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**REPORT OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2018**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2018**

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE THIRD QUARTER OF 2018

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. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Sales revenues	448,874	410,631	105,531	96,468
II. Operating profit	49,642	44,051	11,671	10,349
III. Pre-tax profit	54,930	44,850	12,914	10,536
IV. Net profit for the reporting period	45,089	36,857	10,601	8,659
V. Net profit attributable to Shareholders of the Parent Company	44,793	36,585	10,531	8,595
VI. Net cash provided by (used in) operating activities	56,783	36,636	13,350	8,607
VII. Net cash provided by (used in) investing activities	(36,980)	(41,286)	(8,694)	(9,699)
VIII. Net cash provided by (used in) financing activities	(23,799)	(26,120)	(5,595)	(6,136)
IX. Cash and short-term deposits	111,487	83,310	26,101	19,334
Net profit for the reporting period				
X. Basic earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	0.86	0.70	0.20	0.16
XI. Diluted earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	0.86	0.70	0.20	0.16

The selected financial data disclosed in these interim condensed consolidated financial statements have been 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 2018 to 30 September 2018: EUR 1 = PLN 4.2535
 - for the period from 1 January 2017 to 30 September 2017: EUR 1 = PLN 4.2566
- 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 2018: EUR 1 = PLN 4.2714
 - exchange rate effective on 30 September 2017: EUR 1 = PLN 4.3091

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Sales revenues	<u>1</u>	151,530	448,874	127,810	410,631
Cost of sales (-)	<u>2</u>	(112,425)	(337,636)	(95,261)	(309,449)
Recognition (reversal) of impairment losses on financial assets (+/-)	<u>2</u>	(42)	(478)	(115)	(665)
Gross profit on sales		39,063	110,760	32,434	100,517
Selling costs (-)	<u>2</u>	(11,083)	(32,688)	(8,862)	(25,646)
General and administrative expenses (-)	<u>2</u>	(9,359)	(28,390)	(10,416)	(30,923)
Net profit on sales		18,621	49,682	13,156	43,948
Other operating income		657	1,153	635	1,333
Other operating expenses (-)		(481)	(948)	(470)	(1,230)
<i>Share of profits of associates (+/-)</i>		(36)	(245)	-	-
Operating profit		18,761	49,642	13,321	44,051
Financial income	<u>3</u>	3,152	7,485	451	3,964
Financial expenses (-)	<u>3</u>	(556)	(2,197)	(412)	(3,165)
Pre-tax profit		21,357	54,930	13,360	44,850
Corporate income tax (current and deferred tax expense)		(3,048)	(9,841)	(2,199)	(7,993)
Net profit for the reporting period		18,309	45,089	11,161	36,857
Attributable to:					
Shareholders of the Parent Company		18,173	44,793	11,050	36,585
Non-controlling interests		136	296	111	272
Basic consolidated earnings per share for the reporting period	<u>4</u>	0.35	0.86	0.21	0.70
Diluted consolidated earnings per share for the reporting period	<u>4</u>	0.35	0.86	0.21	0.70

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Net profit for the reporting period	18,309	45,089	11,161	36,857
Other comprehensive income, of which:	(27,441)	(5,622)	10,213	(18,983)
Components that may be reclassified to profit or loss	(27,441)	(5,622)	10,213	(18,983)
Foreign exchange differences on translation of foreign operations	(27,441)	(5,622)	10,213	(18,983)
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	(9,132)	39,467	21,374	17,874
Attributable to:				
<i>Shareholders of the Parent Company</i>	(9,250)	39,152	21,231	17,643
<i>Non-controlling interests</i>	118	315	143	231

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 Sept.	30 June	31 Dec.	30 Sept.
		2018	2018	2017	2017
		(unaudited)	(unaudited)	(audited)	(unaudited)
Non-current assets		627,539	652,988	630,553	650,046
Property, plant and equipment	6	132,013	138,291	131,958	127,706
Investment property		640	658	650	676
Intangible assets	6	15,153	16,688	17,946	25,399
Goodwill	7	474,736	492,031	475,360	492,096
Investments in associates		167	205	-	-
Prepayments for shares in subsidiaries		-	-	84	-
Long-term financial assets	9	628	649	279	316
Long-term receivables		220	261	345	502
Deferred tax assets		3,825	3,468	3,190	2,669
Long-term prepayments and accrued income	11	157	737	741	682
Current assets		283,317	291,713	287,762	221,512
Inventories		24,417	23,039	24,792	20,476
Prepayments and accrued income	11	13,049	15,561	10,047	11,644
Trade receivables	8	98,179	111,826	120,154	78,998
Income tax receivable		2,609	1,825	132	562
Other receivables from the state and local budgets		1,752	1,406	770	1,441
Receivables arising from valuation of IT contracts		20,018	21,113	12,025	19,910
Other receivables	8	5,237	4,823	3,338	4,839
Short-term financial assets	9	6,569	1,018	792	332
Cash and short-term deposits	10	111,487	111,102	115,712	83,310
TOTAL ASSETS		910,856	944,701	918,315	871,558

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Note	30 Sept. 2018	30 June 2018	31 Dec. 2017	30 Sept. 2017
		(unaudited)	(unaudited)	(audited)	(unaudited)
Equity (attributable to shareholders of the Parent Company)		731,728	740,362	717,740	723,499
Share capital		518,942	518,942	518,942	518,942
Share premium		38,825	38,825	38,825	38,825
Other capitals		2,608	1,879	660	580
Foreign exchange differences on translation of foreign operations		(115,038)	(87,502)	(109,270)	(85,368)
Retained earnings and current net profit		286,391	268,218	268,583	250,520
Non-controlling interests		1,511	1,407	1,572	1,482
Total equity		733,239	741,769	719,312	724,981
Non-current liabilities		25,071	29,647	29,418	28,604
Interest-bearing bank loans and borrowings	13	20,268	23,326	22,281	22,181
Deferred tax liabilities		1,828	1,886	1,462	1,488
Long-term trade payables and other liabilities		102	222	529	455
Long-term provisions		1,299	1,561	1,823	1,195
Long-term financial liabilities	12	1,258	1,567	1,568	1,687
Long-term deferred income	15	316	1,085	1,755	1,598
Current liabilities		152,546	173,285	169,585	117,973
Interest-bearing bank loans and borrowings	13	31,227	32,139	22,710	22,248
Trade payables	14	44,968	42,176	57,585	26,926
Corporate income tax payable	14	3,778	3,157	2,696	1,661
Other liabilities to the state and local budgets	14	9,171	11,097	20,400	7,553
Financial liabilities	12	902	28,001	998	930
Liabilities and provisions arising from valuation of IT contracts (-)		3,495	3,735	4,105	4,175
Other liabilities	14	15,770	13,457	26,666	18,350
Short-term provisions		2,172	2,236	1,937	1,006
Deferred income	15	19,364	19,010	20,373	12,557
Accruals	15	21,699	18,277	12,115	22,567
TOTAL LIABILITIES		177,617	202,932	199,003	146,577
TOTAL EQUITY AND LIABILITIES		910,856	944,701	918,315	871,558

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 9 months ended 30 September 2018

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Other capitals	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2018	518,942	38,825	(109,270)	660	268,583	717,740	1,572	719,312
Net profit (loss) for the reporting period	-	-	-	-	44,793	44,793	296	45,089
Other comprehensive income	-	-	(5,768)	127	-	(5,641)	19	(5,622)
Total comprehensive income for the reporting period	-	-	(5,768)	127	44,793	39,152	315	39,467
Valuation of share-based payment plan	-	-	-	1,821	-	1,821	-	1,821
Dividend	-	-	-	-	(26,985)	(26,985)	(376)	(27,361)
As at 30 September 2018 (unaudited)	518,942	38,825	(115,038)	2,608	286,391	731,728	1,511	733,239

for the year ended 31 December 2017

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Other capitals	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2017	518,942	38,825	(66,426)	-	238,860	730,201	2,210	732,411
Net profit (loss) for the reporting period	-	-	-	-	54,648	54,648	361	55,009
Other comprehensive income	-	-	(42,844)	-	-	(42,844)	(42)	(42,886)
Total comprehensive income for the reporting period	-	-	(42,844)	-	54,648	11,804	319	12,123
Changes in the Group structure, of which:	-	-	-	-	(16)	(16)	(686)	(702)
Acquisition of non-controlling interests	-	-	-	-	(16)	(16)	(686)	(702)
Valuation of share-based payment plan	-	-	-	1,170	-	1,170	-	1,170
Change in actuarial assumptions for defined benefit plan (ASEE Turkey)	-	-	-	(510)	-	(510)	-	(510)
Dividend	-	-	-	-	(24,909)	(24,909)	(271)	(25,180)
As at 31 December 2017 (audited)	518,942	38,825	(109,270)	660	268,583	717,740	1,572	719,312

for the period of 9 months ended 30 September 2017

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Other capitals	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2017	518,942	38,825	(66,426)	-	238,860	730,201	2,210	732,411
Net profit (loss) for the reporting period	-	-	-	-	36,585	36,585	272	36,857
Other comprehensive income	-	-	(18,942)	-	-	(18,942)	(41)	(18,983)
Total comprehensive income for the reporting period	-	-	(18,942)	-	36,585	17,643	231	17,874
Changes in the Group structure, of which:	-	-	-	-	(16)	(16)	(684)	(700)
Acquisition of non-controlling interests	-	-	-	-	(16)	(16)	(684)	(700)
Valuation of share-based payment plan	-	-	-	580	-	580	-	580
Dividend	-	-	-	-	(24,909)	(24,909)	(275)	(25,184)
As at 30 September 2017 (restated)	518,942	38,825	(85,368)	580	250,520	723,499	1,482	724,981

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Cash flows – operating activities			
Pre-tax profit		54,930	44,850
Total adjustments:		13,070	724
Depreciation and amortization		33,738	29,570
Change in inventories		766	(1,630)
Change in receivables		17,787	31,029
Change in liabilities, accruals and provisions		(37,574)	(61,310)
Interest income and expenses		791	709
Gain (loss) on foreign exchange differences		(5,109)	2,121
Gain (loss) on investing activities		607	(350)
Costs of share-based payment plan		1,821	580
Other		243	5
Net cash generated from operating activities		68,000	45,574
Corporate income tax paid		(11,217)	(8,938)
Net cash provided by (used in) operating activities		56,783	36,636
Cash flows – investing activities			
Disposal of property, plant and equipment and intangible assets		647	707
Acquisition of property, plant and equipment, and intangible assets		(29,480)	(42,954)
Expenditures for development projects		(1,646)	(2,217)
Acquisition of investments in debt securities carried at amortized cost (cash deposits)		(6,754)	-
Disposal of investments in debt securities carried at amortized cost (cash deposits)		7	-
Acquisition of financial instruments carried at fair value through profit or loss		(151)	(9,466)
Disposal of financial assets carried at fair value through profit or loss		180	12,191
Loans collected		48	13
Loans granted		-	(23)
Interest received		171	463
Dividends received		1	1
Other		(3)	(1)
Net cash provided by (used in) investing activities		(36,980)	(41,286)

	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Cash flows – financing activities			
Proceeds from (repayments of) short-term bank loans and borrowings		(8)	(18)
Proceeds from other bank loans and borrowings		15,810	14,272
Repayments of other bank loans and borrowings		(10,162)	(12,779)
Finance lease liabilities paid		(1,177)	(798)
Expenditures for the acquisition of non-controlling interests		-	(700)
Dividends paid out to shareholders of the Parent Company		(26,985)	(24,909)
Dividends paid out to non-controlling interests		(378)	(275)
Interest paid		(899)	(913)
Net cash provided by (used in) financing activities		(23,799)	(26,120)
Net increase (decrease) in cash and cash equivalents		(3,996)	(30,770)
Net foreign exchange differences		(118)	(4,908)
Cash and cash equivalents as at 1 January		115,562	118,058
Cash and cash equivalents as at 30 September	10	111,448	82,380

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 is 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, online payment settlement systems, while it is also engaged in the sale, outsourcing and maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware.

