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SOUTH EASTERN EUROPE

MANAGEMENT REPORT ON OPERATIONS OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2016

Rzeszów, 5 August 2016

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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 deals with integrated banking systems (including primarily *core banking systems*), secure authentication systems for bank clients or IT system users, mobile banking systems, as well as financial fraud prevention and anti-money laundering solutions.

The Payment Solutions segment provides IT systems for the settlement of internet credit card payments as well as direct internet money transfers. This operating segment is also engaged in the sale and maintenance of ATMs and POS terminals as well as in the provision of related support services.

The Systems Integration segment is engaged in the development of customized IT systems, integration of third-party software and elements of infrastructure, as well as in the sale and installation of hardware solutions. Furthermore, the Systems Integration segment includes the presentation of sales of a number of the Group's proprietary solutions.

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 5 August 2016, the Company's Management Board and Supervisory Board and its Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Adam Góral	Piotr Jeleński	Artur Kucharski
Jacek Duch	Miljan Mališ	Jacek Duch
Jan Dauman	Miodrag Mirčetić	Gabriela Żukowicz
Artur Kucharski	Marcin Rulnicki	
Mihail Petreski		
Przemysław Sęczkowski		
Gabriela Żukowicz		

On 10 February 2016, the Company received from Mr. Andrzej Mauberg a letter of resignation from the position of Member of the Supervisory Board, effective from 26 February 2016.
On 31 March 2016, Mr. Artur Kucharski has been appointed as Member of the Company's Supervisory Board to serve during the five-year joint term of office running from 11 July 2012 to 11 July 2017.
On 12 May 2016, Mr. Artur Kucharski has been appointed to perform the duties of Chairman of the Audit Committee.

In the period from 30 June 2016 till the publication of this report, this is till 5 August 2016, 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 2016 and 31 December 2015:

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights 30 June 2016	Equity interest / Voting rights 31 Dec. 2015
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	50.00%	50.00%
Chip Card a.d., Beograd	Chip Card Serbia	Serbia	61.30%	n/a
eMS d.o.o., Beograd	eMS Serbia	Serbia	100.00%	100.00%
Uni4Gold d.o.o., Nis	Uni4Gold Serbia	Serbia	100.00%	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 2016, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

Within the Group's organizational structure, E-Mon Montenegro is 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. Up until 30 September 2013, Multicard Serbia was treated as a subsidiary and subject to full consolidation.

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

Both as at 30 June 2016 and 31 December 2015, 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 2016, the organizational structure of ASEE Group changed as follows:

On 14 March 2016, ASEE Serbia, a subsidiary of ASEE S.A. was registered as the owner of 136,121 shares, representing 53.81% of the share capital in Chip Card a.d. The purchase price of these shares amounted to EUR 1,171 thousand. The control over that company was obtained on 1 April 2016. On 28 April 2016, ASEE Serbia acquired an additional 7.49% stake of shares in Chip Card for EUR 163 thousand. Hence, the total equity interest in the acquired company reached 61.3% as at 30 June 2016. After the reporting period, on 5 July 2016, ASEE Serbia purchased an additional 15.59% stake of shares in Chip Card for the amount of EUR 342 thousand, thereby increasing its shareholding in the acquired company to 76.89%.

6. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

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**

For the period of 6 months ended 30 June 2015 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	**824**	**7,384**	**2,204**	**34,532**	**4,793**	**6,441**	**29,038**	**4,217**	**38,448**	**60,940**	**6,581**	**24,998**	**220,400**
Cost of sales (-)	(557)	(5,158)	(1,974)	(26,876)	(3,233)	(4,917)	(20,551)	(2,525)	(31,104)	(44,506)	(4,912)	(16,016)	**(162,329)**
Gross profit on sales	**267**	**2,226**	**230**	**7,656**	**1,560**	**1,524**	**8,487**	**1,692**	**7,344**	**16,434**	**1,669**	**8,982**	**58,071**
Selling costs (-)	(59)	(422)	(172)	(2,988)	(351)	(354)	(1,693)	(739)	(3,411)	(5,389)	(87)	(1,944)	**(17,609)**
General and administrative expenses (-)	(90)	(675)	(349)	(3,239)	(309)	(454)	(1,433)	(373)	(2,604)	(3,593)	(488)	(4,112)	**(17,719)**
Net profit/(loss) on sales	**118**	**1,129**	**(291)**	**1,429**	**900**	**716**	**5,361**	**580**	**1,329**	**7,452**	**1,094**	**2,926**	**22,743**
Other operating income	-	29	131	27	4	33	156	921	101	(23)	-	511	**1,890**
Other operating expenses	-	(2)	(34)	(31)	(4)	(4)	(69)	(324)	(14)	(256)	-	-	**(738)**
Share of profits of associates	-	-	-	-	273	-	-	-	-	(144)	-	-	**129**
Operating profit	**118**	**1,156**	**(194)**	**1,425**	**1,173**	**745**	**5,448**	**1,177**	**1,416**	**7,029**	**1,094**	**3,437**	**24,024**

