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**MANAGEMENT REPORT ON OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE PERIOD OF 6 MONTHS
ENDED 30 JUNE 2017**

Rzeszów, 9 August 2017

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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 involve primarily management of IT companies that belong to ASEE Group in South Eastern Europe and Turkey, as well as investments in new IT sector companies in that region. ASEE S.A. is also a provider of services and software for voice automation solutions, payment systems and mobile communication systems.

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 and online payment settlement systems, while it also delivers and performs 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. We also offer our clients on-line 24x7

services and consultancy in the area of electronic 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. ASEE's offering includes solutions for e-Commerce (NestPay®, MSU), mobile payments (mPOS, HCE), payment card processing, as well as ATM and POS related services. The Group delivers software and services, including equipment and outsourcing of ATMs and POS terminals, providing the highest level of expertise, maintenance and support throughout the entire portfolio.

The Systems Integration segment serves the financial, industry and public administration sectors with the following business lines: development of IT infrastructure, implementations and support, ensuring continuity of business processes, automation of operations, and customized software development. This segment also includes a group of proprietary solutions of ASEE. Among such solutions are BPS content management solution, LIVE contact center solutions, Fidelity asset lifecycle management solution, and SKAI billing system for utilities. 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 9 August 2017, 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	Jacek Duch
Jacek Duch	Miodrag Mirčetić	Gabriela Žukowicz
Artur Kucharski	Marcin Rulnicki	
Gabriela Žukowicz		

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

The previous term of office of Members of the Supervisory Board of ASEE S.A. expired on 30 March 2017. On the same day, the Ordinary General Meeting of Shareholders passed a resolution to appoint Artur Kucharski as Member of the Supervisory Board for the next term of office, from 31 March 2017 till 31 March 2022. In addition, the Company's shareholders, namely Asseco Poland and the European Bank for Reconstruction and Development, exercised their statutory rights to appoint the following persons: Adam Góral, Gabriela Żukowicz, Jozef Klein, and Jacek Duch as Members of the Supervisory Board for the next term of office. Whereas, Jan Dauman and Przemysław Sęczkowski have not been appointed for the next term of office at the Supervisory Board.

On 15 May 2017, the Supervisory Board appointed Mr. Jozef Klein as Chairman of the Supervisory Board

of ASEE S.A., and Mr. Adam Góral as Vice Chairman of the Supervisory Board of ASEE S.A.

Moreover, the Supervisory Board elected the Audit Committee in the following composition: Artur Kucharski – Chairman the Audit Committee, Gabriela Żukowicz and Jacek Duch – Members of the Audit Committee.

On 15 May 2017, the Supervisory Board passed a resolution to appoint the Management Board for the new five-year joint term of office running from 12 July 2017 to 12 July 2022. The existing Members of the Management Board have been appointed to serve over the new term of office.

In the period from 30 June 2017 till the publication of this report, this is till 9 August 2017, the compositions of the Company's Management Board, Supervisory Board and Audit Committee remained unchanged.

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 2017 and 31 December 2016:

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights	
			30 June 2017	31 Dec. 2016
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., Beograd	ASEE Serbia	Serbia	100.00%	100.00%
E-Mon d.o.o., Podgorica	E-Mon Montenegro	Montenegro	75.00%	75.00%
Chip Card a.d., Beograd	Chip Card Serbia	Serbia	92.50%	85.00%
eMS d.o.o., Beograd	eMS Serbia	Serbia	n/a	100.00%
Multicard d.o.o., Beograd	Multicard Serbia	Serbia	45.00%	45.00%
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. (Istanbul)	ASEE Turkey	Turkey	100.00%	100.00%
Nestpay Odeme Hizmetleri A.S.	ASEE Nestpay	Turkey	100.00%	100.00%
Asseco SEE d.o.o., (Ljubljana)	ASEE Slovenia	Slovenia	100.00%	100.00%
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%
Asseco SEE d.o.o., Podgorica	ASEE Montenegro	Montenegro	100.00%	100.00%

The parent of Asseco South Eastern Europe S.A. is Asseco Poland S.A. (the higher-level parent company). As at 30 June 2017, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

Multicard Serbia is an associated company accounted for using the equity method. Up until 30 September 2013, Multicard Serbia was treated as a subsidiary and subject to full consolidation.

Since 1 October 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.

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

Both as at 30 June 2017 and 31 December 2016, voting rights held by the 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 2017, the organizational structure of ASEE Group changed as follows:

Merger of EMS d.o.o. with ASEE Serbia

The merger of ASEE Serbia (acting as the taking-over company) and EMS d.o.o. Serbia (being the acquired company) was registered on 20 January 2017. This merger had no impact on the consolidated financial statements of ASEE Group.

Acquisition of shares in Chip Card a.d. (Serbia)

On 26 May 2017, ASEE Serbia acquired an additional 7.49% stake of shares in Chip Card for EUR 163 thousand, thereby increasing its shareholding in that company from 85.02% to 92.5%. Expenditures for the acquisition of these non-controlling interests amounting in total to EUR 163 thousand (PLN 692 thousand) have been disclosed in the statement of cash flows in financing activities. In addition, the effects of accounting for this acquisition have been presented in the statement of changes in equity in the line "Acquisition of non-controlling interests".

6. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

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	Total
Sales revenues	552	7,991	1,816	53,665	4,652	4,722	24,024	3,191	75,765	70,446	10,406	25,591	282,821
Cost of sales (-)	(371)	(4,675)	(1,720)	(39,842)	(2,845)	(3,800)	(16,576)	(2,329)	(66,209)	(52,244)	(8,834)	(15,293)	(214,738)
Gross profit on sales	181	3,316	96	13,823	1,807	922	7,448	862	9,556	18,202	1,572	10,298	68,083
Selling costs (-)	(30)	(347)	(83)	(3,180)	(90)	(176)	(1,155)	(372)	(3,211)	(5,079)	(107)	(2,954)	(16,784)
General and administrative expenses (-)	(134)	(780)	(524)	(3,704)	(400)	(471)	(1,676)	(67)	(3,344)	(5,049)	(444)	(3,914)	(20,507)
Net profit/(loss) on sales	17	2,189	(511)	6,939	1,317	275	4,617	423	3,001	8,074	1,021	3,430	30,792
Other operating income	-	26	6	154	8	25	113	138	42	79	-	107	698
Other operating expenses	-	(2)	(24)	(70)	(4)	(4)	(53)	(107)	(34)	(386)	-	(76)	(760)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	17	2,213	(529)	7,023	1,321	296	4,677	454	3,009	7,767	1,021	3,461	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	Total
Sales revenues	130	1,881	428	12,635	1,095	1,112	5,656	751	17,838	16,586	2,450	6,025	66,587
Cost of sales (-)	(87)	(1,101)	(405)	(9,380)	(670)	(895)	(3,903)	(548)	(15,588)	(12,300)	(2,080)	(3,601)	(50,558)
Gross profit on sales	43	780	23	3,255	425	217	1,753	203	2,250	4,286	370	2,424	16,029
Selling costs (-)	(7)	(82)	(20)	(749)	(21)	(41)	(272)	(88)	(756)	(1,196)	(25)	(694)	(3,951)
General and administrative expenses (-)	(32)	(184)	(123)	(872)	(94)	(111)	(395)	(16)	(786)	(1,189)	(105)	(921)	(4,828)
Net profit/(loss) on sales	4	514	(120)	1,634	310	65	1,086	99	708	1,901	240	809	7,250
Other operating income	-	6	1	36	2	6	27	32	10	19	-	25	164
Other operating expenses	-	-	(6)	(16)	(1)	(1)	(12)	(25)	(8)	(91)	-	(19)	(179)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	4	520	(125)	1,654	311	70	1,101	106	710	1,829	240	815	7,235
For the period of 6 months ended 30 June 2016 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	1,041	9,439	2,887	36,054	5,666	5,691	25,051	3,124	53,905	78,204	8,256	30,720	260,038
Cost of sales (-)	(804)	(6,665)	(1,752)	(28,043)	(3,801)	(4,550)	(16,962)	(2,346)	(46,021)	(60,303)	(6,313)	(20,684)	(198,244)
Gross profit on sales	237	2,774	1,135	8,011	1,865	1,141	8,089	778	7,884	17,901	1,943	10,036	61,794
Selling costs (-)	(26)	(323)	(139)	(3,122)	(87)	(209)	(1,704)	(559)	(3,582)	(6,217)	(148)	(3,198)	(19,314)
General and administrative expenses (-)	(141)	(876)	(479)	(3,828)	(336)	(474)	(1,522)	-	(3,028)	(4,588)	(507)	(3,807)	(19,586)
Net profit/(loss) on sales	70	1,575	517	1,061	1,442	458	4,863	219	1,274	7,096	1,288	3,031	22,894
Other operating income	-	9	27	25	31	18	218	24	73	94	-	499	1,018
Other operating expenses	(12)	-	(36)	(5)	-	(6)	(46)	(2)	(1)	(126)	-	(25)	(259)
Share of profits of associates	-	-	-	-	308	-	-	-	-	-	-	-	308
Operating profit	58	1,584	508	1,081	1,781	470	5,035	241	1,346	7,064	1,288	3,505	23,961
For the period of 6 months ended 30 June 2016 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	238	2,155	659	8,231	1,293	1,299	5,719	713	12,305	17,852	1,885	7,013	59,362
Cost of sales (-)	(184)	(1,522)	(400)	(6,402)	(868)	(1,039)	(3,872)	(536)	(10,505)	(13,764)	(1,441)	(4,722)	(45,255)
Gross profit on sales	54	633	259	1,829	425	260	1,847	177	1,800	4,088	444	2,291	14,107
Selling costs (-)	(6)	(74)	(32)	(713)	(20)	(48)	(389)	(128)	(817)	(1,418)	(34)	(730)	(4,409)
General and administrative expenses (-)	(32)	(200)	(109)	(874)	(77)	(108)	(347)	-	(691)	(1,048)	(116)	(869)	(4,471)
Net profit/(loss) on sales	16	359	118	242	328	104	1,111	49	292	1,622	294	692	5,227
Other operating income	-	2	6	6	7	4	50	5	17	21	-	114	232
Other operating expenses	(3)	-	(8)	(1)	-	(1)	(11)	-	-	(29)	-	(6)	(59)
Share of profits of associates	-	-	-	-	70	-	-	-	-	-	-	-	70
Operating profit	13	361	116	247	405	107	1,150	54	309	1,614	294	800	5,470

