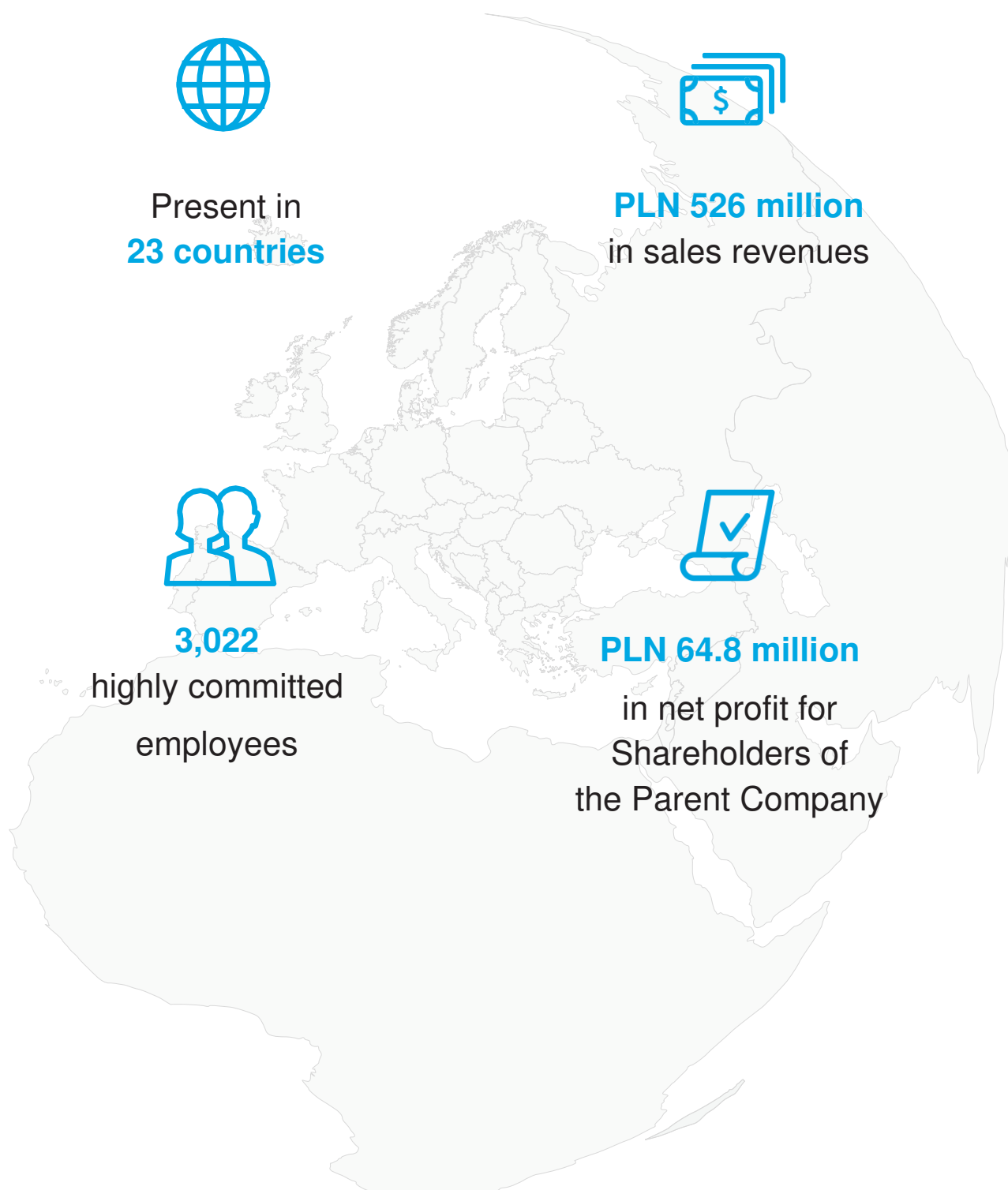




Management Report on Operations of **Asseco South Eastern Europe Group** for the period of 6 months ended 30 June 2021



Management Report on Operations of Asseco South Eastern Europe Group

for the period of 6 months ended 30 June 2021

GENERAL INFORMATION ON ASSECO SOUTH EASTERN EUROPE S.A. AND ASSECO SOUTH EASTERN EUROPE GROUP . 5

BUSINESS PROFILE OF THE ISSUER AND ITS GROUP OF COMPANIES 5

AUTHORITIES OF ASSECO SOUTH EASTERN EUROPE S.A. 6

SHARES AND SHAREHOLDERS..... 6

ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP..... 7

FINANCIAL INFORMATION OF ASSECO SOUTH EASTERN EUROPE GROUP11

Financial results of Asseco South Eastern Europe Group for the second quarter of 202111

Financial results of Asseco South Eastern Europe Group for the first half of 2021 /cumulative/13

Consolidated financial highlights for the first half of 2021 (non-IFRS)16

Analysis of financial ratios16

Structure of the statement of cash flows17

Information on geographical structure of financial results18

Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten20

OTHER INFORMATION ON ASEE GROUP AND ASSECO SOUTH EASTERN EUROPE S.A.22

Factors which in the Management's opinion will affect the Group's financial performance at least till the end of this financial year22

