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**REPORT OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2019**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE THIRD QUARTER OF 2019**

Rzeszów, 7 November 2019

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE THIRD QUARTER OF 2019

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

Marcin Rulnicki Member of the Management Board

Kostadin Slavkoski Member of the Management Board

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE GROUP

	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Sales revenues	605,776	448,874	140,597	105,531
II. Operating profit	73,676	49,642	17,100	11,671
III. Pre-tax profit	75,320	54,930	17,481	12,914
IV. Net profit for the reporting period	61,813	45,089	14,346	10,601
V. Net profit attributable to Shareholders of the Parent Company	61,059	44,793	14,171	10,531
VI. Net cash provided by (used in) operating activities	54,087	56,783	12,553	13,350
VII. Net cash provided by (used in) investing activities	(66,293)	(36,980)	(15,386)	(8,694)
VIII. Net cash provided by (used in) financing activities	(15,485)	(23,799)	(3,594)	(5,595)
IX. Cash and short-term deposits (comparable data as at 31 December 2018)	149,817	164,887	34,255	38,346
Net profit for the reporting period				
X. Basic earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	1.18	0.86	0.27	0.20
XI. Diluted earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	1.18	0.86	0.27	0.20

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 2019 to 30 September 2019: EUR 1 = PLN 4.3086
 - for the period from 1 January 2018 to 30 September 2018: EUR 1 = PLN 4.2535
- the Group's cash and cash equivalents as at the end of the reporting period as well as at the end of the previous financial 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 2019: EUR 1 = PLN 4.3736
 - exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Sales revenues	<u>1</u>	228,802	605,776	151,530	448,874
Cost of sales (-)	<u>2</u>	(175,203)	(458,612)	(112,425)	(337,636)
(Recognition)/Reversal of allowances for trade receivables (-/+)	<u>2</u>	(490)	(952)	(42)	(478)
Gross profit on sales		53,109	146,212	39,063	110,760
Selling costs (-)	<u>2</u>	(13,003)	(37,033)	(11,083)	(32,688)
General and administrative expenses (-)	<u>2</u>	(11,638)	(37,339)	(9,359)	(28,390)
Net profit on sales		28,468	71,840	18,621	49,682
Other operating income		1,855	3,137	657	1,153
Other operating expenses (-)		(429)	(1,240)	(481)	(948)
<i>Share of profits of associates (+/-)</i>		-	(61)	(36)	(245)
Operating profit		29,894	73,676	18,761	49,642
Financial income	<u>3</u>	940	5,908	3,152	7,485
Financial expenses (-)	<u>3</u>	(1,429)	(4,264)	(556)	(2,197)
Pre-tax profit		29,405	75,320	21,357	54,930
Corporate income tax (current and deferred tax expense)		(4,156)	(13,507)	(3,048)	(9,841)
Net profit for the reporting period		25,249	61,813	18,309	45,089
Attributable to:					
Shareholders of the Parent Company		25,249	61,059	18,173	44,793
Non-controlling interests		-	754	136	296

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

Basic consolidated earnings per share for the reporting period	<u>4</u>	0.49	1.18	0.35	0.86
Diluted consolidated earnings per share for the reporting period	<u>4</u>	0.49	1.18	0.35	0.86

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Net profit for the reporting period	25,249	61,813	18,309	45,089
Other comprehensive income, of which:	25,067	12,853	(27,441)	(5,622)
Components that may be reclassified to profit or loss	25,067	12,853	(27,441)	(5,622)
Foreign exchange differences on translation of foreign operations	25,061	12,843	(27,441)	(5,622)
Net gain/loss on valuation of financial assets	6	10	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	50,316	74,666	(9,132)	39,467
Attributable to:				
<i>Shareholders of the Parent Company</i>	49,978	73,688	(9,250)	39,152
<i>Non-controlling interests</i>	338	978	118	315

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 Sept.	30 June	31 Dec.	30 Sept.
		2019	2019	2018	2018
		(unaudited)	(unaudited)	(audited)	(unaudited)
Non-current assets		806,721	727,838	627,571	627,539
Property, plant and equipment	6	156,326	141,965	128,692	132,013
Investment property		622	613	632	640
Intangible assets	6	18,806	18,445	10,854	15,153
Right-of-use assets	7	69,445	60,257	-	-
Goodwill	8	547,509	492,712	481,089	474,736
Investments in associates		-	-	111	167
Long-term financial assets	10	5,272	5,120	588	628
Long-term receivables		480	899	186	220
Deferred tax assets		8,095	7,669	4,785	3,825
Long-term prepayments and accrued income	12	166	158	634	157
Current assets		417,139	389,628	361,995	283,317
Inventories		34,675	34,953	17,006	24,417
Prepayments and accrued income	12	16,436	17,662	15,264	13,049
Trade receivables	9	135,389	140,734	132,120	84,951
Corporate income tax receivable		2,721	4,802	2,227	2,609
Other receivables from the state and local budgets		3,301	3,546	1,355	1,752
Contract assets	18	45,575	34,593	19,022	33,246
Other receivables	9	5,320	2,004	1,765	1,158
Other non-financial assets	13	21,072	9,222	4,588	4,079
Short-term financial assets	10	2,833	249	3,761	6,569
Cash and short-term deposits	11	149,817	141,863	164,887	111,487
TOTAL ASSETS		1,223,860	1,117,466	989,566	910,856

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Note	30 Sept. 2019	30 June 2019	31 Dec. 2018	30 Sept. 2018
		(unaudited)	(unaudited)	(audited)	(unaudited)
Equity (attributable to shareholders of the Parent Company)		804,606	755,163	763,425	731,728
Share capital		518,942	518,942	518,942	518,942
Share premium		38,825	38,825	38,825	38,825
Transactions with non-controlling interests		(4,410)	(3,921)	(1,887)	(1,887)
Other capitals		893	933	3,153	2,608
Foreign exchange differences on translation of foreign operations		(91,190)	(115,913)	(103,809)	(115,038)
Retained earnings and current net profit		341,546	316,297	308,201	288,278
Non-controlling interests		1,960	1,742	1,664	1,511
Total equity		806,566	756,905	765,089	733,239
Non-current liabilities		139,677	110,317	22,095	25,071
Interest-bearing bank loans and borrowings	15	50,586	39,077	17,223	20,268
Deferred tax liabilities		2,548	3,505	1,599	1,828
Long-term provisions		2,012	1,747	1,982	1,299
Long-term financial liabilities	14	83,460	64,848	1,055	1,258
Contract liabilities	18	437	278	236	316
Other long-term liabilities		634	862	-	102
Current liabilities		277,617	250,244	202,382	152,546
Interest-bearing bank loans and borrowings	15	51,902	31,507	30,836	31,227
Trade payables	16	81,234	78,666	78,362	44,968
Corporate income tax payable	16	3,551	3,683	3,684	3,778
Other liabilities to the state and local budgets	16	13,943	14,040	19,333	9,171
Financial liabilities	14	45,877	46,745	829	902
Contract liabilities	18	43,664	44,130	37,166	26,126
Other liabilities	16	9,041	8,621	16,098	11,473
Short-term provisions		3,184	2,853	2,713	3,202
Accruals	17	25,221	19,999	13,361	21,699
TOTAL LIABILITIES		417,294	360,561	224,477	177,617
TOTAL EQUITY AND LIABILITIES		1,223,860	1,117,466	989,566	910,856

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 9 months ended 30 September 2019

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Transactions with non-controlling interests	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 2019	518,942	38,825	(103,809)	(1,887)	3,153	308,201	763,425	1,664	765,089
Impact of the adoption of IFRS 16	-	-	-	-	-	(729)	(729)	-	(729)
As at 1 January 2019 (including impact of the adoption of IFRS 16)	518,942	38,825	(103,809)	(1,887)	3,153	307,472	762,696	1,664	764,360
Net profit (loss) for the reporting period	-	-	-	-	-	61,059	61,059	754	61,813
Other comprehensive income	-	-	12,619	-	10	-	12,629	224	12,853
Total comprehensive income for the reporting period	-	-	12,619	-	10	61,059	73,688	978	74,666
Valuation of share-based payment plan	-	-	-	-	1,778	-	1,778	-	1,778
Obtaining control over subsidiaries	-	-	-	-	(4,048)	-	(4,048)	9,675	5,627
Settlement of conditional financial liabilities to non-controlling shareholders (put options)	-	-	-	(2,523)	-	-	(2,523)	(9,904)	(12,427)
Dividend	-	-	-	-	-	(26,985)	(26,985)	(453)	(27,438)
As at 30 September 2019 (unaudited)	518,942	38,825	(91,190)	(4,410)	893	341,546	804,606	1,960	806,566

for the period of 9 months ended 30 September 2018

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Transactions with non-controlling interests	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)	(1,887)	660	270,470	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 (restated)	518,942	38,825	(115,038)	(1,887)	2,608	288,278	731,728	1,511	733,239

for the period of 12 months ended 31 December 2018

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Transactions with non-controlling interests	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)	(1,887)	660	270,470	717,740	1,572	719,312
Net profit (loss) for the reporting period	-	-	-	-	-	64,716	64,716	447	65,163
Other comprehensive income	-	-	5,461	-	-	-	5,461	24	5,485
Total comprehensive income for the reporting period	-	-	5,461	-	-	64,716	70,177	471	70,648
Valuation of share-based payment plan	-	-	-	-	2,493	-	2,493	-	2,493
Dividend	-	-	-	-	-	(26,985)	(26,985)	(379)	(27,364)
As at 31 December 2018 (audited)	518,942	38,825	(103,809)	(1,887)	3,153	308,201	763,425	1,664	765,089

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Cash flows – operating activities			
Pre-tax profit		75,320	54,930
Total adjustments:		(6,994)	13,070
Depreciation and amortization	2	48,624	33,738
Change in inventories		(2,467)	766
Change in receivables and other non-financial assets		(19,082)	17,787
Change in liabilities, accruals and provisions		(39,160)	(37,574)
Interest income and expenses		2,201	791
Gain (loss) on foreign exchange differences		(195)	(5,109)
Gain (loss) on investing activities		1,274	607
Costs of share-based payment plan		1,778	1,821
Other		33	243
Net cash generated from operating activities		68,326	68,000
Corporate income tax paid		(14,239)	(11,217)
Net cash provided by (used in) operating activities		54,087	56,783
Cash flows – investing activities			
Disposal of property, plant and equipment and intangible assets		1,026	647
Acquisition of property, plant and equipment, and intangible assets	6	(45,588)	(29,480)
Expenditures for development projects	6	(87)	(1,646)
Acquisition of subsidiaries	8	(43,476)	-
Cash and cash equivalents in subsidiaries acquired	8	25,466	-
Acquisition of investments in debt securities carried at amortized cost (cash deposits)		(4,560)	(6,754)
Disposal of investments in debt securities carried at amortized cost (cash deposits)		3,507	7
Acquisition of financial instruments carried at fair value through profit or loss		-	(151)
Disposal of financial assets carried at fair value through profit or loss		144	180
Loans collected		33	48
Loans granted		(2,762)	-
Interest received		1	171
Dividends received		-	1
Other		3	(3)
Net cash provided by (used in) investing activities		(66,293)	(36,980)

		9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Cash flows – financing activities			
Proceeds from bank loans and borrowings	15	50,186	15,802
Repayments of bank loans and borrowings	15	(23,965)	(10,162)
Payments of lease liabilities		(12,173)	(1,177)
Dividends paid out to shareholders of the Parent Company		(26,985)	(26,985)
Dividends paid out to non-controlling interests		(451)	(378)
Interest paid		(2,097)	(899)
Net cash provided by (used in) financing activities		(15,485)	(23,799)
Net increase (decrease) in cash and cash equivalents		(27,691)	(3,996)
Net foreign exchange differences		1,122	(118)
Cash and cash equivalents as at 1 January		164,839	115,562
Cash and cash equivalents as at 30 September	11	138,270	111,448

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, Iberian Peninsula, Turkey, as well as in Colombia, Peru and Dominican Republic.

The Group's business profile and product portfolio have been described in detail in its financial statements for the year 2018 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 2019 and contain comparable data for the interim period ended 30 September 2018 in case of the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows, as well as comparable data as at 30 June 2019, 31 December 2018 and 30 September 2018 in 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 7 November 2019.

II. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A., as at 30 September 2019 as well as at the publication of this report, this is on 7 November 2019, 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 percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,610,000	18.52%
Aviva Investors Poland TFI S.A.	2,679,355	5.16%
Other shareholders	13,110,220	25.26%
	51,894,251	100.00%

As at 30 September 2019 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 2019 and since the end of the reporting period till the publication of this report, this is till 7 November 2019.

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

As at 30 September 2019 as well as at the date of publication of this report, this is on 7 November 2019, 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 (till 30 September 2019)
Artur Kucharski	Marcin Rulnicki
Adam Pawłowicz	Kostadin Slavkoski (since 1 October 2019)

On 27 May 2019, Mr. Miodrag Mirčetić filed a resignation from the position of Member of the Company's Management Board, with effect from 30 September 2019.