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

PLN'000	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	Change %	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	Change %
Sales revenues	149,616	140,165	7%	282,821	260,038	9%
Gross profit on sales	37,525	33,781	11%	68,083	61,794	10%
Net profit on sales	17,851	13,073	37%	30,792	22,894	34%
Operating profit	17,886	13,745	30%	30,730	23,961	28%
EBITDA	27,678	22,887	21%	49,961	41,786	20%
Net profit for the reporting period	15,544	12,190	28%	25,696	20,339	26%
Net profit attributable to Shareholders of the Parent Company	15,453	12,227	26%	25,535	20,376	25%
EUR'000	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	Change %	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	Change %
Sales revenues	35,530	31,843	12%	66,587	59,362	12%
Gross profit on sales	8,904	7,676	16%	16,029	14,107	14%
Net profit on sales	4,233	2,972	42%	7,250	5,227	39%
Operating profit	4,240	3,125	36%	7,235	5,470	32%
EBITDA	6,568	5,200	26%	11,763	9,539	23%
Net profit for the reporting period	3,683	2,772	33%	6,050	4,643	30%
Net profit attributable to Shareholders of the Parent Company	3,661	2,781	32%	6,012	4,652	29%

Financial results achieved by ASEE Group in the second quarter of 2017 were much stronger than in the comparable period last year. Sales revenues presented in Polish zlotys reached PLN 149.6 million, reflecting an increase by PLN 9.5 million or 7% in relation to the second quarter of 2016. Whereas, sales presented in euros equalled EUR 35.5 million, increasing by EUR 3.7 million or 12%. Just as in the first three months of 2017, in the second quarter the greatest contribution to our revenue growth was provided by the Payment Solutions segment whose sales increased by nearly EUR 3.6 million or 38%. Sales revenues of the Banking Solutions segment improved by almost EUR 1.1 million or 13%. In the second quarter of 2017, the Systems Integration segment generated EUR 13.3 million in sales, recording a decline by EUR 0.9 million or almost 7% in relation to the second quarter of 2016.

The significant growth in revenues of the Payment Solutions segment and the Banking Solutions segment resulted in a considerable improvement at each level of profit in these segments. Operating profit of the Payment Solutions segment for the second quarter of 2017 amounted to EUR 2 mln, increasing by more than EUR 0.5 million or 37%. Whereas, the Banking Solutions segment improved its performance by EUR 0.4 million or 39% by

earning an operating profit of almost EUR 1.5 million for the last three months. Lower operating costs and more efficient project management enabled the Systems Integration segment to improve its financial performance despite slightly weaker sales revenues. In the second quarter of 2017, this segment generated an operating profit of EUR 0.8 million, achieving an increase by nearly EUR 0.3 million or 48% in relation to the comparable period last year.

Presented below are the most important events that have affected the financial results of ASEE Group in the second quarter and the whole first half of 2017.

Sales revenues

In the whole first half of 2017, sales revenues generated by ASEE Group amounted to nearly PLN 283 million (increasing by PLN 22.8 million or 9%) or, if presented in euros, our sales reached almost EUR 67 million (growing by EUR 7.2 million or 12%).

Sales revenues by segments

PLN'000	3 months ended 30 June 2017	3 months ended 30 June 2016	Change	6 months ended 30 June 2017	6 months ended 30 June 2016	Change
	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%
Banking Solutions	38,923	36,016	8%	71,293	65,806	8%
Payment Solutions	54,571	41,448	32%	107,618	87,155	23%
Systems Integration	56,122	62,701	-10%	103,910	107,077	-3%
	149,616	140,165	7%	282,821	260,038	9%

EUR'000	3 months ended 30 June 2017	3 months ended 30 June 2016	Change	6 months ended 30 June 2017	6 months ended 30 June 2016	Change
	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%
Banking Solutions	9,238	8,183	13%	16,785	15,022	12%
Payment Solutions	12,969	9,403	38%	25,337	19,896	27%
Systems Integration	13,323	14,257	-7%	24,465	24,444	0%
	35,530	31,843	12%	66,587	59,362	12%

Revenues of the Banking Solutions segment amounted to EUR 16.8 million in the first half of 2017 and were EUR 1.8 million or 12% higher than in the comparable period last year. Stronger sales were generated primarily in Croatia (an increase by EUR 1.2 million), which was driven mostly by mobile solutions. The segment's revenues also include sales generated by E-mon, a provider of e-banking solutions in Montenegro (EUR 0.4 million). In the first half of 2016, sales of E-mon were not consolidated by ASEE Group.

Revenues of the Payment Solutions segment reached EUR 25.3 million in the first half of 2017, increasing by EUR 5.4 million or 27% in relation to the previous year. Higher sales were achieved mainly in the business of physical payments processing (an increase by EUR 4.7 million). In the first half of 2017, revenues from handling of physical payments increased most dynamically in Croatia (by EUR 3 million) where we completed a number of deliveries of ATMs in the traditional model of infrastructure maintenance, as well as in Romania (by EUR 2.8 million) where we expanded the scope of contracts for outsourcing of payment services and also made deliveries of POS terminals for customers in the traditional model of maintenance of payment infrastructure. The segment's sales increased by another EUR 0.6 million from processing and authentication of payment transactions. Such improvement was achieved by signing new contracts in this business line, but also due to the fact that Chip Card, a provider of payment processing and authentication services, has been consolidated by ASEE Group only since April 2016, delivering a smaller contribution to the amount of sales in the comparable period. In the first half of 2017, revenues from processing of online payments were comparable to those achieved in the previous year.

