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**REPORT OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE FIRST QUARTER OF 2017**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE FIRST QUARTER OF 2017**

Rzeszów, 26 April 2017

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FOR THE FIRST QUARTER OF 2017**

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE FIRST QUARTER OF 2017**

These interim condensed consolidated financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A.

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

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE GROUP

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Sales revenues	133,205	119,873	31,057	27,519
II. Operating profit	12,844	10,216	2,995	2,345
III. Pre-tax profit	12,969	10,212	3,024	2,344
IV. Net profit for the reporting period	10,152	8,149	2,367	1,871
V. Net profit attributable to Shareholders of the Parent Company	10,082	8,149	2,351	1,871
VI. Net cash provided by (used in) operating activities	3,036	(9,195)	708	(2,111)
VII. Net cash provided by (used in) investing activities	(16,304)	(9,678)	(3,801)	(2,222)
VIII. Net cash provided by (used in) financing activities	(5,420)	(4,865)	(1,264)	(1,117)
IX. Cash and cash equivalents at the end of period	95,673	80,213	22,672	18,792
X. Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	0.19	0.16	0.05	0.04
XI. Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	0.19	0.16	0.05	0.04

The financial highlights disclosed in these interim condensed consolidated financial statements have been translated into euros (EUR) in the following way:

- items of the interim condensed consolidated income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - for the period from 1 January 2017 to 31 March 2017: EUR 1 = PLN 4.2891
 - for the period from 1 January 2016 to 31 March 2016: EUR 1 = PLN 4.3559
- the Group's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 31 March 2017: EUR 1 = PLN 4.2198
 - exchange rate effective on 31 March 2016: EUR 1 = PLN 4.2684

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Sales revenues	1	133,205	119,873
Cost of sales (-)	2	(102,647)	(91,860)
Gross profit on sales		30,558	28,013
Selling costs (-)	2	(8,084)	(8,838)
General and administrative expenses (-)	2	(9,533)	(9,354)
Net profit on sales		12,941	9,821
Other operating income		453	391
Other operating expenses (-)		(550)	(145)
<i>Share of profits of associates and joint ventures (+/-)</i>		-	149
Operating profit		12,844	10,216
Financial income	3	2,160	1,501
Financial expenses (-)	3	(2,035)	(1,505)
Pre-tax profit		12,969	10,212
Corporate income tax (current and deferred tax expense) (+/-)		(2,817)	(2,063)
Net profit for the reporting period		10,152	8,149
Attributable to:			
Shareholders of the Parent Company		10,082	8,149
Non-controlling interests		70	-
Consolidated earnings per share for the reporting period attributable to Shareholders of ASECO S.A. (in PLN):			
Basic consolidated earnings per share from continuing operations for the reporting period	4	0.19	0.16
Diluted consolidated earnings per share from continuing operations for the reporting period	4	0.19	0.16

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Net profit for the reporting period	10,152	8,149
Other comprehensive income, of which:	(32,000)	2,188
<i>Components that may be reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	(32,000)	2,188
	(32,000)	2,188
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	(21,848)	10,337
Attributable to:		
<i>Shareholders of the Parent Company</i>	(21,824)	10,337
<i>Non-controlling interests</i>	(24)	-

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 March 2017	31 Dec. 2016	31 March 2016
		(unaudited)	(audited)	(restated)
Non-current assets		615,381	642,938	621,943
Property, plant and equipment	<u>6</u>	100,522	102,161	87,341
Investment property		679	1,160	1,149
Intangible assets	<u>6</u>	27,745	30,180	32,798
Goodwill	<u>7</u>	482,520	505,634	490,762
Investments accounted for using the equity method		-	-	1,165
Prepayments for shares in subsidiaries		-	-	5,023
Long-term financial assets	<u>9</u>	257	162	172
Long-term receivables		287	385	855
Deferred tax assets		2,253	2,621	2,152
Long-term prepayments and accrued income	<u>11</u>	1,118	635	526
Current assets		243,973	303,510	219,556
Inventories		18,780	23,474	19,420
Prepayments and accrued income	<u>11</u>	15,286	14,380	13,302
Trade receivables	<u>8</u>	82,647	126,498	79,289
Corporate income tax receivable		1,083	166	334
Other receivables from the state and local budgets		1,357	1,002	1,262
Receivables arising from valuation of IT contracts		15,290	11,722	19,364
Other receivables	<u>8</u>	3,763	3,632	3,784
Short-term financial assets	<u>9</u>	10,094	3,090	2,588
Cash and short-term deposits	<u>10</u>	95,673	119,546	80,213
TOTAL ASSETS		859,354	946,448	841,499