Non-recurring events with impact on our financial performance23

Discussion of significant risk factors and threats23

Related party transactions27

Bank loans, borrowings, sureties and guarantees.....27

Financial forecasts.....27

Monitoring of employee stock option plans27

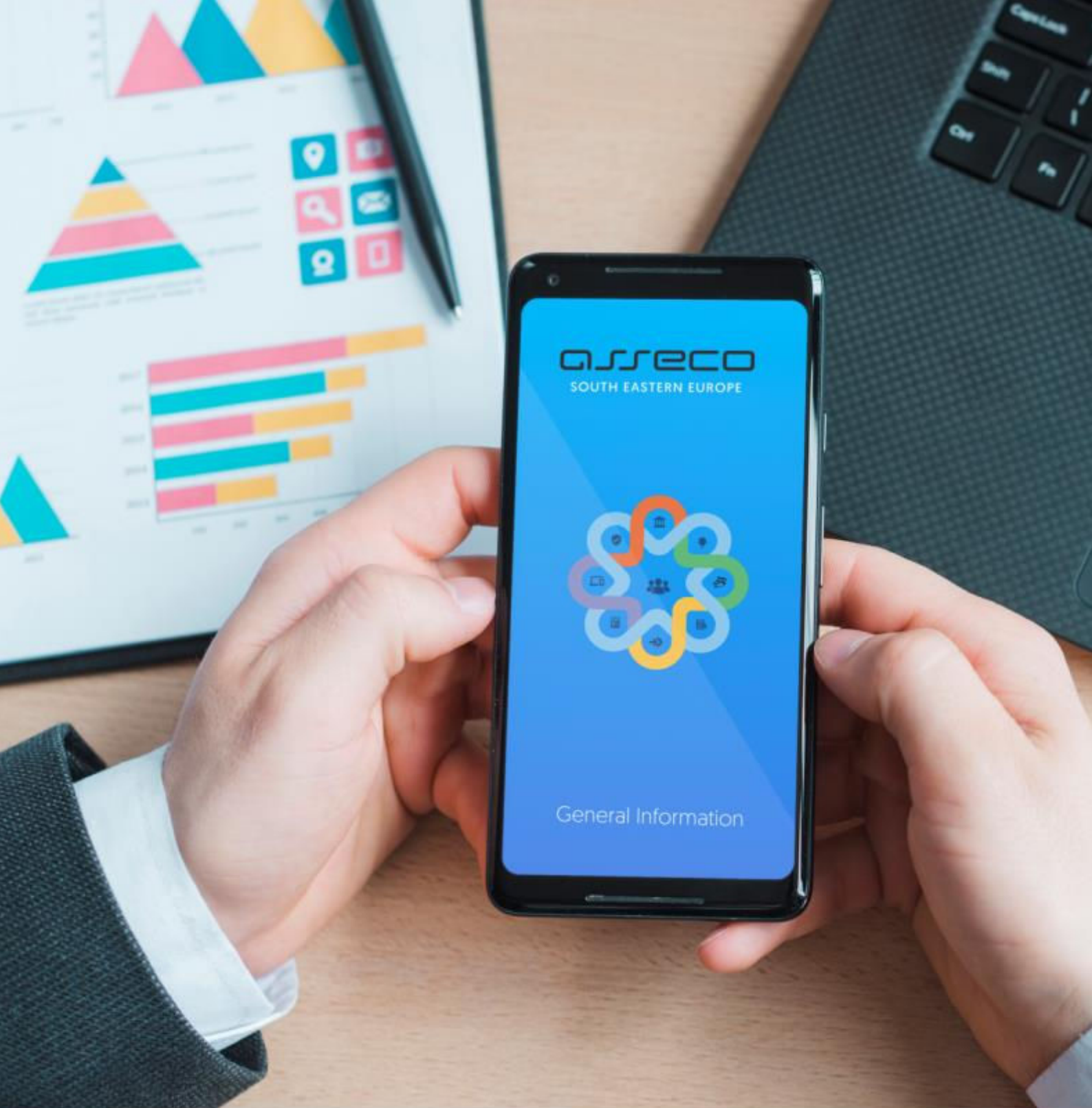
Significant off-balance-sheet items27

Information on significant judicial proceedings27

Significant events with impact on ASEE Group operations after 30 June 202127

Other factors significant for the assessment of human resources, assets and financial position28

STATEMENT BY THE MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.29



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 operations and focuses on managing the Group of companies as well as on extending its geographical coverage and product portfolio. Its operating activities also include the sale of services and software to support customer communication channels and business processes (contact center).

ASEE Group is engaged in the sale of its own and third-party software as well as in the provision of implementation, integration and outsourcing services. The Group is a provider of IT solutions, authentication solutions, online payment settlement systems, and transaction processing services, while it is also engaged in the sale, outsourcing and maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware.

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

- Banking Business (formerly the Banking Solutions);
- Payment Business (formerly the Payment Solutions);
- Dedicated Solutions.

These reportable segments correspond to the Group’s operating segments.

The **Banking Business** portfolio includes the multi-channel 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. 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 areas of mobile and electronic banking and digital transformation.

The **Payment Business** segment provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. Our payment solutions are marketed under the Payten brand and include solutions for e-Commerce (NestPay®, MSU, Paratika), mobile payments (mPOS), payment card processing, as well as ATM and POS related services. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet. Furthermore, the segment offers comprehensive point-of-sale solutions that help merchants reduce the number of vendors and increase recurring revenues, including SinglePOS service enabling merchants to replace two or more EFT POS terminals at point of sale with a single device connected to a number of acquirers (usually banks) and ECR (electronic cash registers).

The **Dedicated Solutions** segment provides services to the sectors of energy, finance, industry, public administration, telecommunications and tourism through the following business lines: development of customized software, implementation and support services, ensuring continuity of business processes, automation of operations, and development of IT infrastructure. Within this segment, the Company focuses primarily on proprietary solutions of ASEE. Such solutions include the multi-functional customer service and sales support platform (LIVE), content management and business process management solutions (ABC and BPM), asset lifecycle management solution (Fidelity), artificial intelligence and machine learning solution (Solver AI Suite), and the solution for quality assurance

and development of mobile and web applications (Momentum). Furthermore, the product portfolio of the Dedicated Solutions segment includes a fully-fledged lease and asset lifecycle management solution (LeaseFlex).

AUTHORITIES OF ASSECO SOUTH EASTERN EUROPE S.A.

As at the date of publication of this report, this is on 4 August 2021, 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		

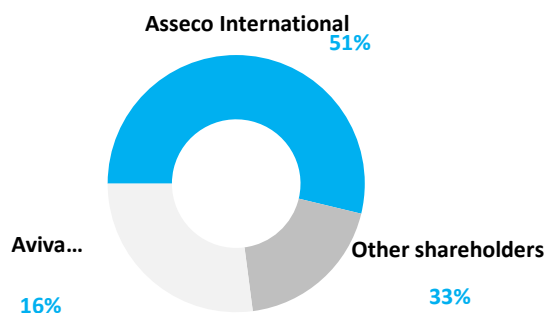
During the reporting period, the composition of the Company's management and supervisory bodies changed as follows:

- On 11 January 2021, Mr. Marcin Rulnicki filed a resignation from the position of Member of the Company's Management Board, with effect from 30 April 2021. Mr. Marcin Rulnicki resigned for personal reasons;
- On 18 January 2021, the Supervisory Board of ASEE S.A. appointed Mr. Michał Nitka 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 May 2021.

During the period from 30 June 2021 till the publication of this report, this is till 4 August 2021, the compositions of the Company's management and supervisory bodies remained unchanged.

SHARES AND SHAREHOLDERS

Major shareholders as at 30 June 2021



As at 30 June 2021, Asseco International a.s. (our higher-level parent) held 26,494,676 shares representing 51.06% in the share capital of our Company, which carried 26,494,676 votes or 51.06% of total voting rights at the Company's General Meeting of Shareholders. The parent company of Asseco International is Asseco Poland S.A.