Revenues generated by the Systems Integration segment in the first half of 2017 amounted to EUR 24.5 million, remaining at a similar level as a year ago. Slightly weaker sales of proprietary solutions were compensated by an improvement in the supply of infrastructure and integration services. In the first six months of 2017, the segment recorded stronger sales in Romania (by EUR 2.7 million), mainly on the back of deliveries of third-party software and infrastructure. At the same time, the segment's sales decreased in other countries of our operations, including in Serbia (by EUR 1.1 million), Turkey (by EUR 0.9 million), and in Kosovo (by EUR 0.4 million).

Stronger sales of the Banking Solutions segment as well as increasing revenues from own services in the Payment Solutions segment resulted in a higher share of our own products and services in the revenue structure of ASEE Group. In the first half of 2017, such share equalled 62.3% as compared with the level of 60.7% observed in the corresponding period of the previous year.

Gross profit on sales

The above-mentioned growth in sales revenues by EUR 7.2 million was accompanied by an increase in the cost of sales by EUR 5.3 million, as a result of which our gross profit on sales reached EUR 16 million for the first half of 2017, which is EUR 1.9 million or almost 14% more than in the first half of 2016.

In the first six months of 2017, our production costs amounted to EUR 24.8 million and were higher by EUR 2.1 million or 9% than in the comparable period of the previous year. Furthermore, in the first half of 2017, the cost of goods, materials and third-party services sold (COGS) increased by EUR 3.2 million or 14%. Such

growth in the cost of goods, materials and third-party services sold resulted primarily from higher sales of infrastructure executed by the Payment Solutions segment.

Net profit on sales

Our consolidated net profit on sales for the first half of 2017 increased by EUR 2 million as a cumulative effect of an increase in gross profit on sales by EUR 1.9 million, decrease in selling expenses by EUR 458 thousand or 10%, and an increase in general and administrative expenses by EUR 357 thousand or 8%.

Such improvement in the consolidated net profit on sales was a joint effort of all the three operating segments of ASEE Group. In the Banking Solutions segment the net profit on sales increased by almost EUR 1.3 million or 123%, in the Systems Integration segment by EUR 0.6 million or 66%, and in the Payment Solutions segment by EUR 0.15 million or 5%. The reasons behind such performance of individual segments have been described in the above section on sales revenues as well as in the below section discussing our operating profit.

Net profit on sales by segments

PLN'000	3 months ended 30 June 2017	3 months ended 30 June 2016	Change	6 months ended 30 June 2017	6 months ended 30 June 2016	Change
	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%
Banking Solutions	6,229	4,368	43%	9,866	4,565	116%
Payment Solutions	8,348	6,236	34%	14,654	14,439	1%
Systems Integration	3,274	2,469	33%	6,272	3,890	61%
Net profit on sales	17,851	13,073	37%	30,792	22,894	34%

EUR'000	3 months ended 30 June 2017	3 months ended 30 June 2016	Change	6 months ended 30 June 2017	6 months ended 30 June 2016	Change
	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%
Banking Solutions	1,475	997	48%	2,323	1,042	123%
Payment Solutions	1,980	1,413	40%	3,450	3,297	5%
Systems Integration	778	562	38%	1,477	888	66%
Net profit on sales	4,233	2,972	42%	7,250	5,227	39%

Operating profit

Operating profit of ASEE Group for the first half of 2017 reached EUR 7.2 million, increasing by nearly EUR 1.8 million or 32% in relation to the comparable period last year.

Such improvement in the consolidated result of ASEE Group was driven mainly by stronger performance of the Banking Solutions segment. In the first half of 2017, this segment managed to boost its operating profit by EUR 1.16 million or 105%, to the level of EUR 2.26 million. One of the reasons for such a significant improvement in the segment's results was the relatively low level of operating profit earned in the corresponding period of 2016. In the first months of last year, the segment commenced just a few new implementation projects and also created significant provisions for additional costs of ongoing projects. In the first half of 2017, the segment's results improved most considerably in Croatia (an increase by EUR 0.7 million) where we carried out projects for the implementation of mobile solutions, as well as in Romania (an increase by EUR 0.3 million) where we slightly expanded the scale of our business while achieving some cost savings.

Operating profit earned by the Payment Solutions segment in the first half of 2017 reached almost EUR 3.5 million, increasing by EUR 0.15 million or 4% above the year-ago level. Stronger results were achieved in the business line dealing with processing and authentication of payment card transactions. Whereas, business lines engaged in maintenance of ATMs and POS terminals as well as processing of online payments recorded similar results as in the previous year.