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

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

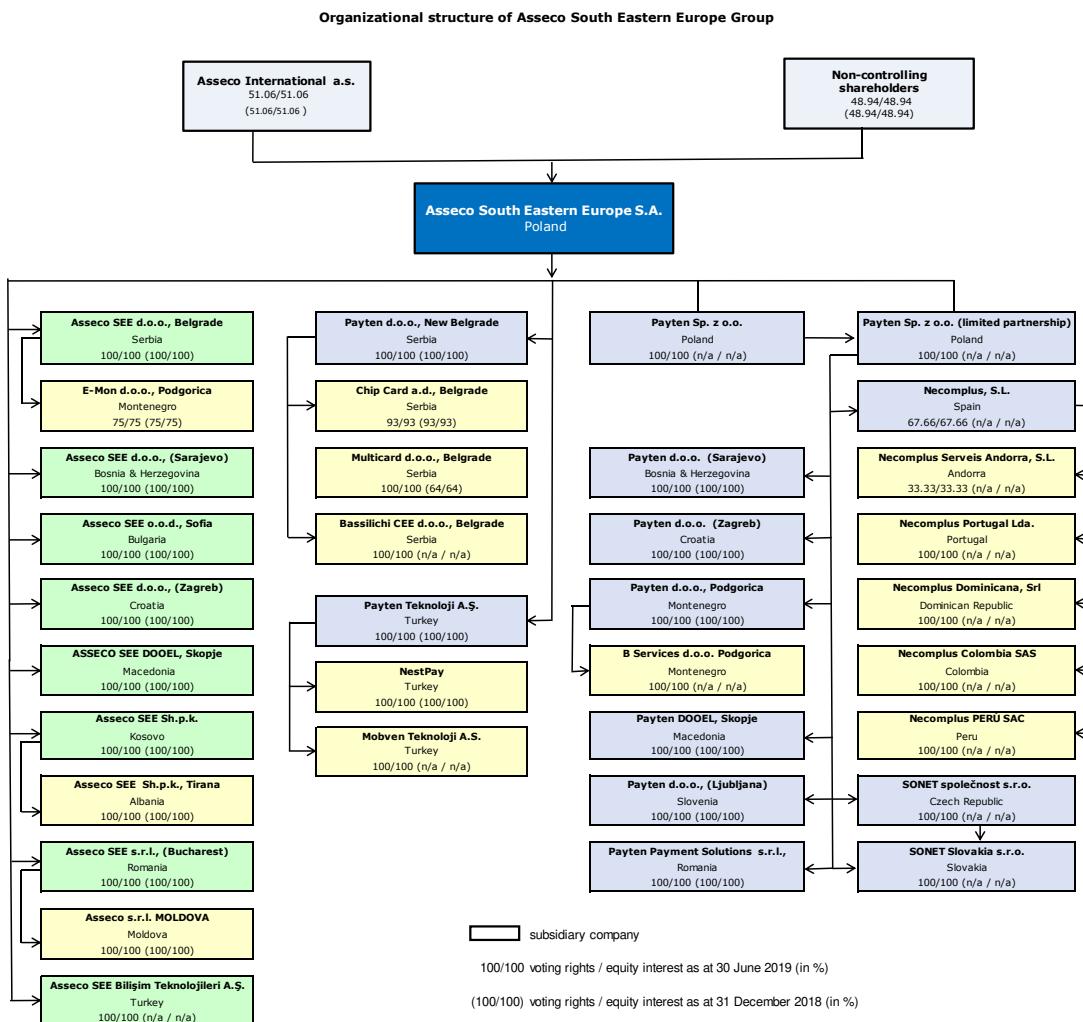
IV. COMPANY'S SHARES AND RIGHTS TO SHARES HELD BY ITS MANAGEMENT AND SUPERVISORY STAFF

Supervisory Board Members	Number of shares held as at			
	7 Nov. 2019	30 Sept. 2019	8 Aug. 2019	31 Dec. 2018
Jozef Klein	-	-	-	-
Adam Góral	-	-	-	-
Jacek Duch	-	-	-	-
Artur Kucharski	-	-	-	-
Adam Pawłowicz	-	-	-	-

Management Members	Board	Number of shares held as at		
		7 Nov. 2019	30 Sept. 2019	8 Aug. 2019
Piotr Jeleński		973,492	973,492	973,492
Miljan Mališ ¹⁾		322,715	322,715	305,615
Miodrag Mirčetić ²⁾		n/a	275,482	275,482
Marcin Rulnicki		30,000	30,000	30,000
Kostadin Slavkoski ³⁾		35,600	n/a	n/a

1) Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.
 2) Miodrag Mirčetić, serving as Member of the Management Board of ASEE S.A. till 30 September 2019, is a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.
 3) Kostadin Slavkoski has served as Member of the Management Board of ASEE S.A. since 1 October 2019.

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 2019.

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s. (our higher-level parent). As at 30 September 2019, Asseco International a.s. held a 51.06% equity interest in ASEE S.A.

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

Both as at 30 September 2019 and 31 December 2018, 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 2019, the Group's organizational structure changed as follows:

Acquisition of shares in Bassilichi CEE d.o.o. Belgrade

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

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

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

Acquisition of shares in Mobven Teknoloji A.S.

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

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

On 5 September 2019, Payten Sp. z o.o. sp.k. based in Warsaw signed an agreement to acquire 100% of shares in the company SONET spol. s.r.o. based in Brno as well as 50% of shares in the company SONET Slovakia s.r.o. based in Bratislava, in which the remaining 50% stake is held by SONET spol. s.r.o. based in Brno, (hereinafter collectively referred to as "SONET companies") for the total consideration of EUR 4 million, increased by EUR 1.4 million of net cash surplus as at the transaction closing date as determined in the agreement, and any conditional payments up to the amount of EUR 350 thousand depending on the achievement of target financial results by SONET companies.

VII. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

The interim condensed consolidated financial statements have been prepared in accordance with the historical cost convention, except for financial instruments that are carried at fair value.

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 ability of the Company or the Group companies 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 2018, which were published on 20 February 2019 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 2018.

The accounting policies applied in the preparation of this report are consistent with those followed when preparing the consolidated financial statements for the year ended 31 December 2018, except for the adoption of a new accounting standard, i.e. IFRS 16 which is described in detail below.

IFRS 16 'Leases'

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 'Leases' (IFRS 16) that replaced IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases - Incentives', and SIC-27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

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 2019.

According to the transition guidance provided in the standard, entities are allowed to choose from two methods for the presentation of comparable data:

- a) retrospective approach to each prior period reported in compliance with IAS 8, or
- b) retrospective approach while recognizing the cumulative effect of applying the new standard as at the date of its initial application.

ASEE Group has used the modified retrospective approach as described in item b, under which the comparable data for the year 2018 have not been restated, but the cumulative effect of adopting this new standard has been presented as an adjustment to the opening balance of retained earnings as at the date of its initial application, i.e. as at 1 January 2019.

Furthermore, the Group has adhered to the new guidance on identifying leases only in respect of those contracts that were entered into (or modified) on or after the date of initial application, i.e. 1 January 2019. Hence, in respect of all contracts that were concluded prior to 1 January 2019, we have decided to use a practical expedient permitted under IFRS 16 whereby it is not required to reassess whether a contract is a lease or contains a lease as at the date of initial application. Instead, the Group has applied IFRS 16 only for contracts that were earlier identified as leases under IAS 17 and IFRIC 4.

According to the Group's assessment, applying the new definition of a lease would not cause any significant changes to our existing classification of contracts between those being a lease or containing a lease.

Group acting as a lessee

In accordance with IFRS 16 'Leases', in case of contracts where ASEE Group acts as a lessee, the Group has implemented a single accounting model, requiring the lessee to recognize assets and liabilities in respect of all leases, subject to exceptions for short-term leases and leases of low-value assets as specified in the standard. As a result, ASEE Group has recognized right-of-use assets and lease liabilities in respect of all lease contracts that transfer the right to control the use of identified assets for a definite period of time. In connection with the above, the recurring costs arising from lease payments, that earlier used to be expensed, have been capitalized and subsequently depreciated. Whereas, the unwinding of discount on lease liabilities is recognized in financial expenses.

In case of contracts that have been commenced on or after 1 January 2019, the Group applies the following valuation principles:

Right-of-use assets shall be initially recognized at the cost comprising:

- a) the amount of initial measurement of the lease liability;
- b) any lease payments made at or before the lease commencement date, less any lease incentives;
- c) any initial direct costs incurred by the lessee;
- d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liabilities shall be initially recognized at the present value of outstanding lease payments, comprising:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees;
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently to initial recognition, the Group shall measure right-of-use assets in a similar manner as other non-financial fixed assets, and lease liabilities in a similar manner as financial liabilities. As a result, after initial recognition, the Group shall recognize depreciation charges on the right-of-use asset and interest expenses on the lease liability, and shall also classify the lease payments into two groups: payments for the principal portion to be disclosed in the statement of cash flows within financing activities, and payments for the interest portion to be disclosed in the statement of cash flows within financing activities.

The application of IFRS 16 by the Group required making estimates that affect the measurement of lease liabilities and right-of-use assets, which estimates were in particular related to the determination of the lease term and the discount rate.

The lease term determined by the Group represents the non-cancellable period of the lease, including a period covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and a period covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

In case of lease contracts concluded for an indefinite period, the Group shall analyze the options to terminate the lease either by the lessee or the lessor. If the lessor and the lessee have an option to terminate the lease without the other party's consent and without significant penalties, the lease term is determined based on the earliest termination period. If such earliest termination period is 12 months or less, the Group shall apply the exception for short-term leases. Contracts concluded for an indefinite period are primarily associated with locations for ATMs.

The Group has decided to use the exceptions for short-term leases and leases of low-value assets as specified in the standard. As a result, in case of such contracts, lease payments shall be recognized directly in costs, similarly as done so far for operating leases.

Moreover, in case of car lease contracts, the Group has decided to use a practical expedient not to separate non-lease components from lease components, and instead to account for each lease component and any associated non-lease components (car maintenance costs, insurance policies, etc.) as a single lease component.

Lease payments shall be discounted using the incremental borrowing rate of the Group or the rate implicit in the lease if that rate can be readily determined.

Group acting as a lessor

Accounting by lessors under IFRS 16 remained substantially unchanged from the approach required by IAS 17. Lessors will continue to treat all lease agreements according to the same criteria as specified in IAS 17, hence each lease shall be classified as an operating lease or a finance lease.

In respect of lease contracts where the Group acts as a lessor, the Group will make no adjustments following the adoption of IFRS 16. Starting from 1 January 2019, the Group has recognized these contracts in accordance with IFRS 16.

Measurement of right-of-use assets and lease liabilities at the date of initial application of IFRS 16

At the date of initial application of IFRS 16 (i.e. at 1 January 2019), for all contracts that were earlier classified as operating leases and have not been completed prior to 1 January 2019, the Group has recognized:

- a) a lease liability measured at the present value of outstanding lease payments, discounted using the incremental borrowing rate of the Group at the date of initial application;
- b) a right-of-use asset measured at its carrying value as if this standard was applied from the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Concurrently, in respect of individual lease contracts, the Group has used the following practical expedients:

- a) exemption from the requirement to recognize right-of-use assets and lease liabilities in case of leases where the underlying asset has a low value;
- b) application of a single discount rate to a portfolio of leases with similar characteristics;
- c) exemption from the requirement to recognize right-of-use assets and lease liabilities in case of leases where the lease term shall end within 12 months from the date of initial application;
- d) use of hindsight, such as in determining the lease term if the contract contains an option to extend or terminate the lease.

Summary of the impact of adopting IFRS 16 as at 1 January 2019

The table below presents the impact of IFRS 16 on the consolidated statement of financial position of ASEE Group as at the date of initial application, i.e. at 1 January 2019:

ASSETS	1 Jan. 2019
Non-current assets	33,292
Right-of-use assets	33,154
Deferred tax assets	138
TOTAL ASSETS	33,292
EQUITY AND LIABILITIES	1 Jan. 2019
Equity (attributable to shareholders of the Parent Company)	(729)
Retained earnings (deficit)	(729)
Total equity	(729)
Non-current liabilities	24,383
Long-term lease liabilities	25,056
Deferred income	(673)
Current liabilities	9,638
Short-term lease liabilities	9,638
TOTAL EQUITY AND LIABILITIES	33,292

Off-balance-sheet liabilities

The Group is party to a number of contracts for rental of:

- a) office and warehouse space;
- b) locations for ATMs;
- c) transportation vehicles;
- d) office equipment;
- e) other assets.

As at 31 December 2018, the above-mentioned contracts resulted in future payments as presented in explanatory note 22 to these financial statements.

The said contracts meet the definition of a lease under IFRS 16.

Presented below is the reconciliation of liabilities under our rental contracts with lease liabilities that have been recognized as at 1 January 2019 in accordance with IFRS 16.

Lease liabilities	1 Jan. 2019
Operating lease liabilities as at 31 December 2018 (IAS 17)	38,260
Finance lease liabilities as at 31 December 2018 (IAS 17)	1,875
Discount calculated using the incremental borrowing rate and changes in the Group's estimates concerning the options to extend or terminate rental contracts that used to be classified as operating leases (-)	(2,085)
Short-term leases (-)	(1,377)
Leases of low-value assets (-)	(104)
Lease liabilities as at 1 January 2019 (IFRS 16)	36,569

Impact of the adoption of IFRS 16 on the income statement for the period of 9 months ended 30 September 2019

The table below presents the impact of applying IFRS 16 on the income statement of ASEE Group for the period of 9 months ended 30 September 2019.

