



Management Report on Operations of Asseco South Eastern Europe Group

for the period of 6 months ended 30 June 2022



Present in
23 countries



PLN 661.1 million
in sales revenues



3,605
highly committed
employees



PLN 104.3 million
of net profit
for Shareholders
of the Parent Company

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for the period of 6 months ended 30 June 2022

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General Information on Asseco South Eastern Europe Group

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

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

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

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

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

BUSINESS PROFILE OF THE ISSUER AND ITS GROUP OF COMPANIES

ASEE S.A. is primarily engaged in holding activities and focuses on managing the Group of companies and expanding its geographical coverage and product portfolio.

ASEE Group also conducts operating activities including the sale of proprietary and third-party software as well as the provision of implementation, integration and outsourcing services. The Group delivers complete solutions and proprietary software necessary to run a bank, as well as state-of-the-art payment solutions helping shape the payments market in the region, and provides integration and implementation services for IT systems and hardware from the world's major vendors.

ASEE Group has identified the following reportable segments reflecting the structure of its business operations:

- Banking Solutions,
- Payment Solutions,
- Dedicated Solutions.

The **Banking Solutions** portfolio includes fully-fledged solutions and products necessary to run a bank such as omnichannel solutions designed to distribute banking products and services, solutions allowing to improve communication with the customer, integrated core banking systems, authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. The segment also offers its clients 24x7 online services and consultancy in the areas of mobile and electronic banking and digital transformation.

The **Payment Solutions** segment provides complete payment industry solutions supporting online and offline payments, which are offered by the Payten Group for both financial and non-financial institutions. These solutions are intended for e-Commerce (online payment gateways, support for alternative payment methods – cryptocurrencies, QR codes, solutions enabling tokenization of cards, subscription payments), mobile payments (mPOS, vPOS, SoftPOS), payment card processing, as well as services related to ATMs and EFT POS terminals. The Group delivers software and services as well as ATMs and payment terminals, 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. In addition, the Group runs a network of independent EFT POS terminals at points of sale – IPD service under the Monri brand that enables merchants to replace two or more payment terminals at the point of sale with a single device connected directly to multiple acquirers (card issuers). Moreover, the segment offers complementary solutions for creating online and mobile stores and marketplace platforms, as well as cash register management and sales support systems (ECR) for retailers.

The **Dedicated Solutions** segment provides services to the sectors of utilities and telecommunications, public sector (including road infrastructure), government as well as to the banking and finance sector within the following business lines: BPM business process management, customer service and sales support platform, data registers, smart city, AI & Machine Learning, e-Tax, border control, authentication, dedicated solutions, BI and ERP. The company focuses on selling its proprietary solutions but also offers a full range of integration services for solutions from leading global vendors.

AUTHORITIES OF ASSECO SOUTH EASTERN EUROPE S.A.

As at the date of publication of this report, this is on 17 August 2022, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

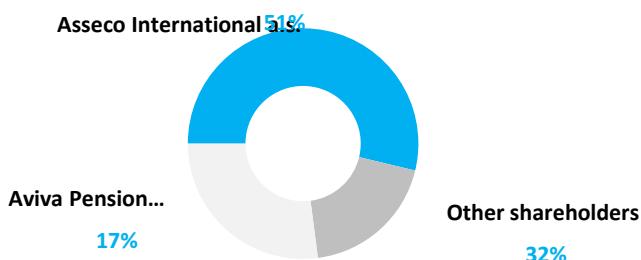
Supervisory Board	Management Board	Audit Committee
Jozef Klein	Piotr Jeleński	Artur Kucharski
Adam Góral	Miljan Mališ	Adam Pawłowicz
Jacek Duch	Michał Nitka	Jacek Duch
Artur Kucharski	Kostadin Slavkoski	
Adam Pawłowicz		

On 22 June 2022, the Annual General Meeting of the Company passed a resolution on appointment of the Supervisory Board composed of Mr. Jozef Klein, Mr. Adam Góral, Mr. Jacek Duch, Mr. Artur Kucharski and Mr. Adam Pawłowicz to serve over the next five-year joint term of office running from 22 June 2022.

On 7 July 2022, the Supervisory Board adopted a resolution on appointment of the Management Board for the new five-year joint term of office running from 13 July 2022. The existing Members of the Management Board have been appointed to serve over the new term of office.

SHARES AND SHAREHOLDERS

Major shareholders as at 30 June 2022



As at 30 June 2022, Asseco International a.s. (our higher-level parent) held 26,407,081 shares representing 50.89% in the share capital of our Company, which carried 26,407,081 votes or 50.89% of total voting rights at the Company's General Meeting of Shareholders. The parent company of Asseco International is Asseco Poland S.A.

To the best knowledge of the Company's Management Board, as at the date of publication of this report, this is on 17 August 2022, as well as on 30 June 2022, the Shareholders who, either directly or through their subsidiaries, held at least 5.0% of total voting rights were as follows:

Major shareholders as at 17 August 2022 and 30 June 2022	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,407,081	50.89%
Aviva Pension Fund	8,744,000	16.85%
Other shareholders	16,743,170	32.26%
Total	51,894,251	100.00%

To the best knowledge of the Company's Management Board, as at 27 April 2022 and 31 December 2021, the Shareholders who, either directly or through their subsidiaries, held at least 5.0% of total voting rights were as follows:

Major shareholders as at 27 April 2022 and 31 December 2021	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,407,081	50.89%
Aviva Pension Fund	8,544,000	16.46%
Other shareholders	16,943,170	32.65%
Total	51,894,251	100.00%

Shares held by the management and supervisory personnel

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

	17 August 2022	30 June 2022	27 April 2022	31 Dec. 2021
Piotr Jeleński	1,253,492	1,253,492	1,253,492	1,253,492
Miljan Mališ*)	353,336	353,336	353,336	353,336
Michał Nitka	45,000	45,000	45,000	45,000
Kostadin Slavkoski	44,315	44,315	44,315	44,315

*) 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.

Members of the Supervisory Board did not hold any shares in Asseco South Eastern Europe S.A. in any of the above-mentioned periods.

ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP

Current structure of the Group

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s., seated in Bratislava. Both as at 30 June 2022 and 31 December 2021, Asseco International a.s. held a 50.89% stake in the share capital of ASEE S.A.

Both as at 30 June 2022 and 31 December 2021, voting rights held by ASEE Group in its subsidiaries were equivalent to the Group's equity interests in these entities.

Changes in the Group structure

During the period of 6 months ended 30 June 2022, the organizational structure of ASEE Group changed as follows:

- ***Establishing of a new company Afusion d.o.o., Belgrade***

The company Afusion d.o.o., based in Belgrade, was established on 4 January 2022. 80% of shares in this company were acquired by Payten d.o.o., Belgrade.

- ***Transformation of the company Payten Sp. z o.o. (limited partnership) into Payten Holding S.A.***

The transformation of the company Payten Sp. z o.o. (limited partnership) into Payten Holding S.A. was registered on 1 March 2022.

