opening balance	9,906	8,804	8,003	7,901
Created	1,826	3,318	418	1,416
Reversed	(921)	(1,624)	(234)	(981)
Utilized	(6)	(6)	-	(1)
Foreign exchange differences	(263)	50	102	(46)
Closing balance	10,542	10,542	8,289	8,289

During the period of 9 months ended 30 September 2016, the Group did not recognize or reverse any impairment write-downs on its financial assets, property, plant and equipment, or intangible assets.

In the period of 9 months ended 30 September 2015, the Group recognized an expense of PLN 1,371 thousand on the liquidation of intangible assets. During this period, the Group did not recognize nor reverse any impairment write-downs on its financial assets or property, plant and equipment.

Numbers of employees in the Group companies as at	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
ASEE S.A.	24	24	27	27
ASEE Romania Group	183	166	160	155
ASEE Serbia Group	497	471	476	482
ASEE Croatia Group	240	239	242	243
ASEE Kosovo Group	60	58	60	67
ASEE Turkey Group	170	176	190	179
ASEE Bulgaria	20	19	19	19
ASEE B&H	53	48	45	44
ASEE Macedonia	147	142	147	145
ASEE Slovenia	36	35	35	32
ASEE Montenegro	10	10	9	9
ASEE Nestpay	9	9	10	10
1,449	1,397	1,420	1,412	

17. Employment

Group's workforce as at	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Management Board of the Parent Company*	4	4	4	4
Management Boards of the Group companies	23	21	23	23
Production departments	1,115	1,068	1,078	1,067
Sales departments	127	125	145	148
Administration departments	180	179	170	170
	1,449	1,397	1,420	1,412

* Piotr Jeleński and Marcin Rulnicki serve in the Management Board of ASEE S.A. on the basis of employment contracts. The remaining members of the Company's Management Board perform their duties by assignment.

18. Outsourcing contracts

The Group implements a number of contracts for outsourcing of payment transaction processes.

The total amounts of future minimum lease payments under such contracts have been estimated as follows:

Future minimum lease payments	30 Sept. 2016	30 June 2016	31 Dec. 2015	30 June 2015
	(unaudited)	(unaudited)	(audited)	(unaudited)
(i) within 1 year	28,148	31,111	32,256	25,013
(ii) within 1 to 5 years	55,445	56,968	56,590	57,676
(iii) within more than 5 years	2,600	1,743	4,234	4,944
	86,193	89,822	93,080	87,633

19. Contingent liabilities and receivables

Within its commercial activities ASEE Group uses bank guarantees as well as contract performance guarantees as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies.

The related contingent liabilities equalled PLN 27,136 as at 30 September 2016 as compared with PLN 25,072 as at 30 June 2016, PLN 27,638 thousand as at 31 December 2015, and PLN 33,703 thousand as at 30 September 2015.

Assets serving as security for bank guarantee facilities:

Category of assets	Net value of assets			Amount of granted guarantee secured with assets				
	30 Sept. 2016	30 June 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	30 June 2016	31 Dec. 2015	30 Sept. 2015
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Trade receivables	1,454	5,915	883	2,090	4,912	2,830	3,176	4,461
Other receivables (restricted cash)	166	172	159	140	1,061	2,168	2,259	1,399
	1,620	6,087	1,042	2,230	5,973	4,998	5,435	5,860

20. Issuance, redemption and repayment of non-equity and equity securities

In the reporting period, the Issuer did not conduct any transactions of issuance, redemption or repayment of debt securities.

XII. RELATED PARTY TRANSACTIONS

Until the date of approval of these interim condensed consolidated financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be carried out other than on an arm's length basis.

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

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

To the best knowledge of the Management Board of ASEE S.A., during the reporting period the Group made significant settlements resulting from court litigation.

XIV. INFORMATION ON BANK LOAN SURETIES OR GUARANTEES GRANTED BY THE ISSUER

During the period of 3 months ended 30 September 2016, neither the Issuer nor any of its subsidiaries granted any sureties to secure bank loans and borrowings or any payment guarantees to any single entity or its subsidiary, where the aggregate value of all the existing sureties or guarantees extended in favour of such entity would equal at least 10% of the Issuer's equity.

XV. OPINION OF THE MANAGEMENT BOARD ON FEASIBILITY OF MEETING THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS

The Management Board of ASEE S.A. has not published any financial forecasts for the year 2016.

XVI. OTHER FACTORS SIGNIFICANT FOR THE ASSESSMENT OF HUMAN RESOURCES, ASSETS AND FINANCIAL POSITION

During the reporting period presented, the Management Board of ASEE S.A. has not become aware of any other significant factors that might affect the assessment of human resources, assets and financial position of ASEE Group.

XVII. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 6 October, ASEE Serbia signed an agreement to purchase 25% of shares in the company E-Mon, Montenegro. The transaction value amounted to EUR 650 thousand. The control over that company shall be obtained after making the payment to the seller. Following this acquisition, the shareholding of ASEE Serbia in the acquired company will increase from 50% to 75%. As at the end of the reporting period, this company has been accounted for using the equity method.