9 months ended 30 September 2019	
Rental costs of leased assets	12,149
Depreciation of right-of-use assets	(11,127)
Gain / Loss on modification of contracts	(24)
Operating profit	998
EBITDA	12,125
Interest	(1,301)
Pre-tax profit (loss)	(303)

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.

For consolidation purposes, financial statements of our foreign subsidiaries are translated into PLN using the respective currency exchange rates as quoted by the National Bank of Poland at the end of the reporting period in case of the statement of financial position, or using the arithmetic average of such exchange rates as published by the National Bank of Poland and effective on the last day of each month during the reporting period in case of the statement of comprehensive income as well as the statement of cash flows. The effects of such conversion are recognized in equity as 'Foreign exchange differences on translation of foreign operations'.

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's management 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 2018.

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

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

Payment Solutions

This segment provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. The product portfolio of ASEEE includes solutions for e-Commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as services related to ATMs and POS terminals.

The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet.

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 ASEEE. 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 and product portfolio have been described in detail in its financial statements for the year 2018.

For the period of 9 months ended 30 September 2019 and as at 30 September 2019 in thousands of PLN (unaudited)	Banking Solutions	Payment Solutions	Systems Integration	Eliminations / Reconciliations	Total
Sales revenues:	142,514	270,381	218,806	(25,925)	605,776
Sales to external customers	128,775	259,471	217,530	-	605,776
Inter/intra segment sales	13,739	10,910	1,276	(25,925)	-
Gross profit on sales	41,774	70,635	33,803	-	146,212
Selling costs (-)	(9,314)	(14,485)	(13,234)	-	(37,033)
General and administrative expenses (-)	(11,972)	(15,996)	(9,371)	-	(37,339)
Net profit on sales	20,488	40,154	11,198	-	71,840
Other operating activities	(73)	1,405	565	-	1,897
<i>Share of profits of associates</i>	-	(61)	-	-	(61)
Operating profit	20,415	41,498	11,763	-	73,676
Goodwill	201,365	168,473	177,671	-	547,509

For the period of 9 months ended 30 September 2019 in thousands of EUR (unaudited)	Banking Solutions	Payment Solutions	Systems Integration	Eliminations / Reconciliations	Total
Sales revenues:	33,077	62,754	50,784	(6,018)	140,597
Sales to external customers	29,888	60,222	50,487	-	140,597
Inter/intra segment sales	3,189	2,532	297	(6,018)	-
Gross profit on sales	9,696	16,394	7,845	-	33,935
Selling costs (-)	(2,162)	(3,362)	(3,071)	-	(8,595)
General and administrative expenses (-)	(2,779)	(3,713)	(2,174)	-	(8,666)
Net profit on sales	4,755	9,319	2,600	-	16,674
Other operating activities	(17)	326	131	-	440
<i>Share of profits of associates</i>	-	(14)	-	-	(14)
Operating profit	4,738	9,631	2,731	-	17,100

The above figures have been converted at the average exchange rate for the period from 1 January 2019 to 30 September 2019: EUR 1 = PLN 4.3086

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	Eliminations / Reconciliations	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	Eliminations / Reconciliations	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

IX. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 9 months ended 30 September 2019 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Czech Republic & Slovakia	Eliminations	Total
Sales revenues	22,213	101,933	37,096	86,823	196,348	46,900	50,344	76,705	11,527	1,812	(25,925)	605,776
Cost of sales (-)	(16,177)	(72,912)	(23,820)	(72,695)	(160,435)	(22,826)	(34,443)	(69,454)	(9,267)	(1,354)	24,771	(458,612)
(Recognition)/Reversal of allowances for trade receivables (-/+)	-	(249)	(136)	12	(622)	46	-	-	(5)	-	2	(952)
Gross profit on sales	6,036	28,772	13,140	14,140	35,291	24,120	15,901	7,251	2,255	458	(1,152)	146,212
Selling costs (-)	(1,382)	(5,114)	(2,831)	(5,830)	(10,651)	(5,247)	(3,374)	(2,059)	(742)	(123)	320	(37,033)
General and administrative expenses (-)	(1,529)	(6,002)	(2,712)	(5,352)	(8,265)	(4,947)	(2,991)	(4,820)	(755)	(107)	141	(37,339)
Net profit (loss) on sales	3,125	17,656	7,597	2,958	16,375	13,926	9,536	372	758	228	(691)	71,840
Other operating income	37	(52)	410	150	1,728	606	311	81	8	-	(142)	3,137
Other operating expenses	(27)	155	(249)	(91)	(485)	(354)	(244)	(42)	(40)	-	137	(1,240)
Share of profits of associates	-	-	-	-	(61)	-	-	-	-	-	-	(61)
Operating profit (loss)	3,135	17,759	7,758	3,017	17,557	14,178	9,603	411	726	228	(696)	73,676
For the period of 9 months ended 30 September 2019 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Czech Republic & Slovakia	Eliminations	Total
Sales revenues	5,156	23,658	8,610	20,151	45,571	10,885	11,685	17,803	2,675	421	(6,018)	140,597
Cost of sales (-)	(3,755)	(16,922)	(5,528)	(16,872)	(37,236)	(5,298)	(7,994)	(16,120)	(2,151)	(314)	5,749	(106,441)
(Recognition)/Reversal of allowances for trade receivables (-/+)	-	(58)	(32)	3	(144)	11	-	-	(1)	-	-	(221)
Gross profit on sales	1,401	6,678	3,050	3,282	8,191	5,598	3,691	1,683	523	107	(269)	33,935
Selling costs (-)	(321)	(1,187)	(657)	(1,353)	(2,472)	(1,218)	(783)	(478)	(172)	(29)	75	(8,595)
General and administrative expenses (-)	(355)	(1,393)	(629)	(1,242)	(1,918)	(1,148)	(694)	(1,119)	(175)	(25)	32	(8,666)
Net profit (loss) on sales	725	4,098	1,764	687	3,801	3,232	2,214	86	176	53	(162)	16,674
Other operating income	9	(12)	95	35	401	141	72	19	2	-	(34)	728
Other operating expenses	(6)	36	(58)	(21)	(113)	(82)	(57)	(10)	(9)	-	32	(288)
Share of profits of associates	-	-	-	-	(14)	-	-	-	-	-	-	(14)
Operating profit (loss)	728	4,122	1,801	701	4,075	3,291	2,229	95	169	53	(164)	17,100
For the period of 9 months ended 30 September 2018 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Czech Republic & Slovakia	Eliminations	Total
Sales revenues	19,903	96,575	38,755	91,786	143,835	36,440	42,645	-	-	-	(21,065)	448,874
Cost of sales (-)	(14,051)	(70,927)	(28,380)	(78,475)	(112,224)	(21,206)	(32,057)	-	-	-	19,684	(337,636)
(Recognition)/Reversal of allowances for trade receivables (-/+)	-	94	6	(155)	(148)	(513)	240	-	-	-	(2)	(478)
Gross profit on sales	5,852	25,742	10,381	13,156	31,463	14,721	10,828	-	-	-	(1,383)	110,760
Selling costs (-)	(1,211)	(4,883)	(2,825)	(7,172)	(9,618)	(4,822)	(2,822)	-	-	-	665	(32,688)
General and administrative expenses (-)	(1,276)	(5,344)	(2,399)	(4,826)	(7,604)	(4,734)	(2,252)	-	-	-	45	(28,390)
Net profit (loss) on sales	3,365	15,515	5,157	1,158	14,241	5,165	5,754	-	-	-	(673)	49,682
Other operating income	9,253	74	381	425	204	71	286	-	-	-	(9,541)	1,153
Other operating expenses	(9,239)	(18)	(147)	(312)	(242)	(201)	(182)	-	-	-	9,393	(948)
Share of profits of associates	-	-	-	-	(245)	-	-	-	-	-	-	(245)
Operating profit (loss)	3,379	15,571	5,391	1,271	13,958	5,035	5,858	-	-	-	(821)	49,642
For the period of 9 months ended 30 September 2018 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Czech Republic & Slovakia	Eliminations	Total
Sales revenues	4,679	22,705	9,111	21,579	33,816	8,567	10,026	-	-	-	(4,952)	105,531
Cost of sales (-)	(3,304)	(16,675)	(6,672)	(18,450)	(26,384)	(4,985)	(7,537)	-	-	-	4,628	(79,379)
(Recognition)/Reversal of allowances for trade receivables (-/+)	-	22	1	(36)	(35)	(121)	57	-	-	-	-	(112)
Gross profit on sales	1,375	6,052	2,440	3,093	7,397	3,461	2,546	-	-	-	(324)	26,040
Selling costs (-)	(285)	(1,148)	(664)	(1,686)	(2,260)	(1,133)	(666)	-	-	-	156	(7,685)
General and administrative expenses (-)	(300)	(1,256)	(564)	(1,135)	(1,787)	(1,113)	(531)	-	-	-	11	(6,675)
Net profit (loss) on sales	790	3,648	1,212	272	3,350	1,215	1,350	-	-	-	(157)	11,680
Other operating income	2,175	17	89	100	49	17	67	-	-	-	(2,243)	271
Other operating expenses	(2,172)	(4)	(35)	(73)	(57)	(46)	(44)	-	-	-	2,208	(223)
Share of profits of associates	-	-	-	-	(58)	-	-	-	-	-	-	(58)
Operating profit (loss)	793	3,661	1,266	299	3,284	1,186	1,374	-	-	-	(192)	11,671

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

Financial results of ASEE Group for the third quarter of 2019

	3 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	Change %
PLN'000			
Sales revenues	228,802	151,530	51%
Gross profit on sales	53,109	39,063	36%
Net profit on sales	28,468	18,621	53%
Operating profit	29,894	18,761	59%
EBITDA	47,642	30,255	58%
Net profit for the reporting period	25,249	18,309	38%
Net profit attributable to Shareholders of the Parent Company	25,249	18,173	39%

	3 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	Change %
EUR'000			
Sales revenues	52,684	35,394	49%
Gross profit on sales	12,223	9,128	34%
Net profit on sales	6,559	4,353	51%
Operating profit	6,890	4,387	57%
EBITDA	10,974	7,072	55%
Net profit for the reporting period	5,819	4,284	36%
Net profit attributable to Shareholders of the Parent Company	5,820	4,252	37%

In the third quarter of 2019, ASEE Group improved its financial performance considerably in relation to the comparable period of the previous year.

Sales revenues presented in Polish zlotys reached PLN 228.8 million, reflecting an increase by PLN 77.3 million or 51% in relation to the third quarter of 2018. Operating profit reached PLN 29.9 million increasing by 59%, while EBITDA for the third quarter of 2019 amounted to PLN 47.6 million showing an improvement by 58%.

Our sales presented in euros equalled EUR 52.7 million, increasing by EUR 17.3 million or 49%. Operating profit reached EUR 6.9 million, while EBITDA amounted to EUR 11 million, both going up by 57% and 55%, respectively.

Such dynamic growth was achieved owing to expanding the scale and improving the efficiency of our operations in the segments of Payment Solutions and Banking Solutions, as well as due to the consolidation of several new subsidiaries by ASEE Group. Since 1 February 2019, ASEE Group has consolidated the financial results of Necoplus companies which generated EUR 7.2 million in sales revenues, EUR 0.25 million in EBITDA, and a small operating loss. Since 1 May 2019, ASEE Group has fully consolidated the financial results of Multicard Serbia which used to be earlier accounted for using the equity method. Furthermore, since 1 August 2019, ASEE Group has fully consolidated the financial results of B Services Montenegro and Bassilichi Serbia, and since 1 September 2019, also the financial results of Sonet (Czech Republic and

Slovakia) and Mobven in Turkey. Detailed information on the acquisition of each of these companies has been provided above, in the section 'Effects of Changes in the Group's and Issuer's Structure'. The aggregate impact of the newly acquired companies (inclusive of Necoplus) on the sales revenues of ASEE Group in the third quarter of 2019 amounted to EUR 8.3 million. At the same time, our new subsidiaries contributed EUR 276 thousand to EBIT and EUR 708 thousand to EBITDA.

It should be also noted that our results for the third quarter of 2019, and especially the level of EBITDA, were influenced by the new presentation of lease contracts, in accordance with IFRS 16. The adoption of this new standard had a positive impact on our EBITDA, amounting to PLN 4.5 million (EUR 1,041 thousand) in the third quarter of 2019.

Payment Solutions	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change %
	in thousands of PLN	in thousands of PLN	%
Sales revenues	98,551	54,693	80%
Operating profit	16,532	8,136	103%
EBITDA	29,789	17,558	70%

Payment Solutions	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change %
	in thousands of EUR	in thousands of EUR	%
Sales revenues	22,694	12,763	78%
Operating profit	3,809	1,897	101%
EBITDA	6,860	4,099	67%

Higher sales were generated by all the three operating segments of ASEE Group, while the largest increase was recorded in the **Payment Solutions** segment. In the third quarter of 2019, sales of the Payment Solutions segment reached EUR 22.7 million, increasing by EUR 9.9 million or 78%. Such revenue growth was driven mainly by the business line engaged in maintenance of POS terminals which consolidates most of sales generated by Necoplus Group and Bassilichi Serbia, as well as all revenues generated by the companies of Sonet and B Services Montenegro. Sales revenues increased dynamically also in the business line dealing with maintenance of ATMs. Stronger sales are primarily the result of a much larger volume of transactions processed during the summer period by our independent network of MoneyGet ATMs and new projects implemented by selected Payten companies (mainly in Croatia). In the third quarter of 2019, higher sales were generated also from e-Commerce and processing of payment transactions.