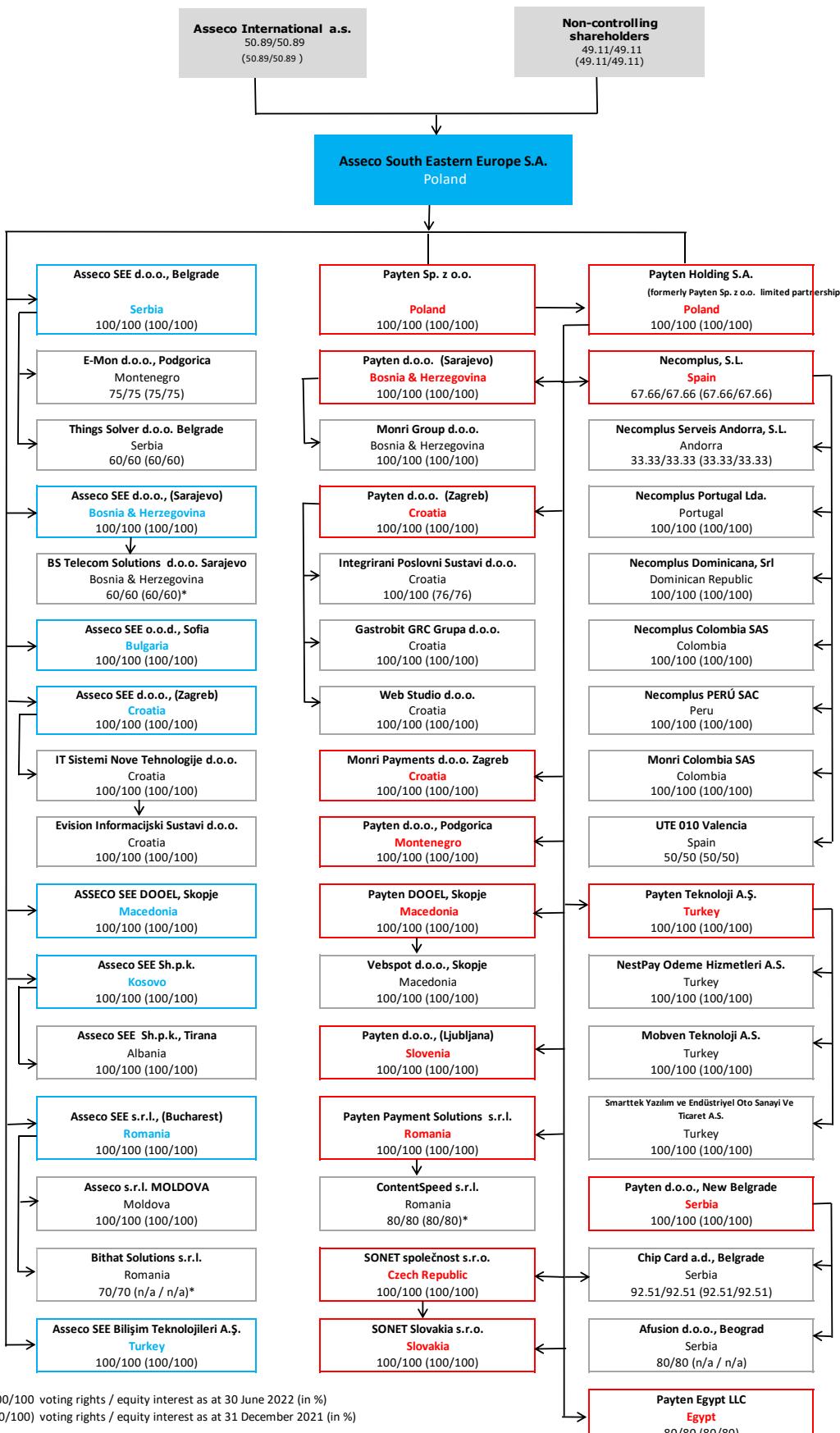
- ***Acquisition of a minority interest in Integrirani Poslovni Sustavi d.o.o.***

On 11 May 2022, Payten d.o.o. (Zagreb) acquired a 24% stake in the company Integrirani Poslovni Sustavi d.o.o. based in Oroslavje, thereby becoming the owner of 100% of shares in this company.

- ***Acquisition of shares in Bithat Solutions s.r.l.***

On 16 June 2022, Asseco SEE s.r.l., (Bucharest) acquired 70% of shares in Bithat Solutions s.r.l., a company based in Bucharest (Romania).

The table below presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners of its subsidiaries as at 30 June 2022 and 31 December 2021:



* this investment is accounted for using the purchase method, assuming we hold 100% of shares due to the existing put/call options



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

FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE GROUP

Financial results of Asseco South Eastern Europe Group for the second quarter of 2022

	3 months ended		Change %	3 months ended		Change %		
	30 June 2022			30 June 2021				
	PLN'000	PLN'000		EUR'000	EUR'000			
Sales revenues	349,433	272,975	28%	75,331	60,335	25%		
Gross profit on sales	96,611	72,279	34%	20,828	15,980	30%		
Net profit on sales	52,075	41,907	24%	11,227	9,262	21%		
Operating profit	52,462	42,237	24%	11,310	9,335	21%		
EBITDA	74,822	61,142	22%	16,130	13,515	19%		
Net profit for the reporting period	66,588	34,833	91%	14,351	7,699	86%		
Net profit attributable to Shareholders of the Parent Company	65,046	33,413	95%	14,018	7,386	90%		

Financial results presented in EUR achieved by ASEE Group in the second quarter of 2022 were much stronger than in the comparable period of the previous year. The Group managed to boost revenues while maintaining similar margins of profit as a year ago. Sales revenues presented in EUR totalled EUR 75.3 million, growing by EUR 15 million or 25% in relation to the second quarter of 2021. Operating profit reached EUR 11.3 million increasing by 21%, while EBITDA for the second quarter of 2022 amounted to EUR 16.1 million showing an improvement by 19%. Net profit attributable to Shareholders of the Parent Company for the second quarter of 2022 amounted to EUR 14 million, reflecting an increase by EUR 6.6 million or 90%.

Such improvement in the financial results was achieved mainly due to the growing scale of sales in the Payment Solutions segment, and to a smaller extent in the segments of Dedicated Solutions and Banking Solutions. In the Banking Solutions and Dedicated Solutions segments, higher revenues were generated primarily from the sale of own services, while the Payment Solutions segment recorded similar growth in revenues both from own services and the resale of hardware and third-party solutions.