In the period from 30 September 2016 till the date of approval of these interim condensed consolidated financial statements, this is until 21 October 2016, we have not observed any significant events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE Group.

XVIII. SIGNIFICANT EVENTS RELATED TO PRIOR YEARS

Until the date of preparing these interim condensed consolidated financial statements, this is until 21 October 2016, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.

**Solutions
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business.**



**ASSECO SOUTH EASTERN EUROPE S.A.
STANDALONE FINANCIAL DATA
FOR THE THIRD QUARTER OF 2016**

Rzeszów, 21 October 2016

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE S.A.

	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I.	Revenues from holding activities	12,530	28,862	2,868
II.	Revenues from operating activities	5,118	5,783	1,171
III.	Operating profit	7,932	24,756	1,816
IV.	Pre-tax profit	4,727	26,215	1,082
V.	Net profit for the reporting period	4,006	25,091	917
VI.	Net cash provided by (used in) operating activities	7,368	18,376	1,687
VII.	Net cash provided by (used in) investing activities	(7,303)	(9,394)	(1,672)
VIII.	Net cash provided by (used in) financing activities	(21,841)	(10,121)	(4,999)
IX.	Cash and short-term deposits	11,111	6,778	2,577
X.	Basic earnings per ordinary share for the reporting period (in PLN/EUR)	0.08	0.48	0.02
XI.	Diluted earnings per ordinary share for the reporting period (in PLN/EUR)	0.08	0.48	0.02

The financial highlights disclosed in these condensed financial statements were translated into euros (EUR) in the following way:

- items of the interim condensed income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - for the period from 1 January 2016 to 30 September 2016: EUR 1 = PLN 4.3688
 - for the period from 1 January 2015 to 30 September 2015: EUR 1 = PLN 4.1585
- the Company's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 30 September 2016: EUR 1 = PLN 4.3120
 - exchange rate effective on 30 September 2015: EUR 1 = PLN 4.2386

**CONDENSED INCOME STATEMENT
ASSECO SOUTH EASTERN EUROPE S.A.**

	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Holding activities	2,338	12,530	2,071	28,862
Dividend income	-	5,283	-	22,294
Revenues from sales of services	2,338	7,247	2,071	6,568
Operating activities	1,828	5,118	1,860	5,783
Revenues from sales of IT services and software	1,828	5,118	1,860	5,783
Total sales revenues	4,166	17,648	3,931	34,645
Cost of sales (-)	(2,433)	(6,954)	(2,455)	(8,176)
Gross profit on sales	1,733	10,694	1,476	26,469
Selling costs (-)	(818)	(2,716)	(731)	(2,247)
General and administrative expenses (-)	(17)	(51)	(21)	(63)
Net profit on sales	898	7,927	724	24,159
Other operating income	34	58	-	921
Other operating expenses (-)	(51)	(53)	-	(324)
Operating profit	881	7,932	724	24,756
Financial income	42	1,673	354	1,931
Financial expenses (-)	(67)	(4,878)	(239)	(472)
Pre-tax profit	856	4,727	839	26,215
Corporate income tax (current and deferred tax expense)	15	(721)	306	(1,124)
Net profit for the reporting period	871	4,006	1,145	25,091

Earnings per share for the reporting period (in PLN):

Basic earnings per share from continuing operations for the reporting period	0.02	0.08	0.02	0.48
Diluted earnings per share from continuing operations for the reporting period	0.02	0.08	0.02	0.48

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
ASSECO SOUTH EASTERN EUROPE S.A.**

	3 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2016 (unaudited)	3 months ended 30 Sept. 2015 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Net profit for the reporting period	871	4,006	1,145	25,091
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	871	4,006	1,145	25,091

**CONDENSED STATEMENT OF FINANCIAL POSITION
ASSECO SOUTH EASTERN EUROPE S.A.**

ASSETS	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Non-current assets				
Non-current assets	620,532	620,744	619,172	606,945
Property, plant and equipment	354	323	386	424
Goodwill arising from business combinations	4,567	4,567	4,567	4,567
Intangible assets	828	750	486	98
Investments in subsidiaries	584,566	584,566	588,566	588,566
Deferred tax assets	263	165	378	580
Long-term financial assets	24,210	24,084	17,572	5,008
Other long-term receivables	5,744	6,289	7,217	7,702
Current assets	27,506	47,908	47,237	23,765
Inventories	2	2	2	3
Prepayments and accrued income	1,337	1,479	608	1,238
Trade receivables	3,223	3,322	2,703	2,740
Other short-term receivables	1,525	1,589	1,529	4,555
Short-term financial assets	10,308	8,800	9,466	8,451
Cash and short-term deposits	11,111	32,716	32,929	6,778
TOTAL ASSETS	648,038	668,652	666,409	630,710