Operating profit of the Payment Solutions segment for the last three months doubled in relation to the previous year and it reached EUR 3.8 million. The segment's EBIT increased by EUR 1.9 million primarily owing to the business line dealing with maintenance of ATMs. This resulted from a much larger number of transactions processed during the summer by our independent MoneyGet network, as well as from new contracts for delivery and traditional maintenance of ATMs for the customers of Payten. Operating performance improved also in the business lines offering e-Commerce solutions. Slightly stronger results were recorded also in the segment's business lines responsible for maintenance of POS terminals and processing of card payment transactions.

Consolidated EBITDA of the Payment Solutions segment for the third quarter of 2019 reached nearly EUR 6.9 million, improving by almost EUR 2.8 million or 67% in relation to the comparable period last year.

Banking Solutions	3 months ended 30 Sept. 2019		3 months ended 30 Sept. 2018		Change
	in thousands of PLN		in thousands of PLN	%	
Sales revenues	44,482		39,097	14%	
Operating profit	8,635		6,015	44%	
EBITDA	11,290		7,189	57%	

Banking Solutions	3 months ended 30 Sept. 2019		3 months ended 30 Sept. 2018		Change
	in thousands of EUR		in thousands of EUR	%	
Sales revenues	10,231		9,137	12%	
Operating profit	1,991		1,411	41%	
EBITDA	2,602		1,683	55%	

In the third quarter of 2019, the **Banking Solutions** segment generated EUR 10.2 million in sales revenues, achieving an increase by EUR 1.1 million or 12% in relation to the comparable period last year. Higher revenues were recorded mostly by the business line responsible for core banking systems and other software, primarily owing to new projects carried out in Serbia as well as in Bulgaria, Croatia, Kosovo and Montenegro. Revenues increased also in the business line offering mobile solutions, while sales of authentication solutions remained at a stable level.

In the third quarter of 2019, the Banking Solutions segment earned an operating profit of EUR 2.0 million, achieving an increase by EUR 0.6 million or 41% in relation to the comparable period last year. EBIT improved across all of the segment's business lines, with the largest growth achieved in core banking systems and other software.

Consolidated EBITDA of the Banking Solutions segment for the third quarter of 2019 reached EUR 2.6 million, improving by almost EUR 0.9 million or 55% in relation to the comparable period last year.

Systems Integration	3 months ended 30 Sept. 2019		3 months ended 30 Sept. 2018		Change
	in thousands of PLN		in thousands of PLN	%	
Sales revenues	85,769		57,740	49%	
Operating profit	4,728		4,610	3%	
EBITDA	6,563		5,508	19%	

Systems Integration	3 months ended 30 Sept. 2019		3 months ended 30 Sept. 2018		Change
	in thousands of EUR		in thousands of EUR	%	
Sales revenues	19,759		13,494	46%	
Operating profit	1,090		1,079	1%	
EBITDA	1,512		1,290	17%	

Sales revenues generated by the **Systems Integration** segment increased by EUR 6.3 million or 46% in the third quarter of 2019 and reached the level of EUR 19.8 million. Higher revenues were reported by the business line offering own solutions, as well as by the business line responsible for the resale of infrastructure, third-party solutions and integration services. The increase in sales of own solutions was achieved basically due to the consolidation of business process outsourcing activities performed by our Spanish and Portuguese Necoplus subsidiary, as well as all revenues of Mobven Turkey. Stronger sales of infrastructure and third-party solutions were generated primarily by ASEE Serbia.

Operating profit of the Systems Integration segment for the third quarter of 2019 amounted to EUR 1.1 million, remaining at a similar level as a year ago. The business line offering own solutions made a slight improvement in operating results, which was accompanied by a bit weaker performance from the business line responsible for third-party solutions and integration services due to lower margins realized on resale.

Even though its operating profit remained stable, the Systems Integration segment recorded a slight increase in EBITDA for the third quarter of 2019, by EUR 0.2 million to the level of EUR 1.5 million.

Consolidated **net profit** of ASEE Group for the third quarter of 2019 amounted to EUR 5.8 million, increasing by EUR 1.5 million or 36% in relation to the comparable period last year. Our net profit increased a bit less dynamically than the operating profit because the result on financial operations was weaker than a year ago. In the third quarter of 2018, our net result on financial operations equalled EUR 610 thousand, as compared with EUR

-116 thousand reported for the comparable period this year. Such a decline was caused mainly by a weaker result on foreign exchange differences. In the third quarter of 2018, it amounted to nearly EUR 600 thousand, primarily as a result of the revaluation of USD-denominated assets in ASEE Turkey due to the rapid depreciation of the Turkish lira. In the third quarter of 2019, foreign exchange differences amounted to a bit more than EUR 50 thousand. Our result on financial operations deteriorated also due to incurring higher interest expenses as well as recognition of interest on lease contracts in financial expenses in accordance with IFRS 16. In the third quarter of 2019, our income tax expense amounted to EUR 954 thousand as compared with EUR 711 thousand incurred in the previous year. The effective tax rate remained at a stable level and stood at 14.1% in the third quarter of 2019.

Cumulative financial results of ASEE Group for the first three quarters of 2019

PLN'000	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	Change %
Sales revenues	605,776	448,874	35%
Gross profit on sales	146,212	110,760	32%
Net profit on sales	71,840	49,682	45%
Operating profit	73,676	49,642	48%
EBITDA	122,300	83,380	47%
Net profit for the reporting period	61,813	45,089	37%
Net profit attributable to Shareholders of the Parent Company	61,059	44,793	36%

EUR'000	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	Change %
Sales revenues	140,597	105,531	33%
Gross profit on sales	33,935	26,040	30%
Net profit on sales	16,674	11,680	43%
Operating profit	17,100	11,671	47%
EBITDA	28,385	19,603	45%
Net profit for the reporting period	14,346	10,601	35%
Net profit attributable to Shareholders of the Parent Company	14,171	10,531	35%

Sales revenues of ASEE Group presented in Polish zlotys reached PLN 605.8 million in the first three quarters of 2019, reflecting an increase by PLN 156.9 million or 35% in relation to the comparable period of 2018. Operating profit improved by PLN 24 million or 48% in the same period, reaching the level of PLN 73.7 million. The amount of EBITDA for the first three quarters of 2019 amounted to PLN 122.3 million, showing an improvement by 47% in relation to PLN 83.4 million reported a year ago.

In the first three quarters of 2019, our consolidated sales revenues presented in euros increased by

EUR 35.1 million or 33% and reached EUR 140.6 mln EUR. In the same period, our operating profit amounted to EUR 17.1 million, improving by EUR 5.4 million or 47%. Whereas, EBITDA increased from the level of EUR 19.6 million reported last year to EUR 28.4 million or by 45%.

Payment Solutions	9 months ended 30 Sept. 2019 in thousands of PLN	9 months ended 30 Sept. 2018 in thousands of PLN	Change %
Sales revenues	259,471	177,864	46%
Operating profit	41,498	27,687	50%
EBITDA	77,678	55,174	41%

Payment Solutions	9 months ended 30 Sept. 2019 in thousands of EUR	9 months ended 30 Sept. 2018 in thousands of EUR	Change %
Sales revenues	60,222	41,816	44%
Operating profit	9,631	6,509	48%
EBITDA	18,028	12,972	39%

In the first nine months of 2019, sales generated by the **Payment Solutions** segment reached EUR 60.2 million, improving by EUR 18.4 million or 44% in relation to the comparable period last year. The strongest revenue growth (by EUR 14.8 million) was achieved by the segment's business line dealing with maintenance of POS terminals, which included most of revenues generated by Necoplus Group and Bassilichi Serbia, as well as all revenues generated by the companies of Sonet and B Services. Higher sales were generated also by the segment's business lines offering e-Commerce solutions in Turkey, processing of payment transactions in Serbia, as well as maintenance of ATMs basically due to a larger volume of transactions handled by our independent network of MoneyGet ATMs.

Operating profit generated by the **Payment Solutions** segment increased by EUR 3.1 million or 48% and reached EUR 9.6 million. Stronger operating performance was reported mainly by the business line dealing with e-Commerce, basically due to a higher volume of transactions processed and signing new contracts with customers. As a result of handling a larger volume of transactions in our independent MoneyGet network as well as due to new contracts for delivery and traditional maintenance of ATMs, our business line responsible for maintenance of ATMs also managed to improve its results. A slight improvement in operating results was recorded also in the business lines responsible for processing of payment transactions and for maintenance of POS terminals.

EBITDA of the **Payment Solutions** segment for the first three quarters of 2019 amounted to EUR 18 million, rising by EUR 5 million or 39% in relation to the comparable period last year.

Banking Solutions	9 months ended 30 Sept. 2019 in thousands of PLN	9 months ended 30 Sept. 2018 in thousands of PLN	Change %
Sales revenues	128,775	108,852	18%
Operating profit	20,415	12,937	58%
EBITDA	27,690	16,361	69%

Banking Solutions	9 months ended 30 Sept. 2019 in thousands of EUR	9 months ended 30 Sept. 2018 in thousands of EUR	Change %
Sales revenues	29,888	25,591	17%
Operating profit	4,738	3,043	56%
EBITDA	6,427	3,846	67%

In the first three quarters of 2019, the **Banking Solutions** segment generated EUR 29.9 million in sales revenues, achieving an increase by EUR 4.3 million or 17%. Revenues improved across all of the segment's business lines, with the largest growth achieved in mobile and authentication solutions, mainly in Croatia. In the business line responsible for core banking systems and other software, higher sales were generated among others by our subsidiaries operating in Croatia, Bulgaria, Serbia, and in Macedonia.

Owing to stronger revenues of the Banking Solutions segment, its operating profit increased as well and exceeded EUR 4.7 million in the first three quarters of 2019. This reflects an increase by EUR 1.7 million or 56% in relation to the comparable period last year. Higher EBIT was recorded by all business lines of this segment. Such significant improvement in the financial performance of the Banking Solutions segment resulted, among others, from the low level of its operating profit for the comparable period of 2018, when ASEE Group had to recognize a write-down in the amount of almost EUR 650 thousand due to the withdrawal from a contract to sell a core banking system for Nova Kreditna Banka Maribor (NKBM).

Higher operating profit translated into a higher amount of EBITDA achieved by the Banking Solutions segment. In the first three quarters of 2019, it amounted to EUR 6.4 million, increasing by EUR 2.6 million or 67% in relation to the comparable period last year.

Systems Integration	9 months ended 30 Sept. 2019 in thousands of PLN	9 months ended 30 Sept. 2018 in thousands of PLN	Change %
Sales revenues	217,530	162,158	34%
Operating profit	11,763	9,018	30%
EBITDA	16,932	11,845	43%

Systems Integration	9 months ended 30 Sept. 2019 in thousands of EUR	9 months ended 30 Sept. 2018 in thousands of EUR	Change %
Sales revenues	50,487	38,124	32%
Operating profit	2,731	2,119	29%
EBITDA	3,930	2,785	41%

Sales generated by the **Systems Integration** segment in the first three quarters of 2019 reached EUR 50.5 million, reflecting an increase by EUR 12.4 million or 32% in relation to the comparable period of 2018. Strong revenue growth was achieved in particular by the business line offering own solutions, owing to new projects implemented by ASEE Serbia and consolidation of a portion of revenues generated by Necomplus companies. The business line responsible for infrastructure, third-party solutions and integration services also recorded higher sales, but this growth was not as dynamic. In this business line, stronger sales were generated by ASEE companies operating in Serbia and Romania.

Operating profit of the Systems Integration segment increased from EUR 2.1 million for the first three quarters of 2018 to EUR 2.7 million in the corresponding period of this year. Stronger operating results were reported by the business line offering infrastructure and integration services, primarily owing to higher resale margins. This line improved its performance among others in Romania, Serbia and Poland. Whereas, the business line offering our proprietary solutions recorded slightly weaker results than in the first three quarters of 2018. This was to some extent caused by the consolidation of a loss recognized on such activities by Necomplus companies as well as by weaker results recorded by ASEE companies operating in Croatia (where we incurred large expenditures for the development of Live solution) and in Romania.

Following a higher operating profit, the segment's EBITDA improved to EUR 3.9 million in the first three quarters of 2019, showing an increase by EUR 1.1 million or 41%.

Consolidated **net profit** of ASEE Group for the first three quarters of 2019 amounted to EUR 14.3 million, increasing by EUR 3.7 million or 35% in relation to the comparable period last year.

The Group's net result on financial operations equalled EUR 0.4 million for the first three quarters of 2019, as compared with EUR 1.2 million reported for the comparable period a year ago. Such a decline was caused mainly by a weaker result on foreign exchange differences. In the first three quarters of 2018, it exceeded EUR 1.3 million, primarily as a result of the revaluation of USD-denominated assets in ASEE Turkey due to the rapid depreciation of the Turkish lira. In the first nine months of 2019, foreign exchange differences amounted to a bit more than EUR 200 thousand. Our result on financial operations deteriorated also due to recognition of interest on

lease contracts in financial expenses in accordance with IFRS 16. In the first three quarters of 2019, we recognized in financial income a gain of EUR 466 thousand which resulted from the revaluation of shares in the company Multicard after it was taken over by Payten Serbia on 17 April 2019.