To the best knowledge of the Company's Management Board, as at the date of publication of this report, this is on 4 August 2021, as well as on 30 June 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 4 August 2021 and 30 June 2021	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,544,000	16.46%
Other shareholders	16,855,575	32.48%
Total	51,894,251	100.00%

To the best knowledge of the Company's Management Board, as at 28 April 2021 and 31 December 2020, 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 28 April 2021 and 31 December 2020	Number of shares held	Percentage of total voting rights
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,594,000	16.56%
Other shareholders	16,805,575	32.38%
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:

	4 August 2021	30 June 2021	28 April 2021	31 December 2020
Piotr Jeleński	973,492	973,492	973,492	973,492
Miljan Mališ*)	322,715	322,715	322,715	322,715
Marcin Rulnicki	n/a	n/a	30,000	30,000
Michał Nitka	20,000	20,000	n/a	n/a
Kostadin Slavkoski	38,600	38,600	38,600	35,600

*) 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.

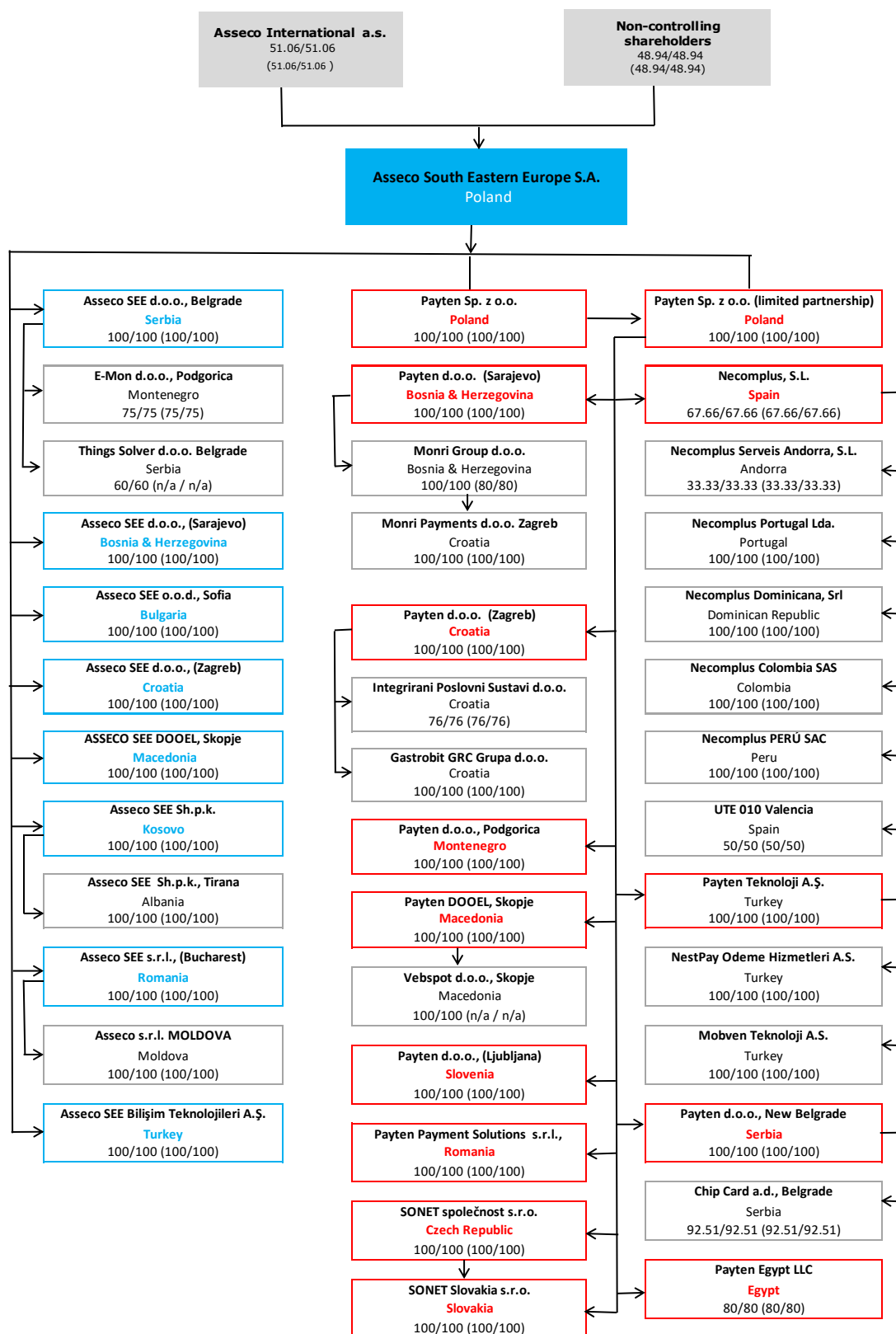
ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP

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 2021 and 31 December 2020, Asseco International a.s. held a 51.06% stake in the share capital of ASEE S.A.

Both as at 30 June 2021 and 31 December 2020, voting rights held by the Group in ASEE Group companies were equivalent to the Group's equity interests in these entities.

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 2021 and 31 December 2020:



100/100 voting rights / equity interest as at 30 June 2021 (in %)
 (100/100) voting rights / equity interest as at 31 December 2020 (in %)

Changes in the Group structure

During the period of 6 months ended 30 June 2021, the organizational structure of ASEE Group changed as follows:

- **Acquisition of shares in Things Solver d.o.o.**

On 7 October 2020, ASEE Serbia concluded a conditional agreement to acquire 53.76% of shares in the company Things Solver d.o.o. based in Belgrade. The Group obtained control over Things Solver d.o.o. on 8 January 2021 upon satisfying all the conditions precedent. On 28 February 2021, the equity interest held by ASEE Serbia in that company increased to 60% following an increase of its share capital.

- **Merger of Payten d.o.o. (Sarajevo) with Basilichi CEE LLC**

The merger of Payten d.o.o. (Sarajevo) (the taking-over company) with Basilichi CEE LLC (the acquired company) was registered on 1 February 2021.

- **Acquisition of shares in Vebspot d.o.o.**

On 17 February 2021, Payten Macedonia (Skopje) acquired 100% of shares in the company Vebspot d.o.o. based in Skopje.

- **Acquisition of a minority interest in Monri Group d.o.o.**

On 10 June 2021, Payten d.o.o. (Sarajevo) acquired 20% of shares in the company Monri Group d.o.o. (Sarajevo) thereby becoming the owner of 100% of shares in this company.



