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SOUTH EASTERN EUROPE

MANAGEMENT REPORT ON OPERATIONS OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2019

Rzeszów, 8 August 2019

MANAGEMENT REPORT ON THE GROUP'S OPERATIONS OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2019

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1. GENERAL INFORMATION ON THE ISSUER

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.

2. BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP

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.

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

- Banking Solutions,
- Payment Solutions,
- Systems Integration.

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

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

The Group also offers its clients online 24x7 services and consultancy in the area of digital banking and digital transformation.

The Payment Solutions segment provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. The product portfolio of ASEE includes solutions for e-Commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as services related to ATMs and POS terminals. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet.

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

3. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

As at the date of publication of this report, this is on 8 August 2019, 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	Miodrag Mirčetić	Jacek Duch
Artur Kucharski	Marcin Rulnicki	
Adam Pawłowicz		

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

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

4. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP

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 2019 and 31 December 2018:

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights 30 June 2019	31 Dec. 2018
Asseco South Eastern Europe S.A.	**ASEE S.A.**	Poland		
Asseco SEE s.r.l. (Bucharest)	**ASEE Romania**	Romania	100.00%	100.00%
Asseco s.r.l. MOLDOVA	ASEE Moldova	Moldova	100.00%	100.00%
Asseco SEE d.o.o., Belgrade	**ASEE Serbia**	Serbia	100.00%	100.00%
E-Mon d.o.o., Podgorica	E-Mon Montenegro	Montenegro	75.00%	75.00%
Asseco SEE d.o.o. (Zagreb)	**ASEE Croatia**	Croatia	100.00%	100.00%
Asseco SEE Sh.p.k. (Pristina)	**ASEE Kosovo**	Kosovo	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	ASEE Albania	Albania	100.00%	100.00%
Asseco SEE Bilişim Teknolojileri A.Ş.	**ASEE Turkey**	Turkey	100.00%	n/a
Asseco SEE DOOEL, Skopje	**ASEE Macedonia**	Macedonia	100.00%	100.00%
Asseco SEE d.o.o. (Sarajevo)	**ASEE B&H**	Bosnia and Herzegovina	100.00%	100.00%
Asseco SEE o.o.d., Sofia	**ASEE Bulgaria**	Bulgaria	100.00%	100.00%
Payten d.o.o. New Belgrade	**Payten Serbia**	Serbia	100.00%	100.00%
Chip Card a.d., Belgrade	Chip Card Serbia	Serbia	92.50%	92.50%
Multicard d.o.o., Belgrade	Multicard Serbia	Serbia	100.00%	63.70%
Payten Teknoloji A.Ş.	**Payten Turkey**	Turkey	100.00%	100.00%
Nestpay Odeme Hizmetleri A.S.	Nestpay	Turkey	100.00%	100.00%
Payten Sp. z o.o.	**Payten Sp. z o.o.**	Poland	100.00%	n/a
Payten Sp. z o.o. (limited partnership)	Payten Sp. z o.o., sp.k.	Poland	100.00%	n/a
Payten d.o.o. (Ljubljana)	Payten Slovenia	Slovenia	100.00%	100.00%
Payten d.o.o., Podgorica	Payten Montenegro	Montenegro	100.00%	100.00%
Payten d.o.o. (Zagreb)	Payten Croatia	Croatia	100.00%	100.00%
Payten Payment Solutions s.r.l.	Payten Romania	Romania	100.00%	100.00%
Payten DOOEL, Skopje	Payten Macedonia	Macedonia	100.00%	100.00%
Payten d.o.o. (Sarajevo)	Payten B&H	Bosnia and Herzegovina	100.00%	100.00%
Necomplus, S.L.*	Necomplus	Spain	67.66%	n/a
Necomplus Serveis Andorra, S.L.	Necomplus Andorra	Andorra	33.33%	n/a
Necomplus Portugal Lda.	Necomplus Portugal	Portugal	100.00%	n/a
Necomplus Dominicana, Srl	Necomplus Dominicana	Dominican Republic	100.00%	n/a
Necomplus Colombia SAS	Necomplus Colombia	Colombia	100.00%	n/a
Necomplus PERU SAC	Necomplus Peru	Peru	100.00%	n/a

* Equity interests in Necomplus Group companies have been disclosed in nominal terms, i.e. according to the interest held by Necomplus S.L. in the share capital of individual Necomplus Group companies

The parent company of Asseco South Eastern Europe S.A. is Asseco International a.s., seated in Bratislava (AI), a subsidiary of Asseco Poland S.A.

Both as at 30 June 2019 and 31 December 2018, Asseco International a.s. held a 51.06% stake in the share capital of ASEE S.A.

Companies incorporated within the Group are treated as subsidiaries and are subject to full consolidation.

Both as at 30 June 2019 and 31 December 2018, voting rights held by ASEE Group in its subsidiaries were equivalent to the Group's equity interests in these entities.

5. EFFECTS OF CHANGES IN THE GROUP'S STRUCTURE

During the period of 6 months ended 30 June 2019, the organizational structure of the Issuer's Group changed as a result of separating payment services into a standalone organizational unit, as well as further development of our payment services business.

The planned spin-off of payment services has been described in the Management Report on Operations of the Company and Group for the year ended 31 December 2018.

Division of ASEE Turkey

The division of ASEE Turkey was registered on 2 January 2019, in connection with the process of separating our payment services into a standalone organizational unit.

This division resulted in the creation of two separate entities, namely Payten Turkey (Payten Teknoloji A.Ş.) and ASEE Turkey (Asseco SEE Bilişim Teknolojileri A.Ş.), being engaged in the payment business and other operations, respectively.

Establishing of Payten Sp. z o.o.

On 29 January 2019, we registered a new company called Payten Sp. z o.o. seated in Warsaw. 100% of shares in this company are held by ASEE S.A.