In the first three quarters of 2019, our income tax expense amounted to EUR 3.1 million (effective tax rate of 17.9%) as compared with EUR 2.3 million incurred in the previous year (effective tax rate of 17.9%). Income tax expense resulted from our current business operations conducted in various countries, as well as from income taxes on dividends received by the holding company from its subsidiaries. During the first three quarters of

2019, the holding company received more than PLN 25 million in dividends from companies located outside of the European Union, as compared with less than PLN 9 million in the comparable period last year. As a consequence the amount of income tax paid on dividends received was much higher. Concurrently, the effective rate of income tax on current operations dropped a bit due to a higher share of countries with lower statutory income tax rates (Turkey, Serbia, Macedonia) in the structure of our consolidated taxable income. As a result, the effective tax rate of the whole ASEE Group for the first three quarters of 2019 remained at a similar level as in the previous year.

Analysis of financial ratios

	3 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Gross profit margin	23.2%	25.8%	24.1%	24.7%
EBITDA margin	20.8%	20.0%	20.2%	18.6%
Operating profit margin	13.1%	12.4%	12.2%	11.1%
Net profit margin	11.0%	12.0%	10.1%	10.0%
Return on equity (ROE)			10.5%	8.6%
Return on assets (ROA)			7.6%	7.1%

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

Despite the growing share of our proprietary solutions and services in the revenue structure of ASEE Group, which increased from 65.5% in the first three quarters of the previous year to 67.9% this year, our gross profit margin dropped from 24.7% to 24.1%. This was caused by slightly lower profitability of our own software solutions and services at this level that we were not able to compensate with higher margins realized on the resale of infrastructure and third-party solutions.

However, stronger operating margin of the Banking Solutions segment that was accompanied by stable performance from other segments helped improve the Group's overall profitability. EBITDA margin of ASEE Group increased from 18.6% in the first three quarters of 2018 to 20.2% in the comparable

period of this year. At the same time, our operating profit margin climbed from 11.1% to 12.2%.

The net profit margin for the first three quarters of 2019 stood at 10.1%, remaining at a similar level as a year ago. Our net profit did not grow as much as the operating profit due to a weaker result on financial operations which has been described above.

The improved financial results for the first three quarters of 2019 resulted in higher values of ROE and ROA ratios. Return on equity for the trailing 12 months ended 30 September 2019 equalled 10.5%, increasing by 1.9 percentage points, while return on assets reached the level of 7.6%, increasing by 0.5 percentage points.

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (unaudited)	30 Sept. 2018 (unaudited)
Working capital (in thousands of PLN)	139,522	139,383	159,613	130,771
Current liquidity ratio	1.50	1.56	1.79	1.86
Quick liquidity ratio	1.32	1.35	1.63	1.61
Absolute liquidity ratio	0.55	0.57	0.83	0.77

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, our working capital amounted to PLN 139.5 million, reflecting a decrease by PLN 20.1 million in relation to its level reported at the end of December 2018. The increase in total current assets by PLN 55.1 million resulted from higher amounts of inventories (by PLN 17.7 million), contract assets (by PLN 26.5 million), as well as other non-financial assets (by PLN 16.5 million). Such increases were partially offset by a decrease in cash and cash equivalents (by PLN 15.1 million). At the same time, our total current liabilities increased by PLN 75.2 million, primarily due to a higher amount of financial liabilities (by PLN 45 million).

Analysis of debt

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Total debt ratio	34.1%	32.3%	22.7%	19.5%
Debt / equity ratio	12.7%	9.3%	6.3%	7.0%
Debt / (debt + equity) ratio	11.3%	8.5%	5.9%	6.6%

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

The total debt ratio increased from 22.7% reported as at the end of 2018 to the level of 34.1% as at 30 September 2019. Such change resulted primarily from an increase in liabilities by PLN 192.8 million, mostly due to the new presentation of lease contracts as required by IFRS 16 (increase by PLN 69.7 million), as well as due to the recognition of financial liabilities arising from our recent acquisitions (PLN 57.7 million). Financial liabilities arising from company acquisitions include deferred payments for shares in Necoplus, unpaid portion of consideration for shares in Sonet, valuation of put options granted to minority shareholders of Necoplus, as well as conditional payments for shares in Mobven depending on the future financial results of that company (earn-out).

The third factor resulting in higher liabilities over the last three quarters was the increase in our interest-bearing bank loans and borrowings by PLN 54.4 million. The ASEE Group's debt increased primarily due to the consolidation of interest-bearing liabilities of Necoplus, Bassilichi and B Services, partial debt financing of new business acquisitions by the holding company and some of its subsidiaries, as well as due to obtaining new bank loans for financing of projects carried out by the Group's subsidiaries in Croatia and Serbia. Hence, our debt to equity ratio increased from 6.3% to 12.7% as at the end of September 2019, while the ratio of debt to total interest-bearing liabilities and equity increased from 5.9% to 11.3%.

The major components of our current financial liabilities include the short-term portion of deferred payment for shares in Necoplus (PLN 4.9 million), unpaid portion of consideration for shares in Sonet (PLN 15.1 million), upcoming conditional payments to the shareholders of Mobven (earn-out) (PLN 6.9 million), as well as finance lease liabilities (PLN 19 million). The increase in total current liabilities was also caused by higher bank loans and borrowings (by PLN 21.1 million) and a higher amount of accruals (by PLN 11.9 million).

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

Structure of the statement of cash flows

	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Cash and cash equivalents at the beginning of the period	164,839	115,562
Net cash provided by (used in) operating activities	54,087	56,783
Net cash provided by (used in) investing activities	(66,293)	(36,980)
Net cash provided by (used in) financing activities	(15,485)	(23,799)
Foreign exchange differences	1,122	(118)
Cash and cash equivalents at the end of period	138,270	111,448

In the first three quarters of 2019, our operating activities provided PLN 54.1 million of net cash inflows which was a bit less (by PLN 2.7 million) than in the comparable period last year. Our operating cash flows were slightly weaker despite higher gross profit and depreciation charges, but due to an increase in receivables and other non-financial assets as well as a decrease in liabilities. During the first nine months of 2019, cash outflows related to the settlement of liabilities, accruals and provisions amounted to nearly PLN 39.2 million. In addition, total receivables and inventories increased by PLN 21.5 million. Fluctuations in the Group's working capital result from the values and phases of ongoing projects, and above all from the schedule of settlements with suppliers and customers of ASEE. Thus, they 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 66.3 million in the first three quarters of 2019, reflecting a large increase by PLN 29.3 million in relation to the comparable period last year. In the first nine months of 2019, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment and intangible assets for the total amount of almost PLN 45.6 million, as well as by the acquisitions of subsidiary companies for PLN 43.5 million. The acquisitions of tangible and intangible assets included, among others, our expenditures for infrastructure used in the outsourcing of payment processes and setting up an independent network of ATMs. In the first three quarters of 2019, we spent a total of PLN 39.5 million for this purpose. The largest investments were made by our Payten companies in Croatia and Serbia. Expenditures for the acquisition of subsidiaries included payments for purchases of shares in Necoplus (PLN 23.4 million), Sonet (PLN 9.4 million), as well as in other companies that were purchased directly by our Payten

subsidiaries (PLN 10.7 million). Our acquisition expenditures disclosed in the cash flow statement were partially offset by cash and cash equivalents amounting to PLN 25.5 million that were held by the acquired subsidiaries, mainly the companies of Necoplus Group and Sonet.

In the first three quarters of 2019, net cash used in our financing activities amounted to PLN -15.5 million. Proceeds from new bank loans in the amount of PLN 50.2 million were primarily related to the financing of acquisitions and infrastructure for outsourcing projects carried out by the Payment Solutions segment in Croatia and Serbia. Proceeds obtained from new bank loans were partially offset by repayments of previous debts that were related to purchases of infrastructure used in outsourcing projects carried out by the Payment Solutions segment, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. Moreover, in the first three quarters of 2019, ASEE Group repaid its lease liabilities in the amount of PLN 12.2 million and paid a dividend to the shareholders of ASEE in the amount of PLN 27 million.

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 2019 have been also described in the Management Report on Operations of the Group for the year 2018 as well as in the Management Report on Operations of the Group for the period of 6 months ended 30 June 2019.

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 2019 and

in the comparable period were as follows:

Sales revenues by type of products	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Proprietary software and services	150,836	411,329	103,165	294,216
Third-party software and services	35,224	89,171	14,936	56,577
Hardware and infrastructure	42,742	105,276	33,429	98,081
	228,802	605,776	151,530	448,874

Sales revenues of ASEE Group in the period of 9 months ended 30 September 2019 improved by PLN 156,902 thousand or 35% in relation to the comparable period last year.

Revenues from proprietary software and services increased by PLN 117,113 thousand, revenues from third-party software and services improved by PLN 32,594 thousand, while sales of hardware and infrastructure increased by PLN 7,195 thousand.

Sales revenues	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Revenues other than from contracts with customers recognized in accordance with IFRS 15 – operating leases	22,254	60,860	19,325	58,006
Revenues from contracts with customers recognized in the reporting period	206,548	544,916	132,205	390,868
	228,802	605,776	151,530	448,874

Sales revenues: Banking Solutions	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Proprietary software and services	43,168	123,908	36,882	103,822
Third-party software and services	704	2,528	961	2,480
Hardware and infrastructure	610	2,339	1,254	2,550
	44,482	128,775	39,097	108,852

Sales revenues: Payment Solutions	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Proprietary software and services	73,839	192,042	44,830	129,235
Third-party software and services	696	3,499	416	4,732
Hardware and infrastructure	24,016	63,930	9,447	43,897
	98,551	259,471	54,693	177,864

Sales revenues: Systems Integration	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Proprietary software and services	33,829	95,379	21,453	61,159
Third-party software and services	33,824	83,144	13,559	49,365
Hardware and infrastructure	18,116	39,007	22,728	51,634
	85,769	217,530	57,740	162,158

2. Breakdown of operating costs

	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Employee benefits (-)	(71,060)	(198,069)	(48,617)	(144,631)
Third-party non-project services and outsourcing of employees (-)	(7,642)	(20,634)	(5,257)	(15,536)
Depreciation and amortization (-)	(17,748)	(48,624)	(11,494)	(33,738)
Maintenance costs of property and company cars (-)	(7,259)	(20,400)	(10,111)	(29,056)
Business trips (-)	(1,442)	(3,992)	(986)	(3,284)
Advertising (-)	(930)	(2,942)	(606)	(2,491)
Other operating expenses (-)	(5,418)	(13,661)	(1,193)	(4,319)
	(111,499)	(308,322)	(78,264)	(233,055)
Cost of sales, of which:	(175,203)	(458,612)	(112,425)	(337,636)
Cost of goods and third-party services sold (-)	(88,835)	(225,614)	(54,645)	(166,137)
Production costs (-)	(86,368)	(232,998)	(57,780)	(171,499)
Recognition / reversal of impairment losses on financial assets (+/-)	(490)	(952)	(42)	(478)
Selling costs (-)	(13,003)	(37,033)	(11,083)	(32,688)
General and administrative expenses (-)	(11,638)	(37,339)	(9,359)	(28,390)

3. Financial income and expenses

Financial income	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Interest income on loans granted and bank deposits	520	1,697	388	1,153
Gain on valuation of derivative instruments	69	156	11	210
Positive foreign exchange differences	340	2,025	2,715	6,078
Gain on remeasurement of an associate to fair value	-	2,003	-	-
Other financial income	11	27	38	44
Total financial income	940	5,908	3,152	7,485
Financial expenses	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Interest expenses (-)	(387)	(876)	(300)	(800)
Bank fees and commissions (-)	(18)	(43)	(23)	(55)
Negative foreign exchange differences (-)	(111)	(1,143)	(197)	(412)
Interest expenses on leases (-)	(573)	(1,402)	(25)	(77)
Loss on valuation of derivative instruments (-)	(69)	(109)	(1)	(839)
Cost of company acquisitions (-)	(255)	(598)	-	-
Other financial expenses (-)	(16)	(93)	(10)	(14)
Total financial expenses	(1,429)	(4,264)	(556)	(2,197)

The gain on remeasurement of an associate to fair value is related to the acquisition of a 36.30% stake in the share capital of Multicard d.o.o. by Payten Serbia and obtaining control over that company.

The details of accounting for this acquisition are presented in explanatory note 8.

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. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.	25,249	61,059	18,173	44,793
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	0.49	1.18	0.35	0.86
Diluted consolidated earnings per share for the reporting period	0.49	1.18	0.35	0.86

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 11 April 2019 decided that the net profit for the financial year 2018 amounting to PLN 28,501,002.56 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 2,280,080.20 from the net profit for the financial year 2018 has been allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;

6. Property, plant and equipment, and intangible assets

	Tangible assets	Intangible assets
Net book value as at 1 January 2019	128,692	10,854
Restatement of comparable data resulting from the adoption of IFRS 16	(1,819)	-
Net book value as at 1 January 2019 (restated)	126,873	10,854
Purchases	42,330	3,320
Capitalization of development project costs	-	87
Obtaining control over subsidiaries	13,630	12,809
Transfers from inventories	2,543	-
Other increases/decreases (+/-)	29	-
Depreciation/amortization charges (-)	(31,203)	(5,240)
Impairment (-)	(228)	(1,624)
Disposal and liquidation (-)	(764)	(1,242)
Foreign exchange differences on translation of foreign operations (+/-)	3,116	(158)
Net book value as at 30 September 2019	156,326	18,806

The increase in the value of tangible assets during the period of 9 months ended 30 September 2019 resulted primarily from purchases of ATMs, POS terminals and other elements of infrastructure to be offered in the outsourcing model, as well as from obtaining control over Necoplus Group, Sonet Group, and the companies of Bassilichi, Mobven and B Services.

b) the amount of PLN 26,220,922.36 from the net profit for the financial year 2018 as well as the amount of PLN 764,088.16 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 28 June 2019 as the dividend record date.