The Systems Integration segment generated a similar amount of revenues as a year ago, but it managed to considerably improve its operating results. In the first six months of this year, the segment's operating profit reached nearly EUR 1.5 million, growing by EUR 0.6 million or 69%. Such improvement was achieved by the business line engaged in the sale of our own solutions, whose operating profit increased by EUR 1 million in comparison with the first half of the previous year. This was accomplished by more efficient management of long-term projects in Serbia where our proprietary software distributed by the Systems Integration segment contributed EUR 0.4 million to operating profit, as well as owing to

the reorganization of our proprietary solutions team in Turkey that enabled yet another increase of operating profit by EUR 0.4 million. Whereas, the business line dealing with deliveries of infrastructure and integration services reported a weaker operating profit, by EUR 0.4 million, which was a consequence of lower margins realized on the resale of infrastructure and third-party software.

EBITDA

PLN'000	6 months ended		Change
	30 June 2017 (unaudited)	30 June 2016 (unaudited)	
Banking Solutions	12,601	8,236	53%
Payment Solutions	29,101	26,754	9%
Systems Integration	8,259	6,796	22%
49,961	41,786	20%	

EUR'000	6 months ended		Change
	30 June 2017 (unaudited)	30 June 2016 (unaudited)	
Banking Solutions	2,967	1,880	58%
Payment Solutions	6,852	6,108	12%
Systems Integration	1,944	1,551	25%
11,763	9,539	23%	

Consolidated EBITDA for the first half of 2017 reached EUR 11.8 million, improving by EUR 2.2 million or 23% in relation to the comparable period last year. EBITDA growth was recorded in all the three operating segments of ASEE Group. The Banking Solutions segment generated EUR 3 million in EBITDA, achieving an increase by nearly EUR 1.1 million or 58%. In the first half year, EBITDA earned by the Payment Solutions segment amounted to almost EUR 6.9 million, increasing by EUR 0.7 million or 12%; whereas, in the Systems Integration segment it equalled EUR 1.9 million, improving by EUR 0.4 million or 25%. In the Payment Solutions segment, EBITDA increased faster than operating profit as a result of higher

depreciation charges on equipment provided to our clients in the outsourcing model.

Net profit

Consolidated net profit of ASEE Group for the first half of 2017 amounted to EUR 6 million, increasing by EUR 1.4 thousand or 30% in relation to the comparable period last year.

The Group's net result on financial operations equalled EUR 179 thousand for the first half of 2017, as compared with EUR 4 thousand reported for the comparable period a year ago. Such improvement resulted from higher interest income as well as better result on foreign exchange differences, including the valuation of hedging instruments.

In the first six months of 2017, our income tax expense amounted to EUR 1,364 thousand (effective tax rate of 18.4%) as compared with EUR 831 thousand incurred in the previous year (effective tax rate of 15.2%). 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, the holding company received dividends, among others from Macedonia and Serbia, amounting in total to EUR 2.8 million which caused the obligation to pay withholding tax as well as income tax in Poland, thereby increasing our effective tax rate. During the first six months of 2016, the holding company received dividends only from its operations located in EU countries and Bosnia and Herzegovina amounting in total to EUR 0.2 million, thus our effective tax rate was lower. Excluding taxes related to dividends, our effective tax rate for the first half of 2017 remained at a similar level as in the comparable period last year.

Analysis of financial ratios

	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Gross profit margin	25.1%	24.1%	24.1%	23.8%
EBITDA margin	18.5%	16.3%	17.7%	16.1%
Operating profit margin	12.0%	9.8%	10.9%	9.2%
Net profit margin	10.3%	8.7%	9.0%	7.8%
Return on equity (ROE)			8.0%	6.4%
Return on assets (ROA)			6.3%	5.1%

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 2017, our gross profit margin equalled 24.1%, increasing by 0.3 percentage points in comparison with the first six months of 2016. This slight increase in the gross profit margin is attributable to rising profitability and higher share of own solutions in the total sales of ASEE Group, which was partially offset by lower margins realized on the resale of infrastructure and third-party software.

Stronger profitability of own solutions contributed to an increase in further margins of profit. EBITDA margin increased from 16.1% in the first half of 2016 to 17.7% in the comparable period of this year. At the same time, operating profit margin increased from 9.2% to 10.9%.

The improvement in operating margin as well as better result on financial operations helped increase our net profit margin, despite a higher income tax expense. Our net profit margin increased from 7.8% in the first half of 2016 to 9% in the first six months of the current year.

Robust financial results of ASEE Group for the period of 12 months ended 30 June 2017 contributed to an increase of our ROA and ROE ratios. Return on equity for the trailing 12 months ended 30 June 2017 equalled 8%, increasing by 1.6 percentage points; whereas, return on assets reached the level of 6.3%, increasing by 1.2 percentage points.

	30 June 2017 (unaudited)	31 Dec. 2016 (audited)
Working capital (in thousands of PLN)	93,693	118,752
Current liquidity ratio	1.57	1.64
Quick liquidity ratio	1.37	1.44
Absolute liquidity ratio	0.63	0.66

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

Our working capital reported as at 30 June 2017 decreased by PLN 25.1 million in comparison with the end of December 2016. During the first half of 2017, total current assets declined by PLN 46 million mainly due to a lower amount of trade receivables by nearly PLN 27.8 million, and a decrease in cash and cash equivalents by PLN 15.8 million. In the same period, total current liabilities were reduced by PLN 21 million. This was primarily a consequence of the repayment of our trade payables, state budget liabilities, short-term bank loans, as well as other liabilities in the total amount of PLN 39.6 million during the first six months of 2017. On the other hand, our financial liabilities increased by PLN 24.6 million basically because we

recognized a liability arising from dividends payable to shareholders of ASEE in the amount of PLN 24.9 million.