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

On 29 January 2019, the Company signed an agreement to acquire a 67.66% stake in the share capital of Necomplus S.L. based in Alicante, Spain ("Necomplus") for the total amount of PLN 32,888.5 thousand, being the equivalent of EUR 7,669 thousand converted at the mid exchange rate published by the National Bank of Poland on 28 January 2019.

In accordance with the acquisition agreement, the payment for these shares shall be made in three instalments:

- the first instalment amounting to PLN 23,020.7 thousand has already been paid before the reporting date;
- the second instalment amounting to PLN 4,936.1 thousand shall be paid till the first anniversary of the transaction date;
- the third instalment amounting to PLN 4,931.8 thousand shall be paid till the second anniversary of the transaction date.

The acquisition of these shares is financed with own funds with the option of partial refinancing with a bank loan in the future.

Concurrently, ASEE signed an agreement with the shareholders of Necomplus, based on the existing agreement concluded by the seller, among others providing for a put option reserved for minority shareholders.

Necomplus conducts business operations in Spain, Portugal, Peru, Colombia, Andorra, and in the Dominican Republic. The company is mainly engaged in installation and maintenance of POS terminals, as well as in BPO/call center services. Necomplus has been a member of the capital group of Asseco Poland since 2010. The said shares were sold by Asseco Western Europe S.A., a subsidiary of Asseco International a.s.

The goal of this acquisition is to further build the payment services business within the target organizational structure called Payten.

Establishing of Payten Sp. z o.o. (limited partnership)

On 20 March 2019, we registered a new company called Payten Sp. z o.o. (limited partnership) seated in Warsaw. 99% of shares in this company are held by ASEE S.A., while a 1% stake is held by Payten Sp. z o.o.

Acquisition of shares in Multicard d.o.o.

On 17 April 2019, Payten Serbia signed an agreement to purchase a 36.30% stake in the share capital of Multicard. As a result of this transaction, Payten Serbia holds 100% of shares in Multicard and maintains control over that company, and therefore it is treated as a subsidiary entity and is fully consolidated.

Making a non-cash contribution to Payten Sp. z o.o. (limited partnership)

On 28 June 2019, ASEE S.A. contributed shares in the following companies:

- Payten B&H,
- Payten Croatia,
- Payten Montenegro,
- Payten Macedonia,
- Payten Romania,
- Payten Slovenia,
- Necomplus Spain

to the company Payten Sp. z o.o. (limited partnership). The said transaction had no impact on the consolidated financial statements of ASEE Group.

6. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 6 months ended 30 June 2019 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Eliminations	Total
Sales revenues	**15,907**	**63,574**	**25,009**	**58,513**	**114,966**	**30,741**	**29,305**	**49,810**	**6,828**	**(17,679)**	**376,974**
Cost of sales (-)	(11,799)	(47,425)	(16,057)	(49,453)	(91,710)	(13,991)	(20,742)	(43,904)	(5,507)	17,179	**(283,409)**
Recognition (reversal) of impairment losses on financial assets (+/-)	-	(324)	(50)	257	(518)	181	-	-	(5)	(3)	**(462)**
Gross profit on sales	**4,108**	**15,825**	**8,902**	**9,317**	**22,738**	**16,931**	**8,563**	**5,906**	**1,316**	**(503)**	**93,103**
Selling costs (-)	(950)	(3,341)	(1,908)	(3,858)	(6,947)	(3,582)	(2,084)	(891)	(477)	8	**(24,030)**
General and administrative expenses (-)	(1,157)	(4,273)	(1,761)	(3,626)	(5,477)	(3,173)	(2,078)	(3,813)	(452)	109	**(25,701)**
Net profit (loss) on sales	**2,001**	**8,211**	**5,233**	**1,833**	**10,314**	**10,176**	**4,401**	**1,202**	**387**	**(386)**	**43,372**
Other operating income	19	(57)	288	48	252	476	314	78	7	(143)	**1,282**
Other operating expenses	(8)	85	(174)	(14)	(288)	(246)	(235)	(41)	(29)	139	**(811)**
Share of profits of associates	-	-	-	-	*(61)*	-	-	-	-	-	***(61)***
Operating profit (loss)	**2,012**	**8,239**	**5,347**	**1,867**	**10,217**	**10,406**	**4,480**	**1,239**	**365**	**(390)**	**43,782**

For the period of 6 months ended 30 June 2019 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Eliminations	Total
Sales revenues	**3,710**	**14,826**	**5,832**	**13,646**	**26,811**	**7,169**	**6,834**	**11,616**	**1,592**	**(4,123)**	**87,913**
Cost of sales (-)	(2,752)	(11,060)	(3,745)	(11,533)	(21,387)	(3,263)	(4,837)	(10,239)	(1,284)	4,007	**(66,093)**
Recognition (reversal) of impairment losses on financial assets (+/-)	-	(76)	(12)	60	(121)	43	-	-	(1)	(1)	**(108)**
Gross profit on sales	**958**	**3,690**	**2,075**	**2,173**	**5,303**	**3,949**	**1,997**	**1,377**	**307**	**(117)**	**21,712**
Selling costs (-)	(222)	(779)	(445)	(900)	(1,620)	(835)	(486)	(208)	(111)	2	**(5,604)**
General and administrative expenses (-)	(270)	(996)	(411)	(846)	(1,277)	(740)	(485)	(889)	(105)	25	**(5,994)**
Net profit (loss) on sales	**466**	**1,915**	**1,219**	**427**	**2,406**	**2,374**	**1,026**	**280**	**91**	**(90)**	**10,114**
Other operating income	4	(13)	67	11	59	111	73	18	2	(33)	**299**
Other operating expenses	(2)	20	(41)	(3)	(67)	(57)	(55)	(10)	(7)	33	**(189)**
Share of profits of associates	-	-	-	-	*(14)*	-	-	-	-	-	***(14)***
Operating profit (loss)	**468**	**1,922**	**1,245**	**435**	**2,384**	**2,428**	**1,044**	**288**	**86**	**(90)**	**10,210**