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Note	31 March 2017	31 Dec. 2016	31 March 2016
		(unaudited)	(audited)	(restated)
Equity (attributable to shareholders of the Parent Company)		683,468	730,201	676,814
Share capital		518,942	518,942	518,942
Share premium		38,825	38,825	38,825
Foreign exchange differences on translation of foreign operations		(98,332)	(66,426)	(76,551)
Retained earnings and current net profit		224,033	238,860	195,598
Non-controlling interests		2,186	2,210	-
Total equity		685,654	732,411	676,814
Non-current liabilities		25,352	29,279	23,616
Interest-bearing bank loans and borrowings	<u>12</u>	17,971	21,807	19,114
Deferred tax liabilities		1,821	1,328	844
Long-term trade payables and other liabilities		605	696	71
Long-term provisions		1,234	1,274	1,125
Long-term financial liabilities	<u>13</u>	1,888	2,756	1,697
Long-term deferred income	<u>15</u>	1,833	1,418	765
Current liabilities		148,348	184,758	141,069
Interest-bearing bank loans and borrowings	<u>12</u>	19,661	22,789	24,157
Trade payables	<u>14</u>	43,640	68,674	37,601
Corporate income tax payable	<u>14</u>	2,422	2,539	1,333
Other liabilities to the state and local budgets	<u>14</u>	8,270	22,143	7,908
Financial liabilities	<u>13</u>	25,846	1,198	22,553
Liabilities and provisions arising from valuation of IT contracts (-)		5,055	7,811	6,556
Other liabilities	<u>14</u>	11,391	23,373	11,855
Short-term provisions		889	864	1,622
Deferred income	<u>15</u>	16,922	21,752	14,008
Accruals	<u>15</u>	14,252	13,615	13,476
TOTAL LIABILITIES		173,700	214,037	164,685
TOTAL EQUITY AND LIABILITIES		859,354	946,448	841,499

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 3 months ended 31 March 2017

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2017	518,942	38,825	(66,426)	238,860	730,201	2,210	732,411
Net profit (loss) for the reporting period	-	-	-	10,082	10,082	70	10,152
Other comprehensive income	-	-	(31,906)	-	(31,906)	(94)	(32,000)
Total comprehensive income for the reporting period	-	-	(31,906)	10,082	(21,824)	(24)	(21,848)
Dividend	-	-	-	(24,909)	(24,909)	-	(24,909)
As at 31 March 2017 (unaudited)	518,942	38,825	(98,332)	224,033	683,468	2,186	685,654

for the period of 12 months ended 31 December 2016

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2016	518,942	38,825	(78,739)	209,247	688,275	-	688,275
Net profit (loss) for the reporting period	-	-	-	51,468	51,468	80	51,548
Other comprehensive income	-	-	12,313	-	12,313	-	12,313
Total comprehensive income for the reporting period	-	-	12,313	51,468	63,781	80	63,861
Changes in the Group structure, of which:	-	-	-	(59)	(59)	2,130	2,071
Acquisition of shares in a subsidiary	-	-	-	-	-	5,063	5,063
Acquisition of non-controlling interests	-	-	-	(59)	(59)	(2,933)	(2,992)
Dividend	-	-	-	(21,796)	(21,796)	-	(21,796)
As at 31 December 2016 (audited)	518,942	38,825	(66,426)	238,860	730,201	2,210	732,411

for the period of 3 months ended 31 March 2016

	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2016	518,942	38,825	(78,739)	209,247	688,275	-	688,275
Net profit (loss) for the reporting period	-	-	-	8,149	8,149	-	8,149
Other comprehensive income	-	-	2,188	-	2,188	-	2,188
Total comprehensive income for the reporting period	-	-	2,188	8,149	10,337	-	10,337
Dividend	-	-	-	(21,798)	(21,798)	-	(21,798)
As at 31 March 2016 (restated)	518,942	38,825	(76,551)	195,598	676,814	-	676,814

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Cash flows – operating activities		
Pre-tax profit	12,969	10,212
Total adjustments:	(7,011)	(17,257)
Depreciation and amortization	9,439	8,683
Change in inventories	1,472	(6,972)
Change in receivables	32,702	(407)
Change in liabilities, accruals and provisions	(51,328)	(19,181)
Interest income and expenses	167	214
Gain/Loss on foreign exchange differences	1,409	660
Gain/Loss on investing activities	(875)	(208)
Other	3	(46)
Net cash generated from operating activities	5,958	(7,045)
Corporate income tax paid	(2,922)	(2,150)
Net cash provided by (used in) operating activities	3,036	(9,195)
Cash flows – investing activities		
Disposal of property, plant and equipment and intangible assets	130	151
Acquisition of property, plant and equipment, and intangible assets	(8,759)	(3,999)
Expenditures for development projects	(633)	(1,006)
Prepayments for shares in subsidiaries	-	(5,144)
Disposal of financial instruments carried at fair value through profit or loss	2,097	4,122
Acquisition of financial assets carried at fair value through profit or loss	(9,412)	(3,964)
Loans collected	13	35
Loans granted	-	(48)
Interest received	260	179
Other	-	(4)
Net cash provided by (used in) investing activities	(16,304)	(9,678)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Cash flows – financing activities		
Proceeds from (repayments of) short-term bank loans and borrowings	-	827
Proceeds from other bank loans and borrowings	1,347	26
Repayments of other bank loans and borrowings	(6,138)	(5,208)
Finance lease liabilities paid	(263)	(202)
Interest paid	(366)	(308)
Net cash provided by (used in) financing activities	(5,420)	(4,865)
Net increase/(decrease) in cash and cash equivalents	(18,688)	(23,738)
Net foreign exchange differences	(4,780)	205
Cash and cash equivalents as at 1 January	118,058	99,868
Cash and cash equivalents as at 31 March	10	94,590
	94,590	76,335