Our liquidity ratios as at the end of June 2017 were slightly lower than as at the end of the previous year, but still they remain at safe levels.

Analysis of debt

	30 June 2017 (unaudited)	31 Dec. 2016 (audited)
Total debt ratio	21.3%	23.0%
Debt / equity ratio	5.4%	6.1%
Debt / (debt + equity) ratio	5.1%	5.7%

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 from 23% reported as at the end of 2016 to the level of 21.3% as at 30 June 2017. Such change was primarily a consequence of the repayment of our interest-bearing liabilities in the amount of PLN 6.6 million, as well as the settlement of our trade payables, state budget liabilities and other liabilities in the amount of PLN 36 million during the first six months of 2017. The excess of bank loan repayments over proceeds from new bank loans resulted in a decrease in the ratio of debt to equity, as well as in the ratio of debt to total interest-bearing liabilities and equity.

Structure of the statement of cash flows

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
Net cash provided by (used in) operating activities	20,006	17,459
Net cash provided by (used in) investing activities	(22,937)	(25,532)
Net cash provided by (used in) financing activities	(6,063)	(7,160)
Net change in cash and cash equivalents	(8,994)	(15,233)

In the first half of 2017, our operating activities provided PLN 20 million of net cash inflows. This means that in the second quarter alone, net cash generated from operating activities amounted to nearly PLN 17 million which was a significant improvement from weak operating cash flows recorded in the first quarter of 2017. Traditionally, cash flows generated from operating activities of ASEE Group in the first three months of each year remain at a lower level. This is a consequence of a change in the relation of cash to other elements of working capital, following the usually stronger fourth quarter of the previous year. As at the end of December 2016, cash and cash equivalents (including short-term assets) held by ASEE Group

were relatively high (nearly PLN 123 million), which was accompanied by high amounts of trade payables, tax and legal liabilities, and other liabilities (in total PLN 117 million). During the first six months of 2017, ASEE Group settled more than PLN 38 million of its current liabilities, while the aggregate change in receivables and inventories amounted to only PLN 13 million which increased the balance of cash and cash equivalents. Such large 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. Furthermore, the first months in a year are the time to settle the tax and legal liabilities resulting from the fourth quarter financial results of our subsidiaries, as well as to pay variable remunerations for the prior year, which poses an additional burden on cash flows without any impact on the income statement, and therefore deteriorates the conversion of current profits into cash.

Net cash outflows in our investing activities amounted to PLN 22.9 million in the first half of 2017, decreasing by PLN 2.6 million in relation to the comparable period last year. Expenditures for the acquisition of property, plant and equipment and intangible assets increased from PLN 10.9 million in the first half of 2016 to PLN 25.3 million in the corresponding period this year. Such increase resulted primarily from larger purchases of infrastructure to be used in the outsourcing of payment processes. In the first half of 2017, such expenditures amounted to PLN 22 million, as compared with a bit more than PLN 9 million spent in the first six months last year. Despite higher expenditures for the acquisition of non-current assets, our total investment outlays in the first half of 2017 were lower than in the corresponding period of 2016, primarily due to proceeds from disposal of financial instruments in the net amount of PLN 2.7 million (as compared with expenditures amounting to PLN 9.6 million in the previous year), and the lack of expenditures for the acquisition of shares in subsidiaries (such expenditures amounted to PLN 4.3 million in 2016).

In the first half of 2017, net cash used in our financing activities amounted to PLN 6.1 million. Such negative cash flows were primarily a consequence of repayments of bank loans and borrowings which were PLN 3.9 million higher than proceeds from new bank loans. ASEE Group uses external sources of financing mainly for purchases of infrastructure to be provided under the outsourcing projects that are implemented by the Payment Solutions segment. Expenditures for the

acquisition of non-controlling interests amounting to PLN 0.7 million were made to acquire additional shares in Serbia-based Chip Card.

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 going to be divided so that business activities of the Payment Solutions segment were performed in each case by a separate legal entity. Such divisions will be 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. Once the first phase of the project is completed, in each country where ASEE conducts significant operations (Serbia, Croatia, Macedonia, Romania, and Turkey), we will have two separate entities focusing on the payment services or 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.

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, will altogether be transferred to a newly established holding company to be controlled exclusively by Asseco South Eastern Europe S.A.

The Management plans to initiate the first phase of this project in the second half of 2017. The process of the segment's formal separation is scheduled to be completed in the first half of 2018. 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 unanimously approved its principles.

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 2017. 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.

The 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.

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

- Premium quality and comprehensive offer 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 2017.

10. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A., both as at 30 June 2017 and the date of publication of this report, this is on 9 August 2017, the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	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%

On 26 June 2017, the Management Board of ASEE S.A. was notified by Asseco Poland S.A. that the equity interest and voting rights held by Asseco Poland S.A. in ASEE S.A. decreased as a result of conducting a transaction to sell 2,221,356 of the Company's shares on 23 June 2017. This transaction has been described in detail in explanatory note 23 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2017.