The growing scale of operations is also partly attributable to the consolidation of several new companies by ASEE Group. ASEE Group has started to consolidate the financial results of ContentSpeed, IT Sistemi, eVision, Web Studio and Smarttek companies since the second half of 2021, and the financial results of BS Telecom since the beginning of 2022. The newly acquired subsidiaries of ASEE Group generated EUR 7.0 million of sales revenues in the second quarter of 2022. Our new subsidiaries contributed EUR 1.3 million to EBIT and EUR 1.7 million to EBITDA, inclusive of depreciation and amortization of assets recognized in the purchase price allocation process.

The above-mentioned results for the second quarter of 2022 also include the effects of hyperinflation related to our Turkish operations, in accordance with IAS 29. These effects are presented in the table below.

	3 months ended		Impact of hyperinflation	3 months ended		Impact of hyperinflation	3 months ended			
	30 June 2022			30 June 2022			30 June 2022			
	Without IAS 29	PLN'000		According to IFRS	PLN'000		Without IAS 29	EUR'000		
Sales revenues	346,308	3,125		349,433			74,658	673		
Gross profit on sales	95,400	1,211		96,611			20,567	261		
Net profit on sales	51,590	485		52,075			11,122	105		
Operating profit	51,982	480		52,462			11,206	104		
EBITDA	73,571	1,251		74,822			15,860	270		
Net profit for the reporting period	45,652	20,936		66,588			9,842	4,509		
Net profit attributable to Shareholders of the Parent Company	44,110	20,936		65,046			9,509	4,509		
								14,018		

More detailed information on financial reporting in hyperinflationary conditions is provided in explanatory note 2.10 to the interim condensed consolidated financial statements.

Described below are the financial results of individual operating segments which do not include the effects of hyperinflation. This approach is in line with information on operating segments that is reviewed by the Management Board.



Results of the **Payment Solutions** segment

Payment Solutions (<i>data without the impact of IAS 29</i>)	3 months ended		Change	3 months ended		Change
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	177,962	136,788	30%	38,364	30,226	27%
Operating profit	27,597	22,600	22%	5,950	4,992	19%
EBITDA	43,269	36,608	18%	9,328	8,090	15%

In the second quarter of 2022, sales generated by the **Payment Solutions** segment reached EUR 38.4 million, improving by EUR 8.1 million or 27% in relation to the comparable period last year. Stronger revenues were recorded by all the business lines of the Payment Solutions segment. The key revenue drivers were the business lines responsible for maintenance and sale of POS terminals and ATMs, whose sales were higher by EUR 2.4 million and EUR 2.6 million, respectively, than in the comparable period last year. Such increases resulted primarily from larger deliveries of hardware devices in Serbia, Romania, Slovenia, Croatia, and North Macedonia. The business line responsible for maintenance of POS terminals also reports revenues from the sale of solutions dedicated to non-financial customers, such as electronic fiscal cash registers (ECR) and Single POS solutions. Revenues of these business lines increased by 36% year on year. The e-Commerce business line recorded the third largest revenue growth by EUR 2.0 million, which was achieved mainly in Turkey in spite of further devaluation of the Turkish lira. Our operations in Croatia and Romania also reported stronger sales, although to a smaller extent.

Operating profit of the Payment Solutions segment for the second quarter of 2022 amounted to EUR 6.0 million, improving by EUR 1.0 million or 19%. The increase in EBIT was primarily generated by the business line dealing with e-Commerce solutions as well as by the business line responsible for maintenance of POS terminals.

Consolidated EBITDA of the Payment Solutions segment for the second quarter of 2022 amounted to EUR 9.3 million, improving by EUR 1.2 million or 15% in relation to the comparable period last year. In nominal terms, EBITDA increased more than EBIT as a result of higher depreciation and amortization charges recognized in the business lines responsible for e-Commerce and for processing of payment card transactions.



Results of the **Banking Solutions** segment

Banking Solutions (<i>data without the impact of IAS 29</i>)	3 months ended		Change	3 months ended		Change
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	63,342	53,986	17%	13,656	11,942	14%
Operating profit	13,926	11,960	16%	3,002	2,649	13%
EBITDA	16,832	14,884	13%	3,629	3,296	10%

In the second quarter of 2022, the **Banking Solutions** segment generated EUR 13.7 million in sales revenues, achieving an increase by EUR 1.7 million or 14% in relation to the comparable period last year. Stronger revenues were recorded by the business lines responsible for core banking system (by EUR 1.1 million) and for multi-channel solutions (by EUR 0.6 million). The business line offering core banking systems achieved higher revenues from services provided in Serbia and Romania, which more than compensated for lower sales of software licenses. Whereas, higher sales of multi-channel solutions were generated primarily in Serbia.

Operating profit of the Banking Solutions segment for the second quarter of 2022 amounted to EUR 3.0 million, reflecting an increase by EUR 0.4 million or 13% in relation to the comparable period last year. The increase in EBIT was generated by the business line responsible for core banking systems, while the remaining two business lines reported weaker operating results.

Consolidated EBITDA of the Banking Solutions segment for the second quarter of 2022 increased by EUR 0.3 million or 10%, to the level of EUR 3.6 million.



Results of the **Dedicated Solutions** segment

Dedicated Solutions <i>(data without the impact of IAS 29)</i>	3 months ended		Change %	3 months ended		Change %
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	105,004	82,201	28%	22,638	18,167	25%
Operating profit	10,459	7,677	36%	2,255	1,694	33%
EBITDA	13,470	9,650	40%	2,904	2,129	36%

In the second quarter of 2022, the **Dedicated Solutions** segment generated EUR 22.6 million in sales revenues, achieving an increase by EUR 4.5 million or 25%. Such improvement was achieved due to the consolidation of companies taken over during 2021 which are mainly engaged in the sale of traffic infrastructure systems and BPM-type solutions. Our operations in Serbia observed an organic decline in the area of third-party solutions as a consequence of smaller deliveries of licenses and hardware.

Operating profit of the Dedicated Solutions segment for the second quarter of 2022 reached EUR 2.3 million and was by EUR 0.6 million or 33% higher than in the comparable period last year.

EBITDA of the Dedicated Solutions segment for the second quarter of 2022 amounted to EUR 2.9 million, increasing by EUR 0.7 million or 36%.

Net profit

Consolidated net profit of ASEE Group for the second quarter of 2022 amounted to EUR 14.4 million, improving by EUR 6.7 million or 86% in relation to the comparable period last year. In the second quarter of 2022, net result on financial activities equalled EUR 4.9 million, as compared with EUR 0.0 million reported for the comparable period last year. Such higher financial income resulted primarily from a gain on the net monetary position recognized due to the inflation-related revaluation of non-monetary items in the statement of financial position and the statement of profit and loss (EUR 4.4 million), and an increase in the balance of positive and negative foreign exchange differences (EUR 1.0 million) which was partially offset by higher expenses due to the revaluation of contingent liabilities arising from the acquisition of shares and put options held by minority shareholders (PLN -0.2 million), as well as the lower balance of interest income and expenses (PLN -0.2 million).

