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**MANAGEMENT REPORT ON OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE PERIOD OF 6 MONTHS
ENDED 30 JUNE 2018**

Rzeszów, 8 August 2018

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1. GENERAL INFORMATION ON THE ISSUER

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

The Parent Company Asseco South Eastern Europe S.A. seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007.

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

2. BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP

Asseco South Eastern Europe S.A. is engaged in holding operations which primarily involve the management of business lines focusing on IT companies that currently belong to ASEE Group in South Eastern Europe and Turkey, as well as investments in new IT sector companies in that region. Operating activities of ASEE S.A. also include the sale of services and software to support customer communication channels and business processes (contact center), as well as the supply of authentication security solutions.

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 ranges from the Digital Edge omni-channel solution designed to distribute banking products and services over new, alternative distribution channels and to improve business relations and communication with the customer, through integrated core banking systems based on the Oracle and Microsoft platforms, to authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. Moreover, our clients can rely on 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 cardless 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.

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 2018, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

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

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

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

at the general meetings of shareholders/partners of its subsidiaries as at 30 June 2018 and 31 December 2017:

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights	
			30 June 2018	31 Dec. 2017
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 Teknoloji A.Ş. (İstanbul)	ASEE Turkey	Turkey	100.00%	100.00%
Nestpay Odeme Hizmetleri A.S.	ASEE Nestpay	Turkey	100.00%	100.00%
Asseco SEE DOOEL, Skopje	ASEE Macedonia	Macedonia	100.00%	100.00%
	ASEE B&H	Bosnia and Herzegovina	100.00%	100.00%
Asseco SEE d.o.o. (Sarajevo)	ASEE Bulgaria	Bulgaria	100.00%	100.00%
	Payten d.o.o. (Ljubljana)	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. (Bucharest)	Payten Romania	Romania	100.00%	n/a
Payten d.o.o. New Belgrade	Payten Serbia	Serbia	100.00%	n/a
Chip Card a.d., Belgrade	Chip Card Serbia	Serbia	92.50%	92.50%
Multicard d.o.o., Belgrade	Multicard Serbia	Serbia	63.70%	45.00%
Payten DOOEL, Skopje	Payten Macedonia	Macedonia	100.00%	n/a
Payten d.o.o. (Sarajevo)	Payten B&H	Bosnia and Herzegovina	100.00%	n/a

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

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

Multicard Serbia is an associated company accounted for using the equity method. During the reporting period, as a result of conversion of Multicard Serbia's

debt towards Payten Serbia to equity, the equity interest held by Payten Serbia in Multicard increased from 45% to 63.70%. Because the articles of association of Multicard stipulate that most resolutions of its general meeting must be adopted by unanimous decision, Payten Serbia has not obtained control over that company.

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

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

5. EFFECTS OF CHANGES IN THE GROUP'S STRUCTURE

During the period of 6 months ended 30 June 2018, the organizational structure of ASEE Group changed as follows: These changes were implemented as part of a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017.

Separation of Payten d.o.o., New Belgrade (Payten Serbia)

On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

Changing the name of Asseco SEE d.o.o. Podgorica (ASEE Montenegro) to Payten d.o.o., Podgorica (Payten Montenegro)

On 10 January 2018, ASEE Montenegro was renamed as Payten Montenegro. Because our operations in Montenegro are focused primarily on payment services, they will all be incorporated into the new structure of Payten Montenegro.

Establishing of Payten DOOEL Skopje (Payten Macedonia)

On 8 February 2018, a new company called Payten DOOEL Skopje (Payten Macedonia) was registered in Macedonia. The existing operations of ASEE Macedonia in the area of payment services will be transferred into the new company.

Establishing of Payten d.o.o. Sarajevo (Payten B&H)

On 7 May 2018, a new company called Payten d.o.o. Sarajevo (Payten B&H) was registered in Bosnia and Herzegovina. The existing operations of ASEE B&H in the area of payment services will be transferred into the new company.

Increasing the shareholding in Multicard

On 9 May 2018, a resolution was passed in order to convert Multicard's debt towards Payten Serbia in the amount of RSD 24,713 thousand. As a result of such conversion the equity interest held by Payten Serbia in Multicard increased from 45% to 63.70%. Because the articles of association of Multicard stipulate that most resolutions of its general meeting must be adopted by unanimous decision, Payten Serbia has not obtained control over that company and Multicard is still accounted for using the equity method.