**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 2021

	3 months ended 30 June 2021 PLN'000	3 months ended 30 June 2020 PLN'000	Change %	3 months ended 30 June 2021 EUR'000	3 months ended 30 June 2020 EUR'000	Change %
Sales revenues	272,975	233,360	17%	60,335	52,012	16%
Gross profit on sales	72,279	63,489	14%	15,980	14,166	13%
Net profit on sales	41,907	35,271	19%	9,262	7,877	18%
Operating profit	42,237	35,590	19%	9,335	7,948	18%
EBITDA	61,142	55,208	11%	13,515	12,322	10%
Net profit for the reporting period	34,833	27,477	27%	7,699	6,133	26%
Net profit attributable to Shareholders of the Parent Company	33,413	26,865	24%	7,386	5,995	23%

Financial results presented in euros achieved by ASEE Group in the second quarter of 2021 were much stronger than in the comparable period of the previous year. The Group managed to boost its revenues while improving efficiency of operations. Sales revenues presented in euros totalled EUR 60.3 million, reflecting an increase by EUR 8.3 million or 16% in relation to the second quarter of 2020. Operating profit reached EUR 9.3 million increasing by 18%, while EBITDA for the second quarter of 2021 amounted to EUR 13.5 million showing an improvement by nearly 10%. Net profit attributable to Shareholders of the Parent Company for the second quarter of 2021 amounted to EUR 7.4 million, increasing by almost EUR 1.4 million or 23%.

Such an improvement of financial performance resulted mainly from the growing sales in the Payment Business, as well as stronger sales and improved efficiency in the Dedicated Solutions segment.

The growing scale of operations is also partly attributable to the consolidation of several new companies in ASEE Group. As discussed above in the section on changes in the Group's organizational structure, this year ASEE Group began the consolidation of Things Solver and Vebspot companies. Furthermore, since June and August 2020 we have consolidated the financial results of IPS and Gastrobit companies that were taken over by Payten Croatia. In the second quarter, the newly acquired subsidiaries of ASEE Group generated more than EUR 0.23 million of operating profit as compared with EUR 0.02 million recorded in the previous year. 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 0.41 million in 2021 as compared with EUR 0.09 million in 2020.



Results of the Payment Business segment

Payment Business	3 months ended 30 June 2021 PLN'000	3 months ended 30 June 2020 PLN'000	Change %	3 months ended 30 June 2021 EUR'000	3 months ended 30 June 2020 EUR'000	Change %
Sales revenues	136,788	113,875	20%	30,226	25,387	19%
Operating profit	22,600	19,525	16%	4,992	4,359	15%
EBITDA	36,608	34,362	7%	8,089	7,667	6%

The segment's revenues for the second quarter of 2021 reached EUR 30.2 million, improving by EUR 4.8 million or 19% in relation to the comparable period last year. The strongest revenue growth was achieved by the business line dealing with maintenance and sale of POS terminals, whose sales were EUR 4.3 million higher than in the comparable period last year. Revenues from the provision of traditional POS terminal services reached nearly EUR 2.9 million with the largest improvement recorded in Western Europe. It resulted from stronger sales of own maintenance services and additional services as well as from completed deliveries of POS terminals. Higher revenues were generated also by our operations in Serbia and Latin America, which were partially offset by weaker sales of equipment in Croatia and Bosnia and Herzegovina. The business line dealing with maintenance of POS terminals also presents 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 1.5 million, of which approx. EUR 1.0 million was attributable to company acquisitions described above.

In the second quarter of 2021, sales of our business lines responsible for processing of payment transactions and e-Commerce increased by EUR 0.24 million and EUR 0.40 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 second quarter.

Operating profit of the Payment Business segment for the second quarter of 2021 amounted to EUR 5.0 million, improving by more than EUR 0.6 million or 15%. The increase in EBIT was primarily driven by the business line engaged in processing of payment card transactions, as well as by the business lines responsible for sales to non-financial customers, including independent payment terminals Single POS and electronic cash registers (ECR).

Consolidated EBITDA of the Payment Business segment for the second quarter of 2021 reached EUR 8.1 million, improving by EUR 0.4 million or 6% in relation to the comparable period last year. EBITDA increased less than EBIT due to lower depreciation charges recognized by the business line responsible for our independent network of ATMs (MoneyGet) as well as by the business line dealing with maintenance of POS terminals.



Results of the **Banking Business** segment

Banking Business	3 months ended	3 months ended	Change	3 months ended	3 months ended	Change
	30 June 2021 PLN'000	30 June 2020 PLN'000		30 June 2021 EUR'000	30 June 2020 EUR'000	
Sales revenues	53,986	49,514	9%	11,942	11,054	8%
Operating profit	11,959	11,635	3%	2,650	2,604	2%
EBITDA	14,884	14,468	3%	3,296	3,236	2%

In the second quarter of 2021, the Banking Business segment generated more than EUR 11.9 million in sales revenues, achieving an increase by EUR 0.9 million or 8% in relation to the comparable period last year. Stronger revenues were recorded by the business line offering security solutions, including authentication, fraud prevention and anti-money laundering solutions, as well as by the business line responsible for multi-channel solutions. Whereas, the business line offering core banking systems and other software reported weaker sales than in the comparable period of the previous year. The business line offering security solutions recorded higher sales primarily in Croatia, while the increase in the multi-channel solutions business was generated mainly in Serbia and Romania.

Operating profit of the Banking Business segment for the second quarter of 2021 remained at a similar level as in the previous year. However, we observed changes in its geographical structure. Our operations in Serbia reported weaker results, while our subsidiaries in Macedonia improved their operating performance on the back of projects carried out in the second quarter of the year. In a breakdown to business lines, higher EBIT was generated by the business line offering security solutions, but the business line responsible for multi-channel solutions recorded a decline, among others, due to changes in the value of licenses sold.

Consolidated EBITDA of the Banking Business segment for the second quarter of 2021 amounted to EUR 3.3 million, remaining at a similar level as a year ago.



Results of the **Dedicated Solutions** segment

Dedicated Solutions	3 months ended	3 months ended	Change	3 months ended	3 months ended	Change
	30 June 2021 PLN'000	30 June 2020 PLN'000		30 June 2021 EUR'000	30 June 2020 EUR'000	
Sales revenues	82,201	69,971	18%	18,167	15,571	17%
Operating profit	7,678	4,430	73%	1,693	985	72%
EBITDA	9,650	6,378	51%	2,130	1,419	50%

Sales generated by the Dedicated Solutions segment in the second quarter of 2021 amounted to EUR 18.2 million, increasing by EUR 2.6 million or 17% in relation to the comparable period last year. Stronger revenues were recorded by the business line offering proprietary dedicated solutions, primarily owing to the larger scale of BPO operations carried out in Western Europe and Latin America, as well as higher sales of dedicated software in Serbia and Turkey.