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

I. GENERAL INFORMATION

Asseco South Eastern Europe Group (the "Group", "ASEE Group") is a group of companies, the Parent Company of which is Asseco South Eastern Europe S.A. (the "Parent Company", "ASEE S.A.", "Company", "Issuer") seated at 14 Olchowa St., Rzeszów, Poland.

The Parent Company Asseco South Eastern Europe S.A. was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

ASEE S.A. is the parent of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

Asseco South Eastern Europe 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. The Group conducts business operations in the markets of Poland, South Eastern Europe, and Turkey.

The Group's business profile and product portfolio have been described in detail in its financial statements for the year 2016 which are available at the Issuer's website: www.asseco.com/see.

These interim condensed consolidated financial statements cover the interim period ended 31 March 2017 and contain comparable data for the interim period ended 31 March 2016 in case of the income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows; and comparable data as at 31 December 2016 and 31 March 2016 in case of the statement of financial position.

The Group draws up its financial statements in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

These interim consolidated financial statements have been approved for publication by the Management Board of ASEE S.A. on 26 April 2017.

II. MAJOR SHAREHOLDERS

To the best knowledge of the Management Board of ASEE S.A. as at 31 March 2017, at the date of publication of this report, i.e. on 26 April 2017, as well 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%

As at 31 March 2017, on the date of publication of this report, i.e. on 26 April 2017, as well as at 31 March 2016, the share capital of ASEE 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.

III. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES

As at the date of publication of this report, this is on 26 April 2017, the Company's Management Board and Supervisory Board were composed of the following persons:

Supervisory Board	Management Board
Adam Góral	Piotr Jeleński
Jacek Duch	Miljan Mališ
Jozef Klein	Miodrag Mirčetić
Artur Kucharski	Marcin Rulnicki
Gabriela Żukowicz	

During the reporting period, the composition of the Company's Supervisory Board 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.