Separation of Payten Payment Solution s.r.l., Bucharest (Payten Romania)

On 16 May 2018, a new company called Payten Romania was officially separated from ASEE Romania. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

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

The company of ASEE Slovenia was renamed as Payten Slovenia on 5 July 2018 (after the end of the reporting period). Because our operations in Slovenia are focused primarily on payment services, they will all be incorporated into the new structure of Payten Slovenia.

6. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 6 months ended 30 June 2018 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Eliminations	Total
Sales revenues	811	12,537	2,433	64,057	5,763	9,071	26,294	4,024	64,023	87,324	7,099	25,911	(12,002)	297,344
Cost of sales (-)	(625)	(8,471)	(2,026)	(48,437)	(3,860)	(7,447)	(20,746)	(2,064)	(54,136)	(67,530)	(5,740)	(15,230)	11,102	(225,211)
Recognition (Reversal) of impairment write-downs on financial assets (+/-)	-	-	-	64	-	(233)	(37)	16	(87)	(14)	-	(144)	-	(436)
Gross profit on sales	186	4,067	407	15,685	1,903	1,391	5,510	1,976	9,800	19,779	1,358	10,536	(900)	71,697
Selling costs (-)	(66)	(795)	(53)	(3,232)	(402)	(380)	(1,953)	(779)	(4,757)	(6,349)	(156)	(3,312)	629	(21,605)
General and administrative expenses (-)	(109)	(807)	(423)	(3,569)	(193)	(404)	(1,546)	(201)	(3,149)	(4,852)	(415)	(3,315)	(49)	(19,031)
Net profit/(loss) on sales	11	2,465	(70)	8,885	1,308	607	2,012	996	1,893	8,577	788	3,909	(320)	31,061
Other operating income	1	11	6	67	24	-	209	-	78	115	17	46	(78)	496
Other operating expenses	(1)	-	-	(16)	(7)	-	(72)	-	(29)	(167)	-	(172)	(3)	(467)
Share of profits of associates	-	-	-	-	-	-	-	-	-	(209)	-	-	-	(209)
Operating profit/(loss)	11	2,476	(64)	8,936	1,325	607	2,149	996	1,943	8,316	805	3,783	(401)	30,881
For the period of 6 months ended 30 June 2018 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Eliminations	Total
Sales revenues	191	2,957	574	15,110	1,359	2,140	6,202	949	15,102	20,598	1,674	6,112	(2,831)	70,137
Cost of sales (-)	(147)	(1,998)	(478)	(11,425)	(911)	(1,757)	(4,894)	(487)	(12,770)	(15,929)	(1,354)	(3,593)	2,620	(53,123)
Recognition (Reversal) of impairment write-downs on financial assets (+/-)	-	-	-	15	-	(55)	(9)	4	(21)	(3)	-	(34)	1	(102)
Gross profit on sales	44	959	96	3,700	448	328	1,300	466	2,312	4,665	320	2,485	(211)	16,912
Selling costs (-)	(16)	(187)	(13)	(762)	(95)	(90)	(461)	(184)	(1,122)	(1,498)	(37)	(781)	150	(5,096)
General and administrative expenses (-)	(26)	(190)	(100)	(842)	(45)	(95)	(365)	(47)	(743)	(1,145)	(98)	(782)	(11)	(4,489)
Net profit/(loss) on sales	2	582	(17)	2,096	308	143	474	235	447	2,022	185	922	(72)	7,327
Other operating income	-	3	1	16	6	-	49	-	18	27	4	11	(18)	117
Other operating expenses	-	-	-	(4)	(2)	-	(17)	-	(7)	(39)	-	(41)	(1)	(111)
Share of profits of associates	-	-	-	-	-	-	-	-	-	(49)	-	-	-	(49)
Operating profit/(loss)	2	585	(16)	2,108	312	143	506	235	458	1,961	189	892	(91)	7,284
For the period of 6 months ended 30 June 2017 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Eliminations	Total
Sales revenues	720	10,224	2,161	55,536	5,744	5,559	25,706	3,430	76,975	73,809	10,882	25,555	(13,480)	282,821
Cost of sales (-)	(537)	(6,907)	(2,084)	(41,760)	(3,935)	(4,486)	(18,282)	(2,368)	(66,813)	(55,363)	(9,448)	(15,361)	13,154	(214,188)
Recognition (Reversal) of impairment write-downs on financial assets (+/-)	(3)	-	-	(103)	-	(28)	17	-	(368)	(6)	-	(60)	-	(550)
Gross profit on sales	180	3,317	77	13,674	1,809	1,046	7,441	1,062	9,794	18,440	1,435	10,134	(326)	68,083
Selling costs (-)	(30)	(350)	(85)	(3,037)	(92)	(312)	(1,157)	(518)	(3,311)	(5,228)	(112)	(2,948)	396	(16,784)
General and administrative expenses (-)	(134)	(777)	(524)	(3,729)	(400)	(470)	(1,677)	(150)	(3,495)	(5,046)	(440)	(3,911)	246	(20,507)
Net profit/(loss) on sales	17	2,190	(532)	6,908	1,317	263	4,608	394	2,988	8,166	883	3,275	315	30,792
Other operating income	2	26	20	79	10	28	113	215	42	51	-	111	-	698
Other operating expenses	(2)	(2)	(23)	(24)	(5)	(2)	(54)	(183)	(34)	(340)	-	(76)	(14)	(760)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	17	2,214	(535)	6,963	1,322	290	4,667	425	2,996	7,878	883	3,309	301	30,730
For the period of 6 months ended 30 June 2017 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Eliminations	Total
Sales revenues	170	2,407	509	13,075	1,352	1,309	6,052	808	18,123	17,377	2,562	6,017	(3,174)	66,587
Cost of sales (-)	(126)	(1,626)	(491)	(9,832)	(926)	(1,056)	(4,304)	(558)	(15,730)	(13,035)	(2,224)	(3,617)	3,097	(50,428)
Recognition (Reversal) of impairment write-downs on financial assets (+/-)	(1)	-	-	(24)	-	(6)	4	-	(87)	(1)	-	(15)	-	(130)
Gross profit on sales	43	781	18	3,219	426	246	1,752	250	2,306	4,341	338	2,386	(77)	16,029
Selling costs (-)	(7)	(82)	(20)	(715)	(22)	(74)	(272)	(122)	(780)	(1,231)	(26)	(694)	94	(3,951)
General and administrative expenses (-)	(32)	(183)	(123)	(878)	(94)	(111)	(395)	(35)	(823)	(1,188)	(104)	(921)	59	(4,828)
Net profit/(loss) on sales	4	516	(125)	1,626	310	61	1,085	93	703	1,922	208	771	76	7,250
Other operating income	1	6	5	19	2	7	27	50	10	12	-	25	-	164
Other operating expenses	(1)	-	(5)	(6)	(1)	-	(13)	(43)	(8)	(80)	-	(19)	(3)	(179)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	4	522	(125)	1,639	311	68	1,099	100	705	1,854	208	777	73	7,235