**CONDENSED STATEMENT OF FINANCIAL POSITION
ASSECO SOUTH EASTERN EUROPE S.A.**

EQUITY AND LIABILITIES	30 Sept. 2016 (unaudited)	30 June 2016 (unaudited)	31 Dec. 2015 (audited)	30 Sept. 2015 (unaudited)
Equity				
Share capital	518,942	518,942	518,942	518,942
Share premium	38,825	38,825	38,825	38,825
Retained earnings and current net profit	71,613	70,742	89,403	59,198
Total equity	629,380	628,509	647,170	616,965
Non-current liabilities				
Interest-bearing bank loans	12,356	10,942	15,052	10,567
Long-term financial liabilities	195	741	394	-
Current liabilities	6,107	28,460	3,793	3,178
Interest-bearing bank loans	3,052	3,349	-	-
Trade payables	779	864	1,602	942
Liabilities to the state and local budgets	212	427	172	146
Financial liabilities	-	21,796	31	256
Other liabilities	98	36	44	9
Deferred income	1,167	1,262	716	870
Accruals	711	618	1,125	868
Short-term provisions	88	108	103	87
TOTAL LIABILITIES	18,658	40,143	19,239	13,745
TOTAL EQUITY AND LIABILITIES				
	648,038	668,652	666,409	630,710

CONDENSED STATEMENT OF CHANGES IN EQUITY
ASSECO SOUTH EASTERN EUROPE S.A.

for the periods of 9 months ended 30 September 2016, 9 months ended 30 September 2015,
and 12 months ended 31 December 2015

	Share capital	Share premium	Retained earnings and current net profit	Total equity
As at 1 January 2016	518,942	38,825	89,403	647,170
Net profit for the reporting period	-	-	4,006	4,006
Total comprehensive income for the reporting period	-	-	4,006	4,006
Dividends	-	-	(21,796)	(21,796)
As at 30 September 2016 (unaudited)	518,942	38,825	71,613	629,380
As at 1 January 2015	518,942	38,825	54,863	612,630
Net profit for the reporting period			55,298	55,298
Total comprehensive income for the reporting period	-	-	55,298	55,298
Dividends	-	-	(20,758)	(20,758)
As at 31 December 2015 (audited)	518,942	38,825	89,403	647,170
As at 1 January 2015	518,942	38,825	54,863	612,630
Net profit for the reporting period	-	-	25,091	25,091
Total comprehensive income for the reporting period	-	-	25,091	25,091
Dividends	-	-	(20,756)	(20,756)
As at 30 September 2015 (unaudited)	518,942	38,825	59,198	616,965

All figures in thousands of PLN, unless stated otherwise

CONDENSED STATEMENT OF CASH FLOWS
ASSECO SOUTH EASTERN EUROPE S.A.

for the periods of 9 months ended 30 September 2016 and 9 months ended 30 September 2015

	9 months ended 30 Sept. 2016 (unaudited)	9 months ended 30 Sept. 2015 (unaudited)
Pre-tax profit	4,727	26,215
Total adjustments:	(3,765)	(24,825)
Depreciation and amortization	188	214
Change in inventories	-	(1)
Change in receivables	(617)	(1,647)
Change in liabilities, accruals and provisions	(1,581)	(423)
Interest income and expenses	(556)	(298)
Gain/Loss on foreign exchange differences	(5)	(582)
Gain/Loss on investing activities	(1,193)	(22,294)
Other	(1)	206
Selected operating cash flows	6,883	16,986
Cost of acquisition of shares in subsidiaries	-	(1,668)
Disposal of shares in subsidiaries	1,526	149
Dividends received	5,357	18,505
Net cash used in operating activities	7,845	18,376
Corporate income tax recovered (paid)	(477)	-
Net cash provided by (used in) operating activities	7,368	18,376
Cash flows – investing activities		
Acquisition of property, plant and equipment and intangible assets	(422)	(62)
Disposal of property, plant and equipment	13	1
Disposal/(acquisition) of financial assets carried at fair value through profit or loss	(320)	(206)
Bank deposits withdrawn	-	9,800
Bank deposits made	-	(9,800)
Loans granted	(12,244)	(10,817)
Loans collected	5,009	1,489
Interest received	661	201
Net cash provided by (used in) investing activities	(7,303)	(9,394)
Cash flows – financing activities		
Proceeds from bank loans	2,457	10,639
Repayments of bank loans	(2,290)	-
Proceeds from borrowings	-	3,663
Repayments of borrowings	-	(3,663)
Interest repaid	(212)	(3)
Dividends paid out to shareholders of the Parent Company	(21,796)	(20,757)
Net cash provided by (used in) financing activities	(21,841)	(10,121)
Net increase/(decrease) in cash and cash equivalents	(21,776)	(1,139)
Net foreign exchange differences	(42)	10
Cash and cash equivalents as at 1 January	32,929	7,907
Cash and cash equivalents as at 30 September	11,111	6,778