For the period of 6 months ended 30 June 2015 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	**199**	**1,786**	**533**	**8,353**	**1,159**	**1,558**	**7,024**	**1,020**	**9,300**	**14,741**	**1,592**	**6,047**	**53,312**
Cost of sales (-)	(134)	(1,248)	(477)	(6,501)	(782)	(1,189)	(4,971)	(611)	(7,524)	(10,766)	(1,188)	(3,874)	**(39,265)**
Gross profit on sales	**65**	**538**	**56**	**1,852**	**377**	**369**	**2,053**	**409**	**1,776**	**3,975**	**404**	**2,173**	**14,047**
Selling costs (-)	(14)	(102)	(42)	(723)	(84)	(86)	(410)	(179)	(825)	(1,303)	(21)	(470)	**(4,259)**
General and administrative expenses (-)	(22)	(163)	(84)	(783)	(75)	(110)	(347)	(90)	(630)	(869)	(118)	(995)	**(4,286)**
Net profit/(loss) on sales	**29**	**273**	**(70)**	**346**	**218**	**173**	**1,296**	**140**	**321**	**1,803**	**265**	**708**	**5,502**
Other operating income	-	7	32	7	1	9	38	221	25	(6)	-	124	**458**
Other operating expenses	-	-	(9)	(8)	(1)	(1)	(17)	(78)	(3)	(62)	-	-	**(179)**
Share of profits of associates	-	-	-	-	66	-	-	-	-	(35)	-	-	**31**
Operating profit	**29**	**280**	**(47)**	**345**	**284**	**181**	**1,317**	**283**	**343**	**1,700**	**265**	**832**	**5,812**

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

in thousands of PLN	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	Change %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	Change %
Sales revenues	140,165	121,847	15%	260,038	220,400	18%
Gross profit on sales	33,781	32,000	6%	61,794	58,071	6%
Net profit on sales	13,073	14,079	-7%	22,894	22,743	1%
Operating profit	13,745	14,157	-3%	23,961	24,024	0%
EBITDA	22,887	21,410	7%	41,786	38,186	9%
Net profit for the reporting period	12,190	11,649	5%	20,339	19,755	3%
Net profit attributable to Shareholders of the Parent Company	**12,227**	**11,649**	**5%**	**20,376**	**19,778**	**3%**

in thousands of EUR	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	Change %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	Change %
Sales revenues	31,843	29,473	8%	59,362	53,312	11%
Gross profit on sales	7,676	7,740	-1%	14,107	14,047	0%
Net profit on sales	2,972	3,406	-13%	5,227	5,502	-5%
Operating profit	3,125	3,424	-9%	5,470	5,811	-6%
EBITDA	5,200	5,179	0%	9,539	9,237	3%
Net profit for the reporting period	2,772	2,818	-2%	4,643	4,779	-3%
Net profit attributable to Shareholders of the Parent Company	**2,781**	**2,818**	**-1%**	**4,652**	**4,784**	**-3%**

Financial results achieved by ASEE Group in the first half of 2016 were consistent with the Management Board expectations. Growth in sales revenues was accompanied by an increase in costs arising mainly from the planned investments in our production resources and sales force. Despite the increasing costs of employees and subcontractors, operating profit generated by ASEE Group was only slightly lower than in the first half of the previous year and the Group managed to improve its EBITDA. It should be noted that in the first half of the last year our financial performance was favourably affected by one-time events, which was not the case during the first six months of 2016.

The Payment Solutions segment continued its upward trend and, despite a slightly weaker second quarter, improved its financial results for the whole half-year. Stronger results were generated also by the Systems Integration segment, partially owing to a low base for comparison as the first two quarters of 2015 were not particularly successful for this segment. The second quarter of 2016 was more favourable for the Banking Solutions segment than the first quarter, however the segment was not able to generate a similar level of financial results as in 2015. The most important events that have affected the reported financial results are presented below.