In the second quarter of 2022, our effective tax rate equalled 11.5%, decreasing by 5.7 percentage points in relation to the comparable period of 2021. Such change in the effective tax rate was mainly attributable to the recognition of a non-taxable gain on the net monetary position, lower income tax on dividends paid out within the Group and, to a lesser extent, from prior years' adjustments and changes related to operating activities and the distribution of taxable income among individual countries.

	3 months ended	Impact of hyperinflation	3 months ended	3 months ended	Impact of hyperinflation	3 months ended
	30 June 2022 Without IAS 29 PLN'000		30 June 2022 According to IFRS PLN'000			30 June 2022 According to IFRS EUR'000
Financial activities	2,114	20,655	22,769	456	4,449	4,905
Pre-tax profit	54,096	21,135	75,231	11,679	4,552	16,232
Corporate income tax	(8,444)	(199)	(8,643)	(1,817)	(43)	(1,860)
Net profit for the reporting period	45,652	20,936	66,588	9,862	4,509	14,372

Financial results of Asseco South Eastern Europe Group for the first half of 2022 /cumulative/

	6 months ended	6 months ended	Change %	6 months ended	6 months ended	Change %
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	661,098	525,741	26%	142,396	115,619	23%
Gross profit on sales	181,276	142,748	27%	39,046	31,393	24%
Net profit on sales	98,831	79,871	24%	21,288	17,565	21%
Operating profit	99,260	80,742	23%	21,380	17,757	20%
EBITDA	142,985	118,645	21%	30,798	26,092	18%
Net profit for the reporting period	107,073	67,140	60%	23,063	14,765	56%
Net profit attributable to Shareholders of the Parent Company	104,262	64,842	61%	22,457	14,260	58%

Financial results presented in euros achieved by ASEE Group in the first half of 2022 were much stronger than in the comparable period of the previous year. The Group managed to boost revenues while maintaining similar margins of profit as a year ago. Sales revenues presented in EUR totalled EUR 142.4 million, growing by EUR 26.8 million or 23% in relation to the comparable period of 2021. Operating profit reached EUR 21.4 million increasing by 20%, while EBITDA for the first half of 2022 amounted to EUR 30.8 million showing an improvement by 18%. Net profit attributable to Shareholders of the Parent Company for the first half of 2022 amounted to EUR 22.5 million, reflecting an increase by EUR 8.2 million or 58%.

The Payment Solutions segment recorded the highest growth in the semi-annual results, while the Dedicated Solutions segment achieved a slightly smaller improvement. The Banking Solutions segment, despite higher sales, saw a decline in operating profit due to the below-described changes in its revenue structure.

The growing scale of operations is also partly attributable to the consolidation of several new companies by ASEE Group. In the first half of the year, the newly acquired subsidiaries of ASEE Group generated EUR 1.7 million of operating profit. These results include amortization charges on intangible assets recognized in the process of purchase price allocation. The contribution of our new subsidiaries to EBITDA amounted to EUR 2.49 million in 2022.

The above-mentioned results for the first half of 2022 also include the effects of hyperinflation related to our Turkish operations, in accordance with IAS 29. These effects are presented in the table below.

	6 months ended	Impact of	6 months ended	6 months ended	Impact of	6 months ended
	30 June 2022 Without IAS 29 PLN'000	hyperinflation PLN'000	30 June 2022 According to IFRS PLN'000	30 June 2022 Without IAS 29 EUR'000	hyperinflation EUR'000	30 June 2022 According to IFRS EUR'000
Sales revenues	657,973	3,125	661,098	141,723	673	142,396
Gross profit on sales	180,065	1,211	181,276	38,785	261	39,046
Net profit on sales	98,346	485	98,831	21,183	105	21,288
Operating profit	98,780	480	99,260	21,276	104	21,380
EBITDA	141,734	1,251	142,985	30,528	270	30,798
Net profit for the reporting period	86,137	20,936	107,073	18,554	4,509	23,063
Net profit attributable to Shareholders of the Parent Company	83,326	20,936	104,262	17,948	4,509	22,457

More detailed information on financial reporting in hyperinflationary conditions is provided in explanatory note 2.10 to the interim condensed consolidated financial statements.

Described below are the financial results of individual operating segments which do not include the effects of hyperinflation. This approach is in line with information on operating segments that is reviewed by the Management Board.



Results of the **Payment Solutions** segment

Payment Solutions	6 months ended	6 months ended	Change %	6 months ended	6 months ended	Change %
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	329,588	257,974	28%	70,991	56,732	25%
Operating profit	52,415	41,047	28%	11,290	9,027	25%
EBITDA	83,541	69,359	20%	17,994	15,253	18%

Sales generated by the **Payment Solutions** segment in the first half of 2022 reached EUR 71.0 million, improving by EUR 14.3 million or 25% in relation to the comparable period last year. Just as indicated above, in the commentary to the second quarter results, all the business lines of this segment recorded stronger revenues. The key revenue driver was the business line responsible for maintenance and sale of POS terminals, whose sales were higher by EUR 6.8 million than in the comparable period last year. Revenues from the provision of traditional POS terminal services reached nearly EUR 5.8 million with the largest improvement recorded in Serbia, which resulted from completed deliveries of POS terminals as well as, to a smaller extent, from higher sales of own maintenance services and additional services. Higher revenues were generated also by our operations in Bosnia, Peru, Slovenia and the Czech Republic, which were partially offset by weaker sales of equipment in the Dominican Republic, which are subject to natural fluctuations. The business line responsible for maintenance of POS terminals also reports revenues from the sale of solutions dedicated to non-financial customers, such as electronic fiscal cash registers (ECR) and Single POS solutions. Revenues from these business lines increased by nearly EUR 1.0 million. In the first half of 2021, sales of our business line dealing with e-Commerce solutions and the business line responsible for maintenance of ATMs increased by EUR 3.6 million and EUR 3.3 million, respectively. The pace of growth in e-Commerce revenues expressed in EUR was negatively affected by the weakening of the Turkish lira during the first half of 2022.

Operating profit earned by the **Payment Solutions** segment in the first two quarters of 2022 amounted to EUR 11.3 million, improving by EUR 2.3 million or 25%. The increase in EBIT was primarily generated by the business line responsible for maintenance of POS terminals as well as by the business line dealing with e-Commerce solutions, while the business line responsible for sale and maintenance of ATMs reported a weaker operating profit.

Consolidated EBITDA of the **Payment Solutions** segment for the first half of 2022 reached EUR 18 million, improving by EUR 2.7 million or 18% in relation to the comparable period last year. In nominal terms, EBITDA increased more than EBIT as a result of higher depreciation and amortization charges recognized in the business lines dealing with e-Commerce and processing of payment card transactions.