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 2017 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 2018 and contain comparable data for the interim period ended 30 September 2017 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 2018, 31 December 2017 and 30 September 2017 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 24 October 2018.

II. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A., as at 30 September 2018 as well as at the publication of this report, this is on 24 October 2018, 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 International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,455,000	18.22%
Other shareholders	15,944,575	30.72%
	51,894,251	100.00%

As at 30 September 2018 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 2018 and since the end of the reporting period till the publication of this report, this is till 24 October 2018.

III. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES

As at 30 September 2018 as well as at the date of publication of this report, this is on 24 October 2018, the Company's Management Board and Supervisory Board were composed of the following persons:

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

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

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

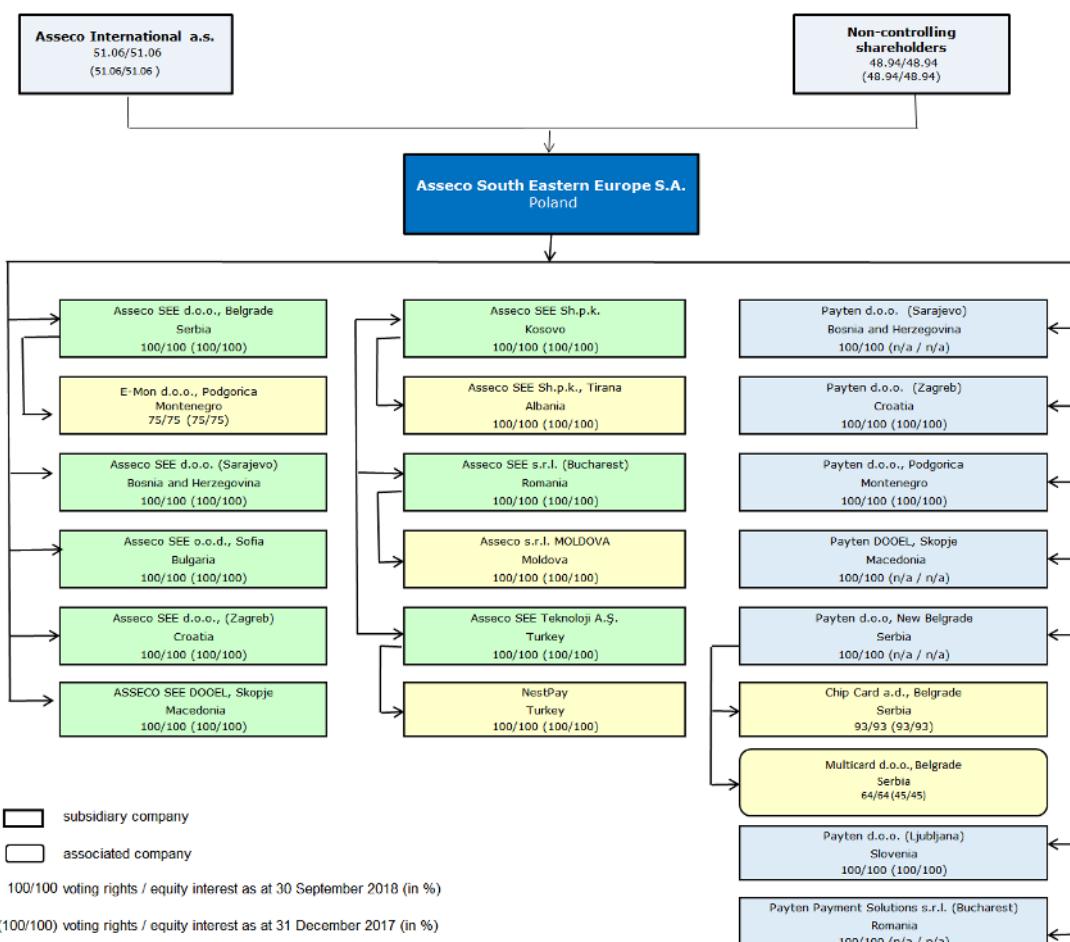
Supervisory Board	Number of shares held as at			
	24 Oct. 2018	30 Sept. 2018	8 Aug. 2018	31 Dec. 2017
Members				
Józef Klein	-	-	-	-
Adam Góral	-	-	-	-
Jacek Duch	-	-	-	-
Artur Kucharski	-	-	-	-
Adam Pawłowicz	-	-	-	-

Management Board	Number of shares held as at			
	24 Oct. 2018	30 Sept. 2018	8 Aug. 2018	31 Dec. 2017
Piotr Jeleński	967,492	967,492	967,492	967,492
Miljan Mališ ¹⁾	300,000	300,000	300,000	300,000
Miodrag Mircetić ²⁾	275,482	275,482	275,482	275,482
Marcin Rulnicki	30,000	30,000	30,000	30,000

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

2) Miodrag Mircetić, Member of the Management Board of ASEE S.A. is a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.

V. 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 2018.

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s. (our higher-level parent). As at 30 September 2018, Asseco International a.s. held a 51.06% equity interest in ASEE S.A.

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

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

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

Both as at 30 September 2018 and 31 December 2017, voting rights held by ASEE Group in its subsidiaries were equivalent to the Group's equity interests in these entities.

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

During the period of 3 months ended 30 September 2018, the Group's organizational structure changed as follows:

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

On 5 July 2018, the company of ASEE Slovenia was renamed as Payten Slovenia. This change was implemented as part of a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017. Because our operations in Slovenia are focused primarily on payment services, they will all be incorporated into the new structure of Payten Slovenia.

VII. 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 have been prepared in accordance with the historical cost convention, except for derivative instruments and financial 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 have been 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 2017, which were published on 19 February 2018 and are available at the Issuer's website: www.asseco.com/see. These interim condensed consolidated financial statements do not include all 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 2017.

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 2017, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

The International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS 15), which was issued in May 2014 and subsequently amended in April 2016, provides the so-called Five-Step Model for revenue recognition in contracts with customers.

According to IFRS 15, revenue shall be recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to customers.

The new standard has replaced all existing requirements for revenue recognition in compliance with IFRS. This standard applies to annual reporting periods beginning on or after 1 January 2018.

ASEE Group has adopted the new standard as of its required effective date, and therefore this standard has been first applied in our consolidated financial statements for the reporting period beginning on 1 January 2018.

The Group has applied the modified retrospective approach, which involves recognition of an adjustment to the opening balance of retained earnings in the financial statements for reporting periods starting from 1 January 2018 onwards. Under this approach, the principles established by the new standard only apply to contracts that, in accordance with IFRS 15, meet the definition of being not yet complete when the standard is first applied, this is as at 1 January 2018.

Due to the estimated insignificant impact of the adoption of IFRS 15 on recognition of the Group's revenues from contracts not yet completed as at 1 January 2018, the opening balance of retained earnings has not been subject to any adjustment.

Valuation of IT contracts – supply of goods and services

The Group recognizes revenues from implementation and modification services as well as own licenses provided as part of comprehensive contracts using the percentage of completion method. Contracts of such nature, as a rule, result in a separate performance obligation that consists in providing the customer with a functional IT system. In accordance with IFRS 15, revenue from such performance obligation may be recognized over time of transferring control of the supplied goods/services, as long as the contract performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed throughout the duration of the contract. Each of our contracts is subject to individual assessment in terms of meeting the above criteria. In the Group's opinion,

the majority of comprehensive contracts will satisfy the above-mentioned criteria, and thus the arising revenues will be recognized according to the percentage of completion method. Up until 31 December 2017, such contracts remained in the scope of regulations of IAS 11 Construction Contracts and were accounted for by the same method.

Licenses

In situations where a promise to grant a license is distinct from services related to the sale of such license (a separate performance obligation), revenue is recognized in accordance with the type of license that has been sold. For this purpose, we each time analyze the nature of licenses sold by the Group, making a differentiation between a right to use and a right to access. This differentiation determines the method of revenue recognition for licenses that meet the criteria of being distinct. This applies to both own and third-party licenses.

In the case of licenses with a right to use, the customer can direct the use of a license and obtain substantially all the benefits from a license. Such license is granted in order to enable the customer to use the intellectual property in the form in which it exists at the time of granting the license.

Whereas, licenses with a right to access require their provider to undertake activities that will significantly affect the intellectual property to which the customer is entitled under the license agreement, expose the customer to both positive and negative effects of activities undertaken by the provider, and do not lead to further transfer of goods or services to the customer. Such a license is granted in order to enable the customer to access the intellectual property in the form in which it exists throughout the licensing period.

In the case of licenses with a right to use sold without significant related services for an indefinite period, revenue is recognized at the point in time at which the risks and rewards (control) of the license are transferred to the customer. Whereas, in the case of licenses with a right to access sold for a definite period, revenue is recognized over time for which the license was granted. However, if it turns out that a license granted for a definite period is a license with a right to use, then revenue shall be recognized at the point in time at which the license is transferred to the customer.

Warranties

In the case where a warranty is provided concurrently with a maintenance service, which in principle is a broader category than a warranty itself, such warranty will be treated as a separate performance obligation and a portion of revenue will be deferred until the warranty service is fulfilled.

In the case where a warranty is provided after the project completion and is not accompanied by any maintenance service, then the nature of such warranty needs to be analyzed in order to determine whether it is an extended warranty or the provider's assurance that the product will function as specified. In the first case, such warranty will be treated as a separate performance obligation and a portion of revenue will be deferred until the warranty service is fulfilled; whereas, in the second case, a provision for such warranty will be created.