The dividend was paid out on 11 July 2019.

The number of shares eligible for dividend was 51,894,251.

	Tangible assets	Intangible assets
Net book value as at 1 January 2018	131,958	17,946
Purchases (+)	28,209	1,480
Capitalization of development project 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

The increase in intangible assets during the period of 9 months ended 30 September 2019 resulted primarily from obtaining control over our new subsidiaries of Necoplus Group, Sonet Group, and the companies of Bassilichi and Mobven.

In the period of 9 months ended 30 September 2019, capitalized costs of development projects amounted to PLN 87 thousand as compared with PLN 1,637 thousand in the comparable period of 2018.

Liabilities arising from purchases of property, plant and equipment and intangible assets amounted to PLN 1,253 thousand as at 30 September 2019, as compared with PLN 1,634 thousand as at 30 June 2019, PLN 1,190 thousand as at 31 December 2018, and PLN 1,179 thousand as at 30 September 2018.

7. Right-of-use assets

The Group has adopted the new IFRS 16 standard as of 1 January 2019. Following the adoption of this standard, the Group has introduced a new line in the statement of financial position, namely 'Right-of-use assets' reflecting the value of the rights to use underlying assets arising from lease contracts, rental and hire contracts, as well as other contracts of similar nature that meet the definition of a lease under IFRS 16.

As a consequence of applying the modified retrospective approach, the Group has not restated the relevant data for the comparable period and such data are not presented.

	Land and buildings	Transportation vehicles	Other	Total
Net book value as at 1 January 2019	-	-	-	-
Impact of the adoption of IFRS 16 on the opening balance	27,781	7,193	-	34,974
Net book value as at 1 January 2019 (restated)	27,781	7,193	-	34,974
Conclusion of lease contracts	24,749	4,183	681	29,613
Obtaining control over subsidiaries	9,453	895	8,420	18,768
Depreciation/amortization charges (-)	(9,257)	(2,349)	(580)	(12,186)
Modification of existing contracts (-)	(365)	-	-	(365)
Early termination of contracts (-)	(2,361)	(28)	-	(2,389)
Other changes (+/-)	650	(679)	-	(29)
Foreign exchange differences on translation of foreign operations (+/-)	785	105	169	1,059
Net book value as at 30 September 2019	51,435	9,320	8,690	69,445

8. Goodwill

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

	9 months ended 30 Sept. 2019 (unaudited)	6 months ended 30 June 2019 (unaudited)	12 months ended 31 Dec. 2018 (audited)	9 months ended 30 Sept. 2018 (restated)
Goodwill at the beginning of the period	481,089	481,089	475,360	475,360
Banking Solutions	198,983	198,983	194,330	194,330
Payment Solutions	106,696	106,696	106,449	106,449
Systems Integration	175,410	175,410	174,581	174,581
Change in consolidation goodwill due to the acquisition of shares (+/-)	58,277	19,565	-	-
Payment Solutions	58,277	19,565	-	-
Foreign exchange differences on translation of goodwill in foreign subsidiaries (+/-)	8,143	(7,942)	5,729	(624)
Banking Solutions	2,382	(3,172)	4,653	2,929
Payment Solutions	3,500	(1,455)	247	(1,329)
Systems Integration	2,261	(3,315)	829	(2,224)
Total book value at the end of period	547,509	492,712	481,089	474,736
Banking Solutions	201,365	195,811	198,983	197,259
Payment Solutions	168,473	124,806	106,696	105,120
Systems Integration	177,671	172,095	175,410	172,357

Acquisition of shares in Necoplus S.L. based in Alicante

On 29 January 2019, the Company signed an agreement to acquire a 67.66% stake in the share capital of Necoplus, for a total consideration of PLN 32,888.5 thousand.

Because the acquisition of shares in Necoplus represents a transaction under common control, it has been accounted for in the consolidated financial statements of ASEE Group based on the values of assets and liabilities that were disclosed in the consolidated financial statements of Asseco Poland Group as at the acquisition date. The values of assets and liabilities of Necoplus Group as at the acquisition date were as follows (converted at the exchange rate of PLN/EUR effective as at the acquisition date):

Necoplus Group	Value as at the acquisition date
Assets acquired	
Property, plant and equipment	6,132
Intangible assets	9,476
Right-of-use assets	8,737
Goodwill	7,568
Trade receivables	15,376
Receivables from the state and local budgets	4,826
Inventories	14,800
Cash and cash equivalents	14,878
Other assets	5,247
Total assets	87,040
Liabilities acquired	
Bank loans and borrowings	9,566
Lease liabilities	9,600
Trade payables	26,614
Liabilities to the state and local budgets	3,073
Prepayments and accrued income	5,518
Other liabilities	3,025
Total liabilities	57,396
Net assets value	29,644
Equity interest acquired	67.66%
Value of non-controlling interests	9,673
Purchase price	32,889
Goodwill taken over from Asseco Poland	8,870
Purchase price recognized in equity	4,048

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Necoplus Group was allocated to the Payment Solutions segment.

The acquisition-related costs in the amount of PLN 334 thousand have been recognized in financial expenses.

Acquisition of shares in Multicard d.o.o.

On 17 April 2019, Payten Serbia signed an agreement to purchase a 36.30% stake in the share capital of Multicard d.o.o. As a result of this transaction, the equity interest held by Payten Serbia in Multicard increased from 63.7% to 100%, and the Group obtained control over the acquired company. Consequently, Multicard is treated as a subsidiary company and it is fully consolidated. Until the date of obtaining control, that company was accounted for using the equity method.

The transaction price amounted to EUR 269.4 thousand (PLN 1,154 thousand).

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Multicard may still be subject to change.

The provisional values of identifiable assets and liabilities of Multicard as at the date of obtaining control were as follows (converted at the exchange rate of PLN/RSD effective as at the acquisition date):

Multicard d.o.o.	Provisional value as at the acquisition date
Assets acquired	
Property, plant and equipment	4
Trade receivables	304
Receivables from the state and local budgets	160
Cash and cash equivalents	82
Total assets	550
Liabilities acquired	
Trade payables	442
Liabilities to the state and local budgets	28
Other liabilities	21
Total liabilities	491
Net assets value	59
Equity interest acquired	36.3%
Purchase price	1,154
Fair value of equity interest held	2,032
Goodwill as at the acquisition date	3,127

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Multicard was allocated to the Payment Solutions segment.

**Acquisition of shares in Bassilichi CEE d.o.o.
Belgrade**

On 30 July 2019, Payten d.o.o. Belgrade obtained control over 100% of shares in the company Bassilichi CEE d.o.o. Belgrade.

The transaction price amounted to EUR 1.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Bassilichi may still be subject to change.

The provisional values of identifiable assets and liabilities of Bassilichi as at the date of obtaining control were as follows (converted at the exchange rate of PLN/RSD effective as at the acquisition date):

	Provisional value as at the acquisition date
Bassilichi CEE d.o.o.	
Assets acquired	
Property, plant and equipment	4,094
Intangible assets	1,448
Right-of-use assets	8,397
Trade receivables	3,502
Receivables from the state and local budgets	33
Inventories	1,496
Cash and cash equivalents	66
Other assets	752
Total assets	19,788
Liabilities acquired	
Bank loans and borrowings	4,900
Lease liabilities	8,029
Trade payables	8,671
Liabilities to the state and local budgets	672
Other liabilities	180
Total liabilities	22,452
Net assets value	(2,664)
Equity interest acquired	100.00%
Purchase price	-
Goodwill as at the acquisition date	2,664

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Bassilichi was allocated to the Payment Solutions segment.

The acquisition-related costs in the amount of PLN 179 thousand have been recognized in financial expenses.

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

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

The transaction price amounted to EUR 414.9 thousand (PLN 1,781 thousand).

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of B Services may still be subject to change.

The provisional values of identifiable assets and liabilities of B Services as at the date of obtaining control were as follows (converted at the exchange rate of PLN/EUR effective as at the acquisition date):

	Provisional value as at the acquisition date
B Services d.o.o.	
Assets acquired	
Property, plant and equipment	717
Intangible assets	13
Right-of-use assets	253
Trade receivables	69
Inventories	30
Cash and cash equivalents	618
Other assets	124
Total assets	1,824
Liabilities acquired	
Bank loans and borrowings	837
Lease liabilities	262
Trade payables	172
Liabilities to the state and local budgets	60
Provisions	124
Other liabilities	34
Total liabilities	1,489
Net assets value	335
Equity interest acquired	100.00%
Purchase price	1,781
Goodwill as at the acquisition date	1,446

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of B Services was allocated to the Payment Solutions segment.

Acquisition of shares in Mobven Teknoloji A.S.

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

The purchase price amounted to USD 7 million (PLN 28 million), of which USD 1.9 million (PLN 7.6 million) was paid in cash, and the remaining amount constitutes a deferred conditional payment depending on the future financial results achieved by that company.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Mobven may still be subject to change.

The provisional values of identifiable assets and liabilities of Mobven as at the date of obtaining control were as follows (converted at the exchange rate of PLN/TRY effective as at the acquisition date):

Mobven Teknoloji A.S.		Provisional value as at the acquisition date
Assets acquired		
Property, plant and equipment		858
Intangible assets		901
Right-of-use assets		463
Trade receivables		1,538
Receivables from the state and local budgets		39
Prepayments and accrued income		55
Cash and cash equivalents		1,008
Other assets		120
Total assets		4,982
Liabilities acquired		
Lease liabilities		463
Trade payables		8
Liabilities to the state and local budgets		277
Provisions		41
Prepayments and accrued income		281
Other liabilities		402
Total liabilities		1,472
Net assets value		3,510
Equity interest acquired		100.00%
Purchase price		27,965
Goodwill as at the acquisition date		24,455

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Mobven was allocated to the Payment Solutions segment.

The acquisition-related costs in the amount of PLN 76 thousand have been recognized in financial expenses.

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

On 5 September 2019, Payten Sp. z o.o. sp.k. based in Warsaw signed an agreement to acquire 100% of shares in the company SONET spol. s.r.o. based in Brno as well as 50% of shares in the company SONET Slovakia s.r.o. based in Bratislava, in which the remaining 50% stake is held by SONET spol. s.r.o. based in Brno, (hereinafter collectively referred to as "SONET companies") for the total consideration of EUR 5.6 million (PLN 24,382 thousand). This amount includes a conditional payment of EUR 0.2 million depending on the achievement of target financial results by SONET companies.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Sonet Group may still be subject to change.

The provisional values of identifiable assets and liabilities of Sonet Group as at the date of obtaining control were as follows (converted at the exchange rate of PLN/CZK effective as at the acquisition date):

Sonet Group		Provisional value as at the acquisition date
Assets acquired		
Property, plant and equipment		1,806
Intangible assets		958
Right-of-use assets		873
Trade receivables		4,792
Receivables from the state and local budgets		118
Inventories		248
Cash and cash equivalents		8,879
Other assets		321
Total assets		17,995
Liabilities acquired		
Bank loans and borrowings		244
Lease liabilities		873
Trade payables		1,617
Liabilities to the state and local budgets		487
Other liabilities		538
Total liabilities		3,759
Net assets value		14,236
Equity interest acquired		100.00%
Purchase price		24,382
Goodwill as at the acquisition date		10,146

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Sonet Group was allocated to the Payment Solutions segment.

9. Short-term receivables

Trade receivables	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Trade receivables, of which:				
From related parties	131,471	137,537	127,617	82,902
From other entities	1,659	232	632	556
	129,812	137,305	126,985	82,346
Receivables from operating leases	8,457	6,568	7,602	5,234
Allowance for doubtful receivables (-)	(4,539)	(3,371)	(3,099)	(3,185)
135,389	140,734	132,120	84,951	
Other receivables	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Security deposits receivable	1,088	564	389	360
Other receivables	4,232	1,440	1,376	798
5,320	2,004	1,765	1,158	

Other receivables disclosed as at 30 September 2019 include mainly receivables from employees,

restricted cash, as well as receivables from disposal of tangible assets.

10. Financial assets

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Investments in equity instruments carried at fair value through other comprehensive income:	101	94	92	94
Shares in companies listed on regulated markets	80	74	71	73
Shares in companies not listed on regulated markets	21	20	21	21
Investments in debt securities and cash deposits carried at amortized cost:	7,946	5,218	4,105	6,902
Loans granted to unrelated entities	2,763	143	91	90
Loans granted to employees	7	43	-	4
Bank deposits for 3 to 12 months	8	8	3,492	6,286
Bank deposits for over 12 months	5,168	5,024	522	522
Financial assets carried at fair value through profit or loss:	58	57	152	201
Currency forward contracts	53	53	152	167
Shares in companies not listed on regulated markets and investment fund units	5	4	-	34
Total financial assets	8,105	5,369	4,349	7,197
- long-term	5,272	5,120	588	628
- short-term	2,833	249	3,761	6,569

The line 'Investments in debt securities and cash deposits carried at amortized cost' includes bank deposits held by ASEE Macedonia. These cash deposits, to a large extent, serve as collateral for a bank guarantee used under an IT project that is implemented for a public administration institution.