Results of the **Banking Solutions** segment

Banking Solutions	6 months ended	6 months ended	Change %	6 months ended	6 months ended	Change %
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	119,895	112,074	7%	25,825	24,647	5%
Operating profit	26,572	27,866	-5%	5,723	6,129	-7%
EBITDA	32,327	33,549	-4%	6,963	7,378	-6%

Sales generated by the **Banking Solutions** segment in the first half of 2022 reached over EUR 25.8 million, improving by EUR 1.2 million or 5% in relation to the comparable period last year. Stronger revenues were recorded by the business line responsible for core banking system and by the business line offering security solutions. The revenue structure changed due to the large volume of software licenses sold by our operations in Serbia and Macedonia in 2021, which we were not able to repeat this year. The deterioration in licensing revenues was more than compensated by higher revenues from implementation and modification services, as well as by higher recurring revenues from systems maintenance and outsourcing.

Operating profit earned by the Banking Solutions segment in the first six months of 2022 amounted to EUR 5.7 million, reflecting a decrease by EUR 0.4 million or 7% in relation to the comparable period last year. Such decline in the segment's EBIT was mainly caused by the above-mentioned change in the revenue structure towards lower-margin activities.

Consolidated EBITDA of the Banking Solutions segment for the first six months of 2022 decreased by EUR 0.4 million to the level of nearly EUR 7.0 million.



Results of the Dedicated Solutions segment

Dedicated Solutions	6 months ended		Change %	6 months ended		Change %
	30 June 2022 PLN'000	30 June 2021 PLN'000		30 June 2022 EUR'000	30 June 2021 EUR'000	
Sales revenues	208,490	155,693	34%	44,907	34,240	31%
Operating profit	19,793	11,829	67%	4,263	2,601	64%
EBITDA	25,866	15,737	64%	5,571	3,461	61%

Sales revenues generated by the **Dedicated Solutions** segment in the first half of 2022 reached EUR 44.9 million, reflecting an increase by EUR 10.7 million or 31%. Such improvement was achieved partially due to the consolidation of companies taken over during 2021 which are mainly engaged in the sale of smart traffic management systems and BPM-type solutions. Organic growth was recorded within other software sold by our operations in Turkey as well as within third-party solutions in Romania, while such sales were weaker in Serbia.

Operating profit earned by the Dedicated Solutions segment in the first half of 2022 reached EUR 4.3 million and was higher by EUR 1.7 million or 64% than in the comparable period last year, basically owing to our smart traffic infrastructure solutions.

EBITDA of the Dedicated Solutions segment for the first half of 2022 reached EUR 5.6 million, showing an increase by EUR 2.1 million or 61%.

Net profit

Consolidated **net profit** of ASEE Group for the first half of 2022 amounted to EUR 23.1 million, improving by EUR 8.3 million or 56% in relation to the comparable period last year.

Net result on financial activities equalled EUR 5.7 million in the first half of 2022, increasing by EUR 5.4 million year on year. Such improvement resulted primarily from a gain on the net monetary position recognized due to the inflation-related revaluation of non-monetary items in the statement of financial position and the statement of profit and loss (EUR 4.4 million), and foreign currency translation differences which increased by EUR 1.3 million year on year mainly due to the revaluation of assets in our Turkish subsidiaries, and to some extent also in our Polish subsidiaries. This increase was partially offset by a decline in the balance of interest income and expenses by PLN 0.2 million.

In the first half of 2022, our effective tax rate equalled 14.7%, decreasing by 3.5 percentage points in relation to the comparable period of 2021. Such decrease in the effective tax rate was mainly attributable to the recognition of a non-taxable gain on the net monetary position arising from hyperinflation restatements, as well as lower income tax on dividends received by ASEE S.A. from its subsidiaries located outside of the European Union. Income from operating activities was taxed at a similar level as in the previous year.

	6 months ended	Impact of	6 months ended	6 months ended	Impact of	6 months ended
	30 June 2022 Without IAS 29 PLN'000	hyperinflation PLN'000	30 June 2022 According to IFRS PLN'000	30 June 2022 Without IAS 29 EUR'000	hyperinflation EUR'000	30 June 2022 According to IFRS EUR'000
Financial activities	5,577	20,655	26,232	1,201	4,449	5,650
Pre-tax profit	104,357	21,135	125,492	22,478	4,552	27,030
Corporate income tax	(18,220)	(199)	(18,419)	(3,924)	(43)	(3,967)
Net profit for the reporting period	86,137	20,936	107,073	18,553	4,509	23,063

Analysis of financial ratios

	3 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2022	6 months ended 30 June 2021
Gross profit margin	27.6%	26.5%	27.4%	27.2%
EBITDA margin	21.4%	22.4%	21.6%	22.6%
Operating profit margin	15.0%	15.5%	15.0%	15.4%
Net profit margin	18.6%	12.2%	15.8%	12.3%
Return on equity (ROE)			19.4%	15.0%
Return on assets (ROA)			12.3%	10.0%

In the first half of 2022, our gross profit margin equalled 27.4% and it was by 0.2 percentage point higher than in the corresponding period last year. We managed to achieve a higher gross profit margin by improving operating efficiency in the segments of Banking Solutions and Dedicated Solutions.

Improved efficiency had a favourable impact on our profitability in the first half of 2022, except for EBITDA and EBIT margins. Our EBITDA margin equalled 21.6% as compared to 22.6% realized in the comparable period last year. While operating profit margin dropped from 15.4% in the first six months of 2021 to 15.0% this year. The largest decrease in operating profit margin was recorded in the Banking Solutions segment.

The net profit margin reached 15.8%, growing by 3.4 percentage points in comparison with the first six months of 2021.

The improved financial performance of ASEE Group in recent quarters resulted in higher values of ROE and ROA ratios. Return on equity for the period of 6 months ended 30 June 2022 equalled 19.4%, increasing by 4.5 percentage points, while return on assets reached the level of 12.3%, increasing by 2.3 percentage points.

	30 June 2022	31 Dec. 2021
Working capital (in thousands of PLN)	172,696	172,213
Current liquidity ratio	1.3	1.4
Quick liquidity ratio	1.1	1.2
Absolute liquidity ratio	0.5	0.6

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

At the end of June 2022, our working capital amounted to PLN 172.7 million, reflecting an increase by PLN 0.5 million compared to its level reported at the end of 2021.

During the first six months of 2022, the value of current assets increased by PLN 110.9 million, primarily due to higher amounts of cash and bank deposits (by PLN 40 million), contract assets (by PLN 38.8 million), and inventories (by PLN 21.1 million). Such increases were to a small extent offset by a decline in trade receivables (by PLN 1.7 million).

In the same period, our total current liabilities increased by PLN 110.4 million. This resulted primarily from an increase in other financial liabilities by PLN 88.2 million, including dividends payable (PLN 69.6 million), conditional payments for shares in the companies of BS Telecom Solutions, ContentSpeed, Bithat and Smarttek (PLN 7.6 million), and liabilities arising from valuation of put options held by the minority shareholders of Necoplus (PLN 11.0 million). This was partially offset by a decline in other current liabilities and liabilities to the state and local budgets by a total of PLN 28.8 million, which resulted mainly from a lower amount of VAT payable and liabilities to employees.