Until 31 December 2017, we applied both the above-mentioned approaches for recognition of revenues from warranties, and therefore the method of accounting for warranties has not changed.

Sale of hardware

Revenues from the sale of hardware and related services that constitute a single performance obligation to provide a comprehensive system, where well-functioning infrastructure is one of the key elements of the project, are recognized according to the percentage of completion method.

Revenues from the sale of hardware and related services which are not part of a complex infrastructure project are recognized in the following way: equipment – at the time of transferring control to the customer, equipment-related services – using the percentage of completion method.

Contract assets and liabilities

Contract assets include receivables arising from valuation of IT contracts. Contract liabilities include liabilities arising from valuation of IT contracts as well as deferred income from such contracts.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the International Financial Reporting Standard 9 'Financial Instruments' (IFRS 9). IFRS 9 specifies three aspects involved in accounting for financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods

beginning on or after 1 January 2018, with early adoption permitted.

a) Classification and measurement

The standard introduces the following categories of financial assets:

- measured at amortized cost,
- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income.

The table below compares the classification of financial assets in accordance with IFRS 9 and IAS 39:

IFRS 9	IAS 39
Investments in equity instruments carried at fair value through other comprehensive income:	Financial assets available for sale:
Shares in companies listed on regulated markets	Shares in companies listed on regulated markets
Shares in companies not listed on regulated markets	Shares in companies not listed on regulated markets
Investments in debt securities and cash deposits carried at amortized cost:	Loans granted and cash deposits:
Loans granted to unrelated entities	Loans granted to unrelated entities
Loans granted to employees	Loans granted to employees
Deposits for 3 to 12 months	Deposits for 3 to 12 months
Deposits for over 12 months	Deposits for over 12 months
Financial assets carried at fair value through profit or loss:	Financial assets carried at fair value through profit or loss:
Currency forward contracts	Currency forward contracts
Investment fund units	Investment fund units

Such classification is performed at initial recognition and depends on the business model adopted by the entity to manage financial instruments and the nature of cash flows arising from these instruments.

Financial assets so far measured at amortized cost as well as those measured at fair value through profit or loss or through other comprehensive income have been recognized analogically since 1 January 2018.

b) Impairment of financial assets

IFRS 9 introduced a new model for estimating impairment losses on financial assets. The model of incurred losses as applied in IAS 39 has been replaced with the model of impairment based on expected losses.

The expected loss impairment model applies to financial assets measured at amortized cost as well as to financial assets measured at fair value through other comprehensive income, except for investments in equity instruments.

In order to estimate impairment losses on financial assets, the Group applies the following approaches:

- ✓ general approach,
- ✓ simplified approach.

The Group applies the general approach for financial assets measured at fair value through other comprehensive income as well as for financial assets measured at amortized cost, except for trade receivables. Under the general approach, the Group estimates impairment losses on financial assets using a three-stage model based on changes in the credit risk of financial assets since their initial recognition. Where the credit risk of financial assets has not increased significantly since initial recognition (stage 1), the Group estimates an allowance for 12-month expected credit losses. Where the credit risk of financial assets has increased significantly since initial recognition (stages 2 and 3), the Group estimates an allowance for expected credit losses over the lifetime of financial instruments. At each reporting date, the Group analyzes if there are indications of a significant increase in the credit risk of financial assets held.

In the case of trade receivables, since 1 January 2018 the Group has applied the simplified approach and measured an allowance for expected credit losses at an amount equal to expected credit losses over the full lifetime of receivables. However, due to the nature of our trade receivables, despite introducing the methodology changes required by the said standard, the impairment allowance for receivables has remained at a similar level as calculated according to the principles that were effective before 1 January 2018. Hence, the implementation of IFRS 9 had a minor impact on the Group's retained earnings.

4. Functional currency and presentation 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).

Standalone 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 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 2017.

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.

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.

VIII. 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

ASEE Group's offer within the Banking Solutions segment ranges from the Digital Edge omni-channel solution designed to distribute banking products and services over new, alternative distribution channels and to improve business relations and communication with the customer, through integrated core banking systems based on the Oracle and Microsoft platforms, to authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. Moreover, our clients can rely on on-line 24x7 services and consultancy in the area of digital banking and digital transformation.

Payment Solutions

Asseco SEE provides complete payment industry solutions, for non-financial and financial institutions, supporting card and cardless transactions. Our product portfolio includes solutions for e-commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as ATM and POS related services. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio.

Systems Integration

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

The Group's business profile has been described in detail in its financial statements for the year 2017.

For the period of 9 months ended 30 September 2018 and as at 30 September 2018 in thousands of PLN (unaudited)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	117,908	186,925	165,106	-	(21,065)	448,874
Sales to external customers	108,852	177,864	162,158	-	-	448,874
Inter/intra segment sales	9,056	9,061	2,948	-	(21,065)	-
Gross profit on sales	32,300	49,323	29,137	-	-	110,760
Selling costs (-)	(8,572)	(10,727)	(13,389)	-	-	(32,688)
General and administrative expenses (-)	(10,891)	(10,743)	(6,756)	-	-	(28,390)
Net profit on sales	12,837	27,853	8,992	-	-	49,682
Other operating activities	100	79	26	-	-	205
<i>Share of profits of associates</i>	-	(245)	-	-	-	(245)
Operating profit	12,937	27,687	9,018	-	-	49,642
goodwill	197,259	105,120	172,357	-	-	474,736

For the period of 9 months ended 30 September 2018 in thousands of EUR (unaudited)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	27,720	43,946	38,817	-	(4,952)	105,531
Sales to external customers	25,591	41,816	38,124	-	-	105,531
Inter/intra segment sales	2,129	2,130	693	-	(4,952)	-
Gross profit on sales	7,594	11,596	6,850	-	-	26,040
Selling costs (-)	(2,015)	(2,522)	(3,148)	-	-	(7,685)
General and administrative expenses (-)	(2,560)	(2,526)	(1,589)	-	-	(6,675)
Net profit on sales	3,019	6,548	2,113	-	-	11,680
Other operating activities	24	19	6	-	-	49
<i>Share of profits of associates</i>	-	(58)	-	-	-	(58)
Operating profit	3,043	6,509	2,119	-	-	11,671

The above figures have been converted at the average exchange rate for the period from 1 January 2018 to 30 September 2018: EUR 1 = PLN 4.2535

For the period of 9 months ended 30 September 2017 and as at 30 September 2017 in thousands of PLN (restated)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	116,727	160,629	153,731	250	(20,706)	410,631
Sales to external customers	105,276	155,324	150,031	-	-	410,631
Inter/intra segment sales	11,451	5,305	3,700	250	(20,706)	-
Gross profit on sales	31,963	42,654	25,900	-	-	100,517
Selling costs (-)	(7,480)	(7,795)	(10,371)	-	-	(25,646)
General and administrative expenses (-)	(10,956)	(12,730)	(7,237)	-	-	(30,923)
Net profit on sales	13,527	22,129	8,292	-	-	43,948
Other operating activities	(138)	225	16	-	-	103
<i>Share of profits of associates</i>	-	-	-	-	-	-
Operating profit	13,389	22,354	8,308	-	-	44,051
goodwill	200,941	109,643	181,512	-	-	492,096

For the period of 9 months ended 30 September 2017 in thousands of EUR (restated)	Banking Solutions	Payment Solutions	Systems Integration	Unallocated	Eliminations / Reconcilia- tions	Total
Sales revenues:	27,422	37,736	36,115	59	(4,864)	96,468
Sales to external customers	24,732	36,490	35,246	-	-	96,468
Inter/intra segment sales	2,690	1,246	869	59	(4,864)	-
Gross profit on sales	7,509	10,020	6,085	-	-	23,614
Selling costs (-)	(1,757)	(1,831)	(2,436)	-	-	(6,024)
General and administrative expenses (-)	(2,574)	(2,991)	(1,700)	-	-	(7,265)
Net profit on sales	3,178	5,198	1,949	-	-	10,325
Other operating activities	(32)	52	4	-	-	24
<i>Share of profits of associates</i>	-	-	-	-	-	-
Operating profit	3,146	5,250	1,953	-	-	10,349

The above figures have been converted at the average exchange rate for the period from 1 January 2017 to 30 September 2017: EUR 1 = PLN 4.2566