The above figures have been converted at the average exchange rate for the period from 1 January 2019 to 30 June 2019: EUR 1 = PLN 4.2880

For the period of 6 months ended 30 June 2018 in thousands of PLN	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Eliminations	Total
Sales revenues	**12,537**	**64,057**	**26,294**	**64,023**	**87,324**	**25,911**	**29,200**	**-**	**-**	**(12,002)**	**297,344**
Cost of sales (-)	(8,471)	(48,437)	(20,746)	(54,136)	(67,530)	(15,230)	(21,762)	-	-	11,102	**(225,211)**
Recognition (reversal) of impairment losses on financial assets (+/-)	-	64	(37)	(87)	(14)	(144)	(217)	-	-	-	**(436)**
Gross profit on sales	**4,067**	**15,685**	**5,510**	**9,800**	**19,779**	**10,536**	**7,221**	**-**	**-**	**(900)**	**71,697**
Selling costs (-)	(795)	(3,232)	(1,953)	(4,757)	(6,349)	(3,312)	(1,836)	-	-	629	**(21,605)**
General and administrative expenses (-)	(807)	(3,569)	(1,546)	(3,149)	(4,852)	(3,315)	(1,744)	-	-	(49)	**(19,031)**
Net profit (loss) on sales	**2,465**	**8,885**	**2,012**	**1,893**	**8,577**	**3,909**	**3,640**	**-**	**-**	**(320)**	**31,061**
Other operating income	11	67	209	78	115	46	48	-	-	(78)	**496**
Other operating expenses	-	(16)	(72)	(29)	(167)	(172)	(7)	-	-	(3)	**(467)**
Share of profits of associates	-	-	-	-	*(209)*	-	-	-	-	-	***(209)***
Operating profit (loss)	**2,476**	**8,936**	**2,149**	**1,943**	**8,316**	**3,783**	**3,681**	**-**	**-**	**(401)**	**30,881**

For the period of 6 months ended 30 June 2018 in thousands of EUR	Bosnia	Croatia	Macedonia	Romania	Serbia	Turkey	Other	Western Europe	Latin America	Eliminations	Total
Sales revenues	**2,957**	**15,110**	**6,202**	**15,102**	**20,598**	**6,112**	**6,888**	**-**	**-**	**(2,831)**	**70,137**
Cost of sales (-)	(1,998)	(11,425)	(4,894)	(12,770)	(15,929)	(3,593)	(5,133)	-	-	2,620	**(53,123)**
Recognition (reversal) of impairment losses on financial assets (+/-)	-	15	(9)	(21)	(3)	(34)	(50)	-	-	-	**(102)**
Gross profit on sales	**959**	**3,700**	**1,300**	**2,312**	**4,665**	**2,485**	**1,705**	**-**	**-**	**(211)**	**16,912**
Selling costs (-)	(188)	(762)	(461)	(1,122)	(1,498)	(781)	(433)	-	-	150	**(5,096)**
General and administrative expenses (-)	(190)	(842)	(365)	(743)	(1,145)	(782)	(411)	-	-	(11)	**(4,489)**
Net profit (loss) on sales	**582**	**2,096**	**474**	**447**	**2,022**	**922**	**861**	**-**	**-**	**(72)**	**7,327**
Other operating income	3	16	49	18	27	11	11	-	-	(18)	**117**
Other operating expenses	-	(4)	(17)	(7)	(39)	(41)	(2)	-	-	(1)	**(111)**
Share of profits of associates	-	-	-	-	*(49)*	-	-	-	-	-	***(49)***
Operating profit (loss)	**585**	**2,108**	**506**	**458**	**1,961**	**892**	**870**	**-**	**-**	**(91)**	**7,284**

The above figures have been converted at the average exchange rate for the period from 1 January 2018 to 30 June 2018: EUR 1 = PLN 4.2395

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

PLN'000	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Sales revenues	198,158	158,740	25%	376,974	297,344	27%
Gross profit on sales	49,036	39,474	24%	93,103	71,697	30%
Net profit on sales	22,449	18,063	24%	43,372	31,061	40%
Operating profit	22,563	17,788	27%	43,782	30,881	42%
EBITDA	38,656	29,230	32%	74,658	53,125	41%
Net profit for the reporting period	18,239	15,523	18%	36,564	26,780	37%
Net profit attributable to Shareholders of the Parent Company	**17,785**	**15,454**	15%	**35,810**	**26,620**	35%

EUR'000	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Sales revenues	46,305	36,965	25%	87,913	70,137	25%
Gross profit on sales	11,459	9,200	25%	21,712	16,912	28%
Net profit on sales	5,247	4,216	25%	10,115	7,327	38%
Operating profit	5,272	4,150	27%	10,210	7,284	40%
EBITDA	9,033	6,812	33%	17,411	12,531	39%
Net profit for the reporting period	4,263	3,623	18%	8,527	6,317	35%
Net profit attributable to Shareholders of the Parent Company	**4,157**	**3,607**	15%	**8,351**	**6,279**	33%

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

Sales revenues presented in Polish zlotys reached PLN 198.2 million, reflecting an increase by PLN 39 million or almost 25% in relation to the second quarter of 2018. Our sales presented in euros equalled EUR 46.3 million, increasing by EUR 9.3 million or more than 25%. Higher sales were generated by all the three operating segments of ASEE Group, while the largest increase was recorded in the Payment Solutions segment. In the second quarter of 2019, sales of the Payment Solutions segment reached EUR 19.7 million, increasing by EUR 6.3 million or nearly 48%. Such revenue growth was driven mainly by the business line engaged in maintenance of POS terminals which consolidates most of sales generated by Necomplus Group.

The consolidation of financial results of Necomplus companies has been started since 1 February 2019. In the second quarter of 2019, Necomplus Group generated sales of EUR 8.3 million that have been recognized mostly in the Payment Solutions segment, and to some extent in the Systems Integration segment.