To the best knowledge of the Management Board of ASEE S.A., as at 31 December 2016 the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	28,716,032	55.34%
Aviva Pension Fund	8,609,136	16.59%
Other shareholders	14,569,083	28.07%
51,894,251	100.00%	

Both as at 30 June 2017 and the date of publication of this report, this is on 9 August 2017, 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			
	9 Aug. 2017	30 June 2017	26 April 2017	31 Dec. 2016
Jozef Klein	-	-	-	n/a
Adam Góral ¹⁾	-	-	-	-
Jacek Duch ²⁾	-	-	-	-
Jan Dauman ³⁾	n/a	n/a	n/a	-
Artur Kucharski	-	-	-	-
Przemysław Sęczkowski ³⁾	n/a	n/a	n/a	-
Gabriela Žukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	9 Aug. 2017	30 June 2017	26 April 2017	31 Dec. 2016
Piotr Jeleński	967,492	967,492	550	550
Miljan Mališ ⁴⁾	300,000	300,000	-	500,000
Miodrag Mirčetić ⁵⁾	275,482	275,482	-	330,016
Marcin Rulnicki ⁶⁾	30,000	30,000	-	-

- 1)Adam Góral, President of the Management Board of Asseco Poland S.A., serving as Vice Chairman of the Supervisory Board of ASEE S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; both as at 30 June 2017 and 9 August 2017, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.
- 2)Jacek Duch, Chairman of the Supervisory Board of Asseco Poland S.A., serving as Member of the Supervisory Board of ASEE S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; both as at 30 June 2017 and 9 August 2017, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.
- 3)Jan Dauman and Przemysław Sęczkowski have not been appointed for the next term of office at the Supervisory Board of ASEE S.A.
- 4)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. On 23 June 2017, Mini Invest d.o.o. acquired 300,000 shares in ASEE S.A. under the agreement concluded with Asseco Poland S.A.
- 5)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. On 23 June 2017, I4 INVENTION d.o.o. acquired 275,482 shares in ASEE S.A. under the agreement concluded with Asseco Poland S.A.
- 6)Marcin Rulnicki, Member of the Management Board ASEE S.A., is a shareholder in the company Alves 2 Sp. z o.o. which in turn is a shareholder in ASEE S.A. On 23 June 2017, Alves 2 Sp. z o.o. acquired 30,000 shares in ASEE S.A. under the agreement concluded with Asseco Poland S.A.

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

As at 30 June 2017, ASEE Romania is a party to legal proceedings brought by Romsys S.R.L., which demands ASEE Romania to pay a compensation in the amount of EUR 1,226 thousand in order to compensate for the losses so far incurred due to allegedly unfair competition. 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.

During the reporting period, no proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of ASEE S.A. or its subsidiaries, whose aggregate value would equal or exceed 10% of the Company's equity.

To the best knowledge of the Management Board of ASEE S.A., during the reporting period the Group made significant settlements resulting from court litigation.

13. RELATED PARTY TRANSACTIONS

In the period of 6 months ended 30 June 2017, 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 2017 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 2017.

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

During the period of 6 months ended 30 June 2016, 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 equal at least 10% of the Issuer's equity.

Information on guarantees granted by the Issuer during the period of 6 months ended 30 June 2017 has been presented in explanatory note 20 to the interim condensed financial statements of ASEE S.A. for the period of 6 months ended 30 June 2017.

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 the macroeconomic situation

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 market position and further expansion in the

region as well as in other emerging markets. As a consequence of the planned growth, business operations of ASEE may be influenced by factors depending on the economic and political stability of the region. Development of the IT services sector is closely correlated to the overall economic situation of South Eastern European countries. A possible deterioration of the macroeconomic situation in the region could adversely affect the financial results of ASEE Group in the future.

Risk associated with the lack of political stability

Potential political tensions, changes in the governments of South Eastern European countries and Turkey as well as related civil unrest may trigger off periods of instability that may be accompanied by a reduction of public spending and sluggish investments in the private sector. As a consequence, we might face a decline in demand for the Group's solutions and deterioration of our financial results.

Risk related to intensified competition

The South Eastern European market for information technology products and services is becoming more and more competitive. With a variety of services and products in our portfolio, we are tough competitors to large consulting firms, multinational technological giants, IT outsourcing providers as well as software houses, inclusive of in-house 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 companies. It is not certain whether the increasing competition will have no adverse impact on the Group's operations, financial position and future development outlook.

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

The IT sector is characterized by rapid development of new solutions and technologies, which shorten the lifecycle of products. Therefore, the success of ASEE Group largely depends upon our capability to incorporate the latest technological solutions into our products and services. In order to maintain the competitive advantage in this market, it is necessary to conduct research work and invest in new products.

There is a risk that new IT solutions that are launched into the market will cause our products and services to become less attractive, and eventually not as profitable as expected. Additionally, it cannot be taken for granted that new solutions which are or will be developed by ASEE Group companies will satisfy the technological requirements, and whether they will be accepted positively by their potential users. Such circumstances might have a significant adverse impact on the operations, financial position and prospective development of ASEE Group.