IX. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 9 months ended 30 September 2018 in thousands of PLN															Total
	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Eliminations		
Sales revenues	1,184	19,903	3,346	96,575	8,230	12,002	38,755	6,130	91,786	143,835	11,751	36,440	(21,065)	448,874	
Cost of sales (-)	(911)	(14,051)	(3,040)	(70,927)	(5,818)	(9,647)	(28,380)	(3,530)	(78,475)	(112,224)	(9,111)	(21,206)	19,684	(337,636)	
Recognition (reversal) of impairment losses on financial assets (+/-)	-	-	-	94	-	224	6	16	(155)	(148)	-	(513)	(2)	(478)	
Gross profit on sales	273	5,852	306	25,742	2,412	2,579	10,381	2,617	13,156	31,463	2,640	14,721	(1,383)	110,760	
Selling costs (-)	(97)	(1,211)	(348)	(4,883)	(611)	(608)	(2,825)	(837)	(7,172)	(9,618)	(322)	(4,822)	665	(32,688)	
General and administrative expenses (-)	(160)	(1,276)	(374)	(5,344)	(279)	(671)	(2,399)	(170)	(4,826)	(7,604)	(599)	(4,734)	45	(28,390)	
Net profit (loss) on sales	16	3,365	(415)	15,515	1,522	1,301	5,156	1,610	1,158	14,241	1,720	5,166	(672)	49,682	
Other operating income	1	9,253	45	74	57	1	381	51	425	204	131	71	(9,541)	1,153	
Other operating expenses	(1)	(9,239)	(44)	(18)	(8)	-	(147)	(16)	(312)	(242)	(114)	(201)	9,393	(948)	
Share of profits of associates	-	-	-	-	-	-	-	-	-	(245)	-	-	-	(245)	
Operating profit (loss)	16	3,379	(414)	15,571	1,572	1,302	5,390	1,645	1,272	13,958	1,737	5,036	(821)	49,642	
For the period of 9 months ended 30 September 2018 in thousands of EUR															Total
Sales revenues	278	4,679	787	22,705	1,935	2,822	9,111	1,441	21,579	33,816	2,763	8,567	(4,952)	105,531	
Cost of sales (-)	(214)	(3,304)	(715)	(16,675)	(1,368)	(2,268)	(6,672)	(830)	(18,450)	(26,384)	(2,142)	(4,985)	4,628	(79,379)	
Recognition (reversal) of impairment losses on financial assets (+/-)	-	-	-	22	-	53	1	4	(36)	(35)	-	(121)	-	(112)	
Gross profit on sales	64	1,375	72	6,052	567	607	2,440	615	3,093	7,397	621	3,461	(324)	26,040	
Selling costs (-)	(23)	(285)	(82)	(1,148)	(144)	(143)	(664)	(197)	(1,686)	(2,260)	(76)	(1,133)	156	(7,685)	
General and administrative expenses (-)	(38)	(300)	(88)	(1,256)	(66)	(158)	(564)	(40)	(1,135)	(1,787)	(141)	(1,113)	11	(6,675)	
Net profit (loss) on sales	3	790	(98)	3,648	357	306	1,212	378	272	3,350	404	1,215	(157)	11,680	
Other operating income	-	2,175	11	17	13	-	89	12	100	49	31	17	(2,243)	271	
Other operating expenses	-	(2,172)	(10)	(4)	(2)	-	(35)	(4)	(73)	(57)	(27)	(46)	2,208	(222)	
Share of profits of associates	-	-	-	-	-	-	-	-	-	(58)	-	-	-	(58)	
Operating profit (loss)	3	793	(97)	3,661	368	306	1,266	386	299	3,284	408	1,186	(192)	11,671	
For the period of 9 months ended 30 September 2017 in thousands of PLN															Total
Sales revenues	1,138	16,098	2,804	76,873	9,435	10,622	36,041	5,222	101,689	118,780	14,480	38,157	(20,706)	410,631	
Cost of sales (-)	(818)	(10,727)	(2,696)	(56,404)	(6,624)	(8,856)	(24,607)	(3,844)	(87,649)	(90,540)	(12,066)	(24,434)	19,816	(309,449)	
Recognition (reversal) of impairment losses on financial assets (+/-)	(3)	-	-	(56)	(75)	-	17	-	(278)	(168)	-	(102)	-	(665)	
Gross profit on sales	316	5,371	108	20,413	2,736	1,766	11,450	1,378	13,762	28,072	2,414	13,620	(890)	100,517	
Selling costs (-)	(46)	(638)	(172)	(4,374)	(140)	(476)	(1,807)	(672)	(5,317)	(8,012)	(191)	(4,455)	655	(25,646)	
General and administrative expenses (-)	(195)	(1,292)	(737)	(5,685)	(622)	(742)	(2,565)	(48)	(5,095)	(7,563)	(638)	(5,874)	132	(30,923)	
Net profit (loss) on sales	75	3,441	(802)	10,354	1,974	548	7,078	658	3,350	12,496	1,585	3,292	(103)	43,948	
Other operating income	5	27	25	264	16	33	150	304	269	29	5	207	-	1,333	
Other operating expenses	(7)	(2)	(45)	(133)	(15)	(43)	(64)	(183)	(205)	(452)	-	(82)	-	(1,230)	
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operating profit (loss)	73	3,466	(822)	10,485	1,976	538	7,164	778	3,415	12,073	1,590	3,418	(103)	44,051	
For the period of 9 months ended 30 September 2017 in thousands of EUR															Total
Sales revenues	267	3,782	659	18,059	2,217	2,495	8,467	1,227	23,889	27,904	3,402	8,964	(4,864)	96,468	
Cost of sales (-)	(192)	(2,520)	(633)	(13,251)	(1,556)	(2,081)	(5,781)	(903)	(20,591)	(21,270)	(2,835)	(5,740)	4,655	(72,698)	
Recognition (reversal) of impairment losses on financial assets (+/-)	(1)	-	-	(13)	(18)	-	4	-	(65)	(39)	-	(24)	-	(156)	
Gross profit on sales	74	1,262	26	4,795	643	414	2,690	324	3,233	6,595	567	3,200	(209)	23,614	
Selling costs (-)	(11)	(150)	(40)	(1,028)	(33)	(112)	(425)	(158)	(1,249)	(1,882)	(45)	(1,046)	154	(6,024)	
General and administrative expenses (-)	(46)	(304)	(173)	(1,336)	(146)	(174)	(603)	(11)	(1,197)	(1,777)	(150)	(1,379)	31	(7,265)	
Net profit (loss) on sales	17	808	(187)	2,431	464	128	1,662	155	787	2,936	372	776	(24)	10,325	
Other operating income	1	6	6	62	4	8	35	71	63	7	1	49	-	313	
Other operating expenses	(2)	-	(11)	(31)	(3)	(10)	(15)	(43)	(48)	(106)	-	(20)	-	(289)	
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operating profit	16	814	(192)	2,462	465	126	1,682	183	802	2,837	373	805	(24)	10,349	

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

PLN'000	3 months ended 30 Sept. 2018	3 months ended 30 Sept. 2017	Change %	9 months ended 30 Sept. 2018	9 months ended 30 Sept. 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Sales revenues	151,530	127,810	19%	448,874	410,631	9%
Gross profit on sales	39,063	32,434	20%	110,760	100,517	10%
Net profit on sales	18,621	13,156	42%	49,682	43,948	13%
Operating profit	18,761	13,321	41%	49,642	44,051	13%
EBITDA	30,255	23,660	28%	83,380	73,621	13%
Net profit for the reporting period	18,309	11,161	64%	45,089	36,857	22%
Net profit attributable to Shareholders of the Parent Company	18,173	11,050	65%	44,793	36,585	22%

EUR'000	3 months ended 30 Sept. 2018	3 months ended 30 Sept. 2017	Change %	9 months ended 30 Sept. 2018	9 months ended 30 Sept. 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Sales revenues	35,394	29,881	18%	105,531	96,468	9%
Gross profit on sales	9,128	7,585	20%	26,040	23,614	10%
Net profit on sales	4,353	3,075	42%	11,680	10,325	13%
Operating profit	4,387	3,114	41%	11,671	10,349	13%
EBITDA	7,072	5,533	28%	19,603	17,296	13%
Net profit for the reporting period	4,284	2,609	64%	10,601	8,659	22%
Net profit attributable to Shareholders of the Parent Company	4,252	2,583	65%	10,531	8,595	23%

Financial results achieved by ASEE Group in the third quarter of 2018 were much stronger than in the comparable period last year. Sales revenues presented in Polish zlotys reached PLN 151.5 million, growing by PLN 23.7 million or 19%, which helped the Group improve its profitability at each level. Operating profit increased by PLN 5.4 million or 41% and reached PLN 18.8 million. In the third quarter of 2018, consolidated EBITDA presented in Polish zlotys amounted to PLN 30.3 million, reflecting an increase by PLN 6.6 million or 28%. Whereas, the Group's net profit for the third quarter of 2018 reached PLN 18.3 million, improving by PLN 7.1 million or as much as 64%. Such a dynamic growth of the Group's net profit was achieved not only due to favourable operating results, but also due to positive foreign exchange differences recognized by the Turkish subsidiary of ASEE as a result of the revaluation of balance sheet items denominated in foreign currencies in the wake of Turkish lira depreciation.

In the third quarter of 2018, the Group's sales revenues presented in euros equalled EUR 35.4

million, increasing by EUR 5.5 million or 18% in relation to the comparable period of 2017.

Sales improved across all the operating segments of ASEE Group, while the highest revenue growth was recorded in the Systems Integration segment, whose sales increased from EUR 10.8 million to EUR 13.5 million, this is by EUR 2.7 million or more than 25%. Most of these additional revenues (EUR 2.3 million) were generated by the business line dealing with delivery of infrastructure and third-party solutions. The Payment Solutions segment also improved its revenues by EUR 1.6 million or 14%, up to the level of almost EUR 12.8 million. Stronger sales were generated by the business lines responsible for maintenance of ATMs and POS terminals, as well as for authorization and processing of payment card transactions. In the third quarter of 2018, revenues of the Banking Solutions segment reached EUR 9.1 million, increasing by nearly EUR 1.2 million or 15%. Higher sales were reported by all the segment's business lines, while the strongest revenue growth was achieved from authentication solutions.

Sales revenues in thousands of PLN	3 months ended 30 Sept. 2018	3 months ended 30 Sept. 2017	Change %	9 months ended 30 Sept. 2018	9 months ended 30 Sept. 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Banking Solutions	39,097	33,983	15%	108,852	105,276	3%
Payment Solutions	54,693	47,706	15%	177,864	155,324	15%
Systems Integration	57,740	46,121	25%	162,158	150,031	8%
151,530	127,810	19%		448,874	410,631	9%

Sales revenues in thousands of EUR	3 months ended 30 Sept. 2018	3 months ended 30 Sept. 2017	Change %	9 months ended 30 Sept. 2018	9 months ended 30 Sept. 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Banking Solutions	9,137	7,947	15%	25,591	24,732	3%
Payment Solutions	12,763	11,153	14%	41,816	36,490	15%
Systems Integration	13,494	10,781	25%	38,124	35,246	8%
35,394	29,881	18%		105,531	96,468	9%

In the third quarter of 2018, operating profit of ASEE Group presented in euros amounted to EUR 4.4 million and was by EUR 1.3 million or 41% higher than in the comparable period last year. Just as in the case of sales revenues, all the segments of ASEE Group managed to boost their operating profits. In the Banking Solutions segment, EBIT increased by more than EUR 0.5 million or 61% and reached the level of EUR 1.4 million. Stronger operating performance was primarily reported by the business lines offering authentication solutions and core banking systems. The Systems Integration segment improved its

results by EUR 0.6 million, making an operating profit of EUR 1.1 million for the third quarter of 2018. Such progress was achieved by the business line offering own software solutions as well as by the business line responsible for delivery and integration of third-party solutions. While in the Payment Solutions segment, operating profit for the third quarter of 2018 amounted to EUR 1.9 million, growing by more than EUR 0.1 million or 7%. Stronger results were achieved by the business lines responsible for maintenance of POS terminals, as well as for authorization and processing of payment card transactions.

Operating profit in thousands of PLN	3 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	Change %	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	Change %
Banking Solutions	6,016	3,754	60%	12,937	13,389	-3%
Payment Solutions	8,136	7,577	7%	27,687	22,354	24%
Systems Integration	4,609	1,990	132%	9,018	8,308	9%
18,761	13,321	41%		49,642	44,051	13%

Operating profit in thousands of EUR	3 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	Change %	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	Change %
Banking Solutions	1,410	877	61%	3,043	3,146	-3%
Payment Solutions	1,897	1,771	7%	6,509	5,250	24%
Systems Integration	1,080	466	132%	2,119	1,953	8%
4,387	3,114	41%		11,671	10,349	13%

Consolidated EBITDA of ASEE Group for the third quarter of 2018 reached nearly EUR 7.1 million, reflecting an increase by more than EUR 1.5 million

or 28% in relation to the previous year. Our EBITDA improved owing to stronger results in each operating segment of ASEE Group.