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

PLN'000	3 months ended 30 June 2018	3 months ended 30 June 2017	Change %	6 months ended 30 June 2018	6 months ended 30 June 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Sales revenues	158,740	149,616	6%	297,344	282,821	5%
Gross profit on sales	39,474	37,525	5%	71,697	68,083	5%
Net profit on sales	18,063	17,851	1%	31,061	30,792	1%
Operating profit	17,788	17,886	-1%	30,881	30,730	1%
EBITDA	29,230	27,678	6%	53,125	49,961	6%
Net profit for the reporting period	15,523	15,544	0%	26,780	25,696	4%
Net profit attributable to Shareholders of the Parent Company	15,454	15,453	0%	26,620	25,535	4%

EUR'000	3 months ended 30 June 2018	3 months ended 30 June 2017	Change %	6 months ended 30 June 2018	6 months ended 30 June 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Sales revenues	36,965	35,530	4%	70,137	66,587	5%
Gross profit on sales	9,200	8,904	3%	16,912	16,029	6%
Net profit on sales	4,216	4,233	0%	7,327	7,250	1%
Operating profit	4,151	4,240	-2%	7,284	7,235	1%
EBITDA	6,812	6,568	4%	12,531	11,763	7%
Net profit for the reporting period	3,623	3,683	-2%	6,317	6,050	4%
Net profit attributable to Shareholders of the Parent Company	3,607	3,661	-2%	6,279	6,012	4%

In the second quarter of 2018, ASEE Group once again improved its sales and EBITDA in relation to the comparable period last year. Sales revenues presented in Polish zlotys grew by PLN 9.1 million or 6% and reached PLN 158.7 million, while EBITDA presented in Polish zlotys amounted to PLN 29.2 million, expanding by almost PLN 1.6 million or 6%. Operating profit for the second quarter of 2018 amounted to PLN 17.8 million and was just a bit weaker than PLN 17.9 million achieved in the previous year. Hence, ASEE Group managed to improve, or at least maintain, its favourable results of the second quarter of 2017, despite the costs of stock option plan that were recognized in the second quarter of 2018 (PLN 0.6 million) which were not incurred in the comparable period.