Our liquidity ratios at the end of the second quarter of 2022 remained at similar levels as at the end of 2021.

	30 June 2022	31 Dec. 2021
Total debt ratio	39.9%	36.2%
Debt / equity ratio	15.8%	14.4%
Debt / (debt + equity) ratio	13.7%	12.6%

The above ratios have been computed using the following formulas:

Total debt ratio = $(\text{non-current liabilities} + \text{current liabilities}) / \text{assets}$

Debt / equity ratio = $(\text{interest-bearing bank loans} + \text{lease liabilities}) / \text{equity}$

Debt / (debt + equity) ratio = $(\text{interest-bearing bank loans} + \text{lease liabilities}) / (\text{interest-bearing bank loans} + \text{lease liabilities} + \text{equity})$

The total debt ratio increased from 36.2% reported as at the end of 2021 to the level of 39.9% as at 30 June 2022. Such change was caused by a 20% increase in total liabilities when total assets increased by 12% only. The increase in debt ratios was mainly due to the lower amount of bank loans which are paid off on a regular basis.

Structure of the statement of cash flows

	6 months ended 30 June 2022 PLN'000	6 months ended 30 June 2021 PLN'000
Net cash provided by (used in) operating activities	68,116	79,021
Net cash provided by (used in) investing activities	(40,761)	(25,683)
Net cash provided by (used in) financing activities	8,973	(30,269)
Net change in cash and cash equivalents	36,328	23,069
Cash and cash equivalents at the end of the period	238,852	263,848

In the first half of 2022, our operating activities provided PLN 68.1 million of net cash inflows, reflecting a decrease by PLN 10.9 million in relation to the comparable period of the previous year. The decrease in operating cash flows was caused by higher expenditures for working capital (mainly an increase in receivables and inventories), which offset the higher pre-tax profit. Such change resulted from the cycle of contracts performed and their invoicing, as well as from purchases of equipment to be resold in the coming months.

Net cash outflows from our investing activities amounted to PLN 40.8 million in the first half of 2022. Our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment and intangible assets for the total amount of PLN 26.7 million, as well as by the acquisitions of subsidiary companies for PLN 14.3 million. The acquisitions of tangible and intangible assets included, among others, our expenditures for infrastructure used in the outsourcing of payment processes. Expenditures for the acquisition of subsidiaries included the payment of a deferred portion of consideration for shares in Things Solver, Smarttek and ContentSpeed, as well as the purchase of shares in the company Bithat Solutions.

Cash flows provided by financing activities in the first half of 2022 amounted to PLN 9 million and resulted mainly from proceeds from bank loans obtained in the amount of PLN 35 million, which were PLN 32 million higher than in the corresponding period of the previous year. Cash outflows presented under financing activities included basically repayments of bank loans and borrowings (PLN 12.9 million) and payments of lease liabilities along with interest (PLN 12.8 million).

Information on geographical structure of financial results

The table below presents the basic financial data from the statement of profit and loss for the period of 6 months ended 30 June 2022, in a breakdown by geographical area:

For the period of 6 months ended 30 June 2022 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Hyperinflation	Total
Sales revenues	60,729	98,418	31,917	95,364	172,553	59,432	93,025	12,030	20,540	36,831	(22,866)	3,125	661,098
Cost of sales	(41,325)	(74,120)	(22,200)	(81,177)	(126,911)	(28,789)	(74,728)	(8,788)	(15,111)	(25,898)	21,692	(1,914)	(479,269)
Recognition / reversal of allowances for trade receivables	21	(249)	(47)	(197)	(57)	14	-	12	(35)	(15)	-	-	(553)
Gross profit on sales	19,425	24,049	9,670	13,990	45,585	30,657	18,297	3,254	5,394	10,918	(1,174)	1,211	181,276
Selling costs	(3,435)	(9,565)	(2,510)	(5,525)	(9,491)	(5,551)	(2,227)	(960)	(1,329)	(2,170)	543	(269)	(42,489)
General and administrative expenses	(3,152)	(6,979)	(2,478)	(4,467)	(7,691)	(4,362)	(4,531)	(1,679)	(1,783)	(2,308)	(69)	(457)	(39,956)
Net profit (loss) on sales	12,838	7,505	4,682	3,998	28,403	20,744	11,539	615	2,282	6,440	(700)	485	98,831
Other operating income	91	501	100	116	189	27	32	2	3	160	(116)	2	1,107
Other operating expenses	(24)	(163)	(24)	(43)	(228)	(59)	(49)	(23)	(33)	(122)	97	(7)	(678)
Operating profit (loss)	12,905	7,843	4,758	4,071	28,364	20,712	11,522	594	2,252	6,478	(719)	480	99,260

For the period of 6 months ended 30 June 2022 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Hyperinflation	Total
Sales revenues	13,081	21,199	6,875	20,541	37,167	12,801	20,037	2,591	4,424	7,933	(4,926)	673	142,396
Cost of sales	(8,901)	(15,965)	(4,782)	(17,485)	(27,336)	(6,201)	(16,096)	(1,893)	(3,255)	(5,578)	4,672	(412)	(103,232)
Recognition / reversal of allowances for trade receivables	5	(54)	(10)	(42)	(12)	3	-	3	(8)	(3)	-	-	(118)
Gross profit on sales	4,185	5,180	2,083	3,014	9,819	6,603	3,941	701	1,161	2,352	(254)	261	39,046
Selling costs	(740)	(2,060)	(541)	(1,190)	(2,044)	(1,196)	(480)	(207)	(286)	(467)	117	(58)	(9,152)
General and administrative expenses	(679)	(1,503)	(534)	(962)	(1,657)	(940)	(976)	(362)	(384)	(497)	(14)	(98)	(8,606)
Net profit (loss) on sales	2,766	1,617	1,008	862	6,118	4,467	2,485	132	491	1,388	(151)	105	21,288
Other operating income	20	108	22	25	41	6	7	-	1	34	(26)	-	238
Other operating expenses	(5)	(35)	(5)	(9)	(49)	(13)	(11)	(5)	(7)	(26)	20	(1)	(146)
Operating profit (loss)	2,781	1,690	1,025	878	6,110	4,460	2,481	127	485	1,396	(157)	104	21,380

The above figures have been converted at the average exchange rate for the period from 1 January 2022 to 30 June 2022: EUR 1 = PLN 4.6427

The table below presents the basic financial data from the statement of profit and loss for the period of 6 months ended 30 June 2021, in a breakdown by geographical area:

For the period of 6 months ended 30 June 2021 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
Sales revenues	16,781	79,443	30,050	68,641	146,349	49,382	85,443	11,295	18,028	37,935	(17,606)	525,741
Cost of sales	(11,144)	(57,010)	(20,225)	(57,480)	(104,535)	(25,119)	(72,851)	(8,677)	(12,970)	(28,845)	16,284	(382,572)
Recognition / reversal of allowances for trade receivables	-	12	(50)	256	304	(967)	-	33	11	(17)	(3)	(421)
Gross profit on sales	5,637	22,444	9,775	11,416	42,118	23,296	12,592	2,651	5,068	9,072	(1,322)	142,748
Selling costs	(1,101)	(5,733)	(2,200)	(4,383)	(8,743)	(3,784)	(1,390)	(470)	(1,585)	(2,157)	536	(31,010)
General and administrative expenses	(1,330)	(5,327)	(2,205)	(3,863)	(7,052)	(4,097)	(3,219)	(1,814)	(1,477)	(1,832)	349	(31,867)
Net profit (loss) on sales	3,206	11,385	5,370	3,170	26,323	15,415	7,983	367	2,006	5,083	(437)	79,871
Other operating income	-	287	211	231	376	132	30	7	8	105	(113)	1,274
Other operating expenses	(2)	(165)	(83)	(1)	(68)	(45)	(40)	(19)	(32)	(46)	98	(403)
Operating profit (loss)	3,204	11,507	5,498	3,400	26,631	15,502	7,973	356	1,981	5,142	(453)	80,742

For the period of 6 months ended 30 June 2021 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
Sales revenues	3,690	17,471	6,609	15,095	32,185	10,860	18,790	2,484	3,965	8,343	(3,873)	115,619
Cost of sales	(2,451)	(12,537)	(4,448)	(12,641)	(22,989)	(5,524)	(16,021)	(1,908)	(2,852)	(6,344)	3,583	(84,132)
Recognition / reversal of allowances for trade receivables	-	3	(11)	56	67	(213)	-	7	2	(4)	(1)	(94)
Gross profit on sales	1,239	4,937	2,150	2,510	9,263	5,123	2,769	583	1,115	1,995	(291)	31,393
Selling costs	(242)	(1,261)	(484)	(964)	(1,923)	(832)	(306)	(103)	(349)	(474)	118	(6,820)
General and administrative expenses	(292)	(1,171)	(485)	(850)	(1,551)	(901)	(708)	(399)	(325)	(403)	77	(7,008)
Net profit (loss) on sales	705	2,505	1,181	696	5,789	3,390	1,755	81	441	1,118	(96)	17,565
Other operating income	-	63	46	51	83	29	7	2	2	23	(27)	279
Other operating expenses	-	(36)	(18)	-	(15)	(10)	(9)	(4)	(7)	(10)	22	(87)
Operating profit (loss)	705	2,532	1,209	747	5,857	3,409	1,753	79	436	1,131	(101)	17,757

The above figures have been converted at the average exchange rate for the period from 1 January 2021 to 30 June 2021: EUR 1 = PLN 4.5472



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

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

Factors which in the Management's opinion will affect the Group's financial performance at least till the end of this financial year

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

The Management Board of ASEE S.A. believes the Group's current financial standing, operating potential and market position pose no threats to its ability to continue as a going concern throughout the year 2022. However, there are numerous factors, of both internal and external nature, which may directly or indirectly affect the Group's financial performance in the next quarters.

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

- Geopolitical situation in the regions of ASEE Group operations, where potential political tensions and instability of local governments may undermine the climate for investments and thus induce the customers of ASEE companies and Payten to delay or even abandon the implementation of IT projects. Another consequence of potential political and social tensions might be an interruption of IT investments in the public administration bodies that are clients of ASEE Group;
Furthermore, the Russian invasion of Ukraine, launched on 24 February 2022, caused a radical change in the geopolitical situation of the entire region. The Group continues to analyze geopolitical developments and their impact on the Group's financial position and financial performance in the future. At the moment, due to the dynamically changing situation, it is difficult to assess the long-term economic effects for this region of Europe and impact on the overall macroeconomic situation, which indirectly affects the financial results of ASEE Group.
- Condition of the IT market and payment services market in the regions of ASEE and Payten operations; it seems South Eastern Europe, Turkey and South America remain still underinvested as compared with the West European countries, which may generate additional demand for technology solutions offered by ASEE Group;
- Opportunities and risks resulting from rapid technological changes and innovations in the IT market, as well as in the banking and payments sector;
- Regulatory changes in the banking and payments sector, which may generate demand for additional services performed by the Group, but on the other hand may open up access to the sector for new players and new technologies that may reduce the competitive advantages of solutions offered by ASEE and Payten;
- Informatization processes in the public administration of South Eastern European countries, aiming to upgrade the quality and functionality of their services to international standards and especially to the requirements of the European Union;
- Availability of the EU structural funds in Romania, Bulgaria, Slovenia and Croatia, as well as pre-accession funds in other South Eastern European countries;
- Consolidation and development of the banking sector which may result in mergers and liquidations of business entities that are clients of ASEE Group, but also in gaining new customers in the sector;
- Outlook for expansion of the Group's operations into new markets through cooperation with local partners;
- More and more severe competition both from local and international IT companies which is observed especially when it comes to the execution of large and prestigious contracts;
- Changes in the credit standing, financial liquidity and availability of financing for the customers of ASEE Group;
- Inflation and fluctuations in the currency exchange rates of countries in which ASEE Group operates;
- Level of interest rates in the Eurozone because a significant portion of debt in ASEE Group, including Payten, is denominated in EUR.

Internal factors with a bearing on the future financial performance of our Group are as follows:

- Quality and comprehensive offering of ASEE and Payten;
- Research and development expenditures made by ASEE Group;
- Prospects for expansion of the product portfolio of ASEE and Payten on the back of organic growth or potential future acquisitions;
- The Group's ability to run efficient operations during the pandemic through the use of remote channels in internal communication and in customer relations;
- Stability and experience of our managerial staff;
- Transparent organizational structure and efficient operations of the Group;
- Experience in the execution of complex IT projects involving the provision of diversified services in broad geographical regions;
- Effective activities of our sales force;
- Execution of complex information technology projects carried out under long-term contracts;
- Implementation of the Group's business strategy that involves focusing on strategic products and services, expansion into new markets, and improving operating efficiency;
- Successful completion of potential company acquisitions in the future.

Non-recurring events with impact on our financial performance

Non-recurring events which affected the financial performance, financial position and cash flows of ASEE Group in the first half of 2022 and in the comparable period included the acquisitions of subsidiary companies as well as other organizational changes in the Group as described in the section 'Organizational Structure of Asseco South Eastern Europe Group'.

Moreover, due to the existence of hyperinflation in Turkey, the Group has applied IAS 29 and made the inflation-related revaluation of non-monetary assets and liabilities as well as the statement of profit and loss. The impact of hyperinflation on our interim condensed financial statements has been described in detail in explanatory note 2.10 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022.