EBITDA in thousands of PLN	3 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	Change %	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	Change %
Banking Solutions	7,189	5,279	36%	16,361	17,880	-8%
Payment Solutions	17,558	15,467	14%	55,174	44,568	24%
Systems Integration	5,508	2,914	89%	11,845	11,173	6%
30,255	23,660	28%		83,380	73,621	13%

EBITDA in thousands of EUR	3 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	Change %	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	Change %
Banking Solutions	1,683	1,234	36%	3,846	4,201	-8%
Payment Solutions	4,099	3,618	13%	12,972	10,470	24%
Systems Integration	1,290	681	90%	2,785	2,625	6%
7,072	5,533	28%		19,603	17,296	13%

Presented below are the key factors with impact on the financial performance of our individual segments and the entire ASEE Group in the first three quarters of 2018 on a cumulative basis.

Results of the Payment Solutions segment

In the first three quarters of 2018, sales generated by the Payment Solutions segment reached EUR 41.8 million, improving by EUR 5.3 million or almost 15% in relation to the comparable period last year. The strongest revenue growth (by nearly EUR 4 million) was recorded by the segment's business line dealing with maintenance of ATMs. This was achieved primarily by our companies

operating in Romania and Croatia which, in the first three quarters of 2018, completed several deliveries of infrastructure for customers using the traditional model of ATMs maintenance. In addition, Payten Croatia has been engaged in the execution of new contracts for outsourcing of payment services that did not yet bring any revenues back in 2017. Revenues of the business line responsible for maintenance of ATMs improved also due to the launch of an independent network of ATMs by Payten, which operates under the brand of MoneyGet in Croatia, Montenegro and Serbia. Slightly higher sales were reported also by other business lines of this segment which are

responsible for maintenance of POS terminals (mainly in Croatia), processing of payment transactions (in Serbia), as well as e-Commerce (in Turkey).

Operating profit generated by the Payment Solutions segment increased by almost EUR 1.3 million or 24% and reached EUR 6.5 million. Stronger profits were achieved mainly by the segment's business line engaged in maintenance of POS terminals. A significant portion of this increase was contributed by Payten Croatia which, during the first three quarters of 2018, completed a number of deliveries of POS terminals and signed new agreements for maintenance services. In relation to the comparable period of 2017, operating profit earned on maintenance of POS terminals and ATMs increased also in Serbia and Slovenia. In the first three quarters of 2018, EBIT improved also in the business lines dealing with e-Commerce and processing of payment transactions.

EBITDA of the Payment Solutions segment for the first three quarters of 2018 amounted to EUR 13 million, rising by EUR 2.5 million or 24% in relation to the comparable period last year.

Results of the Banking Solutions segment

In the first three quarters of 2018, the Banking Solutions segment generated EUR 25.6 million in sales revenues, achieving an increase by almost EUR 0.9 million or 3%. Such increase resulted from higher sales reported by the business line responsible for core banking systems in Romania, Macedonia, and Bosnia and Herzegovina, as well as by the business line offering mobile solutions primarily on the back of new projects executed in Croatia.

Operating profit of the Banking Solutions segment for the first three quarters of 2018 exceeded EUR 3 million, reflecting a slight decrease by EUR 0.1 million or 3% in relation to the comparable period last year. Weaker operating performance of the Banking Solutions segment was caused primarily by withdrawal from the contract for the sale of a core banking system to Nova Kreditna Banka Maribor (NKBM), as informed by the Company in its regulatory filing no. 9/2018. Because this contract was terminated just after the GAP Analysis phase, ASEE was entitled to receive only a small percentage of remuneration determined for the whole project. In practice, this means that the Company was forced to reverse a portion of revenues recognized from this project in the fourth quarter of 2017, and also that it did not receive

remuneration for work carried out in favour of NKBM during the first quarter of 2018. Total negative impact of such early termination of the contract with NKBM on our operating results amounted to nearly EUR 650 thousand. The related write-downs and uncovered costs were mostly charged against the segment's results in Serbia and Slovenia.

Owing to the implementation of new projects, the Banking Solutions segment has already managed to balance out the entire negative impact of terminated contract with NKBM on the segment's operating results till the end of September. The segment improved its operating performance, among others, in Croatia owing to stronger sales generated by the business line offering mobile solutions, as well as in Turkey where the cost optimization efforts helped increase the efficiency of our team responsible for the InAct software solution.

In the wake of a bit lower operating profit, the amount of EBITDA achieved by the Banking Solutions segment decreased as well. In the first three quarters of 2018, it amounted to EUR 3.8 million, decreasing by over EUR 0.3 million or 8% in relation to the comparable period last year.

Results of the Systems Integration segment

In the first three quarters of 2018, sales generated by the Systems Integration segment amounted to EUR 38.1 million, reflecting an increase EUR 2.9 million or 8% in comparison to the first nine months of 2017. Higher revenues were reported by the business line responsible for infrastructure, third-party solutions and integration services, as well as by the business line offering own solutions. Revenues from the sale of third-party solutions increased in particular in Serbia, but also in our smaller-scale operations located in Kosovo and Poland. At the same time, this business line suffered a considerable decline in sales in Romania. Whereas, revenues from the sale of own software solutions increased mostly in our Serbian and Macedonian subsidiaries.

Operating profit of the Systems Integration segment increased from EUR 1.9 million for the first three quarters of 2017 to a bit more than EUR 2.1 million in the comparable period this year. This improvement is attributable mostly to the business line offering own solutions. Growing revenues of the business line responsible for third-party solutions did not translate into a significant increase in operating profit due to lower margins on resale. Following a higher operating profit of this

segment, the amount of EBITDA also increased up to the level EUR 2.8 million for the first three quarters of 2018.

Net profit

Consolidated net profit of ASEE Group for the first three quarters of 2018 amounted to EUR 10.6 million, reflecting an increase by more than EUR 1.9 million or 22% in relation to the comparable period last year.

The Group's net result on financial operations equalled over EUR 1.2 million in the first three quarters of 2018, as compared with EUR 188 thousand in the corresponding period last year. Such improvement was achieved mainly due to a significantly higher result on foreign exchange differences, including the valuation of hedging instruments. This was largely attributable to unrealized positive foreign exchange differences resulting from the revaluation of receivables and cash held in USD by the Turkish subsidiary of ASEE, in the wake of a significant depreciation of the Turkish lira in the second and third quarters of the year.

In the first nine months of 2018, our income tax expense amounted to EUR 2.3 million (effective tax rate of 17.9%), as compared with almost EUR 1.9 million incurred in the previous year (effective tax rate of 17.8%). 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. In the first three quarters of 2017, our companies located outside of the European Union (Macedonia and Serbia) passed resolutions to pay out dividends in the total amount of over EUR 2.8 million, as compared with EUR 2.1 million in the corresponding period of 2018. In both the cases, payment of dividends from outside of the EU resulted in an obligation to pay withholding tax which increased the effective tax rate of ASEE Group; however, such impact was greater in the first half of 2017. Excluding the effect of withholding tax on dividends, our effective tax rate for the first three quarters of 2018 increased just a bit in relation to the comparable period last year. This was basically due to a slightly higher income tax expense incurred in Serbia.

Analysis of financial ratios

	3 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Gross profit margin	25.8%	25.4%	24.7%	24.5%
EBITDA margin	20.0%	18.5%	18.6%	17.9%
Operating profit margin	12.4%	10.4%	11.1%	10.7%
Net profit margin	12.0%	8.6%	10.0%	8.9%
Return on equity (ROE)			8.6%	7.9%
Return on assets (ROA)			7.1%	6.5%

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 2018, our gross profit margin equalled 24.7% and was slightly higher (by 0.2 percentage points) than in the comparable period last year. The increasing share of our proprietary solutions in the revenue structure (from 64.9% in the first three quarters of 2017 to 65.5% this year) and stronger profitability in this business area were partially offset by weaker margins realized on the resale of infrastructure and third-party software.

The growing sales of our own solutions and their higher profitability enabled an improvement in both EBIT and EBITDA margins. Our operating profit margin expanded from 10.7% in the first three quarters of 2017 up to 11.1% in 2018, while EBITDA margin increased from 17.9% to 18.6%. These margins of profit improved primarily owing to robust results achieved by the Payment Solutions segment.

Stronger operating profitability provided grounds for an increase in net profit margin, which equalled 10.0% in the first three months of 2018, as compared with 8.9% in the comparable period last year. Such improvement in net profit margin was largely attributable to unrealized positive foreign exchange differences recognized by the Turkish subsidiary of ASEE, which has been described above.

Both ROA and ROE ratios for the period of trailing 12 months ended 30 September 2018 increased in relation to the comparable period last year. Our return on equity equalled 8.6%, increasing by 0.7 pp, while return on assets increased from 6.5% to 7.1%.

	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (unaudited)	30 Sept. 2017 (unaudited)
Working capital (in thousands of PLN)	130,771	118,428	118,177	103,539
Current liquidity ratio	1.86	1.68	1.70	1.88
Quick liquidity ratio	1.61	1.46	1.49	1.61
Absolute liquidity ratio	0.77	0.65	0.69	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 the end of September 2018, our working capital amounted to PLN 130.8 million, reflecting an increase by PLN 12.6 million in relation to its level reported as at the end of last year. In the first three quarters of 2018, total current assets decreased by PLN 4.4 million chiefly due to lower trade receivables (by PLN 22 million), which was partially offset by higher amounts of receivables from valuation of IT contracts, prepaid expenses, and taxes recoverable.

Whereas, total current liabilities decreased by PLN 17 million in the first three quarters of 2018, primarily due to lower amounts of trade payables, tax and legal liabilities, and other liabilities. At the same time, we recognized higher amounts of current liabilities from bank loans and accrued expenses.

Our liquidity ratios recorded a slight increase in relation to the end of 2017 and they remain at safe levels.

Analysis of debt

	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Total debt ratio	19.5%	21.5%	21.7%	16.8%
Debt / equity ratio	7.0%	7.5%	6.3%	6.1%
Debt / (debt + equity) ratio	6.6%	7.0%	5.9%	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)

The total debt ratio decreased from 21.7% reported as at the end of 2017 to the level of 19.5% as at 30 September 2018. As described above, the amounts of our trade payables, tax and legal liabilities, and other liabilities declined in the first three quarters of 2018. This was partially offset by higher accrued expenses and liabilities under bank loans. As at the end of September 2018, our interest-bearing liabilities totalled PLN 51.5 million, reflecting an increase by PLN 6.5 million in relation to those reported as at the end of December 2017.

New bank loans were obtained in order to finance purchases of infrastructure for outsourcing projects carried out by the Payment Solutions segment mainly in Serbia and Croatia, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. In the first three quarters of 2018, the excess of proceeds from new bank loans over repayments of previous debts caused an increase in the ratio of debt to equity from 6.3% to 7.0%, as well as in the ratio of debt to debt plus equity from 5.9% to 6.6%.