In the second quarter of 2018, sales revenues presented in euros equalled EUR 37 million,

increasing by EUR 1.4 million or 4% in relation to the comparable period of 2017. Our key revenue driver was the Systems Integration segment whose sales expanded by EUR 1.6 million to reach EUR 14.9 million. This was achieved primarily due to robust performance of the business line dealing with the delivery of infrastructure and third-party solutions. The Payment Solutions segment also improved its revenues by EUR 0.3 million to the level of EUR 13.3 million. Stronger sales were generated by the business lines responsible for the maintenance of POS terminals, as well as for authorization and processing of payment card transactions. Whereas, revenues of the Banking Solutions segment declined by EUR 0.5 million to the level of EUR 8.8 million in the second quarter of 2018. Weaker sales were reported primarily by the business line offering authentication solutions.

Sales revenues in thousands of PLN	3 months ended 30 June 2018	3 months ended 30 June 2017	Change %	6 months ended 30 June 2018	6 months ended 30 June 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Banking Solutions	37,589	38,923	-3%	69,755	71,293	-2%
Payment Solutions	57,369	54,571	5%	123,171	107,618	14%
Systems Integration	63,782	56,122	14%	104,418	103,910	0%
158,740	149,616	6%		297,344	282,821	5%

Sales revenues in thousands of EUR	3 months ended 30 June 2018	3 months ended 30 June 2017	Change %	6 months ended 30 June 2018	6 months ended 30 June 2017	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Banking Solutions	8,756	9,238	-5%	16,454	16,785	-2%
Payment Solutions	13,304	12,969	3%	29,053	25,337	15%
Systems Integration	14,905	13,323	12%	24,630	24,465	1%
36,965	35,530	4%		70,137	66,587	5%

In the second quarter of 2018, operating profit of ASEE Group presented in euros amounted to EUR 4.2 million and was just a bit (by EUR 90 thousand) lower than in the comparable period last year. Owing to improved performance of the business lines engaged in the maintenance of POS terminals and e-Commerce, operating profit of the

Payment Solutions segment increased by EUR 0.1 million. EBIT achieved by the Systems Integration segment remained at a similar level, while operating profit of the Banking Solutions segment dropped by EUR 0.2 million primarily due to a weaker result generated from authentication solutions.

Operating profit in thousands of PLN	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)	Change %	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	Change %
Banking Solutions	5,489	6,211	-12%	6,922	9,635	-28%
Payment Solutions	8,955	8,371	7%	19,551	14,777	32%
Systems Integration	3,344	3,304	1%	4,408	6,318	-30%
17,788	17,886		-1%	30,881	30,730	0%

Operating profit in thousands of EUR	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)	Change %	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	Change %
Banking Solutions	1,289	1,470	-12%	1,632	2,269	-28%
Payment Solutions	2,075	1,985	5%	4,612	3,478	33%
Systems Integration	786	785	0%	1,040	1,488	-30%
4,150	4,240		-2%	7,284	7,235	1%

Consolidated EBITDA of ASEE Group for the second quarter of 2018 reached EUR 6.8 million, improving by than EUR 244 thousand or 4% in relation to the previous year. The overall growth in EBITDA resulted from an improvement achieved in the

Payment Solutions segment, which was accompanied by a weaker EBITDA of the Banking Solutions segment and a similar result reported by the Systems Integration segment.

EBITDA in thousands of PLN	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)	Change %	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	Change %
Banking Solutions	6,610	7,694	-14%	9,172	12,601	-27%
Payment Solutions	18,260	15,715	16%	37,616	29,101	29%
Systems Integration	4,360	4,269	2%	6,337	8,259	-23%
29,230	27,678		6%	53,125	49,961	6%

EBITDA in thousands of EUR	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)	Change %	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	Change %
Banking Solutions	1,550	1,823	-15%	2,163	2,967	-27%
Payment Solutions	4,240	3,731	14%	8,873	6,852	29%
Systems Integration	1,022	1,014	1%	1,495	1,944	-23%
6,812	6,568		4%	12,531	11,763	7%