Sales revenues

In the second quarter of 2016, sales revenues presented in Polish zlotys and euros increased by PLN 18.3 million (or 15%) and by EUR 2.4 million (or 8%), respectively, both in relation to the comparable period of 2015. Just as in the first three months of 2016, in the second quarter the greatest contribution to our revenue growth was provided by the Systems Integration segment whose sales increased by over 20%. Revenues generated by the Payment Solutions segment also improved, although not as much dynamically – by 4.3%. Whereas, sales generated by the Payment Solutions segment in the second quarter of 2016 amounted to EUR 9.4 million, decreasing by almost 4% in comparison to the second quarter of 2015. The continued strong growth in the Systems Integration segment was accompanied by slower increases in revenues of the Payment Solutions segment and the Banking Solutions segment, which resulted in a smaller share of our own products and services in the total sales of ASEE Group. In the first half of 2016, such share equalled 60.7% as compared with the level of 62% observed in the corresponding period of the previous year. Due to the above described change in our revenue structure and an increase in production costs, our gross profit margin declined from the level of 26.3% recorded in the first half of 2015 to 23.8% in the first half of 2016.

Sales revenues by segments

in thousands of PLN	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	*Change* %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	*Change* %
Banking Solutions	36,016	32,419	*11%*	65,806	60,813	*8%*
Payment Solutions	41,448	40,364	*3%*	87,155	77,400	*13%*
Systems Integration	62,701	49,064	*28%*	107,077	82,187	*30%*
	140,165	**121,847**	***15%***	**260,038**	**220,400**	***18%***

in thousands of EUR	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	*Change* %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	Change %
Banking Solutions	8,183	7,842	*4%*	15,022	14,710	*2%*
Payment Solutions	9,403	9,763	*-4%*	19,896	18,722	*6%*
Systems Integration	14,257	11,868	*20%*	24,444	19,880	*23%*
	31,843	**29,473**	***8%***	**59,362**	**53,312**	***11%***

In the first half of 2016, sales revenues generated by ASEE Group amounted to slightly more than PLN 260 million, reflecting an increase by PLN 39.6 million or 18% or, if presented in euros, our sales exceeded EUR 59 million, growing by EUR 6 million or 11%.

Revenues of the Banking Solutions segment amounted to slightly more than EUR 15 million in the first half of 2016 and were EUR 0.3 million or 2% higher than in the comparable period last year. Stronger sales were generated, among others, in Serbia (by EUR 0.8 million) and in Macedonia (by EUR 0.2 million). At the same time, weaker sales were recorded primarily in Croatia (by EUR 0.4 million) and in Turkey (by EUR 0.2 million).

Revenues of the Payment Solutions segment reached EUR 19.9 million in the first half of 2016, increasing by EUR 1.2 million or 6% in relation to the previous year. Higher sales were achieved mainly in the business of physical payments processing. In the first half of 2016, revenues from handling of physical payments increased most dynamically in Romania (by EUR 0.5 million) where we signed new contracts for maintenance of POS terminals, as well as in Bosnia and Herzegovina (by EUR 0.5 million), in Montenegro (by EUR 0.3 million), and in Slovenia (by EUR 0.3 million) where revenue growth was driven mainly by larger deliveries of infrastructure in the traditional model of maintenance of ATMs and POS terminals. Such growth was partially offset by weaker sales in Macedonia (a decrease by almost EUR 0.8 million). Whereas, revenues from processing of online payments improved by EUR 0.2 million or 6% in the first half of 2016. A significant portion of such additional sales was generated in Turkey.

The Systems Integration segment generated nearly EUR 24.4 million in revenues for the first half of 2016, achieving an increase by nearly EUR 4.6 million or 23% in relation to the comparable period of 2015. Higher sales were recorded primarily by the segment's section engaged in the supply of infrastructure and integration services, achieving an increase by EUR 3.6 million or 22%. Whereas, sales of proprietary software within the Systems Integration segment improved by EUR 1 million or 28%. In the first half of 2016, the segment's revenues increased particularly in Romania (by EUR 2.5 million), Serbia (by EUR 2.3 million), as well as in Turkey (by EUR 1 million), all in comparison with the year-ago levels. In the same period, the largest decline in revenues of the Systems Integration segment was suffered in Macedonia (by EUR 0.8 million).