Structure of the statement of cash flows

	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Cash and cash equivalents at the beginning of the period	115,562	118,058
Net cash provided by (used in) operating activities	56,783	36,636
Net cash provided by (used in) investing activities	(36,980)	(41,286)
Net cash provided by (used in) financing activities	(23,799)	(26,120)
Foreign exchange differences	(118)	(4,908)
Cash and cash equivalents at the end of period	111,448	82,380

In the first three quarters of 2018, our operating activities provided PLN 56.8 million of net cash inflows which is PLN 20 million more than in the comparable period last year. This means that after not a very favourable first half of the year, we achieved a considerable improvement in operating cash flows in the third quarter of 2018.

Traditionally, cash flows generated from operating activities of ASEE Group in the first months of each year remain at a lower level. This is a consequence of changes in the relation of cash to other elements of working capital, following the usually stronger fourth quarter of the previous year. As a result of intensive sales in the last months of the year, the statement of financial position drawn up as at 31 December is usually characterized by high balances of cash, as well as high trade payables (to suppliers and subcontractors) and tax and legal liabilities to be repaid in the first months of next year. Furthermore, in accordance with the variable remuneration scheme applied by ASEE Group, such payments are largely based on the approved annual results and, in practice, settled in the first months of the following year. This means that a number of money transfers made at the beginning of a year are in fact related to the previous year, which poses an additional burden on cash flows

without any impact on the income statement, and therefore deteriorates the conversion of current profits into cash. Fluctuations in the Group's working capital between individual quarters of a year are of temporary nature and do not affect ASEE Group's capacity to generate cash in a long term.

Net cash outflows from our investing activities amounted to PLN 37 million in the first three quarters of 2018, decreasing by PLN 4.3 million in relation to the comparable period last year. In 2018, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment, and intangible assets, for the total amount of PLN 29.5 million. This item comprises mainly our expenditures for infrastructure used in the outsourcing of payment processes and setting up an independent network of ATMs, which reached nearly PLN 24 million in total. In the period reported, our expenditures within investing activities also include cash deposits with maturities exceeding 3 months that were made by ASEE Macedonia, amounting to PLN 6.7 million.

In the first three quarters of 2018, net cash used in our financing activities amounted to PLN -23.8 million. Such negative cash flows were basically a consequence of dividend payment in the total amount of PLN 27 million that was distributed to the shareholders of ASEE in July 2018. In the first nine months of 2018, proceeds from bank loans and borrowings were by PLN 5.6 million higher than their repayments. New bank loans were primarily related to the financing of infrastructure for outsourcing projects carried out by the Payment Solutions segment in Serbia and Croatia, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. Whereas, repayments were related to previous debts that had been obtained for purchases of infrastructure used in outsourcing projects carried out by the Payment Solutions segment.

XI. FACTORS WHICH IN THE MANAGEMENT'S OPINION WILL 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 X of this report.

The factors that may affect the Group's financial performance in 2018 have been also described in the Management report on the Group's operations for the year 2017 as well as in the Management

report on the Group's operations for the period of 6 months ended 30 June 2018.

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.

XII. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Breakdown of sales revenues

Operating revenues generated during the period of 9 months ended 30 September 2018 and

in the comparable period were as follows:

Sales revenues by type of products	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Proprietary software and services	103,165	294,216	90,508	266,573
Third-party software and services	14,936	56,577	13,735	62,251
Hardware and infrastructure	33,429	98,081	23,567	81,807
	151,530	448,874	127,810	410,631

Sales revenues of ASEE Group in the period of 9 months ended 30 September 2018 improved by PLN 38,243 thousand or 9% in relation to the comparable period last year.

Revenues from proprietary software and services increased by PLN 27,643 thousand, sales of hardware and infrastructure increased by PLN 16,274 thousand, while revenues from third-party software and services declined by PLN 5,674 thousand.

Sales revenues	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Revenues other than from contracts with customers recognized in accordance with IFRS 15 – operating leases	19,325	58,006	28,955	47,757
Revenues from contracts with customers recognized in the reporting period	132,205	390,868	98,855	362,874
	151,530	448,874	127,810	410,631

Sales revenues: Banking Solutions	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Proprietary software and services	36,882	103,822	32,737	98,586
Third-party software and services	961	2,480	387	2,653
Hardware and infrastructure	1,254	2,550	859	4,037
	39,097	108,852	33,983	105,276

Sales revenues: Payment Solutions	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Proprietary software and services	44,830	129,235	38,569	110,537
Third-party software and services	416	4,732	1,236	3,858
Hardware and infrastructure	9,447	43,897	7,901	40,929
	54,693	177,864	47,706	155,324

Sales revenues: Systems Integration	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Proprietary software and services	21,453	61,159	19,202	57,450
Third-party software and services	13,559	49,365	12,112	55,740
Hardware and infrastructure	22,728	51,634	14,807	36,841
	57,740	162,158	46,121	150,031

2. Breakdown of operating costs

	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Employee benefits (-)	(48,617)	(144,631)	(45,746)	(134,952)
Third-party non-project services and outsourcing of employees (-)	(5,257)	(15,536)	(5,030)	(15,110)
Depreciation and amortization (-)	(11,494)	(33,738)	(10,339)	(29,570)
Maintenance costs of property and business cars (-)	(10,111)	(29,056)	(10,535)	(27,341)
Business trips (-)	(986)	(3,284)	(914)	(2,663)
Advertising (-)	(606)	(2,491)	(629)	(2,181)
Other operating expenses (-)	(1,193)	(4,319)	(520)	(4,654)
	(78,264)	(233,055)	(73,713)	(216,471)
Cost of sales, of which:	(112,425)	(337,636)	(95,261)	(309,449)
Cost of goods and third-party services sold (-)	(54,645)	(166,137)	(40,941)	(150,212)
Production costs (-)	(57,780)	(171,499)	(54,320)	(159,237)
Recognition (reversal) of impairment losses on financial assets (+/-)	(42)	(478)	(115)	(665)
Selling costs (-)	(11,083)	(32,688)	(8,862)	(25,646)
General and administrative expenses (-)	(9,359)	(28,390)	(10,416)	(30,923)

3. Financial income and expenses

Financial income	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Interest income on loans granted and bank deposits	388	1,153	328	1,249
Gain on valuation of derivative instruments	11	210	-	1,698
Positive foreign exchange differences	2,715	6,078	123	994
Other financial income	38	44	-	23
Total financial income	3,152	7,485	451	3,964
Financial expenses	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Interest expense (-)	(300)	(800)	(179)	(586)
Bank fees and commissions (-)	(23)	(55)	(67)	(245)
Negative foreign exchange differences (-)	(197)	(412)	(14)	(1,787)
Interest expenses under finance leases (-)	(25)	(77)	(30)	(88)
Loss on valuation of derivative instruments (-)	(1)	(839)	(96)	(431)
Other financial expenses (-)	(10)	(14)	(26)	(28)
Total financial expenses	(556)	(2,197)	(412)	(3,165)

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. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.	18,173	44,793	11,050	36,585
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):	51,894,251	51,894,251	51,894,251	51,894,251
Basic consolidated earnings per share for the reporting period	0.35	0.86	0.21	0.70
Diluted consolidated earnings per share for the reporting period	0.35	0.86	0.21	0.70

5. Information on dividends paid out or declared

The Annual General Meeting of Shareholders of Asseco South Eastern Europe S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, on 24 April 2018 decided that the net profit for the financial year 2017 amounting to PLN 19,830,989.19 and a portion of the capital reserve (established pursuant to Resolution No. 7 of the Company's Annual General Meeting of Shareholders of 31 March 2016), shall be distributed as follows:

a) the amount of PLN 1,586,479.14 from the net profit for the financial year 2017 has been allocated

to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;

b) the amount of PLN 18,244,510.05 from the net profit for the financial year 2017 as well as the amount of PLN 8,740,500.47 representing a portion of the above-mentioned capital reserve have been allocated for distribution among all of the Company's shareholders by payment of a dividend amounting to PLN 0.52 per share.

The Company's Annual General Meeting of Shareholders established 29 June 2018 as the dividend record date. The dividend was paid out on 12 July 2018. 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 2018	131,958	17,946
Purchases (+)	28,209	1,480
Capitalization of project development costs (+)	-	1,637
Transfers from inventories (+)	223	-
Finance lease liabilities (+)	631	-
Other increases/decreases (+/-)	(113)	19
Depreciation/amortization charges (-)	(30,052)	(3,662)
Disposal and liquidation (-)	(632)	(129)
Foreign exchange differences on translation of foreign operations (+/-)	1,789	(2,138)
Net book value as at 30 September 2018	132,013	15,153

In the period of 9 months ended 30 September 2018, capitalized costs of development projects amounted to PLN 1,637 thousand as compared with PLN 2,332 thousand in the comparable period of 2017. The capitalization of project development costs is related to the continuation of projects carried out as at 31 December 2017. A detailed description of these projects has been provided in the Group's annual report for the year 2017.

	Tangible assets	Intangible assets
Net book value as at 1 January 2017	102,161	30,180
Purchases (+)	46,805	1,548
Capitalization of project development costs (+)	-	2,332
Transfers from inventories (+)	4,544	-
Finance lease liabilities (+)	614	-
Other increases/decreases (+/-)	(14)	29
Depreciation/amortization charges (-)	(24,075)	(5,598)
Disposal and liquidation (-)	(638)	(949)
Impairment loss (-)	(38)	-
Foreign exchange differences on translation of foreign operations (+/-)	(1,653)	(2,143)
Net book value as at 30 September 2017	127,706	25,399

Liabilities arising from purchases of property, plant and equipment and intangible assets amounted to PLN 1,179 thousand as at 30 September 2018, as compared with PLN 2,960 thousand as at 30 June 2018, PLN 1,778 thousand as at 31 December 2017, and PLN 7,273 thousand as at 30 September 2017.