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

Results of the Payment Solutions segment

In the first half of 2018, sales generated by the Payment Solutions segment reached EUR 29 million, improving by EUR 3.7 million or 15% in relation to the comparable period last year. The strongest revenue growth (by nearly EUR 3 million) was recorded by the segment's business line dealing with the maintenance of ATMs. This was

achieved primarily by our companies operating in Romania and Croatia which, in the first half of 2018, completed several deliveries of infrastructure for customers using the traditional model of ATMs maintenance. In addition, Payten Croatia has been engaged in the execution of new contracts for outsourcing of payment services that did not yet bring any revenues back in the first half of 2017. Slightly higher sales were reported also by other business lines of this segment which are responsible for the maintenance of POS terminals (mainly in Croatia), processing of payment transactions (in Serbia), as well as e-Commerce (in Turkey).

Operating profit generated by the Payment Solutions segment increased by more than EUR 1.1 million or 33% and reached EUR 4.6 million. Stronger profits were achieved mainly by the segment's business line engaged in the maintenance of POS terminals. A significant portion of this increase was contributed by Payten Croatia which, during the first half of 2018, completed a number of deliveries of POS terminals and signed new agreements for maintenance services. In relation to the first half of 2017, operating profit earned on the maintenance of POS terminals and ATMs increased also in Serbia and Slovenia. In the first half of 2018, EBIT improved also in the business lines dealing with e-Commerce and processing of payment transactions.

EBITDA of the Payment Solutions segment for the first half of 2018 reached nearly EUR 8.9 million, rising by EUR 2 million or 29% in relation to the comparable period last year.

Results of the Banking Solutions segment

In the first half of 2018, the Banking Solutions segment generated almost EUR 16.5 million in sales revenues, showing a decrease by EUR 0.3 million or 2%. Such decline was a consequence of lower sales of authentication security solutions in Croatia that were partially compensated by higher sales achieved in the business line responsible for core banking systems mainly in Romania, as well as in the business line offering mobile solutions on the back of new projects executed in Croatia and Bulgaria.

Operating profit of the Banking Solutions segment for the first half of 2018 amounted to EUR 1.6 million, reflecting a decrease by EUR 0.6 million or 28% in relation to the comparable period last year. Weaker operating performance of the Banking Solutions segment was caused primarily by withdrawal from the contract for the sale of a core banking system to Nova Kreditna Banka Maribor (NKBM), as informed by the Company in its regulatory filing no. 9/2018. Because this contract was terminated just after the GAP Analysis phase, ASEE was entitled to receive only a small percentage of remuneration determined for the whole project. In practice, this means that the Company was forced to reverse a portion of revenues recognized from this project in the fourth quarter of 2017, and also that it will not receive remuneration for work carried out in favour of NKBM during the first quarter of 2018. Total negative impact of such early termination of the contract with NKBM on our operating results

amounted to nearly EUR 650 thousand. The related write-downs and uncovered costs were mostly charged against the segment's results in Serbia and Slovenia.

The segment's operating profit was weaker also due to lower sales of authentication solutions whose effects were felt primarily in ASEE Croatia.

In the wake of lower operating profit, the amount of EBITDA achieved by the Banking Solutions segment decreased as well. In the first half of 2018, it amounted to PLN EUR 2.2 million, decreasing by EUR 0.8 million or 27% in relation to the comparable period last year.

Results of the Systems Integration segment

In the first half of 2018, sales generated by the Systems Integration segment amounted to EUR 24.6 million, reflecting a slight increase by EUR 165 thousand in comparison to the first six months of 2017. Weaker performance was reported by the business line responsible for infrastructure and third-party solutions as well as integration services, whose sales decreased by EUR 0.6 million. Such decline was largely caused by the segment's operations in Romania and was partially compensated by higher sales in Serbia and Kosovo. At the same time, the business line offering own software solutions improved its revenues by more than EUR 0.7 million. Stronger sales were primarily generated in Serbia, as well as in Macedonia and Croatia.

Operating profit of the Systems Integration segment dropped from EUR 1.5 million for the first half of 2017 to just a bit more than EUR 1 million in the comparable period this year. Weaker operating results were reported by the business line dealing with infrastructure and integration services, which carried out fewer projects than a year ago and moreover realizing lower resale margins, as well as by the business line offering our proprietary solutions. As a consequence, the segment's EBITDA declined from EUR 1.9 million to EUR 1.5 million.

Net profit

Consolidated net profit of ASEE Group for the first half of 2018 amounted to EUR 6.3 million, increasing by almost EUR 0.3 million or 4% in relation to the comparable period last year.