Apart from the business line engaged in maintenance of POS terminals, the Payment Solutions segment recorded higher revenues from e-Commerce as well as from processing of payment transactions. Whereas, the business line dealing with maintenance of ATMs reported weaker sales for the second quarter.

In the second quarter of 2019, the Banking Solutions segment generated EUR 10.7 million in sales revenues, achieving an increase by EUR 1.9 million or 22% in relation to the comparable period last year. Revenues improved in all of the segment's business lines: mobile solutions, authentication solutions, core banking systems and other software.

Sales revenues generated by the Systems Integration segment increased by EUR 1 million or 7% in the second quarter of 2019 and reached the level of EUR 16 million. Higher sales were achieved by the business line offering own solutions, among others due to the consolidation of the business process outsourcing activities performed by our Spanish and Portuguese Necomplus subsidiary. At the same time, the business line responsible for the resale of infrastructure and third-party solutions and integration services recorded lower sales.

All figures in thousands of PLN, unless stated otherwise

Sales revenues in thousands of PLN	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Banking Solutions	45,801	37,589	22%	84,293	69,755	21%
Payment Solutions	84,103	57,369	47%	160,920	123,171	31%
Systems Integration	68,254	63,782	7%	131,761	104,418	26%
	198,158	**158,740**	**25%**	**376,974**	**297,344**	**27%**

Sales revenues in thousands of EUR	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Banking Solutions	10,702	8,756	22%	19,657	16,454	19%
Payment Solutions	19,652	13,304	48%	37,528	29,053	29%
Systems Integration	15,951	14,905	7%	30,728	24,630	25%
	46,305	**36,965**	**25%**	**87,913**	**70,137**	**25%**

Operating profit of ASEE Group for the second quarter of 2019 amounted to PLN 22.6 million, improving by PLN 4.8 million or 27%. Our operating profit presented in euros increased by EUR 1.1 million or 27% and reached EUR 5.3 million.

Just as in the case of sales revenues, the Payment Solutions segment contributed most to the improvement of our operating profit. The segment's EBIT for the second quarter of 2019 amounted to EUR 2.8 million, increasing by EUR 0.7 million or 35% in relation to the comparable period last year. Such growth in operating profit resulted basically from stronger performance of the business lines offering e-Commerce solutions and maintenance of POS terminals which consolidate the results of Necomplus companies.

In the second quarter of 2019, the Banking Solutions segment earned an operating profit of EUR 1.9 million, achieving an increase by EUR 0.6 million or 48% in relation to the comparable period last year.

The segment's higher EBIT is attributable mostly to the business lines offering mobile solutions and authentication solutions.

The Systems Integration segment recorded a slightly lower operating profit in the second quarter of 2019 which amounted to EUR 0.6 million, decreasing by EUR 0.2 million. Such a lower EBIT was caused by weaker financial performance of the business line offering own solutions, among others due to the consolidation of results on BPO activities carried out by Necomplus companies. Despite lower sales, the business line offering third-party solutions and integration services managed to record a slightly higher operating profit.

In the second quarter of 2019, Necomplus companies achieved over EUR 363 thousand in operating profit, yet in the consolidated financial statements it was reduced by EUR 116 thousand of amortization charges on customer relations that were identified during the purchase price allocation process.

Operating profit in thousands of PLN	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Banking Solutions	8,152	5,489	49%	11,781	6,922	70%
Payment Solutions	11,945	8,955	33%	24,966	19,551	28%
Systems Integration	2,466	3,344	-26%	7,035	4,408	60%
	22,563	**17,788**	**27%**	**43,782**	**30,881**	**42%**

Operating profit in thousands of EUR	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change %	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change %
Banking Solutions	1,902	1,289	48%	2,747	1,632	68%
Payment Solutions	2,791	2,075	35%	5,822	4,612	26%
Systems Integration	579	786	-26%	1,641	1,040	58%
	5,272	**4,150**	**27%**	**10,210**	**7,284**	**40%**

Consolidated EBITDA of ASEE Group for the second quarter of 2019 amounted to PLN 38.7 million, improving by than PLN 9.4 thousand or 32% in relation to the previous year. Our EBITDA presented in euros increased by EUR 2.2 million or 33% and reached the level of EUR 9 million. Higher EBITDA was achieved owing to stronger results in the segments of Payment Solutions and Banking Solutions. While, the Systems Integration segment delivered a slightly weaker EBITDA for the second quarter of 2019.

It should be also noted that our results for the second quarter of 2019, and especially the level of EBITDA, were influenced by the new presentation of lease contracts, in accordance with IFRS 16. The adoption of this new standard had a positive impact on our EBITDA, amounting to over PLN 2.9 million (EUR 671 thousand) in the second quarter of 2019.

EBITDA in thousands of PLN	**3 months ended 30 June 2019** (unaudited)	**3 months ended 30 June 2018** (unaudited)	***Change %***	**6 months ended 30 June 2019** (unaudited)	**6 months ended 30 June 2018** (unaudited)	***Change %***
Banking Solutions	10,719	6,610	*62%*	16,400	9,172	*79%*
Payment Solutions	23,758	18,260	*30%*	47,889	37,616	*27%*
Systems Integration	4,179	4,360	*-4%*	10,369	6,337	*64%*
	38,656	**29,230**	***32%***	**74,658**	**53,125**	***41%***

EBITDA in thousands of EUR	**3 months ended 30 June 2019** (unaudited)	**3 months ended 30 June 2018** (unaudited)	***Change %***	**6 months ended 30 June 2019** (unaudited)	**6 months ended 30 June 2018** (unaudited)	***Change %***
Banking Solutions	2,503	1,550	*61%*	3,825	2,163	*77%*
Payment Solutions	5,552	4,240	*31%*	11,168	8,873	*26%*
Systems Integration	978	1,022	*-4%*	2,418	1,495	*62%*
	9,033	**6,812**	***33%***	**17,411**	**12,531**	***39%***

Presented below are the key factors with impact on the financial performance of our individual segments and the entire ASEE Group in the first two quarters of 2019 on a cumulative basis.