7. Goodwill

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

	9 months ended 30 Sept. 2018 (unaudited)	6 months ended 30 June 2018 (unaudited)	12 months ended 31 Dec. 2017 (audited)	9 months ended 30 Sept. 2017 (restated)
Goodwill at the beginning of the period	475,360	475,360	505,634	505,634
Banking Solutions	194,330	194,330	205,749	205,749
Payment Solutions	106,449	106,449	111,842	111,842
Systems Integration	174,581	174,581	188,043	188,043
Foreign exchange differences on translation of goodwill in foreign subsidiaries (+/-)	(624)	16,671	(30,274)	(13,538)
Banking Solutions	2,929	8,131	(11,419)	(4,808)
Payment Solutions	(1,329)	3,016	(5,393)	(2,199)
Systems Integration	(2,224)	5,524	(13,462)	(6,531)
Total book value at the end of period	474,736	492,031	475,360	492,096
Banking Solutions	197,259	202,461	194,330	200,941
Payment Solutions	105,120	109,465	106,449	109,643
Systems Integration	172,357	180,105	174,581	181,512

8. Short-term receivables

Trade receivables	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Trade receivables, of which:				
From related parties	84,951	98,009	110,016	67,808
From other entities	556	336	944	843
Allowance for doubtful receivables (-)	87,580	101,027	112,465	70,500
	(3,185)	(3,354)	(3,393)	(3,535)
Receivables from uninvoiced deliveries, of which:	13,228	13,817	10,138	11,190
From related parties	-	-	-	-
From other entities	13,228	13,817	10,138	11,190
	98,179	111,826	120,154	78,998
Other receivables	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Advance payments to other suppliers	4,079	2,610	2,305	1,858
Security deposits receivable	360	374	307	399
Other receivables	798	1,839	726	2,582
	5,237	4,823	3,338	4,839

Advance payments to other suppliers correspond to advances paid to subcontractors on the account of execution of contracts. Other receivables disclosed

as at 30 September 2018 include mainly receivables from employees, restricted cash, as well as receivables from disposal of tangible assets.

9. Financial assets

	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Investments in equity instruments carried at fair value through other comprehensive income:	94	95	90	131
Shares in companies listed on regulated markets	73	74	70	110
Shares in companies not listed on regulated markets	21	21	20	21
Investments in debt securities and cash deposits carried at amortized cost:	6,902	1,367	124	127
Loans granted to unrelated entities	90	92	88	89
Loans granted to employees	4	9	8	9
Deposits for 3 to 12 months	6,286	729	21	22
Deposits for over 12 months	522	537	7	7
Financial assets carried at fair value through profit or loss:	201	205	857	390
Currency forward contracts	167	171	824	390
Investment fund units	34	34	33	-
Long-term	628	649	279	316
Short-term	6,569	1,018	792	332

The line 'Investments in debt securities and cash deposits carried at amortized cost' as at 30 September 2018 and 30 June 2018 includes bank deposits held by ASEE Macedonia.

The book values of financial assets held by the Group as at 30 September 2018, 30 June 2018, 31 December 2017 and 30 September 2017 did not significantly differ from their fair values.

10. Cash and short-term deposits

	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Cash at bank and in hand	72,418	51,071	68,366	60,184
Short-term bank deposits	39,069	60,031	47,346	23,126
	111,487	111,102	115,712	83,310
<i>Interest accrued on cash and cash equivalents as at the end of the reporting period</i>	(8)	(30)	(48)	(47)
<i>Overdraft facilities utilized for liquidity management</i>	(31)	(115)	(102)	(883)
Cash and cash equivalents as disclosed in the cash flow statement	111,448	110,957	115,562	82,380

11. Prepayments and accrued income

Long-term	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Prepaid maintenance services and license fees	31	564	436	461
Other	126	173	305	221
	157	737	741	682
Short-term	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Prepaid maintenance services and license fees	9,897	11,330	6,262	7,176
Prepaid insurance	865	1,268	511	905
Prepaid rents	392	237	245	252
Prepaid consulting services	21	32	558	498
Other prepaid services	894	1,047	1,002	1,030
Costs of services performed for which revenues have not been recognized yet	310	734	267	1,035
Other	670	913	1,202	748
	13,049	15,561	10,047	11,644

As at 30 September 2018, 30 June 2018, 31 December 2017 and 30 September 2017, prepayments included primarily the costs of maintenance services and license fees amounting to

PLN 9,928 thousand, PLN 11,894 thousand, PLN 6,698 thousand, and PLN 7,637 thousand, respectively, that will be successively expensed in future periods.

12. Long-term and short-term financial liabilities

Long-term	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Currency forward contracts	-	27	-	-
Finance lease liabilities	1,258	1,540	1,568	1,687
	1,258	1,567	1,568	1,687
Short-term	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Dividends payable to shareholders of ASEE S.A.	-	26,985	-	-
Finance lease liabilities	890	994	976	909
Currency forward contracts	-	6	-	-
Other	12	16	22	21
	902	28,001	998	930

13. Interest-bearing bank loans and borrowings

As at 30 September 2018, total liabilities of ASEE Group under all bank loans and borrowings aggregated at PLN 51,495 thousand as compared with PLN 55,465 thousand as at 30 June 2018, PLN 44,991 thousand as at 31 December 2017, and PLN 44,429 thousand as at 30 September 2017.

Proceeds from and repayments of bank loans disclosed in the statement of cash flows for the period of 9 months ended 30 September 2018 amounted respectively to PLN 15,810 thousand (proceeds) and PLN 10,162 thousand (repayments). In addition, net cash flows (proceeds less

repayments) from short-term bank loans amounted to PLN -8 thousand.

As at 30 September 2018, tangible assets with a book value of PLN 1,067 thousand served as security for bank loans. As at 30 September 2018, liabilities that were secured with such assets amounted to PLN 9,873 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. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Trade payables, of which:				
To related parties	39,040	35,809	53,361	19,855
To other entities	51	51	52	54
	38,989	35,758	53,309	19,801
Liabilities for uninvoiced deliveries, of which:				
To related parties	5,928	6,367	4,224	7,071
To other entities	-	-	-	-
	5,928	6,367	4,224	7,071
	44,968	42,176	57,585	26,926
Other current liabilities	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Liabilities to employees relating to salaries	4,779	5,032	12,161	4,147
Trade advance payments received	4,297	4,562	12,533	6,701
Liabilities from purchases of tangible assets and intangible assets	1,077	2,738	1,478	6,874
Other liabilities	5,617	1,125	494	628
	15,770	13,457	26,666	18,350
Current liabilities to the state and local budgets	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Value added tax	5,255	6,758	14,859	3,825
Corporate income tax (CIT)	3,778	3,157	2,696	1,661
Personal income tax (PIT)	886	832	1,860	830
Social security payable	2,761	2,995	3,301	2,595
Other	269	512	380	303
	12,949	14,254	23,096	9,214

15. Accruals and deferred income

Short-term accruals	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Recognition of accruals for unused holiday leaves	1,767	2,764	2,253	1,942
Recognition of accruals for employee bonuses	19,932	15,513	9,862	20,625
	21,699	18,277	12,115	22,567
Long-term deferred income	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Prepaid maintenance services	265	710	1,431	1,121
Grants for the development of assets	-	-	-	126
License fees	51	373	165	180
Prepaid implementation services	-	2	159	171
	316	1,085	1,755	1,598

Short-term deferred income	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Prepaid maintenance services	17,149	17,457	10,671	10,138
Prepaid implementation services	1,010	900	1,508	1,203
License fees	463	415	198	476
Grants for the development of assets	-	-	-	147
Other	742	238	7,996	593
	19,364	19,010	20,373	12,557

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

Croatia for the provision of maintenance and support services as well as for future implementation projects.

16. Changes in impairment losses on assets

	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (audited)	9 months ended 30 Sept. 2017 (unaudited)
Trade receivables				
Opening balance	3,354	3,393	3,354	3,266
Created	487	1,330	391	1,350
Reversed	(445)	(852)	(276)	(685)
Utilized	-	(570)	21	(297)
Foreign exchange differences	(211)	(116)	45	(99)
Closing balance	3,185	3,185	3,535	3,535
Inventories				
Opening balance	12,360	11,514	12,720	11,784
Created	600	2,136	1,062	3,261
Reversed	(278)	(1,423)	(801)	(1,255)
Utilized	(228)	(228)	(747)	(1,135)
Foreign exchange differences	(229)	226	250	(171)
Closing balance	12,225	12,225	12,484	12,484

During the period of 9 months ended 30 September 2018, the Group did not recognize or reverse any impairment losses on its financial assets, property, plant and equipment, or intangible assets.

During the period of 9 months ended 30 September 2017, the Group recognized an expense of PLN 949 thousand on the liquidation of intangible assets, and created an impairment write-down on property, plant and equipment in the amount of PLN 38 thousand. In the same period, we did not recognize or reverse any impairment losses on our financial assets.

17. Employment

Number of employees in the Group as at	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Management Board of the Parent Company*	4	4	4	4
Management Boards of the Group companies	40	38	33	32
Production departments	1,260	1,221	1,194	1,158
Sales departments	129	134	125	124
Administration departments	172	172	183	175
	1,605	1,569	1,539	1,493

* Piotr Jelerński 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.

Number of employees in the Group companies as at	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
ASEE S.A.	26	27	25	25
ASEE Romania Group	141	143	189	185
ASEE Serbia Group	405	410	526	526
ASEE Croatia	152	138	144	144
ASEE Kosovo Group	58	58	61	58
ASEE Turkey Group	185	177	179	174
ASEE Bulgaria	20	20	19	19
ASEE B&H	61	57	75	64
ASEE Macedonia	167	154	175	154
Payten Slovenia	31	33	37	37
Payten Montenegro	12	12	10	9
Payten Croatia	106	104	99	98
Payten B&H	33	31	-	-
Payten Macedonia	28	28	-	-
Payten Serbia Group	128	126	-	-
Payten Romania	52	51	-	-
	1,605	1,569	1,539	1,493

* In 2018, due to the process of official separation of our payment services into a standalone organizational unit, a number of employees of ASEE Serbia, ASEE Macedonia, ASEE B&H and ASEE Romania, being responsible for the Payment Solutions segment, have been transferred to Payten Serbia, Payten Macedonia, Payten B&H and Payten Romania, respectively.

18. Outsourcing contracts – the Group acting as a lessor

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. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
(i) within 1 year	61,482	58,545	54,133	49,913
(ii) within 1 to 5 years	54,956	73,569	64,254	56,093
(iii) within more than 5 years	6,327	7,139	7,048	7,832
	122,765	139,253	125,435	113,838

19. Contingent liabilities

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 20,027 thousand as at 30 September 2018, as compared with PLN 26,765 thousand as at 30 June 2018, PLN 15,550 thousand as at 31 December 2017, and PLN 21,530 thousand as at 30 September 2017.

Assets serving as security for bank guarantee facilities:

Category of assets	Net value of assets				Amount of granted guarantee secured with assets			
	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Trade receivables	482	640	3,467	2,537	1,346	1,988	2,833	2,785
Other receivables (restricted cash)	-	-	-	37	-	-	-	639
	482	640	3,467	2,574	1,346	1,988	2,833	3,424

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.

In correspondence, this transaction was recognized as a separate item of the Group's equity, in the same amount as disclosed in remuneration costs.

XIII. 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.

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

Since 2016, ASEE Romania has been party to legal proceedings brought by Romsys S.R.L. that demands ASEE Romania to pay damages in the amount of EUR 1,226 thousand in order to compensate for their losses so far incurred due to allegedly unfair competition.