Discussion of significant risk factors and threats

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

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

Major risk factors involved in the Group's business environment

Risk related to the macroeconomic situation

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

Risk associated with the lack of political stability

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

Risk related to intensified competition

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

Risk associated with the condition of the banking sector

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

Risk of potential legal disputes concerning copyrights

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

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

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

The IT sector is characterized by rapid development of new solutions and technologies, which shorten the lifecycle of products. Therefore, the future success of ASEE Group will largely depend upon our capability to incorporate the latest technological solutions into our products and services. In order to maintain the competitive advantage in this market, it is necessary to conduct research work and invest in new products. ASEE Group monitors the present information technology trends and develops and upgrades its business offer accordingly. However, there is always some risk that newly launched solutions will be more attractive than the products or services offered by ASEE Group, which might become less profitable than expected. Additionally, it cannot be taken for granted that new solutions to be created or developed by ASEE Group companies in the future will satisfy the technological requirements, and whether they will be positively accepted by potential users. Such circumstances might have a significant adverse impact on the operations, financial position, financial results and development outlook of ASEE Group.

Risk of changes in local tax regulations

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

Foreign currency risk

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

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

Risk of interest rate hikes in the Eurozone

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

Major risk factors involved in the Group's business operations

Risk of fluctuations in revenues and expenditures

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

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

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

Risk associated with fixed-price contracts

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

Risk associated with gaining new IT contracts

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

Risk of becoming dependent on the key customers

The Group's business is to a great extent based on the execution of long-term projects which require a large work effort. Implementation of the key account contracts will impact the level of our sales revenues in the coming years. Although sales to none of our clients exceeded 10% of total revenues generated by the Group in the first half of 2022, our customers in various countries are often members of international banking groups and a potential loss of such an entire group could have a noticeable impact on revenues of ASEE companies and Payten.

Risk of becoming dependent on the key suppliers

The Group's business is characterized by close cooperation with big international companies, especially in the segments of Payment Solutions and Dedicated Solutions. There is a risk that the key suppliers to our Group may change their strategies for cooperation with local partners or may want to tighten their cooperation with one partner

of their choice. Furthermore, they may start to offer the implementation services for their solutions themselves or else increase the prices of the products supplied.

Risk related to the profitability of integration projects

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

Risk related to insolvency or misconduct of our subcontractors

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

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

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

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

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

Risk of unfortunate acquisitions

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

Risk involved in the Group integration process

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

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

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

Just as in the majority of companies developing IT systems, highly qualified personnel and managerial staff are the main pillars of the Group's success. We operate in the information technology industry which is characterized by a high rotation of personnel. It is probable that the Group will be unable to retain its present employees or to recruit new, equally highly qualified employees in the future. Losing some of the key personnel members would have a negative impact on the Group's operations, financial position and results, as well as on its future development outlook.

Risk of impairment of intangible assets

A significant portion of our consolidated assets is represented by goodwill arising from the acquisition of companies that currently comprise ASEE Group, as well as by proprietary software resulting from capitalized software development expenditures. These assets are tested for impairment at the end of each year. In the event such test showed that the fair value of an asset was lower than its carrying value, we would have to recognize a fair value impairment loss that would weigh on the Group's financial results.

Risk of low liquidity and loss of value of our shares

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

Risk related to dividends

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

Risk of data leakage

As a result of deliberate actions of third parties or dishonest employees, as well as mistakes or carelessness of our employees or contractors, confidential data of the Group or of its clients may be disclosed to unauthorized persons. Such circumstances might have an adverse impact on the perception of ASEE Group by our clients, and consequently on the Group's operations, financial position, financial results and development outlook.

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

As at the date of publication of this report, Asseco International a.s., our majority shareholder and a subsidiary of Asseco Poland S.A., holds 50.89% of shares in our Company. We expect that Asseco International a.s. will maintain its position as a majority shareholder and retain significant influence on our Company's business operations. Asseco International a.s. is entitled to exercise broad rights and powers with respect to its shareholding in the Company, and it must be taken into consideration that in the present situation Asseco International a.s. has a decisive impact on the Company's strategic decisions.

Related party transactions

Transactions with our related parties have been presented in explanatory note 6.17 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022. All transactions with related parties are carried out on an arm's length basis.

Bank loans, borrowings, sureties and guarantees

Bank loans and borrowings obtained, sureties and guarantees granted, as well as off-balance-sheet liabilities have been disclosed in explanatory notes 6.12 and 8.1 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022.

Financial forecasts

The Management Board of Asseco South Eastern Europe S.A. did not publish any financial forecasts for 2022.

Monitoring of employee stock option plans

On 23 September 2021, Asseco International a.s. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A. The whole incentive plan covers 547,550 shares of ASEE S.A. which represent

1.06% 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 341,336 shares in total.

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

Detailed information on the share-based payment plan has been presented in explanatory note 5.2 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022.

Significant off-balance-sheet items

Significant off-balance-sheet items have been described in explanatory note 8.1 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022, as well as in explanatory note 7.1 to the interim condensed financial statements of ASEE S.A. for the period of 6 months ended 30 June 2022.

Information on significant judicial proceedings

Both as at 30 June 2022 and the date of publication of this report, neither Asseco South Eastern Europe S.A. nor Asseco South Eastern Europe Group were party to any proceedings pending before any court, arbitration authority or public administration.

Significant events with impact on ASEE Group operations after 30 June 2022

Significant events that took place after the reporting date of 30 June 2022 have been described in explanatory note 8.4 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2022, as well as in explanatory note 7.4 to the interim condensed financial statements of ASEE S.A. for the period of 6 months ended 30 June 2022.

Other factors significant for the assessment of human resources, assets and financial position

Except for the information provided above, we are not aware of any events the disclosure of which might significantly affect the assessment of human resources, assets and financial position of Asseco South Eastern Europe Group.

STATEMENT BY THE MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.

Statement by the Management Board of Asseco South Eastern Europe S.A. made pursuant to §68 sect. 1 item 4 and §69 sect. 1 item 4 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states.

The Management Board of Asseco South Eastern Europe S.A. hereby declares that, to the best of its knowledge, the interim condensed financial statements of Asseco South Eastern Europe S.A. for the period of 6 months ended 30 June 2022 and comparable data contained therein, as well as the interim condensed consolidated financial statements of Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2022 and comparable data contained therein, have been prepared in compliance with the applicable accounting standards, namely the International Financial Reporting Standards as endorsed by the European Union. The interim condensed financial statements of Asseco South Eastern Europe S.A. for the period of 6 months ended 30 June 2022, as well as the interim condensed consolidated financial statements of Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2022, give a true, reliable and fair view of the assets and financial position of ASEE S.A. and ASEE Group and their financial performance.

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

We hereby approve the Management Report on Operations of Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2022 and confirm the accuracy of the above statement.

Management Board:

Piotr Jeleński President of the Management Board

Milan Mališ Member of the Management Board

Michał Nitka Member of the Management Board

Kostadin Slavkoski Member of the Management Board

Technology for business, solutions for people.

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