In addition, the business line responsible for the resale of infrastructure and third-party solutions and for integration services recorded stronger sales in Romania, Turkey and Macedonia. This was partially offset by lower revenues generated in Serbia and Kosovo.

Operating profit of the Dedicated Solutions segment for the second quarter of 2021 reached EUR 1.7 million and was EUR 0.7 million or 72% higher than in the comparable period last year. The increase in EBIT was achieved in both the business lines of this segment. The business line offering own solutions, apart from higher revenues described above, managed to improve its operating efficiency. The business line responsible for third-party solutions and integration services also achieved a considerable improvement of its operating profit on a year-on-year basis.

EBITDA of the Dedicated Solutions segment for the second quarter of 2021 reached EUR 2.1 million, increasing by EUR 0.7 million or 50%.

Net profit

Consolidated net profit of ASEE Group for the second quarter of 2021 amounted to nearly EUR 7.7 million, increasing by EUR 1.6 million or 26% in relation to the comparable period last year.

In the second quarter of 2021, the net result on financial operations equalled EUR -30 thousand, as compared with EUR -394 thousand reported for the comparable period a year ago. The result on financial operations was affected by a favourable balance of interest income and expenses, which increased by EUR 141 thousand, mainly due to higher interest income earned in Turkey and lower interest expenses incurred in Serbia and Croatia. The result on financial operations was also influenced by the revaluation of contingent liabilities arising from the acquisition of shares in the amount of EUR 127 thousand, basically due to the obligation to purchase shares in the Turkish company Mobven. In addition, we recorded a decrease in interest expenses on existing lease contracts.

In the second quarter of 2021, our effective tax rate equalled 17.2%, decreasing by 1.6 percentage points in relation to the comparable period of 2020. This was a result of slightly lower effective tax rates recorded by our major operations in Serbia, Romania, and Spain. This effect was partially offset by income taxes on higher amount of dividends received from our subsidiaries located outside of the European Union. Just as in the previous year, in the second quarter of the year, we accounted for the effect of a positive tax treatment decision received by ASEE Croatia concerning income tax reliefs for 2020 in connection with capital expenditures made. The amount of such tax relief was at a similar level as a year ago.

Financial results of Asseco South Eastern Europe Group for the first half of 2021 /cumulative/

	6 months ended 30 June 2021 PLN'000	6 months ended 30 June 2020 PLN'000	Change %	6 months ended 30 June 2021 EUR'000	6 months ended 30 June 2020 EUR'000	Change %
Sales revenues	525,741	464,345	13%	115,619	104,553	11%
Gross profit on sales	142,748	119,579	19%	31,393	26,925	17%
Net profit on sales	79,871	63,393	26%	17,565	14,274	23%
Operating profit	80,742	63,968	26%	17,757	14,403	23%
EBITDA	118,645	102,707	16%	26,092	23,126	13%
Net profit for the reporting period	67,140	51,113	31%	14,765	11,509	28%
Net profit attributable to Shareholders of the Parent Company	64,842	50,412	29%	14,260	11,351	26%

Financial results presented in euros achieved by ASEE Group in the first half of 2021 were much stronger than in the comparable period of the previous year. The Group managed to boost its revenues while improving efficiency of operations. Sales revenues presented in euros totalled EUR 115.6 million, reflecting an increase by EUR 11.1 million or 11% in relation to the comparable period of 2020. Operating profit reached EUR 17.8 million increasing by over 23%, while EBITDA for the first half of 2021 amounted to EUR 26.1 million showing an improvement by nearly 13%. Net profit attributable to Shareholders of the Parent Company for the first half of 2021 amounted to EUR 14.3 million, increasing by EUR 2.9 million or 26%.

All of our operating segments improved their financial performance on a semi-annual basis. The best progress was achieved by the Banking Business segment which managed to generate higher revenues from proprietary software licenses. The Payment Business segment reported stronger results due to the growing scale of operations, whereas the Dedicated Solutions segment advanced basically by improving its efficiency and revenue structure.

The growing scale of operations is also partly attributable to the consolidation of several new companies in ASEE Group. In the first half of the year, the newly acquired subsidiaries of ASEE Group generated more than EUR 0.14 million of operating profit as compared with EUR 0.03 million recorded in the previous year. 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 0.49 million in 2021 as compared with EUR 0.13 million in 2020.



Results of the **Payment Business** segment

Payment Business	6 months ended 30 June 2021 PLN'000	6 months ended 30 June 2020 PLN'000	Change %	6 months ended 30 June 2021 EUR'000	6 months ended 30 June 2020 EUR'000	Change %
Sales revenues	257,974	223,920	15%	56,732	50,418	13%
Operating profit	41,047	35,664	15%	9,027	8,030	12%
EBITDA	69,359	65,095	7%	15,253	14,657	4%

Sales generated by the Payment Business segment in the first half of 2021 reached EUR 56.7 million, improving by EUR 6.3 million or 13% in relation to the comparable period last year. Just as indicated above, in the commentary to the second quarter results, the strongest revenue growth was achieved by the business line dealing with maintenance and sale of POS terminals, whose sales were EUR 6.7 million higher than in the comparable period last year. Revenues from the provision of traditional POS terminal services reached nearly EUR 3.8 million with the largest improvement recorded in Western Europe, which resulted from stronger sales of own maintenance services and additional services as well as from completed deliveries of POS terminals. Higher revenues were generated also by our operations in Serbia and Latin America, which were partially offset by weaker sales of equipment in Croatia, North Macedonia, Romania, Montenegro, and in Bosnia and Herzegovina, which are subject to natural fluctuations. The business line dealing with maintenance of POS terminals also presents 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 3.0 million, of which approx. EUR 1.9 million was attributable to company acquisitions described above.

In the first half of 2021, sales of our business line responsible for e-Commerce solutions and the business line engaged in processing of payment transactions increased by EUR 0.61 million and EUR 0.45 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 2021.

Operating profit of the Payment Business segment for the second quarter of 2021 amounted to EUR 9.0 million, improving by EUR 1.0 million or 12%. The increase in EBIT was primarily driven by the business line engaged in processing of payment card transactions, as well as by the business lines responsible for sales to non-financial customers, including independent payment terminals Single POS and electronic cash registers (ECR). The business line responsible for e-Commerce also improved its financial performance, while the business line dealing with sale and maintenance of ATMs reported weaker results due to lower revenues from deliveries of equipment.

Consolidated EBITDA of the Payment Business segment for the first half of 2021 reached EUR 15.3 million, improving by EUR 0.6 million or 4% in relation to the comparable period last year. EBITDA increased less than EBIT due to lower depreciation charges recognized by the business line responsible for our independent network of ATMs (MoneyGet) as well as by the business line dealing with maintenance of POS terminals.