The Group's net result on financial operations in the first six months of 2018 equalled EUR 635 thousand, as compared with EUR 179 thousand

reported a year ago. Such improvement was achieved mainly due to a favourable result on foreign exchange differences, including the valuation of hedging instruments. Positive foreign exchange differences are attributable mainly to the revaluation of receivables and cash held in USD by a Turkish subsidiary of ASEE.

In the first half of 2018, our income tax expense amounted to EUR 1.6 million (effective tax rate of 20.2%) as compared with almost EUR 1.4 million incurred in the previous year (effective tax rate of 18.4%). Income tax expense resulted from our current business operations conducted in individual countries, as well as from income taxes on dividends received by the holding company from its subsidiaries. In the first half of 2017, our

companies located outside of the European Union (Macedonia and Serbia) passed resolutions to pay out dividends in the total amount of over EUR 2.8 million, as compared with EUR 2.1 million in the first half of 2018. In both the cases, payment of dividends from outside of the EU was associated with the need to pay withholding tax which increased the effective tax rate of ASEE Group; however, such impact was greater in the first half of 2017. Excluding the effect of withholding tax on dividends, our effective tax rate for the first half of 2018 increased anyway in comparison with the corresponding period last year. This was basically due to higher income tax expenses incurred in Serbia, Romania, and Turkey.

Analysis of financial ratios

PLN'000	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Gross profit margin	24.9%	25.1%	24.1%	24.1%
EBITDA margin	18.4%	18.5%	17.9%	17.7%
Operating profit margin	11.2%	12.0%	10.4%	10.9%
Net profit margin	9.7%	10.3%	9.0%	9.0%
Return on equity (ROE)			7.7%	8.0%
Return on assets (ROA)			6.1%	6.3%

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

In the first half of 2018, our gross profit margin equalled 24.1%, remaining at a similar level as in the comparable period last year. The increased share of our proprietary solutions in the revenue structure (from 62.3% in the first half of 2017 to 64.3% this year) and stronger profitability in this business area were offset by weaker margins realized on the resale of infrastructure and third-party software.

Further increase in operating profit of the Payment Solutions segment as well as new investments in infrastructure for outsourcing projects giving rise to higher depreciation charges, both resulted in an increase of EBITDA and EBITDA margin from 17.7% in the first half of 2017 to 17.9% in the corresponding period this year. Whereas, weaker operating profits reported by other segments caused a slight decrease in our operating margin which equalled 10.4%, in comparison with 10.9% recorded last year.

Despite such weaker operating margin, owing to a better result on financial operations, we managed to maintain the same level of net profit margin which equalled 9.0% for the first half of 2018.

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

Both ROA and ROE ratios for the period of trailing 12 months ended 30 June 2018 dropped slightly in relation to the comparable period last year. Our return on equity equalled 7.7%, falling by 0.3 pp, while return on assets decreased from 6.3% to 6.1%.

	30 June 2018 (unaudited)	31 Dec. 2017 (audited)
Working capital (in thousands of PLN)	118,428	118,177
Current liquidity ratio	1.68	1.70
Quick liquidity ratio	1.46	1.49
Absolute liquidity ratio	0.65	0.69

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 118.4 million, reflecting a slight increase by PLN 250 thousand in relation to its level reported as at the end of December 2017. In the first half of 2018, total current assets increased by over PLN 3.9 million chiefly due to higher receivables from valuation of IT contracts and prepaid expenses. In the same period, our trade payables as well as cash and cash equivalents declined.

Whereas, total current liabilities increased by PLN 3.7 million in the first six months of 2018, primarily due to higher financial liabilities arising from dividends payable to shareholders of ASEE S.A. as well as higher amounts of interest-bearing bank loans and accruals. These increases were partially offset by lower amounts of trade payables, other liabilities to the state and local budgets, as well as other liabilities.

Our liquidity ratios did not change significantly in relation to the end of 2017 and they remain at safe levels.

