

## **Report of the Supervisory Board of Asseco South Eastern Europe S.A for the year 2020**

### **I. Report on the activity of the Supervisory Board of Asseco South Eastern Europe S.A in the year 2020**

#### **Organizational matters of the Supervisory Board**

In year 2020 the Supervisory Board of Asseco South Eastern Europe S.A. operated in the following composition:

Jozef Klein	– Chairman of the Supervisory Board
Adam Góral	– Vice Chairman of the Supervisory Board
Artur Kucharski	– Member of the Supervisory Board
Adam Pawłowicz	– Member of the Supervisory Board
Jacek Duch	– Member of the Supervisory Board

The Supervisory Board acting pursuant to Art. 129 of Act on Statutory Auditors, Audit Firms and Public Supervision and § 14 of the Supervisory Board Statute have made the estimation of fulfilment of requirements for the Audit Committee, as follows:

1. the independence criteria are met by Adam Pawłowicz and Artur Kucharski, who at the same time has knowledge and skills in the field of auditing financial statements,
2. all members of the Audit Committee have knowledge of the industry in which Asseco South Eastern Europe S.A. operates.

#### **Enforcement of statutory duties by the Supervisory Board**

In year 2020, the Supervisory Board have conducted permanent supervision of the ongoing activities of the Company, in connection with performance of its supervisory powers held four meetings of the Supervisory Board.

Significant area of the Supervisory Board activities in 2020 was to assess the current results of the Company, realization of the budget by the Management Board and to analyse the Company's strategy in all directions of its activity. The Management Board regularly informed the Supervisory Board of the feasibility of achieving the planned strategic objectives of the Company, as well as financial results of the Company. Individual objectives and strategic intentions of the Company were reported and discussed during the meetings between members of the Supervisory Board and the Management Board of the Company and have been approved by the Supervisory Board. The Supervisory Board received detailed information and explanations on the state and perspectives of cooperation with companies under the holding company and within the Capital Group and on the results of Company's subsidiaries.

In addition, the Supervisory Board finds that the situation of the Company in the year 2020 must be assessed by prism of the purpose for which the Company was formed, which is building a holding structure, which gather information technology companies from countries in the Central and Eastern Europe. The intention is to make as the main source of the Company's revenues dividends paid by Company's subsidiaries.

The Supervisory Board confirms the continuation of the very good cooperation with the Management Board of Asseco South Eastern Europe S.A.

### **The Audit Committee of the Supervisory Board**

#### **Composition of the Audit Committee**

In year 2020 the Audit Committee operated in following composition:

Artur Kucharski	– Chairman of the Audit Committee
Jacek Duch	– Member of the Audit Committee
Adam Pawłowicz	– Member of the Audit Committee

During the meeting of the Audit Committee on 24 February 2020, the Chairman of the Audit Committee discussed with the members of the Audit Committee the issue of meeting the formal requirements. According to the resolution adopted by the Audit Committee, criteria of independence are met by Adam Pawłowicz and Artur Kucharski, who also has knowledge and skills in the field of auditing financial statements, while all Members of the Audit Committee have knowledge of the industry in which Asseco South Eastern Europe S.A. operates.

In 2020, seven meetings of the Audit Committee were held, during which the Audit Committee performed the tasks set out in Article 130 of the Act on Statutory Auditors, Audit Firms and Public Supervision. In addition, in connection with the adoption by the Audit Committee of the Work Plan for Year 2020, which describes in detail the scope of topics to be discussed at each meeting, the Audit Committee also realised the issues contained in the Work Plan.

The Audit Committee of Asseco South Eastern Europe S.A. held meetings with the auditor of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością sp. k. before publication of the financial results for the financial year 2019 and for the first half of 2020, during which representatives of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością sp. k. presented a summary report on the audit of the financial statements of the Company and Company and Asseco South Eastern Europe Capital Group. All significant issues related to the financial statements have been discussed. Furthermore, during the meeting prior to publication of the annual financial statements, the auditor presented an additional report to the Audit Committee.

The Audit Committee, taking into account the statements of the audit firm and the statutory auditors, concluded that both the audit firm and the persons carrying out the audit of the annual financial statements of the Company and the Group for 2019 and the review of the condensed semi-annual financial statements of the Company and the Group for the first half of 2020 met the independence requirements.

Furthermore, the Audit Committee assessed the audit process as independent, due to the fact that the auditor met the conditions for expressing an unbiased and independent opinion on the audit, in accordance with relevant national law and professional standards.

In addition, the Audit Committee verified the process of preparing financial statements and the effectiveness of key procedures to ensure that financial statements as well as management and financial reports are prepared properly and contain reliable data.

During the meetings of the Audit Committee, prior to the publication of the financial results for the first and third quarter of 2020, the members of the Audit Committee acquainted themselves with the financial statements and the members of the Management Board answered additional questions of the Audit Committee.