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. Decisions made by the consolidators of local financial institutions concerning the selection of IT systems 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 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 legal regulations and their interpretation

Frequent amendments, inconsistency and lack of uniform interpretations of the provisions of law give rise to the regulatory risk occurring in the environment in which ASEE Group operates. The tax regulations and their interpretations are more than others prone to numerous changes. Practices of the internal revenue administration and the court judicature are not uniform in this domain. If the taxation authorities take a position that is different from the interpretation of tax regulations adopted by one of our companies, such event may have negative consequences for the operations and financial position of ASEE Group.

Moreover, 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 risk

The currency used for presentation of the financial results of ASEE Group is the Polish zloty (PLN); whereas, the functional currencies of the Group's subsidiaries located outside Poland are the local currencies of the countries where they operate. Consequently, balance sheet figures as well as amounts of revenues and costs of such subsidiaries need to be translated into PLN, and therefore their values presented in the consolidated financial statements are influenced by foreign exchange rates against PLN. This may cause changes of figures presented in the consolidated financial statements merely on the basis of fluctuations in foreign exchange rates, which are not related to the operating activities of a given company.

Furthermore, contracts concluded by the Group companies are denominated in various currencies, also in currencies that are foreign in relation to the countries where the Group operates. Hence, fluctuations in foreign exchange rates may have an impact on the Group's financial results.

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 euro-zone 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. The above processes may have a negative impact on the financial results of ASEE, and therefore affect the amount of dividends to be paid out as well as the returns on investment in our shares.

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. A potential loss of customer confidence may adversely affect the image of ASEE Group and even prevent it from carrying out further business operations.

Risk of underestimation of the scope of work and project costs

Some contracts for provision of IT services or products concluded by the Group determine a fixed remuneration and therefore they are not settled on the *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.

Risk associated with gaining new IT contracts

Some of the Group's sales 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. Therefore, it is not certain whether ASEE Group companies will be able to gain such new contracts that would ensure a satisfactory level of revenues

in the future. A potential loss of competitive position by ASEE Group would have an adverse impact on its financial results and prospective development.

Risk of becoming dependent on strategic suppliers

Operations of ASEE Group are characterized by close cooperation with large international companies that provide strategic components of infrastructure as well as software which are used in the development of our IT solutions. There is a risk that the key suppliers to our Group may change their strategies for cooperation with local partners or may want to tighten their cooperation with one partner of their choice, other than ASEE. Furthermore, they may start to offer the implementation services for their products themselves or else increase the prices of the products supplied. Each of the above-mentioned events might have an adverse impact on the financial results and prospective development of ASEE Group.

Risk related to insolvency or misconduct of our subcontractors

In certain cases, we provide our clients with the solutions 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. Any improper conduct or insolvency of our subcontractors imposes a risk to our reputation and may also have a negative impact on the business operations and financial results of ASEE Group.

Risk of unauthorized disclosure of information

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

Risk involved in insufficient insurance coverage

Business activities conducted by ASEE Group, including production and supply of software as well as implementation of integration projects, give rise to a risk of damages that may be incurred by our clients. Furthermore, agreements concluded by ASEE Group companies provide for contractual penalties in the event of non-performance or improper performance of our obligations. Any claims for compensation in excess of the guarantee amounts under the presently carried insurance policies might have a significant adverse impact on the business operations and financial results of ASEE Group.

Risk of becoming dependent on the key 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.

Because our business requires high inputs of human labour, employee salaries constitute a considerable portion of operating costs at ASEE Group. Possible changes in the level of salaries in response to the expectations of our key employees may have a significant impact on the Group's financial performance and profitability.

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, including the risk of failure to achieve the expected return on the investment carried out.

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 S.A. and its subsidiaries, especially as the Group's 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 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. As a consequence ASEE Group may not be able to grow at the pace expected by its management and investors.

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 generated 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. Impairment tests conducted as at 30 June 2017 did not indicate a necessity to recognize any write-downs on our intangible assets; however, there is a risk that such a situation may arise in the future.

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 Poland S.A., our majority shareholder, holds 51.06% of shares in our Company. We expect that Asseco Poland S.A. will maintain its position as a majority shareholder and retain significant influence on our Company's business operations. Asseco Poland S.A. is entitled to exercise broad rights with respect to its shareholding in our Company and it must be taken into account that in the present situation Asseco Poland S.A. 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 2017**

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

Miljan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki **Member of the Management Board**

Pursuant to the requirements under the Regulation of the Minister of Finance of 19 February 2009 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 2017, as well as the comparable data contained therein, have been prepared in compliance with the International Financial Reporting Standards 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 economic position of Asseco South Eastern Europe Group, inclusive of major risks and threats to its operations.

- Ernst & Young Audyt Polska Sp. z o.o. (limited partnership), the entity authorized to review the interim condensed consolidated financial statements of Asseco South Eastern Europe Group as well as the interim condensed financial statements of Asseco South Eastern Europe S.A. for the period of 6 months ended 30 June 2017, has been chosen in accordance with the provisions of the law in force. This entity as well as certified auditors, who reviewed these financial statements, satisfied the conditions for issuing an impartial and independent report on such review, in line with the applicable regulations and professional standards.

MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.

Miljan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki **Member of the Management Board**