The amount disclosed as 'Loans granted to unrelated entities' represents a loan that was

granted to Monri Group d.o.o. Monri Group is a company covered by a conditional share purchase agreement that was signed by ASEE Group after the reporting period.

The book values of financial assets held by the Group as at 30 September 2019, 30 June 2019, 31 December 2018 and 30 September 2018 did not significantly differ from their fair values.

11. Cash and short-term deposits

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Cash at bank and on hand	105,038	59,937	79,970	72,418
Short-term bank deposits	44,341	81,631	84,478	39,069
Cash being transferred	438	295	439	-
149,817	141,863	164,887	111,487	
<i>Interest accrued on cash and cash equivalents as at the end of the reporting period</i>	<i>(30)</i>	<i>(18)</i>	<i>(8)</i>	<i>(8)</i>
<i>Overdraft facilities utilized for liquidity management</i>	<i>(11,517)</i>	<i>(3,038)</i>	<i>(40)</i>	<i>(31)</i>
Cash and cash equivalents as disclosed in the cash flow statement	138,270	138,807	164,839	111,448

12. Prepayments and accrued income

Long-term	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Prepaid maintenance services and license fees	12	12	27	31
Other	154	146	607	126
	166	158	634	157

Short-term	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Prepaid maintenance services and license fees	12,419	12,278	11,585	9,897
Prepaid insurance	1,099	1,527	528	865
Prepaid rents	335	398	229	392
Prepaid consulting services	132	145	38	21
Other prepaid services	1,384	2,028	1,689	894
Costs of services performed for which revenues have not been recognized yet	338	171	92	310
Other	729	1,115	1,103	670
	16,436	17,662	15,264	13,049

As at 30 September 2019, 30 June 2019, 31 December 2018 and 30 September 2018, prepayments included primarily the costs of

maintenance services and license fees that will be successively expensed in future periods.

13. Other non-financial assets

Other non-financial assets	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Advance payments to other suppliers	6,650	9,222	4,588	4,079
Funds locked in an escrow account in connection with the acquisition of subsidiaries	14,422	-	-	-
	21,072	9,222	4,588	4,079

Other non-financial assets comprise advance payments made to subcontractors for the execution of contracts, as well as funds locked in an escrow account in connection with the acquisition of Sonet Group subsidiaries. The funds secured in an escrow

account are payable to the previous owner of Sonet Group companies, and they shall be released upon satisfying all the conditions precedent as determined in the acquisition agreement.

14. Long-term and short-term financial liabilities

Long-term	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Lease liabilities	52,651	47,835	1,055	1,258
Liabilities arising from deferred payments for controlling interests	4,932	4,932	-	-
Liabilities arising from conditional payments for controlling interests	13,450	-	-	-
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	12,427	12,081	-	-
	83,460	64,848	1,055	1,258

Short-term	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Dividends payable to shareholders of ASEE S.A.	-	26,985	-	-
Lease liabilities	18,963	14,823	820	890
Liabilities arising from deferred payments for controlling interests	20,025	4,936	-	-
Liabilities arising from conditional payments for controlling interests	6,888	-	-	-
Currency forward contracts	-	-	1	-
Other	1	1	8	12
	45,877	46,745	829	902

As at 30 September 2019, ASEE Group recognized liabilities under put options in the amount of PLN 12,427 thousand that were granted to non-controlling shareholders of Necoplus company. These liabilities have been estimated using the price calculation formula as defined in the agreement, i.e. Necoplus Group's profit for the period specified in the agreement multiplied by a predetermined coefficient, adjusted for net cash held by Necoplus Group.

Long-term and short-term liabilities arising from deferred payments for controlling interests are related to the acquisition of shares in Necoplus S.L. company (PLN 9,868 thousand) and Sonet Group companies (PLN 15,089 thousand).

Long-term and short-term liabilities arising from conditional payments for controlling interests are related to the acquisition of shares in Mobven company (PLN 20,338 thousand). The above-mentioned liabilities have been estimated using the price calculation formula as defined in the acquisition agreement, which corresponds to Mobven company's net profit for the contractual term multiplied by a predetermined coefficient.

As at 30 September 2019, assets used under lease contracts where the Group is a lessee, included:

- office buildings,
- cars,
- IT hardware.

The table below presents the amounts of lease liabilities as at 30 September 2019, as well as at 30 June 2019, 31 December 2018, and 30 September 2018. The amounts as at 31 December 2018 and 30 September 2018 have been disclosed in line with the requirements of IAS 17 and they represent finance lease liabilities. Whereas, lease liabilities reported as at 30 September 2019 and 30 June 2019 include all liabilities arising from contracts that used to be accounted for as finance leases and operating leases in accordance with IAS 17, which meet the definition of a lease under IFRS 16.

Leases	30 Sept. 2019 (IFRS 16) (unaudited)	30 June 2019 (IFRS 16) (audited)	31 Dec. 2018 (IAS 17) (audited)	30 Sept. 2018 (IAS 17) (unaudited)
Minimum lease payments				
in the period shorter than 1 year	22,015	16,743	885	965
in the period from 1 to 5 years	50,303	43,903	1,094	1,314
in the period longer than 5 years	4,329	4,292	-	-
Future minimum lease payments	76,647	64,938	1,979	2,279
Future interest expense	(5,033)	(2,280)	(104)	(131)
Present value of finance lease liabilities	71,614	62,658	1,875	2,148
in the period shorter than 1 year	18,963	14,823	820	890
in the period from 1 to 5 years	48,466	43,585	1,055	1,258
in the period longer than 5 years	4,185	4,250	-	-

15. Interest-bearing bank loans and borrowings

As at 30 September 2019, total liabilities of ASEE Group under all bank loans and borrowings aggregated at PLN 102,488 thousand as compared with PLN 70,584 thousand as at 30 June 2019, PLN 48,059 thousand as at 31 December 2018, and PLN 51,495 thousand as at 30 September 2018.

Proceeds from and repayments of bank loans disclosed in the statement of cash flows for the first 9 months of 2019 amounted respectively to PLN 50,186 thousand (proceeds) and PLN 23,965 thousand (repayments).

As at 30 September 2019, tangible assets with a book value of PLN 9,541 thousand and trade receivables in the amount of PLN 3,768 thousand served as collateral for bank loans. As at 30 September 2019, liabilities that were secured with such assets amounted to PLN 8,963 thousand.

The book values of assets serving as collateral 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.

16. Current liabilities

Trade payables	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Trade payables, of which:				
To related parties	74,040	73,361	72,009	39,040
To other entities	317	816	95	51
	73,723	72,545	71,914	38,989
Liabilities for uninvoiced deliveries, of which:				
To related parties	7,194	5,305	6,353	5,928
To other entities	-	-	-	-
	7,194	5,305	6,353	5,928
	81,234	78,666	78,362	44,968
Other current liabilities	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Liabilities to employees relating to salaries	6,557	5,636	13,428	4,779
Liabilities from purchases of tangible assets and intangible assets	676	820	1,190	1,077
Other liabilities	1,808	2,165	1,480	5,617
	9,041	8,621	16,098	11,473
Current liabilities to the state and local budgets	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Value added tax	7,269	8,189	13,775	5,255
Corporate income tax (CIT)	3,551	3,683	3,684	3,778
Personal income tax (PIT)	1,344	1,060	2,033	886
Social security payable	4,692	4,323	3,170	2,761
Other	638	468	355	269
	17,494	17,723	23,017	12,949

17. Accruals

Short-term accruals	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Accrual for unused holiday leaves	3,492	3,951	2,798	1,767
Accrual for employee bonuses	21,729	16,048	10,563	19,932
	25,221	19,999	13,361	21,699

18. Assets and liabilities from contracts with customers

The balances of receivables, assets and liabilities from contracts with customers as at 30 September

2019, 30 June 2019, 31 December 2018, and 30 September 2018 were as follows:

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Trade receivables	135,389	140,734	132,120	84,951
Contract assets, of which:	45,575	34,593	19,022	33,246
Receivables arising from valuation of IT contracts	26,280	20,484	10,433	20,018
Uninvoiced receivables	19,295	14,109	8,589	13,228
Contract liabilities, of which:	44,101	44,408	37,402	26,442
Liabilities arising from valuation of IT contracts	4,419	4,874	5,900	2,465
Deferred income	39,682	39,534	31,502	23,977

Trade receivables have been disclosed in explanatory note 9.

Contract assets include receivables arising from valuation of IT contracts and uninvoiced deliveries.

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

The balance of deferred income relates primarily to prepayments that have been received for the provision of maintenance and support services mainly by Payten Croatia, ASEE Romania, ASEE Turkey, ASEE Croatia, ASEE Serbia and ASEE S.A., as well as for deliveries of equipment, as presented in the tables below.

Long-term deferred income	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Maintenance services	135	160	236	265
License fees	126	-	-	51
Other	176	118	-	-
	437	278	236	316

Short-term deferred income	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Maintenance services	23,745	23,479	20,843	17,149
Prepaid implementation services	719	696	1,779	1,010
Licence fees	418	652	670	463
Obligation to supply hardware	13,127	13,011	7,243	4,297
Other	1,236	1,418	731	742
	39,245	39,256	31,266	23,661

19. Changes in impairment losses on assets

	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (audited)	9 months ended 30 Sept. 2018 (unaudited)
Trade receivables				
Opening balance	3,371	3,099	3,354	3,393
Created	899	2,280	487	1,330
Reversed	(399)	(1,320)	(445)	(852)
Utilized	(3)	(117)	-	(570)
Obtaining control over subsidiaries	475	475	-	-
Foreign exchange differences	196	122	(211)	(116)
Closing balance	4,539	4,539	3,185	3,185
Inventories				
Opening balance	11,403	13,137	12,360	11,514
Created	993	2,529	600	2,136
Reversed	(508)	(3,356)	(278)	(1,423)
Utilized	(448)	(763)	(228)	(228)
Obtaining control over subsidiaries	1,907	1,907	-	-
Foreign exchange differences	362	255	(229)	226
Closing balance	13,709	13,709	12,225	12,225

During the period of 9 months ended 30 September 2019, the Group recognized impairment charges on intangible assets in the amount of PLN 1,624 thousand, as well as on property, plant and equipment in the amount of PLN 228 thousand. During this period, the Group did not recognize nor

reverse any impairment losses on its financial assets.

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.

20. Employment

Number of employees in the Group as at	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Management Board of the Parent Company*	4	4	4	4
Management Boards of the Group companies	41	41	41	40
Production departments	2,262	2,073	1,302	1,260
Sales departments	178	168	133	129
Administration departments	238	219	175	172
	2,723	2,504	1,655	1,605

* Piotr Jeleński and Marcin Rulinicki 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. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
ASEE S.A.	30	28	30	26
ASEE Romania Group*	138	142	141	141
ASEE Serbia Group*	418	410	420	405
ASEE Croatia	174	170	162	152
ASEE Kosovo Group	66	64	61	58
Payten Turkey Group*	169	95	186	185
ASEE Bulgaria	19	19	20	20
ASEE B&H*	70	69	63	61
ASEE Macedonia	178	173	177	167
Payten Slovenia	32	32	30	31
Payten Montenegro Group	22	12	11	12
Payten Croatia	108	107	108	106
Payten B&H	39	38	34	33
Payten Macedonia	30	30	28	28
Payten Serbia Group	174	139	132	128
Payten Romania	52	52	52	52
ASEE Turkey	92	95	-	-
Necomplus Group	827	829	-	-
Sonet Group	85	-	-	-
	2,723	2,504	1,655	1,605

* 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, ASEE Romania and ASEE Turkey, being responsible for the Payment Solutions segment, were transferred to Payten Serbia, Payten Macedonia, Payten B&H, Payten Romania and Payten Turkey, respectively.

21. 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. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
(i) within 1 year	77,162	48,042	62,672	61,482
(ii) within 1 to 5 years	75,253	74,979	49,525	54,956
(iii) within more than 5 years	8,639	8,203	4,903	6,327
	161,054	131,224	117,100	122,765

22. 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 54,516 thousand as at 30 September 2019, as compared with PLN 34,537 thousand as at 30 June 2019, PLN 24,638 thousand as at 31 December 2018, and PLN 20,027 thousand as at 30 September 2018.

Assets serving as collateral for bank guarantee facilities:

	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Net value of assets:	8,600	611	1,698	482
Financial assets	4,456	-	-	-
Trade receivables	878	611	1,698	482
Other receivables	3,266	-	-	-
Amount of granted guarantee secured with assets	16,962	1,304	1,887	1,346

The Group is party to a number of contracts for rental of:

- a) office and warehouse space;
- b) locations for ATMs;
- c) transportation vehicles;
- d) office equipment;
- e) other assets.

As at 30 September 2019 and 31 December 2018, the above-mentioned contracts resulted in the following future payments:

Liabilities from rental of space	30 Sept. 2019 (unaudited)	31 Dec. 2018 (audited)
In the period up to 1 year	1,907	9,797
In the period from 1 to 5 years	1,140	23,259
	3,047	33,056

Liabilities under operating leases of property, plant and equipment	30 Sept. 2019 (unaudited)	31 Dec. 2018 (audited)
In the period up to 1 year	64	1,820
In the period from 1 to 5 years	2	3,384
	66	5,204

The said contracts meet the definition of a lease under IFRS 16. Off-balance-sheet liabilities disclosed as at 30 September 2019 are related to lease contracts that were subject to exemptions provided under IFRS 16 (short-term leases and leases of low-value assets).