Results of the Payment Solutions segment

In the first six months of 2019, sales generated by the Payment Solutions segment reached EUR 37.5 million, improving by EUR 8.5 million or 29% in relation to the comparable period last year. The strongest revenue growth (by EUR 8.6 million) was achieved by the segment's business line dealing with maintenance of POS terminals, which included most of revenues generated by Necomplus companies that have been consolidated by ASEE Group since 1 February 2019. Higher sales were reported also by the segment's business lines offering e-Commerce solutions in Turkey and processing of payment transactions in Serbia. At the same time, the business line responsible for maintenance of ATMs recorded lower sales. This was mainly due to weaker performance of Payten companies in Romania, Croatia, Macedonia and Montenegro, which completed large deliveries of infrastructure in the first half of 2018.

Operating profit generated by the Payment Solutions segment increased by EUR 1.2 million or 26% and reached EUR 5.8 million. Stronger operating performance was reported mainly by the business line dealing with e-Commerce, basically due to a higher volume of transactions handled and signing new contracts with customers. A slight improvement in operating results was recorded also in the business lines responsible for processing of payment transactions and for maintenance of POS terminals. Whereas, operating profit earned by the business line engaged in maintenance of ATMs was a bit weaker.

EBITDA of the Payment Solutions segment for the first half of 2019 amounted to EUR 11.2 million, rising by EUR 2.3 million or almost 26% in relation to the comparable period last year.

Results of the Banking Solutions segment

In the first half of 2019, the Banking Solutions segment generated EUR 19.7 million in sales revenues, showing an increase by EUR 3.2 million or over 19%. Revenues improved across all of the segment's business lines, with the largest growth achieved in mobile and authentication solutions, mainly in Croatia. In the business line responsible for core banking systems and other software, higher sales were generated among others by our subsidiaries operating in Macedonia and Croatia.

Owing to stronger revenues of the Banking Solutions segment, its operating profit improved as well and exceeded EUR 2.7 million in the first half of 2019. This reflects an increase by EUR 1.1 million or 68% in relation to the comparable period last year. Higher EBIT was recorded by all business lines of this segment. Such significant improvement in the financial performance of the Banking Solutions segment resulted, among others, from the low level of its operating profit for the first half of 2018, when ASEE Group had to recognize a write-down in the amount of almost EUR 650 thousand due to the withdrawal from a contract to sell a core banking system for Nova Kreditna Banka Maribor (NKBM).

Higher operating profit translated into a higher amount of EBITDA achieved by the Banking Solutions segment. In the first half of 2019, it amounted to more than EUR 3.8 million, increasing by almost EUR 1.7 million in relation to the comparable period last year.

Results of the Systems Integration segment

Sales generated by the Systems Integration segment in the first half of 2019 reached EUR 30.7 million, reflecting an increase by EUR 6.1 million or 25% in relation to the comparable period of 2018. Strong revenue growth was achieved in particular by the business line offering own solutions, owing to new projects implemented by ASEE Serbia and consolidation of a portion of revenues generated by Necomplus companies. Whereas, revenues of the business line responsible for infrastructure, third-party solutions and integration services remained at a similar level as in the comparable period last year.

Operating profit of the Systems Integration segment increased from a bit more than EUR 1 million reported for the first half of 2018 to EUR 1.6 million in the corresponding period of this year. Stronger operating results were reported by the business line offering infrastructure and integration services, primarily due to a higher share of own services in its revenue structure. This line improved its performance among others in Romania, Serbia and Poland. Whereas, the business line offering our proprietary solutions recorded slightly weaker results than in the comparable period last year. This was to some extent caused by the consolidation of a loss recognized on such activities by Necomplus companies. Our Management is currently analyzing various strategic options for the operations of Necomplus within the Systems Integration segment.

Following a higher operating profit, the segment's EBITDA improved to EUR 2.4 million in the first half of 2019, showing an increase by EUR 0.9 million or 62%.

Net profit

Consolidated net profit of ASEE Group for the first half of 2019 exceeded EUR 8.5 million, increasing by EUR 2.2 million or 35% in relation to the comparable period last year.

The Group's net result on financial operations equalled EUR 497 thousand for the first half of 2019, as compared with EUR 635 thousand reported for the comparable period a year ago. Such a decline was caused mainly by a weaker result on foreign exchange differences, including the valuation of hedging instruments, as well as by interest expenses on lease contracts whose presentation was changed by the new IFRS 16 standard. In the first half of 2019, we recognized in financial income a gain of EUR 467 thousand which resulted from the revaluation of shares in the company Multicard after it was taken over by Payten Serbia on 17 April 2019.

In the first half of 2019, our income tax expense amounted to EUR 2.2 million (effective tax rate of 20.4%) as compared with EUR 1.6 million incurred in the previous year (effective tax rate of 20.2%). Income tax expense resulted from our current business operations conducted in various countries, as well as from income taxes on dividends received by the holding company from its subsidiaries. During the first half of 2019, the holding company received more than PLN 25 million in dividends from companies located outside of the European Union, as compared with less than PLN 9 million in the comparable period last year. As a consequence the amount of income tax paid on dividends received was much higher. A comparison of the effective tax rate in individual countries has shown an increase in Bosnia and Herzegovina as well as in Croatia, and at the same time a decrease in Serbia. The Group's effective tax rate was also influenced by a higher share of our Turkish and Macedonian subsidiaries in the structure of consolidated taxable income. Our operations in both these countries have a low effective tax rate.