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

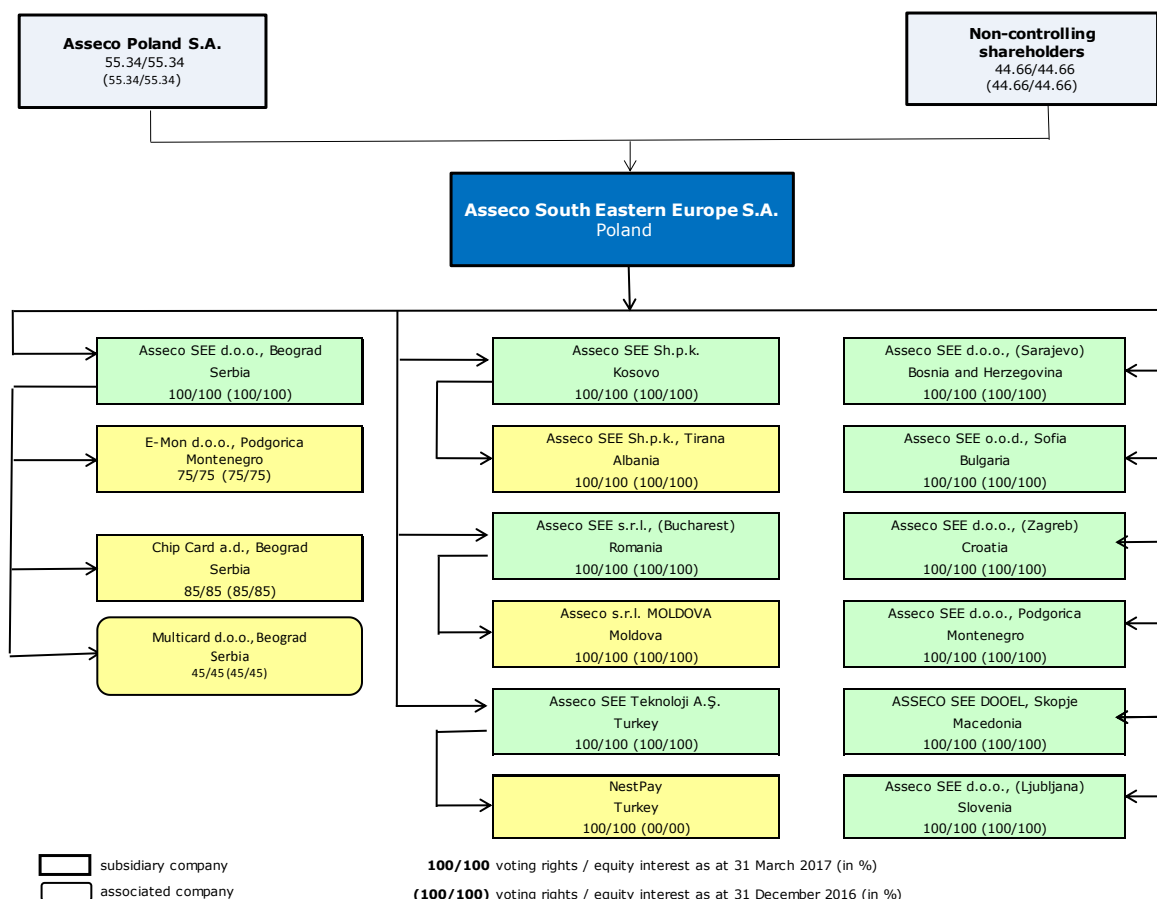
Supervisory Board Members	Number of shares held as at			
	26 April 2017	31 March 2017	17 Feb. 2017	31 Dec. 2016
Adam Góral ¹⁾	-	-	-	-
Jacek Duch ²⁾	-	-	-	-
Jan Dauman	n/a	n/a	-	-
Jozef Klein	-	-	n/a	n/a
Artur Kucharski	-	-	-	-
Przemysław Sęczkowski	n/a	n/a	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	26 April 2017	31 March 2017	17 Feb. 2017	31 Dec. 2016
Piotr Jeleński	550	550	550	550
Miljan Mališ ³⁾	-	-	-	-
Miodrag Mirčetić ⁴⁾	-	-	-	-
Marcin Rulnicki	-	-	-	-

- 1) Adam Góral, President of the Management Board of Asseco Poland S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; both as at 31 December 2016 and 26 April 2017, Asseco Poland S.A. held 28,716,032 shares in ASEE S.A.
2) Jacek Duch, Chairman of the Supervisory Board of Asseco Poland S.A., is a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; both as at 31 March 2017 and 26 April 2017, Asseco Poland S.A. held 28,716,032 shares in ASEE S.A.

- 3) Miljan Mališ, Member of the Management Board of ASEE S.A., is a shareholder in the company Mini Invest d.o.o. which used to be a shareholder in ASEE S.A.; as at 31 December 2016, Mini Invest d.o.o. held 500,000 shares in ASEE S.A., whereas as at 26 April 2017, this company is no longer a shareholder in ASEE S.A.
7) Miodrag Mirčetić, Member of the Management Board of ASEE S.A., is a shareholder in the company I4-INVENTION d.o.o. which used to be a shareholder in ASEE S.A.; as at 31 December 2016, I4-INVENTION d.o.o. held 330,016 shares in ASEE S.A., whereas as at 26 April 2017, this company is no longer a shareholder in ASEE S.A.

V. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP



The chart above presents the structure of ASEE Group along with equity interests and voting rights at the general meetings of shareholders/partners as at 31 March 2017.

The parent of Asseco South Eastern Europe S.A. is Asseco Poland S.A. (the higher-level parent company).

As at 31 March 2017, Asseco Poland S.A. held a 55.34% stake in the share capital of ASEE S.A.

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.

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 31 March 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.

VI. EFFECTS OF CHANGES IN THE ORGANIZATIONAL STRUCTURE

During the period of 3 months ended 31 March 2017, the organizational structure of ASEE Group changed as follows:

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.

VII. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for the preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with the historical cost convention, except for derivative financial instruments and assets that are carried at fair value through profit or loss.

The presentation currency of these interim condensed consolidated financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN'000), unless stated otherwise.

These interim condensed consolidated financial statements have been prepared on a going-concern basis, assuming the Group, Parent Company as well as its subsidiaries will continue their business activities in the foreseeable future.

Till the date of approving these financial statements, we have not observed any circumstances that would threaten the Company and the Group companies' ability to continue as going concerns for at least 12 months after the reporting period.

2. Compliance statement

These interim condensed consolidated financial statements have been prepared in conformity with the International Accounting Standard 34 Interim Financial Reporting as endorsed by the European Union ("IAS 34").

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The interim condensed consolidated financial statements include adjustments not disclosed in the accounting books of the Group's entities which were introduced to adjust the financial statements of those entities to IFRS.