Analysis of debt

	30 June 2018 (unaudited)	31 Dec. 2017 (audited)
Total debt ratio	21.5%	21.7%
Debt / equity ratio	7.5%	6.3%
Debt / (debt + equity) ratio	7.0%	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 decreased slightly from 21.7% reported as at the end of 2017 to the level of 21.5% as at 30 June 2018. As described above, in the first half of 2018, total liabilities recorded a slight increase primarily due to higher financial liabilities arising from dividends payable to shareholders of ASEE S.A. as well as higher amount of interest-bearing bank loans. This was partially offset by lower amounts of trade payables and other liabilities. Bank loans outstanding as at the end of June 2018 totalled PLN 55.5 million, reflecting an increase by PLN 10.5 million in relation to their amount reported as at the end of December 2017. New bank loans were obtained in order to finance purchases of infrastructure for outsourcing projects carried out by the Payment Solutions segment mainly in Serbia and Croatia, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. In the first half of 2018, the excess of proceeds from new bank loans over repayments of previous debts caused an increase in the ratio of debt to equity from 6.3% to 7.5%, as well as in the ratio of debt to debt plus equity from 5.9% to 7.0%.

Statement of cash flows

	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Cash and cash equivalents at the beginning of the period	115,562	118,058
Net cash provided by (used in) operating activities	6,837	20,006
Net cash provided by (used in) investing activities	(21,200)	(22,937)
Net cash provided by (used in) financing activities	6,678	(6,063)
Net foreign exchange differences	3,080	(5,715)
Cash and cash equivalents at the end of period	110,957	103,349

In the first half of 2018, our operating activities provided PLN 6.8 million of net cash inflows which is PLN 13 million less than in the comparable period last year. Such weak operating cash flows resulted basically from changes in the relation of cash to other elements of working capital. During the first six months of 2018, cash outflows related to the settlement of liabilities, accruals and provisions amounted to nearly PLN 45 million, while net proceeds from collecting receivables and selling inventories totalled just less than PLN 4 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. In the first half of the year, we experienced a low rate of conversion of profits into cash in the countries where our major projects are implemented and settled. Furthermore, low operating cash flows 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. This was in particular observed in ASEE's company in Serbia.

Net cash outflows in our investing activities amounted to PLN 21.2 million in the first half of 2018, reflecting a slight decrease by PLN 1.7 million in relation to the comparable period last year. In the first three months of 2018, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment, and intangible assets, for the total amount of almost PLN 19.3 million. This item includes, among others, our expenditures for infrastructure used in the outsourcing of payment processes and setting up an independent network

of ATMs, which reached nearly PLN 16million in total.

In the first half of 2018, net cash provided by our financing activities amounted to PLN 6.7 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 Serbia and Croatia, as well as purchases of third-party software for a project implemented by the Systems Integration segment in Romania. 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.

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 formally 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 are being divided so that business activities of the Payment Solutions segment were performed in each case by a separate legal entity. Such divisions are carried out in the largest subsidiaries of ASEE Group, where both the Payment Solutions segment as well as other segments are of significant operating 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 will have two separate entities focusing on payment services or on other operations, respectively. The Management does not intend to 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.

Activities under the first phase of the project have so far been completed in Croatia, Serbia and Romania, where our new companies under the Payten brand have fully taken over operations

related to payment services. In Bosnia and Herzegovina and in Macedonia we have already established new Payten companies to which our payment business is gradually transferred. Whereas, the division of our Turkish subsidiary is currently in process and is expected to be completed in the third quarter of 2018.

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), will altogether be transferred to a newly established holding company to be controlled exclusively by Asseco South Eastern Europe S.A. We have also undertaken conceptual work concerning the second phase of the separation of payment services. Its implementation should be commenced already in the third quarter of 2018, subject to the completion of work under the first phase of the project.

However, it should be taken into account that company divisions as well as transfers of assets to a new holding company are complicated multi-step processes that will involve external participants (including local public administration), hence the process completion date can be influenced by factors beyond our control.

Based on analyses conducted so far, 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.

The project of formal separation of the Payment Solutions segment has been given a positive opinion by the Supervisory Board of ASEE, which approved the project principles by unanimous decision.

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, thereby reinforcing the competitive position of ASEE towards 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 2018. 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 South Eastern Europe and Turkey, especially in the context of business recovery observed in the region that may affect the volume of orders and financial condition of ASEE Group's customers, as well as the future economic situation and an eventual return of local markets to the path of sustainable growth;
- Geopolitical situation in South Eastern Europe and Turkey, 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 as compared with the West European countries;
- 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;
- Opportunities and risks resulting from rapid technological changes and innovations in the IT market.

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 and our capability to commercialize their results;
- 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 2018.