Gross profit on sales

The above-mentioned growth in sales revenues by a bit more than EUR 6 million was accompanied by an increase in the cost of sales by nearly EUR 6 million, as a result of which our gross profit on sales reached EUR 14.1 million, remaining at a similar level as in the first half of 2015 (an increase by EUR 60 thousand or 0.4%).

In the first six months of 2016, our production costs amounted to EUR 22.7 million and were over EUR 2 million or nearly 10% higher than in the comparable period of the previous year. Furthermore, in the first half of 2016, the cost of goods, materials and third-party services sold (COGS) increased by EUR 3.95 million or 21%. Such growth in the cost of goods, materials and third-party services sold resulted from higher sales of infrastructure and third-party software licenses by the Systems Integration segment.

Net profit on sales

Our consolidated net profit on sales for the first half of 2016 dropped by EUR 275 thousand as a cumulative effect of an increase in gross profit on sales by EUR 60 thousand, increase in selling expenses by EUR 150 thousand (4%), and an increase in general and administrative expenses by EUR 184 thousand (4%).

Such deterioration of the consolidated net profit on sales of ASEE Group for the first half of 2016 is attributable to weaker results from the Banking Solutions segment (a decrease by more than EUR 1 million). This has been partially compensated by stronger results achieved by the Systems Integration segment (an increase by EUR 0.7 million) and the Payment Solutions segment (an increase by EUR 0.1 million). 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

in thousands of PLN	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	Change %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	Change %
Banking Solutions	4,368	6,205	-30%	4,565	8,659	-47%
Payment Solutions	6,236	6,225	0%	14,439	13,240	9%
Systems Integration	2,469	1,649	50%	3,890	844	361%
Net profit on sales	**13,073**	**14,079**	-7%	**22,894**	**22,743**	1%

in thousands of EUR	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	Change %	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)	Change %
Banking Solutions	997	1,501	-34%	1,042	2,095	-50%
Payment Solutions	1,413	1,506	-6%	3,297	3,203	3%
Systems Integration	562	399	41%	888	204	335%
Net profit on sales	**2,972**	**3,406**	-13%	**5,227**	**5,502**	-5%

Operating profit and EBITDA

Operating profit of ASEE Group for the first half of 2016 reached EUR 5.5 million, reflecting a slight decrease by EUR 0.3 million or just under 6% in relation to the comparable period last year. It should be noted that the Group's operating profit for the first half of 2015 was favourably influenced by the reimbursement of excessive tax paid on civil law transactions by the holding company in the years 2008–2010. The net amount of reimbursed tax (after deducting the costs of legal proceedings) equalled EUR 144 thousand and was recognized in operating income.

Operating profit of the Banking Solutions segment for the first half of 2016 amounted to only EUR 1 million, declining by more than EUR 1 million or 51% in comparison to the first six months of 2015. Such deterioration in the segment's results was caused by the lack of new major implementation projects in the first months of this year as well as by the need to create provisions for additional costs of projects that are currently in progress. The largest declines were suffered in Turkey (EUR 0.4 million), Serbia (EUR 0.3 million), and in Romania (EUR 0.2 million).

Operating profit earned by the Payment Solutions segment in the first half of 2016 reached EUR 3.3 million, increasing by EUR 0.1 million or 3% above the year-ago level. Stronger results were achieved mainly in Romania where we signed a number of new contracts for maintenance of POS terminals, as well as in Montenegro and Bosnia and Herzegovina where we completed significant deliveries of infrastructure in the traditional model of maintenance of POS terminals and ATMs. The segment's section responsible for the processing of online payments generated an operating profit at a similar level as in the comparable period of 2015.

Higher sales contributed to the improvement of operating profit generated by the Systems Integration segment which amounted to EUR 0.9 million for the first half of 2016. This reflects an increase by EUR 0.7 million in relation to the comparable period last year. This improvement was achieved mainly by the business line engaged in the supply of infrastructure and integration services. New projects carried out in the first half of the year helped improve the segment's operating profit primarily in Turkey (by EUR 0.4 million), Serbia (by EUR 0.3 million), as well as in Romania (by EUR 130 thousand).