3. Significant accounting policies

The significant accounting policies adopted by ASEE Group have been described in its consolidated financial statements for the year ended 31 December 2016, which were published on 17 February 2017 and are available at the Issuer's website: www.asseco.com/see. These interim condensed consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and therefore they should be read together with the Group's consolidated financial statements for the year ended 31 December 2016.

The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2017.

4. Functional currency and reporting currency

The functional currency applied by the Parent Company as well as the reporting currency used in these interim condensed consolidated financial statements is the Polish zloty (PLN).

Standalone and consolidated financial statements of the Group companies are drawn up in the functional currencies of their primary business environments. The functional currencies of direct subsidiaries of ASEE S.A. include the Romanian leu (RON), Croatian kuna (HRK), Serbian dinar (RDS), Macedonian denar (MKD), euro (EUR), Turkish lira (TRY), Bulgarian lev (BGN), Bosnia and Herzegovina convertible mark (BAM), and Polish zloty (PLN).

5. Professional judgement and estimates

Preparation of consolidated financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements. Although the adopted assumptions and estimates have been based on the Group management's best knowledge on the current activities and occurrences, the actual results may differ from those anticipated. The main areas which, in the process of applying the accounting policies, were largely subject to the management's professional judgement remained unchanged as compared with their description presented in the annual financial statements for the year 2016.

6. Seasonal nature of business

The Group's business operations are subject to seasonality, which involves revenue fluctuations in individual quarters of the year. Because the bulk of sales revenues are generated from IT services contracts executed for large companies and public institutions, turnovers recorded in the fourth quarter tend to be higher than in the remaining periods. Such phenomenon occurs for the reason that the above-mentioned entities close their annual budgets for implementation of IT projects and carry out investment purchases of hardware and licenses usually in the last quarter.

7. Changes in the accounting policies applied

In the reporting period, the Group has not introduced any changes to the applied accounting policies, except for adopting the amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2017.

8. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any misstatements.

VIII. INFORMATION ON OPERATING SEGMENTS

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

- a) Banking Solutions,
- b) Payment Solutions,
- c) Systems Integration.

Banking Solutions

ASEE's offer within the Banking Solutions segment 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.

Payment Solutions

ASEE provides complete payment industry solutions, for non-financial and financial institutions, supporting card and card-less transactions. Our product portfolio includes solutions for e-commerce (NestPay®, MSU), mobile payments (mPOS, HCE), payment card processing, as well as ATM and POS related services.

We deliver software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio.

Systems Integration

Asseco South Eastern Europe Group is a top player on the market of integration services in Kosovo, Macedonia, Romania and Serbia. The Group 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. The Systems Integration segment also presents 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.

The Group's business profile and product portfolio have been described in detail in its financial statements for the year 2016.

For the period of 3 months ended 31 March 2017 and as at 31 March 2017 in thousands of PLN (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Systems Integration (III)	Unallocated	Eliminations / Reconciliations	Total
Sales revenues:	36,293	54,694	48,702	1,613	(8,097)	133,205
Sales to external customers	32,370	53,047	47,788	-	-	133,205
Inter/intra segment sales	3,923	1,647	914	1,613	(8,097)	-
Gross profit on sales	9,338	12,651	8,569	-	-	30,558
Selling costs (-)	(2,355)	(2,429)	(3,300)	-	-	(8,084)
General and administrative expenses (-)	(3,346)	(3,916)	(2,271)	-	-	(9,533)
Net profit on sales	3,637	6,306	2,998	-	-	12,941
<i>Goodwill</i>	<i>196,502</i>	<i>106,683</i>	<i>179,335</i>	-	-	482,520

For 3 months ended 31 March 2017 in thousands of EUR (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Systems Integration (III)	Unallocated	Eliminations / Reconciliations	Total
Sales revenues:	8,462	12,752	11,355	376	(1,888)	31,057
Sales to external customers	7,547	12,368	11,142	-	-	31,057
Inter/intra segment sales	915	384	213	376	(1,888)	-
Gross profit on sales	2,177	2,950	1,998	-	-	7,125
Selling costs (-)	(549)	(566)	(770)	-	-	(1,885)
General and administrative expenses (-)	(780)	(914)	(529)	-	-	(2,223)
Net profit on sales	848	1,470	699	-	-	3,017

The above figures have been converted at the average exchange rate for the period from 1 January 2017 to 31 March 2017: EUR 1 = PLN 4.2891