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 2018 / 30 June 2018 / 7 May 2018:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,455,000	18.22%
Other shareholders	15,944,575	30.72%
	51,894,251	100.00%

As at 31 December 2017:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,809,000	16.97%
Other shareholders	16,590,575	31.97%
	51,894,251	100.00%

Both as at 30 June 2018 and the date of publication of this report, this is on 8 August 2018, 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. 2018	30 June 2018	7 May 2018	31 Dec. 2017
Józef Klein	-	-	-	-
Adam Góral	-	-	-	-
Jacek Duch	-	-	-	-
Artur Kucharski	-	-	-	-
Adam Pawłowicz	-	-	-	-

Management Board Members	Number of shares held as at			
	8 Aug. 2018	30 June 2018	7 May 2018	31 Dec. 2017
Piotr Jeleński	967,492	967,492	967,492	967,492
Miljan Mališ ¹⁾	300,000	300,000	300,000	300,000
Miodrag 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. This judgment is not legally binding and the counterparty has the right to appeal against it. The Management of ASEE Romania, after seeking legal opinion, believes it is unlikely that the company will incur any significant losses in connection with these proceedings. In line with the Management's standpoint, ASEE Romania created a provision for the costs of court proceedings only.

ASEE Croatia is party to legal proceedings brought by eSanctuary SAGL that demands ASEE Croatia to pay compensation in the amount of EUR 306 thousand for commissions on contracts executed by ASEE Croatia in the Italian market. Until 2016, the parties were bound by the Partner and Reseller Agreement which was terminated by ASEE Croatia. The upcoming court hearing in this case is scheduled for 11 October 2018. The Management of ASEE Croatia, after seeking legal opinion, believes it is unlikely that the company will incur any significant losses in connection with these proceedings.

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 2018, 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 2018 has been presented in explanatory note 24 to the interim condensed consolidated financial

statements of ASEE Group for the period of 6 months ended 30 June 2018.

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

During the period of 6 months ended 30 June 2018, neither the Issuer nor any of its subsidiaries granted any sureties to secure bank loans and borrowings or any payment guarantees to any single entity or its subsidiary, where the aggregate value of all the existing sureties or guarantees extended in favour of such entity would be considered as significant.

Information on contingent liabilities arising from guarantees granted by the Issuer as at 30 June 2018 has been presented in explanatory note 19 to the interim condensed financial statements of ASEE S.A. for the period of 6 months ended 30 June 2018.

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

a. Major risk factors involved in the Group's business environment

Risk related to general macroeconomic situation in South Eastern Europe and Turkey

ASEE S.A. is the parent company of the Group which runs operations in the countries of South Eastern Europe and Turkey. 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 is closely correlated to the overall economic situation of South Eastern European countries. 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 South Eastern Europe and Turkey

Potential changes in the governments of South Eastern European countries and Turkey as well as 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 South Eastern Europe and Turkey

The market of information technology infrastructure and services is becoming more and more competitive in South Eastern Europe. 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.

The risk associated with the condition of the regional 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, and especially in South Eastern Europe, 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 ASEEE'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 ASEEE's income.

Foreign currency exposure risk

The Group conducts business operations in many countries of South Eastern Europe and Turkey. 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 ASEEE 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.

b. 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.

Risk of becoming dependent on the key suppliers

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

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

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

Risk of unfortunate acquisitions

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

Risk involved in the Group integration process

The Group is exposed to a risk associated with effective integration of ASEE S.A. and its subsidiaries, especially as the Group companies operate in various markets and in various countries. It is our strategy to integrate the subsidiary undertakings with Asseco South Eastern Europe S.A. and to make further company acquisitions in South Eastern Europe. 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. In many cases, key members of the management staff are concurrently the founders of our subsidiaries. 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 write-down 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 2018**

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

Pursuant to the requirements under the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities, the Management Board of Asseco South Eastern Europe S.A. hereby declares that:

- to the best of its knowledge, the interim condensed consolidated financial statements of Asseco South Eastern Europe Group and the interim condensed financial statements of Asseco South Eastern Europe S.A. for the period of 6 months ended 30 June 2018, as well as the comparable data contained therein, have been prepared in compliance with the International Financial Reporting Standards as endorsed by the European Union, issued and effective as at the date of preparation of these financial statements, and furthermore the presented data give a true, reliable and fair view of the assets, financial position and financial results of the Group and Company of Asseco South Eastern Europe S.A. The report on operations of Asseco South Eastern Europe Group provides a fair description of the development, achievements and financial position of Asseco South Eastern Europe Group, inclusive of major risks and threats to its operations.

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

Miljan Mališ Member of
the Management Board