On 28 February 2018, the first instance court dismissed the claim made by Romsys S.R.L. This judgment is not legally binding and the counterparty

has the right to appeal against it. The Management of ASEE Romania, after seeking legal opinion, believes it is unlikely that the company will incur any significant losses in connection with these proceedings. In line with the Management's standpoint, ASEE Romania created a provision for the costs of court proceedings only.

ASEE Croatia is party to legal proceedings brought by eSanctuary SAGL that demands ASEE Croatia to pay compensation in the amount of EUR 306 thousand for commissions on contracts executed by ASEE Croatia in the Italian market. Until 2016, the parties were bound by the Partner and Reseller Agreement which was terminated by ASEE Croatia. The court hearing in this case was scheduled for 11 October 2018. Until the date of publication of this report, the said court hearing has not been held yet. At the current stage of proceedings, the Management of ASEE Croatia believes it is unlikely that the company will incur any significant losses in connection with this case.

During the reporting period, no other significant 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.

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.

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

During the period of 9 months ended 30 September 2018, 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 be considered significant.

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

The Management Board of ASEE S.A. did not publish any financial forecasts for the year 2018.

In the regulatory filing no. 13/2018 of 10 October 2018, the Management Board informed that, having analyzed the preliminary financial data, it expected the consolidated financial results for the third quarter of 2018 to be significantly distinct from

those achieved in the comparable period last year, including:

- consolidated operating profit of ASEE Group at the level of approx. PLN 18.3 million (approx. EUR 4.3 million), which is approx. 37% higher than for the corresponding quarter last year, and
- consolidated net profit of ASEE Group at the level of approx. PLN 17.9 million (approx. EUR 4.2 million), which is approx. 60% higher than for the comparable period last year.

The Company considered this information as confidential, because it is related to the Company's achievement of financial results for the reporting period that are significantly distinct from the corresponding financial results achieved in prior years as well as from analyst forecasts.

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

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

XVIII. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the period from 30 September 2018 till the date of approval of these interim condensed consolidated financial statements, this is until 24 October 2018, we have not observed any other major events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE Group.

XIX. SIGNIFICANT EVENTS RELATED TO PRIOR YEARS

Until the date of preparing these interim condensed consolidated financial statements, this is until 24 October 2018, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.

**Solutions
for demanding
business.**



**ASSECO SOUTH EASTERN EUROPE S.A.
STANDALONE FINANCIAL DATA
FOR THE THIRD QUARTER OF 2018**

Rzeszów, 24 October 2018

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE S.A.

	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Revenues from holding activities	23,702	20,817	5,572	4,891
II. Revenues from operating activities	6,171	4,973	1,451	1,168
III. Operating profit	15,999	14,777	3,761	3,472
IV. Pre-tax profit	16,952	15,195	3,985	3,570
V. Net profit for the reporting period	15,544	13,859	3,654	3,256
VI. Net cash provided by (used in) operating activities	16,472	14,367	3,873	3,375
VII. Net cash provided by (used in) investing activities	4,223	7,991	993	1,877
VIII. Net cash provided by (used in) financing activities	(26,976)	(23,082)	(6,342)	(5,423)
IX. Cash and short-term deposits	19,968	10,481	4,675	2,432
X. Basic earnings per ordinary share for the reporting period (in PLN/EUR)	0.30	0.27	0.07	0.06
XI. Diluted earnings per ordinary share for the reporting period (in PLN/EUR)	0.30	0.27	0.07	0.06

The selected financial data disclosed in these condensed financial statements have been 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 2018 to 30 September 2018: EUR 1 = PLN 4.2535
 - for the period from 1 January 2017 to 30 September 2017: EUR 1 = PLN 4.2566
- 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 2018: EUR 1 = PLN 4.2714
 - exchange rate effective on 30 September 2017: EUR 1 = PLN 4.3091

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

	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Holding activities	3,470	23,702	2,541	20,817
Dividend income	-	14,517	-	14,156
Revenues from sales of services	3,470	9,185	2,541	6,661
Operating activities	2,147	6,171	1,634	4,973
Revenues from sales of IT services and software	2,147	6,171	1,634	4,973
Total sales revenues	5,617	29,873	4,175	25,790
Cost of sales (-)	(4,019)	(10,758)	(3,037)	(8,498)
Gross profit on sales	1,598	19,115	1,138	17,292
Selling costs (-)	(1,084)	(2,957)	(775)	(2,591)
General and administrative expenses (-)	(61)	(194)	(16)	(45)
Net profit on sales	453	15,964	347	14,656
Other operating income	35	51	89	304
Other operating expenses (-)	-	(16)	-	(183)
Operating profit	488	15,999	436	14,777
Financial income	163	2,132	479	2,762
Financial expenses (-)	(231)	(1,179)	(150)	(2,344)
Pre-tax profit	420	16,952	765	15,195
Corporate income tax (current and deferred tax expense)	(151)	(1,408)	(200)	(1,336)
Net profit for the reporting period	269	15,544	565	13,859
<hr/>				
Earnings per share for the reporting period (in PLN):				
Basic earnings per share	0.01	0.30	0.01	0.27
Diluted earnings per share	0.01	0.30	0.01	0.27

All figures in thousands of PLN, unless stated otherwise

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

	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	3 months ended 30 Sept. 2017 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Net profit for the reporting period	269	15,544	565	13,859
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	269	15,544	565	13,859

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

ASSETS	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Non-current assets				
Non-current assets	592,184	594,185	594,963	605,894
Property, plant and equipment	564	615	599	652
Goodwill arising from business combinations	4,567	4,567	4,567	4,567
Intangible assets	1,095	860	894	870
Investments in subsidiaries	571,174	571,173	571,101	580,101
Prepayments for shares in subsidiaries	-	-	83	-
Deferred tax assets	118	-	87	215
Long-term financial assets	12,340	14,265	14,173	15,534
Other long-term receivables	2,326	2,705	3,459	3,955
Current assets				
Current assets	36,612	62,290	42,319	29,117
Prepayments and accrued income	1,397	1,350	441	1,140
Trade receivables	5,153	4,081	2,377	2,821
Other short-term receivables	1,506	2,792	2,586	1,513
Short-term financial assets	8,588	10,666	10,841	13,162
Cash and short-term deposits	19,968	43,401	26,074	10,481
TOTAL ASSETS	628,796	656,475	637,282	635,011

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

EQUITY AND LIABILITIES	30 Sept. 2018 (unaudited)	30 June 2018 (unaudited)	31 Dec. 2017 (audited)	30 Sept. 2017 (unaudited)
Equity				
Share capital	518,942	518,942	518,942	518,942
Share premium	38,825	38,825	38,825	38,825
Other capitals	1,352	1,073	528	263
Retained earnings and current net profit	51,107	50,838	62,548	56,576
Total equity	610,226	609,678	620,843	614,606
Non-current liabilities				
Interest-bearing bank loans	9,052	10,631	9,489	12,247
Long-term financial liabilities	-	27	-	-
Deferred tax liabilities	-	40	-	-
Current liabilities	9,518	36,166	6,950	8,158
Interest-bearing bank loans	5,172	5,281	4,085	4,988
Trade payables	1,232	1,085	857	1,011
Liabilities to the state and local budgets	473	731	351	338
Financial liabilities	-	26,985	-	-
Other liabilities	6	25	12	16
Deferred income	1,416	1,267	507	984
Accruals	1,057	646	1,042	739
Short-term provisions	162	146	96	82
TOTAL LIABILITIES	18,570	46,797	16,439	20,405
TOTAL EQUITY AND LIABILITIES	628,796	656,475	637,282	635,011

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

for the periods of 9 months ended 30 September 2018, 9 months ended 30 September 2017, and 12 months ended 31 December 2017

	Share capital	Share premium	Other capitals	Retained earnings and current net profit	Total equity
As at 1 January 2018	518,942	38,825	528	62,548	620,843
Net profit for the reporting period	-	-	-	15,544	15,544
Total comprehensive income for the reporting period	-	-	-	15,544	15,544
Valuation of share-based payment plan	-	-	824	-	824
Dividends	-	-	-	(26,985)	(26,985)
As at 30 September 2018 (unaudited)	518,942	38,825	1,352	51,107	610,226
As at 1 January 2017	518,942	38,825	-	67,626	625,393
Net profit for the reporting period	-	-	-	19,831	19,831
Total comprehensive income for the reporting period	-	-	-	19,831	19,831
Valuation of share-based payment plan	-	-	528	-	528
Dividends	-	-	-	(24,909)	(24,909)
As at 31 December 2017 (audited)	518,942	38,825	528	62,548	620,843
As at 1 January 2017	518,942	38,825	-	67,626	625,393
Net profit for the reporting period	-	-	-	13,859	13,859
Total comprehensive income for the reporting period	-	-	-	13,859	13,859
Valuation of share-based payment plan	-	-	263	-	263
Dividends	-	-	-	(24,909)	(24,909)
As at 30 September 2017 (unaudited)	518,942	38,825	263	56,576	614,606

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

for the periods of 9 months ended 30 September 2018 and 9 months ended 30 September 2017

	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2017 (unaudited)
Pre-tax profit	16,952	15,195
Total adjustments:	(16,319)	(15,009)
Depreciation and amortization	340	281
Change in inventories	-	2
Change in receivables	(2,771)	(1,277)
Change in liabilities, accruals and provisions	412	(46)
Interest income and expenses	(388)	(426)
Gain (loss) on foreign exchange differences	(923)	1,546
Gain (loss) on investing activities	(13,896)	(15,421)
Valuation of share-based payment plan	823	263
Other	84	69
Selected operating cash flows	16,715	14,794
Sale of shares in subsidiaries	1,298	1,378
Payments for equity in Payten Macedonia and Payten B&H	(87)	-
Dividends received	15,504	13,416
Net cash used in operating activities	17,348	14,980
Corporate income tax paid	(876)	(613)
Net cash provided by (used in) operating activities	16,472	14,367
Cash flows – investing activities		
Acquisition of property, plant and equipment, and intangible assets	(520)	(638)
Disposal of property, plant and equipment	13	109
Acquisition/settlement of financial assets carried at fair value through profit or loss	34	(187)
Loans granted	(4,370)	(10,896)
Loans collected	8,795	18,987
Interest received	271	616
Net cash provided by (used in) investing activities	4,223	7,991
Cash flows – financing activities		
Proceeds from bank loans	3,865	7,250
Repayments of bank loans	(3,646)	(5,219)
Interest repaid	(210)	(204)
Dividends paid out to shareholders of the Parent Company	(26,985)	(24,909)
Net cash provided by (used in) financing activities	(26,976)	(23,082)
Net increase (decrease) in cash and cash equivalents	(6,281)	(724)
Net foreign exchange differences	175	(3)
Cash and cash equivalents as at 1 January	26,074	11,208
Cash and cash equivalents as at 30 September	19,968	10,481