23. 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.

24. Share-based payment plan

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

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

The costs of the share-based payment plan disclosed in these consolidated financial statements of ASEE Group for the interim period ended 30 September 2019 amounted to PLN 1,778 thousand, as compared with PLN 1,821 thousand in the period ended 30 September 2018.

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

The values of transactions conducted by ASEE Group with related parties of Asseco Poland Group during the periods of 9 months ended 30 September 2019 and 30 September 2018, as well as outstanding balances of receivables and liabilities arising from such transactions as at 30 September 2019 and 31 December 2018 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Party having significant influence over the Group:				
2019	48	1,058	60	105
2018	48	182	58	19
Related parties - Asseco Poland Group:				
2019	595	58	206	9
2018	7,282	145	131	1
Associates and joint ventures:				
2019	261	-	-	-
2018	212	-	360	-

Apart from trade receivables, the above table also discloses receivables from deposits paid-in by us under space rental contracts, amounting to PLN 47 thousand as at 30 September 2019 and PLN 47 thousand as at 31 December 2018.

Transactions conducted with the Key Management Personnel or parties related through the Key Management Personnel (members of Management Boards and Supervisory Boards) of Asseco South Eastern Europe S.A. and the Group companies

The values of transactions conducted by ASEE Group with the Key Management Personnel or parties related through the Key Management Personnel during the periods of 9 months ended 30 September 2019 and 30 September 2018, as well as outstanding balances of receivables and liabilities arising from such transactions as at 30 September 2019 and 31 December 2018 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Key Management Personnel or parties related through the Key Management Personnel of the Group:				
2019	1,205	695	1,440	203
2018	242	1,906	130	75

Purchases from and sales to related parties presented in the table above are associated primarily with the rental and maintenance of space as well as with purchases or sales of hardware and services that were conducted by ASEE Group companies with parties related through the Key Management Personnel or directly with the Key Management Personnel. In the period of 9 months ended 30 September 2019, the amounts of purchases were lower than in the comparable period

last year, because the rentals of business space from MHM d.o.o., Beograd¹, Miljan Mališ and Mini Invest d.o.o., Beograd² meet the definition of a lease under IFRS 16. Therefore, the Group did not recognize any space rental costs, and instead in the statement of financial position it disclosed a right-of-use asset, which is subject to depreciation, as well as financial liabilities in respect of such leases. Lease liabilities arising from rental contracts with parties related through the Key Management Personnel amounted to PLN 15,517 thousand.

The amounts of sales and receivables from related parties increased as a result of transactions carried out by the newly acquired Bassilichi company with Bassilichi CEE d.o.o. Podgorica and Bassilichi CEE d.o.o. Banja Luka. These companies are related through a common Member of the Management Board.

All the above-mentioned transactions were carried out 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

The legal proceedings that were brought by Romsys S.R.L. against ASEE Romania for payment of damages in the amount of EUR 1,226 thousand in order to compensate for their losses so far incurred due to allegedly unfair competition, which were conducted since 2016, have been finally settled to the satisfaction of ASEE Romania. Romsys S.R.L. has not filed an appeal against the decision of the second instance court to the court of cassation; hence the decision issued on 28 February 2018 by the first instance court that dismissed the claim made by Romsys S.R.L. has become final and binding.

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 no significant settlements resulting from court litigation.

¹ President of the Management Board of ASEE S.A. holds indirectly a 15% stake in MHM d.o.o. through his wholly-owned Kompanija Petyhorska d.o.o. Moreover, 20% of shares in MHM d.o.o. are held by I4 Invention d.o.o. which is also a shareholder in ASEE S.A. Whereas, 100% of shares in I4 Invention d.o.o. are held by Miodrag Mirčetić, who served as Member of the Management Board of ASEE S.A. till 30 September 2019. As at 30 September 2019, I4 Invention d.o.o. held 275,482 shares in ASEE S.A.

² 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. As at 30 September 2019, Mini Invest d.o.o. held 322,715 shares in ASEE S.A.

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

During the period of 3 months ended 30 September 2019, 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 as 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 2019.

**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**

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

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

**Signing a conditional agreement to acquire
shares in Monri Group d.o.o.**

On 8 October 2019, Payten d.o.o. Sarajevo concluded a conditional agreement to acquire 80% of shares in the company Monri Group d.o.o. for the total consideration of EUR 1.96 million. Till the date of approval of these interim condensed consolidated financial statements, this is until 7 November 2019, Payten has not yet obtained control over Monri Group.

In the period from 30 September 2019 till the date of approval of these interim condensed consolidated financial statements, this is until 7 November 2019, 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 7 November 2019, 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

**ASSECO SOUTH EASTERN EUROPE S.A.
STANDALONE FINANCIAL DATA
FOR THE THIRD QUARTER OF 2019**

Rzeszów, 7 November 2019

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE S.A.

	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Revenues from holding activities	47,344	23,702	10,988	5,572
II. Revenues from operating activities	6,823	6,171	1,584	1,451
III. Operating profit	38,223	15,999	8,871	3,761
IV. Pre-tax profit	39,004	16,952	9,053	3,985
V. Net profit for the reporting period	36,584	15,544	8,491	3,654
VI. Net cash provided by (used in) operating activities	11,419	16,472	2,650	3,873
VII. Net cash provided by (used in) investing activities	(20,766)	4,223	(4,820)	993
VIII. Net cash provided by (used in) financing activities	(13,626)	(26,976)	(3,163)	(6,342)
IX. Cash and short-term deposits (comparable data as at 31 December 2018)	13,971	36,944	3,194	8,592
X. Basic earnings per ordinary share for the reporting period (in PLN/EUR)	0.70	0.30	0.16	0.07
XI. Diluted earnings per ordinary share for the reporting period (in PLN/EUR)	0.70	0.30	0.16	0.07

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 2019 to 30 September 2019: EUR 1 = PLN 4.3086
 - for the period from 1 January 2018 to 30 September 2018: EUR 1 = PLN 4.2535
- the Company's cash and cash equivalents as at the end of the reporting period as well as at the end of the previous financial 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 2019: EUR 1 = PLN 4.3736
 - exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000

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

	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Holding activities	4,423	47,344	3,470	23,702
Dividend income	-	35,292	-	14,517
Revenues from sales of services	4,423	12,052	3,470	9,185
Operating activities	2,219	6,823	2,147	6,171
Revenues from sales of IT services and software	2,219	6,823	2,147	6,171
Total sales revenues	6,642	54,167	5,617	29,873
Cost of sales (-)	(3,734)	(11,963)	(4,019)	(10,758)
Gross profit on sales	2,908	42,204	1,598	19,115
Selling costs (-)	(1,540)	(3,799)	(1,084)	(2,957)
General and administrative expenses (-)	(72)	(206)	(61)	(194)
Net profit on sales	1,296	38,199	453	15,964
Other operating income	-	57	35	51
Other operating expenses (-)	-	(33)	-	(16)
Operating profit	1,296	38,223	488	15,999
Financial income	727	1,144	163	2,132
Financial expenses (-)	(27)	(363)	(231)	(1,179)
Pre-tax profit	1,996	39,004	420	16,952
Corporate income tax (current and deferred tax expense)	46	(2,420)	(151)	(1,408)
Net profit for the reporting period	2,042	36,584	269	15,544
<hr/>				
Earnings per share for the reporting period (in PLN):				
Basic earnings per share	0.04	0.70	0.01	0.30
Diluted earnings per share	0.04	0.70	0.01	0.30

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

	3 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2019 (unaudited)	3 months ended 30 Sept. 2018 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Net profit for the reporting period	2,042	36,584	269	15,544
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	2,042	36,584	269	15,544

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

ASSETS	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Non-current assets				
Property, plant and equipment	368	410	514	564
Goodwill arising from business combinations	4,567	4,567	4,567	4,567
Intangible assets	993	1,072	1,128	1,095
Right-of-use assets	401	427	-	-
Investments in subsidiaries	606,812	606,812	571,174	571,174
Deferred tax assets	489	422	565	118
Long-term financial assets	27,231	8,976	11,637	12,340
Prepayments and accrued income	-	-	429	-
Other long-term receivables	967	1,242	1,927	2,326
Current assets				
Prepayments and accrued income	2,034	2,227	1,720	1,397
Trade receivables	1,200	5,815	5,436	5,153
Contract assets	3,510	-	44	-
Other short-term receivables	1,638	1,780	1,521	1,506
Short-term financial assets	12,558	5,766	6,657	8,588
Cash and short-term deposits	13,971	45,402	36,944	19,968
TOTAL ASSETS	676,739	684,918	644,263	628,796

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

EQUITY AND LIABILITIES	30 Sept. 2019 (unaudited)	30 June 2019 (unaudited)	31 Dec. 2018 (audited)	30 Sept. 2018 (unaudited)
Equity				
Share capital	518,942	518,942	518,942	518,942
Share premium	38,825	38,825	38,825	38,825
Other capitals	2,458	2,340	1,655	1,352
Retained earnings and current net profit	73,656	71,614	64,064	51,107
Total equity	633,881	631,721	623,486	610,226
Non-current liabilities				
Interest-bearing bank loans	16,802	5,150	7,811	9,052
Long-term financial liabilities	4,932	4,932	-	-
Long-term lease liabilities	296	316	-	-
Current liabilities				
Interest-bearing bank loans	9,961	5,437	5,207	5,172
Trade payables	1,593	1,194	2,617	1,232
Corporate income tax payable	14	724	841	309
Other liabilities to the state and local budgets	169	151	290	164
Lease liabilities	112	108	-	-
Financial liabilities	4,936	31,921	-	-
Other liabilities	168	123	244	168
Contract liabilities	2,444	1,868	1,665	1,416
Accruals	1,431	1,273	2,102	1,057
TOTAL LIABILITIES	42,858	53,197	20,777	18,570
TOTAL EQUITY AND LIABILITIES	676,739	684,918	644,263	628,796

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

for the periods of 9 months ended 30 September 2019, 9 months ended 30 September 2018, and 12 months ended 31 December 2018

	Share capital	Share premium	Other capitals	Retained earnings and current net profit	Total equity
As at 1 January 2019	518,942	38,825	1,655	64,064	623,486
Restatement of comparable data resulting from the adoption of IFRS 16	-	-	-	(7)	(7)
As at 1 January 2019 (including impact of the adoption of IFRS 16)	518,942	38,825	1,655	64,057	623,479
Net profit for the reporting period	-	-	-	36,584	36,584
Total comprehensive income for the reporting period	-	-	-	36,584	36,584
Valuation of share-based payment plan	-	-	803	-	803
Dividends	-	-	-	(26,985)	(26,985)
As at 30 September 2019 (unaudited)	518,942	38,825	2,458	73,656	633,881
As at 1 January 2018	518,942	38,825	528	62,548	620,843
Net profit for the reporting period	-	-	-	28,501	28,501
Total comprehensive income for the reporting period	-	-	-	28,501	28,501
Valuation of share-based payment plan	-	-	1,127	-	1,127
Dividends	-	-	-	(26,985)	(26,985)
As at 31 December 2018 (audited)	518,942	38,825	1,655	64,064	623,486
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

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

for the periods of 9 months ended 30 September 2019 and 9 months ended 30 September 2018

	9 months ended 30 Sept. 2019 (unaudited)	9 months ended 30 Sept. 2018 (unaudited)
Cash flows – operating activities		
Pre-tax profit	39,004	16,952
Total adjustments:	(34,776)	(16,319)
Depreciation and amortization	442	340
Change in receivables	840	(2,771)
Change in liabilities, accruals and provisions	(912)	412
Interest income and expenses	(343)	(388)
Gain/loss on foreign exchange differences	(210)	(923)
Gain/loss on investing activities	(35,292)	(13,896)
Valuation of share-based payment plan	803	823
Other	(104)	84
Selected operating cash flows	9,114	16,715
Sale of shares in subsidiaries	1,037	1,298
Acquisition of shares in subsidiaries	(25,770)	(87)
Dividends received	33,847	15,504
Net cash generated from operating activities	13,342	17,348
Corporate income tax paid	(1,923)	(876)
Net cash provided by (used in) operating activities	11,419	16,472
Cash flows – investing activities		
Acquisition of property, plant and equipment, and intangible assets	(163)	(520)
Disposal of property, plant and equipment	43	13
Acquisition/settlement of financial assets carried at fair value through profit or loss	144	34
Loans granted	(25,914)	(4,370)
Loans collected	4,715	8,795
Interest received	409	271
Net cash provided by (used in) investing activities	(20,766)	4,223
Cash flows – financing activities		
Proceeds from bank loans	17,538	3,865
Repayments of bank loans	(3,918)	(3,646)
Interest repaid	(85)	(210)
Dividends paid out to shareholders of the Parent Company	(26,985)	(26,985)
Other cash flows from financing activities	(176)	-
Net cash provided by (used in) financing activities	(13,626)	(26,976)
Net increase (decrease) in cash and cash equivalents	(22,973)	(6,281)
Net foreign exchange differences	-	175
Cash and cash equivalents as at 1 January	36,944	26,074
Cash and cash equivalents as at 30 September	13,971	19,968