Analysis of financial ratios

PLN'000	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Gross profit margin	24.7%	24.9%	24.7%	24.1%
EBITDA margin	19.5%	18.4%	19.8%	17.9%
Operating profit margin	11.4%	11.2%	11.6%	10.4%
Net profit margin	9.0%	9.7%	9.5%	9.0%
Return on equity (ROE)			9.9%	7.7%
Return on assets (ROA)			7.2%	6.1%

The above ratios have been computed using the following formulas:
Gross profit margin = gross profit on sales / sales
EBITDA margin = (operating profit + depreciation and amortization) / sales
Operating profit margin = operating profit / sales
Net profit margin = net profit for the reporting period attributable to Shareholders of the Parent Company / sales
Return on equity (ROE) = net profit for the period of trailing 12 months attributable to Shareholders of the Parent Company / average annual equity attributable to Shareholders of the Parent Company
Return on assets (ROA) = net profit for the period of trailing 12 months attributable to Shareholders of the Parent Company / average annual assets

In the first half of 2019, our gross profit margin equalled 24.7%, increasing by 0.6 percentage points in relation to the comparable period last year. This was achieved due to the growing share of our proprietary solutions in the revenue structure of ASEE Group (which increased from 64.3% in the first half of 2018 to 69.1% in the same period of 2019) as well as a bit higher profitability of own services. Concurrently, margins realized on the resale of infrastructure and third-party solutions were much lower.

Despite a slightly weaker margin of profit in the Payment Solutions segment, the Group managed to improve its overall profitability owing to stronger margins realized by the segments of Banking Solutions and Systems Integration. ASEE Group's EBITDA margin increased from 17.9% in the first half of 2018 to 19.8% in the corresponding period of this year. At the same time, our operating profit margin climbed from 10.4% to 11.6%. Higher operating margin contributed to an increase in the net profit margin, which improved from 9.0% in the first half of 2018 to 9.5% in the first six months of this year.

The improved financial results for the first half of 2019 resulted in higher values of ROE and ROA ratios. Return on equity for the trailing 12 months ended 30 June 2019 equalled 9.9%, increasing by 2.2 percentage points; whereas, return on assets reached the level of 7.2%, increasing by 1.1 percentage points.

	30 June 2019 (unaudited)	31 Dec. 2018 (audited)
Working capital (in thousands of PLN)	139,383	159,613
Current liquidity ratio	1.56	1.79
Quick liquidity ratio	1.35	1.63
Absolute liquidity ratio	0.57	0.83

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

As at the end of June, our working capital amounted to PLN 139.4 million, reflecting a decrease by PLN 20.2 million in relation to its level reported at the end of December 2018. The increase in total current assets by PLN 27.6 million resulted from higher amounts of inventories (by PLN 18 million) as well as contract assets (by PLN 15.6 million). We also recorded increases in trade receivables and prepayments (by PLN 11 million) as well as in other current assets (by PLN 9.6 million). Such increases were partially offset by a decrease in cash and cash equivalents (by PLN 23 million) as well as in short-term financial assets (by PLN 3.5 million). At the same time, our total current liabilities increased by PLN 47.9 million, primarily due to a higher amount of financial liabilities (by PLN 46 million). The major components of our short-term financial liabilities include dividends payable to shareholders of ASEE S.A. (PLN 27 million), finance lease liabilities (PLN 14.8 million), and a portion of deferred payment for the acquisition of shares in Necomplus (PLN 4.9 million).

Our liquidity ratios recorded as at the end of June 2019 are slightly lower than at the end of 2018.

Analysis of debt

	30 June 2019 (unaudited)	31 Dec. 2018 (audited)
Total debt ratio	32.3%	22.7%
Debt / equity ratio	9.3%	6.3%
Debt / (debt + equity) ratio	8.5%	5.9%

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

The total debt ratio increased from 22.7% reported as at the end of 2018 to the level of 32.3% as at 30 June 2019. Such change resulted primarily from an increase in liabilities by PLN 136.1 million, mostly due to the new presentation of lease contracts as required by IFRS 16 (PLN 62.7 million), as well as due to dividends payable to shareholders of ASEE S.A. (PLN 27 million). Furthermore, our liabilities increased due to the recognition of liabilities under put options that were granted to non-controlling shareholders of Necomplus in the amount of PLN 12.1 million, as well as deferred payment for shares in Necomplus in the amount of PLN 9.9 million. In the first half of 2019, liabilities under bank loans presented in Polish zlotys increased by PLN 22.5 million primarily as a result of consolidation of interest-bearing liabilities held by Necomplus, and new bank loans obtained by the Group subsidiaries operating in Croatia and Serbia. Hence, our debt to equity ratio increased from 6.3% to 9.4% as at the end of June 2019, while the ratio of debt to total interest-bearing liabilities and equity increased from 5.9% to 8.5%.

Statement of cash flows

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Cash and cash equivalents at the beginning of the period	**164,839**	**115,562**
Net cash provided by (used in) operating activities	19,363	6,837
Net cash provided by (used in) investing activities	(45,198)	(21,200)
Net cash provided by (used in) financing activities	1,446	6,678
Net foreign exchange differences	(1,643)	3,080
Cash and cash equivalents at the end of period	**138,807**	**110,957**

In the first half of 2019, our operating activities provided PLN 19.4 million of net cash inflows which is PLN 12.5 million more than in the comparable period last year. The low amount of operating cash flows as compared with our net profit for the first half-year resulted basically from changes in the relation of cash to other elements of working capital. During the first six months of 2019, cash outflows related to the settlement of liabilities, accruals and provisions amounted to nearly PLN 31.2 million. In addition, total receivables and inventories increased by PLN 17.2 million. Fluctuations in the Group's working capital result from the values and phases of ongoing projects, and above all from the schedule of settlements with suppliers and customers of ASEE. Thus, they are of temporary nature and do not affect ASEE Group's capacity to generate cash in a long term. Furthermore, low operating cash flows for the first half-year are a consequence of the settlement of tax and legal liabilities attributable to the fourth quarter financial results of our subsidiaries, as well as payment of variable remunerations for the prior year, which posed an additional burden on cash flows without any impact on the income statement, and therefore deteriorated the conversion of current profits into cash.