Results of the **Banking Business** segment

Banking Business	6 months ended 30 June 2021 PLN'000	6 months ended 30 June 2020 PLN'000	Change %	6 months ended 30 June 2021 EUR'000	6 months ended 30 June 2020 EUR'000	Change %
Sales revenues	112,074	90,504	24%	24,647	20,378	21%
Operating profit	27,866	18,201	53%	6,129	4,098	50%
EBITDA	33,549	23,549	43%	7,378	5,302	39%

In the first half of 2021, the Banking Business segment generated more than EUR 24.6 million in sales revenues, achieving an increase by EUR 4.3 million or 21% in relation to the comparable period last year. Stronger revenues were recorded by all the business lines of this operating segment. The largest growth was generated by the business line offering multi-channel solutions mainly owing to our operations in Serbia and to a lesser extent in Macedonia and Romania. The business line offering security solutions recorded stronger sales primarily in Croatia, while revenues of the business line responsible for core banking systems improved in Serbia and Macedonia.

Operating profit of the Banking Business segment for the first six months of 2021 reached EUR 6.13 million, reflecting an increase by EUR 2.0 million or 50% in relation to the comparable period of the previous year. The profitability of operations also improved significantly (by nearly 5 percentage points), which was primarily due to the higher sales of licenses. The increase in operating profit was mainly generated by our operations in Serbia and Macedonia.

Consolidated EBITDA of the Banking Business segment for the first six months of 2021 reached nearly EUR 7.4 million, improving by EUR 2.0 million or 39%.



Results of the Dedicated Solutions segment

Dedicated Solutions	6 months ended	6 months ended	Change	6 months ended	6 months ended	Change
	30 June 2021 PLN'000	30 June 2020 PLN'000		30 June 2021 EUR'000	30 June 2020 EUR'000	
Sales revenues	155,693	149,921	4%	34,240	33,757	1%
Operating profit	11,829	10,103	17%	2,601	2,275	14%
EBITDA	15,737	14,063	12%	3,461	3,167	9%

Sales revenues generated by the Dedicated Solutions segment in the first six months of 2021 reached EUR 34.2 million, reflecting a slight increase by EUR 0.5 million in relation to the comparable period last year. Stronger revenues were recorded by the business line offering proprietary solutions owing to the larger scale of BPO operations carried out in Western Europe and Latin America, as well as higher sales of other proprietary software in Turkey. The business line responsible for infrastructure, third-party solutions and integration services recorded a decrease in revenues due to lower resale of third-party solutions and hardware by our operations in Serbia and Macedonia, which was partially offset by higher revenues generated in Romania and Turkey.

Operating profit of the Dedicated Solutions segment for the first six months of 2021 amounted to almost EUR 2.6 million, increasing by EUR 0.3 million or 14%. Such growth in EBIT was driven mainly by the improvement in operating efficiency of the business line responsible for infrastructure, third-party solutions and integration services. The business line offering proprietary solutions reported a slight decrease in operating profit.

In the wake of a higher operating profit, the segment's EBITDA improved as well. In the first half of 2021, it amounted to more than EUR 3.5 million as compared with EUR 3.2 million achieved in the comparable period last year. This reflects an increase by EUR 0.3 million or 9%.

Net profit

Consolidated net profit of ASEE Group for the first half of 2021 amounted to EUR 14.8 million, increasing by EUR 3.3 million or 28% in relation to the comparable period last year.

The Group's net result on financial operations equalled EUR 296 thousand in the first half of 2021, improving by EUR 748 thousand year on year. This improvement was primarily an effect of differences on foreign currency translation which increased by EUR 702 thousand year on year, mainly due to the valuation of assets in our Turkish subsidiaries. Such increase was partially offset by higher expenses resulting from the revaluation of deferred payments for shares in the Turkish company Mobven. In addition, in the first six months of 2021, we recorded higher interest income that was earned mainly on bank deposits held by our subsidiaries in Turkey.

In the first half of 2021, our effective tax rate equalled 18.2%, increasing by 0.7 percentage points in relation to the comparable period of 2020. Such increase was caused primarily by higher income tax on dividends received by ASEE S.A. from its subsidiaries located outside of the European Union. Whereas, the tax rate on profits from operations was slightly lower than a year ago which was attributable to our major operations in Serbia, Romania, and Spain.

Consolidated financial highlights for the first half of 2021 (non-IFRS)

Key financial data published on a non-IFRS basis provide crucial information for assessing the financial position and business development of ASEE Group. They are complementary to data reported in accordance with IFRS standards.

Non-IFRS figures include adjustments for amortization charges on intangible assets recognized in purchase price allocation (PPA), for the costs of share-based payment transactions with employees (SBP), as well as for financial income and expenses recognized in accounting for company acquisitions and disposals (inclusive of the related tax effects).

The presented non-IFRS data do not constitute financial data in accordance with IFRS as endorsed by the European Union. There is no uniform definition or calculation method for non-IFRS data and, consequently, they may not be comparable to such data presented by other entities, including entities operating in the same industry as ASEE Group. These financial data should be analyzed as additional information only, and not as a substitute for financial data prepared in accordance with EU IFRS. Non-IFRS data should not be considered more significant than measurements resulting directly from the consolidated financial statements.

	3 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2021	6 months ended 30 June 2020
Non-IFRS EBIT	43,125	36,560	82,518	65,736
Non-IFRS net profit	35,939	29,286	70,571	53,450

Analysis of financial ratios

	3 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2021	6 months ended 30 June 2020
Gross profit margin	26.5%	27.2%	27.2%	25.8%
EBITDA margin	22.4%	23.7%	22.6%	22.1%
Operating profit margin	15.5%	15.3%	15.4%	13.8%
Net profit margin	12.2%	11.5%	12.3%	10.9%
Return on equity (ROE)			15.0%	13.1%
Return on assets (ROA)			10.0%	8.7%

In the first half of 2021, our gross profit margin equalled 27.2% and it was by 1.4 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 Business and Dedicated Solutions.

Improved efficiency had a favourable impact also on further margins of profit in the first half of 2021. Our EBITDA margin increased to 22.6% from the level of 22.1% achieved in the comparable period last year. While operating profit margin expanded from 13.8% in the first six months of 2020 to 15.4% this year. The largest increase in operating profit margin was recorded in the Banking Business segment.

The net profit margin reached 12.3%, growing by 1.4 percentage points in comparison with the first six months of 2020.

The improved financial performance of ASEE Group in recent quarters resulted in higher values of ROE and ROA ratios. Return on equity for the trailing 12 months ended 30 June 2021 equalled 15.0%, increasing by 1.9 percentage points, while return on assets reached the level of 10.0%, increasing by 1.3 percentage points.