For the period of 3 months ended 31 March 2016 and as at 31 March 2016 in thousands of PLN (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Systems Integration (III)	Unallocated	Eliminations / Reconciliations	Total
Sales revenues:	33,656	46,812	46,267	2,902	(9,764)	119,873
Sales to external customers	29,790	45,707	44,376	-	-	119,873
Inter/intra segment sales	3,866	1,105	1,891	2,902	(9,764)	-
Gross profit on sales	6,389	14,060	7,564	-	-	28,013
Selling costs (-)	(2,731)	(2,548)	(3,559)	-	-	(8,838)
General and administrative expenses (-)	(3,461)	(3,309)	(2,584)	-	-	(9,354)
Net profit on sales	197	8,203	1,421	-	-	9,821
<i>goodwill</i>	<i>194,700</i>	<i>110,157</i>	<i>185,905</i>	-	-	490,762

For 3 months ended 31 March 2016 in thousands of EUR (unaudited)	Banking Solutions (I)	Payment Solutions (II)	Systems Integration (III)	Unallocated	Eliminations / Reconciliations	Total
Sales revenues:	7,727	10,747	10,621	666	(2,242)	27,519
Sales to external customers	6,839	10,493	10,187	-	-	27,519
Inter/intra segment sales	888	254	434	666	(2,242)	-
Gross profit on sales	1,467	3,228	1,736	-	-	6,431
Selling costs (-)	(627)	(585)	(817)	-	-	(2,029)
General and administrative expenses (-)	(795)	(760)	(592)	-	-	(2,147)
Net profit on sales	45	1,883	327	-	-	2,255

The above figures have been converted at the average exchange rate for the period from 1 January 2016 to 31 March 2016: EUR 1 = PLN 4.3559

IX. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the period of 3 months ended 31 March 2017 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	250	4,000	1,079	23,292	2,152	2,662	11,678	1,487	38,147	31,394	3,928	13,136	133,205
Cost of sales (-)	(153)	(2,614)	(1,040)	(18,142)	(1,311)	(2,202)	(7,870)	(1,157)	(33,625)	(23,577)	(3,094)	(7,862)	(102,647)
Gross profit on sales	97	1,386	39	5,150	841	460	3,808	330	4,522	7,817	834	5,274	30,558
Selling costs (-)	(14)	(160)	(70)	(1,312)	(40)	(82)	(704)	(140)	(1,585)	(2,402)	(56)	(1,519)	(8,084)
General and administrative expenses (-)	(60)	(355)	(260)	(1,826)	(192)	(251)	(783)	(5)	(1,561)	(2,346)	(182)	(1,712)	(9,533)
Net profit/(loss) on sales	23	871	(291)	2,012	609	127	2,321	185	1,376	3,069	596	2,043	12,941
Other operating income	-	22	8	46	-	25	62	213	36	4	-	37	453
Other operating expenses	-	-	(13)	(4)	-	(4)	(31)	(183)	(22)	(287)	-	(6)	(550)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	23	893	(296)	2,054	609	148	2,352	215	1,390	2,786	596	2,074	12,844

For the period of 3 months ended 31 March 2017 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	58	933	252	5,431	502	621	2,722	347	8,893	7,320	916	3,062	31,057
Cost of sales (-)	(36)	(609)	(242)	(4,230)	(306)	(513)	(1,835)	(270)	(7,840)	(5,497)	(721)	(1,833)	(23,932)
Gross profit on sales	22	324	10	1,201	196	108	887	77	1,053	1,823	195	1,229	7,125
Selling costs (-)	(3)	(37)	(16)	(306)	(9)	(19)	(164)	(33)	(370)	(560)	(13)	(355)	(1,885)
General and administrative expenses (-)	(14)	(83)	(61)	(426)	(45)	(59)	(183)	(1)	(364)	(547)	(42)	(398)	(2,223)
Net profit/(loss) on sales	5	204	(67)	469	142	30	540	43	319	716	140	476	3,017
Other operating income	-	5	2	11	-	6	14	50	8	1	-	9	106
Other operating expenses	-	-	(3)	(1)	-	(1)	(7)	(43)	(5)	(67)	-	(1)	(128)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	5	209	(68)	479	142	35	547	50	322	650	140	484	2,995

For the period of 3 months ended 31 March 2016 in thousands of PLN	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	721	3,931	1,880	18,080	1,416	2,800	12,187	1,640	17,748	39,586	4,803	15,081	119,873
Cost of sales (-)	(584)	(2,753)	(1,599)	(15,163)	(916)	(2,259)	(8,009)	(889)	(15,081)	(31,085)	(3,796)	(9,726)	(91,860)
Gross profit on sales	137	1,178	281	2,917	500	541	4,178	751	2,667	8,501	1,007	5,355	28,013
Selling costs (-)	(12)	(165)	(37)	(1,568)	(36)	(73)	(798)	(307)	(1,504)	(2,655)	(76)	(1,607)	(8,838)
General and administrative expenses (-)	(62)	(412)	(214)	(1,813)	(165)	(237)	(816)	(5)	(1,410)	(2,241)	(229)	(1,750)	(9,354)
Net profit/(loss) on sales	63	601	30	(464)	299	231	2,564	439	(247)	3,605	702	1,998	9,821
Other operating income	-	-	22	22	31	17	59	2	42	10	-	186	391
Other operating expenses	-	-	(20)	(8)	(4)	(13)	(20)	(2)	(1)	(76)	-	(1)	(145)
Share of profits of associates	-	-	-	-	149	-	-	-	-	-	-	-	149
Operating profit/(loss)	63	601	32	(450)	475	235	2,603	439	(206)	3,539	702	2,183	10,216