Consolidated EBITDA for the first half of 2016 reached EUR 9.54 million, improving by EUR 0.3 million or 3% in relation to the comparable period last year. Both the Payment Solutions segment and the Systems Integration segment generated similar increases in the amount of EBITDA – by EUR 0.68 million and EUR 0.73 million, respectively. Whereas, EBITDA of the Banking Solutions segment dropped by a bit more than EUR 1 million in the first half of 2016. A further decrease in EBITDA amounting to EUR 0.1 million was related to other operations which are not allocated to any of our operating segments. 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 2016 amounted to EUR 4.6 million, declining by EUR 136 thousand or 3% in comparison to the corresponding period last year.

The Group's net result on financial operations equalled EUR 4 thousand for the first half of 2016, as compared with EUR 16 thousand reported for the comparable period a year ago. This year ASEE Group incurred lower interest expenses on its debt and achieved a better result on foreign exchange differences, including the valuation of hedging instruments. Whereas, in the first half of 2015, we earned a higher interest income on bank cash deposits. Yet it should be noted that in the first half of 2015, we recognized a one-off financial income of EUR 121 thousand of interest that was related to the reimbursement of excessive tax paid on civil law transactions. If this amount was deducted, the Group would recognize a net financial expense of EUR 105 thousand for the first six months of 2015, and consequently our result on financial operations for the comparable period of 2016 would be by EUR 109 thousand higher than a year ago.

In the first six months of 2016, our income tax expense amounted to EUR 831 thousand (effective tax rate of 15.2%) as compared with EUR 1,049 thousand incurred in the previous year (effective tax rate of 18.0%). 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 2015, the holding company received dividends among others from Macedonia, Serbia, Kosovo as well as from Bosnia and Herzegovina amounting in total to EUR 3.9 million, which caused the obligation to pay withholding tax and increased 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. The lack of significant dividend income from non-EU countries resulted in a decrease of our income tax expense in comparison to the previous year. Excluding taxes on dividends, our effective tax rate for the first half of 2016 decreased just slightly basically due to lower income tax expenses incurred in Serbia and Turkey.

Analysis of financial ratios

	3 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2015 (unaudited)	6 months ended 30 June 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)
Gross profit margin	24.1%	26.3%	23.8%	26.3%
EBITDA margin	16.3%	17.6%	16.1%	17.3%
Operating profit margin	9.8%	11.6%	9.2%	10.9%
Net profit margin	8.7%	9.6%	7.8%	9.0%
Return on equity (ROE)			6.4%	6.5%
Return on assets (ROA)			5.1%	5.2%

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 2016, our gross profit margin equalled 23.8%, decreasing by 2.5 percentage points in comparison to the first six months of 2015. As described above, our profitability at this level declined primarily as a result of a higher share of infrastructure and third-party solutions in the total sales of ASEE Group as well as higher production costs.

Such change in the revenue structure and increasing costs also affected our profitability at other levels; hence, EBITDA margin decreased from 17.3% in the first half of 2015 to 16.1% in the comparable period of this year. At the same time, operating profit margin declined from 10.9% to 9.2%. Changes in the levels of our operating profit and margin have been explained in detail above.

As a consequence of lower income tax expense, our net profit margin dropped a bit less than operating profit margin and reached the level of 7.8% in the first half of 2016.

All figures in thousands of PLN, unless stated otherwise

Slightly stronger financial performance of ASEE Group during the period of 12 months ended 30 June 2016 was accompanied by an increase in the value of equity and total assets, hence our ROA and ROE ratios remained at similar levels. Return on equity for the trailing 12 months ended 30 June 2016 equalled 6.4% decreasing by 0.1 percentage points; whereas, return on assets reached the level of 5.1% also decreasing by 0.1 percentage points.

	30 June 2016 (unaudited)	31 Dec. 2015 (audited)
Working capital (in thousands of PLN)	95,158	103,809
Current liquidity ratio	1.57	1.79
Quick liquidity ratio	1.32	1.58
Absolute liquidity ratio	0.62	0.79

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 2016 decreased by PLN 8.7 million in comparison with the end of December 2015. In the first half of 2016, total current assets increased by PLN 26.2 million, mainly due to the higher amount of inventories by PLN 14 million, receivables arising from valuation of IT contracts by PLN 7 million, as well as trade receivables by PLN 4.8 million. In the same period, current liabilities increased by PLN 34.7 million. Total current liabilities changed primarily as a result of the recognition of dividends payable to shareholders of ASEE amounting to PLN 21.8 million, as well as an increase in trade payables by PLN 10.4 million.

Our liquidity ratios as at the end of June 2016 were slightly lower than as at the end of the previous year, but they remain at safe levels.