Net cash outflows from our investing activities amounted to PLN 45.2 million in the first half of 2019, reflecting a large increase by PLN 24 million in relation to the comparable period last year. In the first six months of 2019, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment, and intangible assets, for the total amount of almost PLN 33.2 million. This item comprises, among others, our expenditures for infrastructure used in the outsourcing of payment processes and setting up an independent network of ATMs, which amounted to a bit more than PLN 30 million in total. During the first half of 2019, the largest investments were made by our Payten companies in Croatia and Serbia. Cash flows from investing activities were also under the pressure of expenditures for the acquisition of shares in Necomplus companies and in Multicard which amounted to PLN 25.8 million in total. Our acquisition expenditures disclosed in the cash flow statement were partially offset by cash and cash equivalents amounting to PLN 14.9 million that were held by the acquired subsidiaries, mainly the companies of Necomplus Group.

In the first half of 2019, net cash provided by our financing activities amounted to PLN 1.4 million. Proceeds from new bank loans were primarily related to the financing of infrastructure for outsourcing projects carried out by the Payment Solutions segment in Croatia and Serbia. Proceeds obtained from new bank loans were partially offset by repayments of previous debts that were related to purchases of infrastructure used in outsourcing projects carried out by the Payment Solutions segment, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. Moreover, in the first half of 2019, ASEE Group repaid lease liabilities in the amount of PLN 7.4 million.

All figures in thousands of PLN, unless stated otherwise

8. FACTORS WHICH IN THE MANAGEMENT'S OPINION WILL AFFECT THE GROUP'S FINANCIAL PERFORMANCE AT LEAST TILL THE END OF THIS FINANCIAL YEAR

a. Planned spin-off of payment services

In the Management's opinion the Payment Solutions segment is the most mature and uniform among all business lines currently operating within ASEE. Therefore, in 2016 we decided to officially separate this segment into an independent organizational entity. In practice, this means that after such reorganization the segment will continue to operate as part of ASEE Group, but in a formally separated organizational unit.

In the first phase of this separation process, our existing companies were divided so that business activities of the Payment Solutions segment were performed in each case by a separate legal entity. Such divisions were carried out in the largest subsidiaries of ASEE Group, where the Payment Solutions segment as well as other operating segments are of significant importance. Upon conclusion of the first phase of the project, in each country where ASEE conducts significant operations (Serbia, Croatia, Macedonia, Romania, Turkey, and Bosnia and Herzegovina), we have two separate entities focusing on payment services or on other operations, respectively. We did not split up the companies where the Payment Solutions segment plays a dominant role, or those which are not engaged in the payment business at all.

Actions required in the first phase of this project have already been completed. In Croatia, Serbia, Romania and Turkey, the above-mentioned spin-off resulted in establishing new companies operating under the brand name of Payten which have taken over all operations related to payment services. In Bosnia and Herzegovina and in Macedonia we established new Payten companies to which our payment business has been gradually transferred.

In the second phase of the project, entities resulting from the above-mentioned division which are engaged in the payment solutions business as well as other subsidiaries of ASEE Group where such operations are dominant (Payten Slovenia and Payten Montenegro), should altogether be transferred to a newly established holding company to be controlled exclusively by Asseco South Eastern Europe S.A. The second phase of the project has already been completed for Payten companies in Croatia, Romania, Bosnia and Herzegovina, Slovenia and Montenegro, as well as for Necomplus. On 28 June 2019, these entities were contributed to a new holding company which is dedicated to operations of the Payment Solutions segment.

The process of incorporating Payten companies that operate in Serbia and Turkey into this new holding company is currently underway. In both the cases, such operation requires the consent of local regulatory authorities, therefore it is difficult to assess when we will be able to complete this process.

The Management believes that the cost of spinning off the Payment Solutions segment as well as any additional operating costs of the new business structure should not materially affect the financial results of ASEE Group.

In the Management's opinion, the formal separation of the Payment Solutions segment should enhance its independence from our other business lines and, consequently, improve the efficiency of operations in both units of ASEE. The formally separated segment of payment solutions should be more visible in the Group's organizational structure which will facilitate its marketing activities and enable the creation of a new recognizable brand name of Payten, thereby reinforcing the competitive position of ASEE among specialized payment service providers. Establishing a formally organized structure within ASEE Group is also advisable in order to allow greater flexibility for any future capital transactions related to our individual business lines.

b. Other general factors affecting our financial results

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 2019. 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:

- Economic situation in the region of ASEE Group operations, especially in the context of economic prosperity observed in South Eastern Europe in recent years that contributes to the financial condition of ASEE Group's customers and their willingness to invest in IT solutions; maintaining favourable business environment in the coming years may translate into further improvement of financial results of ASEE, whereas an economic slowdown may reduce the demand for products and services of the Group;

- Geopolitical situation in the region of ASEE Group operations, where potential political tensions and instability of local governments may cause a deterioration of the investment climate and thus induce ASEE customers to delay or even abandon the implementation of IT projects; another consequence of potential political tensions might be an interruption of IT investments in the public administration which is a client of ASEE Group;
- Condition of the IT market in the region of South Eastern Europe and Turkey; this part of Europe remains still underinvested in terms of information technology solutions as compared with the West European countries;
- 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;
- Implementation of informatization processes at the region's public administration bodies in order to upgrade the quality and functionality of their services to international standards and especially to the European Union requirements;
- Availability of the EU structural funds in Romania, Bulgaria, Slovenia and Croatia, as well as pre-accession funds in other countries;
- Consolidation and development of the banking sector in the region of South Eastern Europe and Turkey;
- Outlook for expansion of the Group's operations into new markets through cooperation with 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 ASEE Group's debt is denominated in EUR.

Internal factors with a bearing on the future financial performance of our Group include:

- Quality and comprehensive offering of ASEE Group;
- Research and development expenditures made by the Group;
- Prospects for expansion of ASEE's product portfolio on the back of organic growth or in connection with potential future acquisitions;
- 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.

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

The Management Board of Asseco South Eastern Europe S.A. did not publish any financial forecasts for 2019.

10. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A. the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

As at 8 August 2019 / 30 June 2019 / 8 May 2019:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,610,000	18.52%
Aviva Investors Poland TFI S.A.	2,679,355	5.16%
Other shareholders	13,110,220	25.26%
	51,894,251	**100.00%**

All figures in thousands of PLN, unless stated otherwise

As at 31 March 2019 / 31 December 2018:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,455,000	18.22%
Aviva Investors Poland TFI S.A.	2,607,217	5.02%
Other shareholders	13,337,358	25.70%
	51,894,251	**100.00%**

Both as at 30 June 2018 and the date of publication of this report, this is on 8 August 2019, the share capital of Asseco South Eastern Europe S.A. amounted to PLN 518,942,510 and it was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

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

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

Management Board Members	Number of shares held as at 8 Aug. 2019	30 June 2019	8 May 2019	31 Dec. 2018
Piotr Jeleński	973,492	973,492	971,492	967,492
Miljan Mališ[1)]	305,615	305,570	300,000	300,000
Miodrag Mirčetić[2)]	275,482	275,482	275,482	275,482
Marcin Rulnicki	30,000	30,000	30,000	30,000

1) Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.
2) Miodrag Mirčetić, Member of the Management Board of ASEE S.A. is a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.

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

Since 2016, ASEE Romania has been party to legal proceedings brought by Romsys S.R.L. that demands ASEE Romania to pay damages in the amount of EUR 1,226 thousand in order to compensate for their losses so far incurred due to allegedly unfair competition. On 28 February 2018, the first instance court dismissed the claim made by Romsys S.R.L., and subsequently the appeal filed by Romsys S.R.L. was rejected by the court of second instance. Pursuant to the provisions of law, it is still possible to appeal against the decision of the second instance court to the court of cassation, however the risk of continuing these court proceedings is minimal.

ASEE Croatia was party to legal proceedings brought by eSanctuary SAGL that demanded ASEE Croatia to pay compensation in the amount of EUR 306 thousand for commissions on contracts executed by ASEE Croatia in the Italian market. Until 2016, the parties were bound by the Partner and Reseller Agreement which was terminated by ASEE Croatia. On 12 April 2019, the parties reached an amicable settlement before the Commercial Court in Zagreb, under which ASEE Croatia paid EUR 90 thousand in compensation. In addition, eSanctuary SAGL signed a written waiver of any other claims against ASEE Croatia and its related parties, thus the dispute was definitively ended.

During the reporting period, no other significant proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of ASEE S.A. or of its subsidiaries.

13. RELATED PARTY TRANSACTIONS

In the period of 6 months ended 30 June 2019, neither Asseco South Eastern Europe S.A. nor any of its subsidiaries conducted any transactions with their related parties other than on an arm's length basis.

Information on related party transactions carried out during the period of 6 months ended 30 June 2019 has been presented in explanatory note 26 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2019.

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

During the period of 6 months ended 30 June 2019, neither the Issuer nor any of its subsidiaries granted any sureties to secure bank loans and borrowings or any payment guarantees to any single entity or its subsidiary, where the aggregate value of all the existing sureties or guarantees extended in favour of such entity would be considered as significant.

All figures in thousands of PLN, unless stated otherwise

Information on contingent liabilities arising from guarantees granted by the Issuer as at 30 June 2019 has been presented in explanatory note 21 to the interim condensed financial statements of ASEE S.A. for the period of 6 months ended 30 June 2019.

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

During the reporting period, the Management Board of ASEE S.A. has not become aware of any information other than that provided in this report, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of Asseco South Eastern Europe Group.

16. DESCRIPTION OF MAJOR RISK FACTORS AND THREATS

Major risk factors involved in the Group's business environment

Risk related to the macroeconomic situation in the region of ASEE Group operations

ASEE S.A. is the parent company of the Group which runs operations in South Eastern Europe, Turkey, Western Europe, as well as in South and Central America. The Company's and the Group's strategy assumes reinforcement of our position in the region as well as further expansion in the region and beyond. In connection with our current operations and planned development, the financial results achieved by ASEE may be influenced by factors related to economic and political stability in this region. Development of the IT services sector and the payment services sector is closely correlated to the overall economic situation of the countries where the Group operates. Therefore, our financial results depend on the level of capital expenditures made by enterprises, pace of GDP growth, and the inflation rate.

Risk associated with political instability in the region of ASEE Group operations

Potential changes in governments of the countries where the Group operates 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 in the region of ASEE Group operations

The market of information technology infrastructure and services is becoming more and more competitive worldwide. 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 regional banking sector

The provision of IT solutions and services as well as payment 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 in this respect and thus increasing the tax burden on ASEE's income.

Foreign currency exposure risk

The Group conducts business operations in many countries of South Eastern Europe, Turkey, Western Europe, as well as in South and Central America.

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.

Risk of interest rate hikes in the Eurozone

Most of ASEE Group's external debt 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. Adequate implementation 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 future investment plans, in the public and private sectors, with regard to information and telecommunications technology. Access to such information, in particular regarding the state sector, is very limited. Additionally, limited experience in obtaining the EU structural funds in Romania, Bulgaria, Slovenia and Croatia may hinder our ability to generate the expected level of growth.

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 4% of total revenues generated by the Group in 2018, our customers in various countries are often members of international banking groups and potential loss of such an entire group could have a noticeable impact on revenues of ASEE.

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 Systems Integration. 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 IT sector as well as the payment services sector 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 effective integration of ASEE and its 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 in South Eastern Europe and outside of that region. 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. It is the Management's intention to allocate a portion of our net earnings to dividends; however, the Company is not in the position to guarantee that such plans will be actually executed nor to determine the amounts of future 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.

Signatures of all Members of the Management Board of Asseco South Eastern Europe S.A. under the Management Report on Operations of Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2019

MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.:

Piotr Jeleński	President of the Management Board
Miljan Mališ	Member of the Management Board
Miodrag Mirčetić	Member of the Management Board
Marcin Rulnicki	Member of the Management Board

Rzeszów, 8 August 2019