For the period of 3 months ended 31 March 2016 in thousands of EUR	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	166	902	432	4,151	325	643	2,798	376	4,074	9,088	1,103	3,461	27,519
Cost of sales (-)	(134)	(632)	(367)	(3,481)	(210)	(519)	(1,839)	(204)	(3,462)	(7,136)	(871)	(2,233)	(21,088)
Gross profit on sales	32	270	65	670	115	124	959	172	612	1,952	232	1,228	6,431
Selling costs (-)	(3)	(38)	(8)	(360)	(8)	(17)	(183)	(70)	(345)	(610)	(17)	(370)	(2,029)
General and administrative expenses (-)	(14)	(95)	(49)	(416)	(38)	(54)	(187)	(1)	(324)	(514)	(53)	(402)	(2,147)
Net profit/(loss) on sales	15	137	8	(106)	69	53	589	101	(57)	828	162	456	2,255
Other operating income	-	-	5	5	7	4	14	-	10	2	-	42	89
Other operating expenses	-	-	(5)	(2)	(1)	(3)	(5)	-	-	(17)	-	-	(33)
Share of profits of associates	-	-	-	-	34	-	-	-	-	-	-	-	34
Operating profit/(loss)	15	137	8	(103)	109	54	598	101	(47)	813	162	498	2,345

X. SUMMARY AND ANALYSIS OF THE FINANCIAL RESULTS OF ASSECO SOUTH EASTERN EUROPE GROUP

PLN'000	3 months ended	3 months ended	Change
	31 March 2017	31 March 2016	
	(unaudited)	(unaudited)	%
Sales revenues	133,205	119,873	11%
Gross profit on sales	30,558	28,013	9%
Net profit on sales	12,941	9,821	32%
Operating profit	12,844	10,216	26%
EBITDA	22,283	18,899	18%
Net profit for the reporting period	10,152	8,149	25%
Net profit attributable to Shareholders of the Parent Company	10,082	8,149	24%

EUR'000	3 months ended	3 months ended	Change
	31 March 2017	31 March 2016	
	(unaudited)	(unaudited)	%
Sales revenues	31,057	27,519	13%
Gross profit on sales	7,125	6,431	11%
Net profit on sales	3,017	2,255	34%
Operating profit	2,995	2,345	28%
EBITDA	5,195	4,339	20%
Net profit for the reporting period	2,367	1,871	27%
Net profit attributable to Shareholders of the Parent Company	2,351	1,871	26%

Financial results achieved by ASEE Group in the first quarter of 2017 were noticeably stronger than in the comparable period last year. The growing sales helped improve our financial performance at all the levels. Each of our three operating segments generated higher revenues, while the Banking Solutions segment contributed most to the improvement of our operating profit. Stronger operating results were also recorded by the Systems Integration segment. Whereas, operating profit generated by the Payment Solutions segment in the first quarter of 2017 was slightly weaker than in the first three months of the previous year.

Sales revenues

In the first quarter of 2017, sales revenues presented in Polish zlotys reached PLN 133.2 million, reflecting an increase by PLN 13.3 million or 11% in relation to the comparable period last year. Our sales presented in euros equalled EUR 31.1 million, increasing by EUR 3.5 million or 13%.

PLN'000	3 months ended	3 months ended	Change
	31 March 2017	31 March 2016	
	(unaudited)	(unaudited)	
Banking Solutions	32,370	29,790	9%
Payment Solutions	53,047	45,707	16%
Systems Integration	47,788	44,376	8%
	133,205	119,873	11%

EUR'000	3 months ended	3 months ended	Change
	31 March 2017	31 March 2016	
	(unaudited)	(unaudited)	
Banking Solutions	7,547	6,839	10%
Payment Solutions	12,368	10,493	18%
Systems Integration	11,142	10,187	9%
	31,057	27,519	13%

The largest contribution to the revenue growth of ASEE Group was made by the Payment Solutions segment. In the first quarter of 2017, sales revenues generated by this segment reached EUR 12.4 million, increasing by almost EUR 2 million or 18%. A significant increase in revenues was achieved from the maintenance of POS terminals (by EUR 1.1 million) as well as from the maintenance of ATMs (by EUR 0.4 million), mainly in Romania and Croatia. The segment's sales increased by another EUR 0.4 million due to the provision of payment processing and authentication services, which were not offered by ASEE Group in the first quarter of 2016 yet.