Analysis of debt

	30 June 2016 (unaudited)	31 Dec. 2015 (audited)
Total debt ratio	21.1%	18.9%
Debt / equity ratio	6.0%	6.6%
Debt / (debt + equity) ratio	5.6%	6.2%

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

The total debt ratio increased from 18.9% reported as at the end of 2015 to the level of 21.1% as at 30 June 2016, in spite of a decrease in interest-bearing bank loans and borrowings by PLN 2.6 million. Such change resulted primarily from the recognition of dividends payable to shareholders of ASEE amounting to PLN 21.8 million, as well as from an increase in trade payables by more than PLN 10 million. The excess of bank loan repayments over proceeds from new bank loans and the concurrent increase in the value of consolidated equity due to positive exchange differences on translation of foreign operations have caused 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 2016 (unaudited)	6 months ended 30 June 2015 (unaudited)
Net cash provided by (used in) operating activities	17,459	18,068
Net cash provided by (used in) investing activities	(25,532)	(26,396)
Net cash provided by (used in) financing activities	(7,160)	(3,642)
Net change in cash and cash equivalents	**(15,233)**	**(11,970)**

In the first half of 2016, our operating activities provided PLN 17.5 million of cash inflows. This means that in the second quarter alone, net cash generated from operating activities amounted to PLN 26.6 million which more than offset the negative cash flows from operations recorded in the first quarter of 2016 years. Such significant changes in the level of operating cash flows in individual quarters of the year result from fluctuations in the relation of cash to other elements of our working capital, which in turn are a consequence of the values and phases of ongoing projects, and above all the schedule of settlements with suppliers and customers of ASEE. Hence, the biggest changes in the balances of receivables and liabilities are observed in the countries where our major projects are implemented and settled.

In the first half of 2016, net cash used in our investing activities amounted to PLN 25.5 million which was almost PLN 1 million less than in the comparable period last year. Expenditures for the acquisition of property, plant and equipment and intangible assets amounted to PLN 10.9 million, decreasing by PLN 6 million from the level of PLN 16.9 million observed in the first half of 2015. Such decrease resulted primarily from lower purchases of infrastructure to be used in the outsourcing of payment processes. In the first half of 2016, such expenditures amounted to a bit more than PLN 9 million, as compared with nearly PLN 12 million spent in the first six months last year.

In 2016, our investing activity cash flows were considerably influenced by the acquisition of a 61.3% stake of shares in Chip Card a.d. in Serbia for the amount of over EUR 1.3 million (PLN 5.9 million). Software development costs that were capitalized in the first half of 2016 amounted to PLN 1.94 million, reflecting a decrease by over PLN 0.6 million from the year-ago level. Cash outflows for long-term bank deposits as well as for the acquisition of units in money market investment funds remained at similar levels in both the analyzed periods.

In the first half of 2016, net cash used in our financing activities amounted to PLN 7.2 million. Such negative cash flows were primarily a consequence of our repayments of bank loans and borrowings which were PLN 6.2 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.

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

Because Asseco South Eastern Europe S.A. is primarily engaged in holding operations, directions of the Company's development need to be examined taking into account the development and business performance of the entire group of Asseco South Eastern Europe.

The Management Board of ASEE S.A. believes the Group's current financial standing, production potential and market position pose no threats to its ability to continue as a going concern throughout the year 2016. 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 performance of ASEE Group include:

- economic situation in the region of South Eastern Europe and Turkey, especially in the context of continued weak economic conditions that may have an impact on the volume of orders and financial condition of ASEE Group's customers, as well as the future economic situation and eventual return to a sustainable growth path;
- condition of the IT market in the SEE region and Turkey; this part of Europe remains still way underinvested in terms of information technology as compared with the West European countries;
- implementation of informatization processes at the region's public administration 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 South Eastern European countries and Turkey;
- prospects for expansion of the Group's operations into new markets through cooperation with partners;
- prospects for expansion of the product portfolio of ASEE in connection with potential future acquisitions;
- 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 debt financing for our customers;
- inflation and fluctuations in the currency exchange rates of the countries where the Group operates;
- level of interest rates in the euro zone 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 performance of ASEE Group include:

- premium quality and comprehensive offer of ASEE Group;
- research and development expenditures made by the Group;
- 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 and marketing force;
- execution of complex information technology projects carried out under long-term agreements;
- 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 future company acquisitions.

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 2016.

10. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A., both as at 30 June 2016 and the date of publication of this report, this is on 5 August 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.	26,494,676	51.06%
Aviva Pension Fund	7,561,000	14.57%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,349,350	6.45%
Other shareholders	9,678,345	18.65%
	51,894,251	**100.00%**

According to the best knowledge of the Management Board of ASEE S.A., as at 31 December 2015 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	6,571,636	12.66%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,364,898	6.48%
Other shareholders	10,652,161	20.53%
	51,894,251	**100.00%**

Both as at 30 June 2016 and the date of publication of this report, this is on 5 August 2016, 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 5 August 2016	30 June 2016	22 April 2016	31 Dec. 2015
Adam Góral1)	-	-	-	-
Jacek Duch2)	-	-	-	-
Jan Dauman	-	-	-	-
Artur Kucharski3)	-	-	-	n/a
Andrzej Mauberg4)	n/a	n/a	n/a	-
Mihail Petreski5)	-	-	-	-
Przemysław Sęczkowski	-	-	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at 5 August 2015	30 June 2016	23 April 2015	31 Dec. 2015
Piotr Jeleński	550	550	550	550
Miljan Mališ6)	-	-	-	-
Miodrag Mirčetić7)	-	-	-	-
Marcin Rulnicki	-	-	-	-

1) Adam Góral, President of the Management Board of Asseco Poland S.A., serving as 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 2016 and 5 August 2016, 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 2016 and 5 August 2016, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.
3) Artur Kucharski has been appointed as Member of the Supervisory Board of ASEE S.A. with effect from 31 March 2016.
4) Andrzej Mauberg resigned from the position of Member of the Supervisory Board of ASEE S.A. with effect from 26 February 2016.
5) Mihail Petreski, Member of the Supervisory Board of ASEE S.A. and a shareholder in the company Liatris d.o.o. which in turn is a shareholder in ASEE S.A.; both as at 30 June 2016 and 5 August 2016, Liatris d.o.o. held 3,349,350 shares in ASEE S.A.
6) Miljan Mališ, Member of the Management Board of ASEE S.A. and a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.; both as at 30 June 2016 and 5 August 2016, Mini Invest d.o.o. held 500,000 shares in ASEE S.A.
7) Miodrag Mirčetić, Member of the Management Board of ASEE S.A. and a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.; both as at 30 June 2016 and 5 August 2016, I4-INVENTION d.o.o. held 1,032,212 shares in ASEE S.A.

All figures in thousands of PLN, unless stated otherwise

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

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.

13. RELATED PARTY TRANSACTIONS

In the period of 6 months ended 30 June 2016, 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 2016 has been presented in explanatory note 22 to the interim condensed consolidated financial statements of ASEE Group for the period of 6 months ended 30 June 2016.

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 2016 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 2016.

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 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. Our financial results are to a large extent driven by the pace of GDP growth, level of capital expenditures made by enterprises, 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.

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 giants, 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 companies.

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 paid to the standardization of solutions and optimization of costs at the corporate level. If headquarters of a bank group choose other global participants of the IT market as their preferred suppliers of IT technologies, this may have adverse effects for 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 tax regulations

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

Foreign currency exposure risk

The Group conducts business operations in many countries of South Eastern Europe 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 euro zone

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. 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

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 and cash flows.

Risk associated with gaining new IT contracts

Some of the Group's sales revenues are generated from projects won in tendering procedures organized by state institutions and companies as well as by large private enterprises. Most of such tenders are attended by leading IT companies in the region and major foreign companies, which results in a fairly high competition. Our business depends on the availability of 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, the lack of procedures and experience in obtaining the EU structural funds in Romania, Slovenia, Bulgaria and Croatia may hinder our ability to achieve 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 heavily 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 products 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 these markets become saturated.

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.

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 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 integration of the Group

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.

Risk of becoming dependent on the key management personnel

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 most cases, key members of the management staff are concurrently the founders of our subsidiaries. Acquisition of new investments often depends on the business contacts obtained by the key personnel. Losing some of the key management 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 intangible assets acquired through 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 both as at 30 June 2016 and 31 December 2015 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 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 Board 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 the 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 2016

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

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

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 2016, 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 that 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 2016, has been chosen in accordance with the provisions of the law in force, and furthermore that this entity and certified auditors, who performed the said review, both satisfied the conditions for issuing an impartial and independent opinion on such review, in line with the applicable regulations.

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

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