The Audit Committee paid special attention to the functioning of internal audit, for this purpose the Audit Committee approved the audit plan for 2020 and then, during meetings with Internal Audit Manager Simeon Sumanski, became familiar with the presented methodology of audit work, its results, risk map and off-audit activities. As part of its meetings, the Audit Committee also analyzed the updates of the state of implementation of corrective actions in the area of internal audit, prepared regularly by Simeon Sumanski. The Audit Committee verified the Company's exposure to particular risks, ways of identifying and monitoring those risks and the Management Board's actions to reduce their impact on the Company's operations. After verification, the Audit Committee assessed the Internal Audit Manager as independent.

The subject of the meeting of the Audit Committee was also the analysis of the updating of works on the development of the risk management area in the companies of the ASEE Capital Group. The Audit Committee also reviewed the compliance system, promotional and marketing policy, sponsorship policy, dividend policy, and reviewed disputes and insurance in the ASEE Group.

## **II. An assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function**

When assessing the Company's situation, it should be emphasized that the Company is the parent company of the Asseco South Eastern Europe Group (ASEE Group) and its main area of activity is holding activities. Considering the above, the assessment of the Company's financial situation should be made through the prism of the operations of the entire ASEE Group.

The Supervisory Board positively assesses the situation of the Company and the ASEE Group, in particular taking into account the following data.

The sales revenues of the ASEE Group for 2020 expressed in PLN amounted to PLN 1.026 million. This means an increase by PLN 145 million, ie. almost 17% compared to the previous year. The operating profit in the same period increased by PLN 35.9 million (33%) and reached the level of PLN 145.6 million. The net profit attributable to the shareholders of the parent company in 2020 amounted to PLN 116.6 million, which means an increase by PLN 26.9 million (30%) compared to 2019. In turn, the EBITDA value achieved in 2020 was PLN 223.1 million in compared to PLN 175.9 million last year (an increase by 27%). The increase in the scale of operations in the Payment Solutions segment, as well as a significant improvement in efficiency in the Banking Sector Solutions and Dedicated Solutions segments, contributed to such a significant improvement in financial results compared to the previous year.

During year 2020, the ASEE Group closed a number of acquisitions that affected the current financial results. In January 2020, the acquisition of the company Bassilichi Bosnia and Herzegovina was carried out, the results of which are consolidated from February 1, 2020, and in June 2020, the acquisition of IPS Croatia, which was consolidated from June 1, 2020. In July 2020, the acquisition of Gastrobit GRC Grupa in Croatia was closed, the results of which have been consolidated since August. The impact of the newly acquired companies on the results of the ASEE Group in 2020, calculated as the difference between their impact on the Group's consolidated result in 2020 and in 2019, amounted to revenues of EUR 11.9 million, at the level of operating profit of EUR 70 thousand and at the EBITDA at the level of EUR 1.4 million.

Sales of the Payment Solutions segment in 2020 amounted to EUR 102.8 million, which means an increase of EUR 17.3 million (20%) compared to the same period last year. The largest increase in sales (by EUR 12.3 million) was recorded by the line of the segment responsible for the maintenance of payment terminals, where most of the revenues of new companies in the Payten structure went. During 2020, the revenues from the maintenance of payment terminals in Necomplus Group

companies also increased, especially in Spain, Portugal and Colombia. The segment's lines responsible for the maintenance of ATMs (by EUR 2.9 million) and for eCommerce (EUR 2.3 million) also recorded an increase in sales.

The operating profit of the Payment Solutions segment increased by EUR 1.9 million (15%) and for the full year 2020 amounted to EUR 14.7 million. All lines in the segment recorded higher profits. The 2020 Payment Solutions segment's EBITDA was EUR 27.9 million, which means an increase of EUR 3.6 million (15%) compared to the previous year.

The Banking Solutions segment recorded sales of EUR 46.4 million in 2020, which means an increase of EUR 2.7 million (6%) compared to the previous year. The increase in revenues was mainly related to the line of the segment offering mobile solutions. The line responsible for central banking systems and other software also recorded higher revenues. The segment's operating result at the end of December 2020 was almost EUR 11.9 million, which means an increase of EUR 2.8 million (30%). Higher EBIT was recorded by the segment's lines offering mobile solutions as well as central banking systems and other software. At the same time, the operating result of the line responsible for solutions supporting security decreased. The higher operating profit of the Solutions segment in the banking sector contributed to the increase in EBITDA. In 2020, it amounted to EUR 14.4 million, which means an increase of EUR 3 million (26%) compared to the same period last year.

Sales of the Dedicated Solutions segment in whole 2020 amounted to EUR 80.2 million. This is an increase of EUR 4.5 million (6%) compared to the previous year. Both lines of the segment recorded higher revenues, with sales of the line responsible for infrastructure and third party solutions growing slightly more dynamically. The biggest contributors to this growth were ASEE companies from Serbia, Macedonia and Croatia. On the other hand, higher revenues of the segment line offering proprietary solutions were achieved mainly in Turkey, Macedonia, Romania and Serbia. The reduction of BPO activities in Necomplus companies in Spain and Portugal had a negative impact on revenues from own dedicated solutions.