	30 June 2021	31 December 2020
Working capital (in thousands of PLN)	196,045	205,327
Current liquidity ratio	1.6	1.6
Quick liquidity ratio	1.4	1.4
Absolute liquidity ratio	0.8	0.7

The above ratios have been computed using the following formulas:
Working capital = current assets - current liabilities
Current liquidity ratio = current assets / current liabilities
Quick liquidity ratio = (current assets - inventories - prepayments) / current liabilities
Absolute liquidity ratio = (short-term financial assets + cash and short-term bank deposits) / current liabilities

At the end of June 2021, our working capital amounted to PLN 196 million, reflecting a decrease by PLN 9.3 million in relation to its level reported at the end of 2020.

In the first six months of 2021, the value of current assets decreased by PLN 24.2 million, primarily due to a decrease in trade receivables (by PLN 69.2 million). Such decrease was partially offset by increases in contract assets (by PLN 22.6 million), in cash and cash equivalents (by PLN 14.9 million), and in inventories (by PLN 4.0 million).

In the same period, our total current liabilities declined by PLN 14.9 million. This resulted primarily from decreases in trade payables (by PLN 37.9 million), in bank loans and borrowings (by PLN 9.0 million), in liabilities to the state and local budgets (by PLN 15.9 million), in contract liabilities (by PLN 16.3 million), as well as in other liabilities (by PLN 10.0 million). This was partially offset by an increase in other financial liabilities (by PLN 64.3 million), mainly because such liabilities included dividends payable to shareholders of ASEE S.A. in the amount of PLN 52.0 million, as well as an increase in the valuation of put options held by the minority shareholders of Necomplus.

Our liquidity ratios at the end of the second quarter of 2021 remained at similar levels as at the end of 2020.

	30 June 2021	31 December 2020
Total debt ratio	31.4%	33.9%
Debt / equity ratio	10.7%	12.9%
Debt / (debt + equity) ratio	9.7%	11.5%

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

The total debt ratio decreased from 33.9% reported at the end of 2020 to the level of 31.4% as at 30 June 2021. Such change was caused by a 12% decrease in total liabilities when total assets decreased by 4% only. The decline 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 2021 PLN'000	6 months ended 30 June 2020 PLN'000
Net cash provided by (used in) operating activities	79,021	55,504
Net cash provided by (used in) investing activities	(25,683)	(25,863)
Net cash provided by (used in) financing activities	(30,269)	(28,892)
Net change in cash and cash equivalents	23,069	749
Cash and cash equivalents at the end of period	263,848	195,374

In the first half of 2021, our operating activities provided PLN 79.0 million of net cash inflows, reflecting an increase by PLN 23.5 million in relation to the comparable period of the previous year. Operating cash flows increased on the back of stronger financial performance as well as due to lower expenditures for working capital than a year ago, owing to the lower amount of receivables.

Net cash outflows from our investing activities amounted to PLN 25.7 million in the first half of 2021. 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 18.5 million, as well as by the acquisitions of subsidiary companies for PLN 12.8 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 Necomplus, as well as purchases of shares in the companies of Things Solver and Vebspot.

In the first half of 2021, net cash used in our financing activities amounted to PLN 30.3 million, primarily due to scheduled repayments of bank loans, borrowings and lease liabilities along with interest, as well as the purchase of a minority interest in Monri company. Proceeds obtained from bank loans were much lower than in the comparable period of the previous year.

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 2021, in a breakdown by geographical area:

For the period of 6 months ended 30 June 2021	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
in thousands of PLN												
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 impairment losses on financial instruments	-	12	(50)	256	304	(967)	-	33	11	(17)	(3)	(421)
Gross profit on sales	5,637	22,445	9,775	11,417	42,118	23,296	12,592	2,651	5,069	9,073	(1,325)	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	3,171	26,323	15,415	7,983	367	2,007	5,084	(440)	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)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss)	3,204	11,507	5,498	3,401	26,631	15,502	7,973	355	1,983	5,143	(455)	80,742

For the period of 6 months ended 30 June 2021	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
in thousands of EUR												
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 impairment losses on financial instruments	-	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)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-
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

The table below presents the basic financial data from the statement of profit and loss for the period of 6 months ended 30 June 2020, in a breakdown by geographical area:

For the period of 6 months ended 30 June 2020	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
in thousands of PLN												
Sales revenues	18,493	73,100	35,171	58,845	137,761	41,669	57,352	9,157	18,025	32,775	(18,003)	464,345
Cost of sales	(13,883)	(53,125)	(26,937)	(48,536)	(107,394)	(20,480)	(49,082)	(7,071)	(12,549)	(23,023)	16,971	(345,109)
Recognition (reversal) of impairment losses on financial instruments	20	(451)	(47)	(386)	1,602	(124)	(151)	-	(166)	44	2	343
Gross profit on sales	4,630	19,524	8,187	9,923	31,969	21,065	8,119	2,086	5,310	9,796	(1,030)	119,579
Selling costs	(856)	(4,376)	(1,833)	(4,133)	(7,804)	(4,075)	(1,304)	(707)	(814)	(1,284)	418	(26,768)
General and administrative expenses	(1,115)	(4,193)	(1,841)	(3,537)	(6,708)	(4,394)	(2,885)	(1,574)	(1,322)	(1,851)	2	(29,418)
Net profit (loss) on sales	2,659	10,955	4,513	2,253	17,457	12,596	3,930	(195)	3,174	6,661	(610)	63,393
Other operating income	16	107	75	55	402	100	70	11	11	238	-	1,085
Other operating expenses	(54)	(83)	(9)	(9)	(203)	(21)	(72)	(11)	2	(50)	-	(510)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss)	2,621	10,979	4,579	2,299	17,656	12,675	3,928	(195)	3,187	6,849	(610)	63,968

For the period of 6 months ended 30 June 2020	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Western Europe	Latin America	Central Europe	Other	Eliminations	Total
in thousands of EUR												
Sales revenues	4,164	16,459	7,919	13,250	31,019	9,382	12,913	2,062	4,059	7,380	(4,054)	104,553
Cost of sales	(3,126)	(11,962)	(6,065)	(10,928)	(24,181)	(4,611)	(11,051)	(1,592)	(2,826)	(5,185)	3,821	(77,706)
Recognition (reversal) of impairment losses on financial instruments	5	(102)	(11)	(87)	361	(28)	(34)	-	(37)	10	-	77
Gross profit on sales	1,043	4,395	1,843	2,235	7,199	4,743	1,828	470	1,196	2,205	(233)	26,924
Selling costs	(193)	(985)	(413)	(931)	(1,757)	(918)	(294)	(159)	(183)	(288)	94	(6,027)
General and administrative expenses	(251)	(944)	(415)	(796)	(1,510)	(989)	(650)	(354)	(298)	(417)	-	(6,624)
Net profit (loss) on sales	599	2,466	1,015	508	3,932	2,836	884	(43)	715	1,500	(139)	14,273
Other operating income	4	24	17	12	91	23	16	2	2	54	-	245
Other operating expenses	(12)	(19)	(2)	(2)	(46)	(5)	(16)	(2)	-	(11)	-	(115)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss)	591	2,471	1,030	518	3,977	2,854	884	(43)	717	1,543	(139)	14,403