In line with the increase in revenues, the operating profit of the Dedicated Solutions segment also increased, which in the entire 2020 amounted to EUR 6 million and was EUR 2.3 million (64%) higher than in the previous year. Higher EBIT is primarily the result of improved efficiency in the line offering its own dedicated solutions, which was achieved in many companies of the Group. The EBITDA of the Dedicated Solutions segment in 2020 amounted to EUR 7.6 million and increased by EUR 2.4 million (45%) compared to the previous year.

The improvement in the ASEE Group's results in recent quarters resulted in an increase in ROE and ROA indicators. Return on equity for the 12-month period ending on December 31, 2020 was 13.6%, which means an increase by 2.1 percentage points, while the return on assets increased by 0.9 percentage points during this period and reached the level of 8.9%.

Fixed assets at the end of December 2020 accounted for almost 60% of the balance sheet total of the ASEE Group, and their main component was goodwill. In 2020, goodwill increased by PLN 43.4 million due to new acquisitions and foreign exchange differences from conversion and amounted to PLN 575.5 million. The second largest item of the ASEE Group's fixed assets are tangible fixed assets and intangible assets, which mainly include payment terminals and ATMs used to provide outsourcing services for payment processes in the Payment Solutions segment. The value of property, plant and equipment and intangible assets decreased by PLN 4.9 million in 2020 and reached PLN 166.2 million. The value of current assets at the end of 2020 was PLN 560 million, which accounted for slightly over 40% of the balance sheet total of the ASEE Group. As at the end of 2019, the largest items of current assets were cash and deposits, which, after an increase by PLN 49.4 million, amounted to PLN 249 million, and trade receivables, the value of which at the end of 2020 amounted to PLN 207.7 million. PLN (an increase by PLN 43.1 million).

The share of equity in the structure of total liabilities increased from 64% as on December 31, 2019 to 66% at the end of 2020. In turn, the value of equity increased by PLN 112.4 million during that time, mainly due to the result for 2020 partially offset by the distribution of dividends to ASEE shareholders, as well as due to foreign exchange differences from the translation of subsidiaries. The total liabilities of the ASEE Group increased by PLN 16.6 million in 2020 and reached PLN 468 million at the end of December, which accounts for 34% of the balance sheet total. The value of long-term liabilities decreased in 2020 by PLN 12.4 million, mainly due to the lower balance of long-term loans and borrowings and lease liabilities, which was partially offset by an increase in the value of liabilities under contracts with customers and other liabilities. Short-term liabilities increased by PLN 29.1 million in the last twelve months. Higher balances of short-term liabilities were recorded in virtually all lines of the balance sheet, except for bank credits and loans, the value of which decreased during 2020 by PLN 19.6 million.

Net cash from operating activities in 2020 amounted to PLN 204.6 million, which means an increase by PLN 46.2 million compared to the previous year. The increase in cash flows from operating activities is the result of a higher result and a higher amount of depreciation in 2020, as well as slightly lower expenditure on working capital than in the previous year, mainly due to a reduction in the balance of inventories and an increase in the value of short-term liabilities.

The Supervisory Board positively evaluates the system of internal control, the system of management of risk significant to the Company, compliance system and internal audit function.

In the Supervisory Board's opinion, the existing system of internal control, risk management, compliance and internal audit function are effective and implemented solutions enable to identify the types of risks significant to the Company, manage them and estimation of their acceptable level. The system of internal control, management of risk, compliance and internal audit function is designed in a manner taking into account the types of risks connected with both the operating and holding activities of the Company.

The system of internal control is based on the mechanisms of risk control (included in bylaws, instructions, procedures, job descriptions of respective employees) and control exercised by employees. Key personnel is responsible for design, implementation and monitoring of an effective and efficient internal control system as well as for identification and review of any risk exposures. Responsibilities under the internal control and risk management systems, as adopted by ASEE S.A. in the process of preparing its financial statements, are performed by the Management Board, Supervisory Board, Audit Committee and other employees.

The Company has a separate internal auditor unit. Since 1 March 2018, this role is performed by Internal Audit Manager Simeon Sumanski, whose task is to review and evaluate the control mechanisms operating in the Company and the Group and to build a risk map.

In the Supervisory Board's opinion, the Management Board properly identified the types of risks significant to the Company and managed them effectively in a dynamically changing environment.

### **III. An assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Stock Exchange Rules and the regulations on current and periodic reports published by issuers of securities.**

The Supervisory Board gives its positive assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Stock Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

**iv. Other**

Due to very limited scope of sponsorship activities, the Company does not have the formal policy in this regard, which is not questioned by the Supervisory Board.