The above figures have been converted at the average exchange rate for the period from 1 January 2020 to 30 June 2020: EUR 1 = PLN 4.4413

Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten

All the markets where ASEE Group operates have been affected by the COVID-19 coronavirus pandemic. Thus, our companies are exposed to social and economic consequences of the pandemic, while the scale of threats depends on how the pandemic spreads in a given country, actions taken by local authorities, as well as the profile of our business operations. Looking from the perspective of the first half-year, the coronavirus pandemic had a limited impact on the operations of ASEE Group.

Concurrently, we would like to emphasize that the situation related to the COVID-19 pandemic is very dynamic and it is difficult to estimate its effects on the economy, hence the comments below have been prepared to the best knowledge of the Company's management as at the date of publication of this report. Further development of the pandemic may necessitate a verification of our current assumptions and a revision of estimates regarding the impact of this situation on the financial condition of ASEE Group.

Ensuring safety of employees and business continuity

As a socially responsible organization, ASEE Group has taken a number of actions in order to mitigate the threats caused by the COVID-19 pandemic and ensure safety of its employees, customers, business partners and all other stakeholders, as well as to ensure its business continuity.

Impact on business lines

- Maintenance of POS terminals settled for each intervention – in rare cases, maintenance service contracts provide for our remuneration depending on the number and type of interventions carried out. Agreements of this type constitute a majority of contracts in Nekomplus companies and a significant number of contracts in Sonet companies, but only a small portion of revenues in Payten companies operating in Macedonia and Slovenia. Nonetheless, in the first six months of 2021, negative impact of the pandemic was only observed in the Czech operations of ASEE Group due to the long-lasting and extensive lockdown.
- Our independent network of ATMs operates under the brand of MoneyGet in Serbia, Croatia, Montenegro and Albania. Apart from Serbia, our ATMs are located in attractive tourist locations and are geared towards handling tourist traffic and DCC transactions. However, in the countries where our ATMs are installed, tourist traffic is usually low in the first six months of the year and therefore the pandemic did not negatively affect our results on a year-on-year basis.

Possible long-term effects of the pandemic

As mentioned above, the situation related to the COVID-19 coronavirus pandemic is very dynamic and its effects on the economy are difficult to estimate. A lot depends on how long the restrictions will last and what will be their practical impact on the financial condition of our customers.

If the course of this pandemic is prolonged, it may have the following consequences for our business:

- delays in the execution of ongoing long-term implementation projects;
- resignation from or postponement of the implementation projects that are not critical to our customers;
- renegotiation of existing contracts in the case of reducing the scale of operations by our customers or decreasing the volume services performed;
- delays in the implementation of projects based on infrastructure provided by external vendors.

At the same time, we would like to emphasize that we currently see no significant threats to the business operations of ASEE and Payten. We are monitoring this situation on an ongoing basis, adjusting our individual decisions to changing conditions. We are trying to minimize the negative impact of the pandemic on our business, among others, by controlling costs, while monitoring and taking advantage of new market opportunities created by the current situation.

A more detailed description of the potential impact of the pandemic on our business operations can be found in the Group's annual financial statements for 2020, yet after a year of the pandemic duration it seems that most of ASEE's business lines affected by this phenomenon are functioning well in this new reality, and the pandemic situation has not deteriorated their financial results.



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 2021. 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:

- Impact exerted by the COVID-19 pandemic on the operational efficiency of ASEE Group as well as on the economic situation in the markets where the Group operates. Restrictions related to the pandemic had a negative impact on our 2021 financial results in a few product lines only. However, it is difficult to evaluate the long-term impact of the COVID-19 pandemic on the financial results of ASEE Group if the restrictions imposed on the functioning of economies will be prolonged. Our assessment of the impact of the coronavirus pandemic on the business operations of ASEE and Payten has been described in the item 'Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten' in this report.
- 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;
- 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 Group's customers;
- Inflation and fluctuations in the currency exchange rates of countries in which the Group operates;
- Level of interest rates in the Eurozone because a significant portion of 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 2021 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'.

Furthermore, both in 2020 and 2021 all the markets where ASEE Group operates have been affected by the COVID-19 coronavirus pandemic which, however, had a limited impact on the Group's results. Description of the impact exerted by the COVID-19 coronavirus pandemic on ASEE Group's business operations is provided in the item 'Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten'.

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 associated with the COVID-19 coronavirus pandemic

Description of the impact exerted by the COVID-19 coronavirus pandemic on ASEE Group's business operations is provided in the item 'Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten'.

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 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 misestimate 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 2021, 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 Business 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 misfortunate 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 related to influence exerted by the Company's majority shareholder

As at the date of publication of this report, Asseco International a.s., our majority shareholder and a subsidiary of Asseco Poland S.A., holds 51.06% of shares in our Company. We expect that Asseco International a.s. will maintain its position as a majority shareholder and retain significant influence on our Company's business operations. Asseco International a.s. is entitled to exercise broad rights and powers with respect to its shareholding in the Company, and it must be taken into consideration that in the present situation Asseco International a.s. has a decisive impact on the Company's strategic decisions.

Related party transactions

Transactions with our related parties have been presented in explanatory note 6.18 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2021. 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 2021.

Financial forecasts

The Management Board of Asseco South Eastern Europe S.A. did not publish any financial forecasts for 2021.

Monitoring of employee stock option plans

During the first half of 2021, the Group had no employee stock option plans.

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 2021, 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 2021.

Information on significant judicial proceedings

As at 30 June 2021 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 2021

Significant events that took place after the reporting date of 30 June 2021 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 2021, 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 2021.

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 2021 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 2021 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 2021, as well as the interim condensed consolidated financial statements of Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2021, 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 2021 and confirm the accuracy of the above statement.

Management Board:

Piotr Jeleński President of the Management Board

Miljan 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.

Asseco South Eastern Europe S.A.

14 Olchowa St., 35-322 Rzeszów, Poland

Phone: +48 22 574 86 30

Fax: +48 22 574 86 90

Email: office@asseco-see.pl

see.asseco.com