In the first quarter of 2017, revenues of the Systems Integration segment reached EUR 11.1 million, improving by more than EUR 0.9 million or 9% in relation to the comparable period last year. Higher sales were achieved by the business line engaged in the supply of infrastructure and integration services, mainly on the back of contracts performed in Romania. Whereas, the business line offering proprietary software recorded slightly lower sales in the first quarter of 2017 than in the comparable period last year.

Sales revenues generated by the Banking Solutions segment in the first quarter of 2017 were stronger than a year ago, growing by EUR 0.7 million or 10% to reach the level of EUR 7.5 million. This improvement was achieved primarily due to higher revenues from the sale of authentication and mobile solutions executed by our subsidiary ASEE Croatia.

In the first quarter of 2017, the structure of our revenues by product type remained unchanged from the comparable period last year. The share of our own products and services in the total sales of ASEE Group equalled 62.2%, as compared with 62.3% during the first three months of 2016. Despite a similar revenue structure, our gross profit margin for the first three months of 2017 equalled 22.9%, reflecting a slight decrease from the level of 23.4% achieved in the comparable period last year. Our profitability at this level declined primarily as a result of lower margins realized on resale of infrastructure and third-party licenses.

Gross profit on sales

The above-mentioned revenue growth by EUR 3.5 million was accompanied by an increase in the cost of sales by slightly more than EUR 2.8 million, as a result of which our gross profit on sales for the first quarter of 2017 improved by EUR 0.7 million or nearly 11%.

In the first three months of 2017, our production costs amounted to a bit more than EUR 11.7 million and were by almost EUR 0.8 million higher than in the comparable period of the previous year. In the same period, the cost of goods, materials and third-party services sold (COGS) increased by nearly EUR 2.1 million.

Net profit on sales

Our consolidated net profit on sales for the first quarter of 2017 improved by EUR 762 thousand, as a cumulative effect of an increase in gross profit on sales by EUR 694 thousand, decrease in selling expenses by EUR 144 thousand, and an increase in general and administrative expenses by EUR 76 thousand.

PLN'000	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	Change
Banking Solutions	3,637	197	1746%
Payment Solutions	6,306	8,203	-23%
Systems Integration	2,998	1,421	111%
	12,941	9,821	32%

EUR'000	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	Change
Banking Solutions	848	45	1784%
Payment Solutions	1,470	1,883	-22%
Systems Integration	699	327	114%
	3,017	2,255	34%

Consolidated net profit on sales of ASEE Group for the first quarter of 2017 improved owing to stronger results achieved mainly by our Banking Solutions segment (an increase by EUR 0.8 million) and, to a lesser extent, by the Systems Integration segment (an increase by nearly EUR 0.4 million). These positive achievements were partially offset by the weaker net profit on sales of the Payment Solutions segment (a decrease by EUR 0.4 million). The reasons behind such changes have been described in more detail in the above section on sales revenues as well as in the below section discussing our operating profit.

Operating profit

Operating profit of ASEE Group for the first quarter of 2017 reached EUR 3 million, increasing by more than EUR 0.6 million or 28% in relation to the comparable period last year.

Such growth in operating profit was driven primarily by robust results achieved by the Payment Solutions segment. In the first quarter of 2017, this segment earned an operating profit of EUR 0.8 million, as compared with only EUR 45 thousand reported a year ago. Such weak performance in the first quarter of 2016 was caused by the lack of new major implementation projects as well as by the need to create provisions for additional costs of ongoing projects. Our operating profit for the first three months of 2017 was significantly stronger as we utilized our resources more effectively and did not incur any additional provision costs. The segment's results improved most considerably in Croatia (an increase by EUR 0.5 million), but also in Bosnia and Herzegovina and in Romania.

The Systems Integration segment improved its operating result by nearly EUR 0.4 million. A higher profit was recorded by segment's proprietary software business line. This improvement resulted primarily from a reduction of the segment's operating costs in Turkey, owing to reorganization of its operations completed at the end of 2016, as well as from higher sales generated by ASEE Romania.

Operating profit earned by the Payment Solutions segment in the first quarter of 2017 amounted to EUR 1.5 million, decreasing by nearly EUR 0.4 million or 22% below the year-ago level. The segment achieved weaker operating results both

from the handling of physical payments where we carried out less deliveries of infrastructure and incurred higher costs of ATM repairs, as well as from the settlement of online payments where we incurred higher expenditures for new business development and generated slightly lower sales than a year ago. Deterioration in the physical payments business was observed mainly in Serbia and Bulgaria, while the online payments business was weaker in Turkey.

EBITDA

PLN'000	3 months ended	3 months ended	Change
	31 March 2017 (unaudited)	31 March 2016 (unaudited)	
Banking Solutions	4,907	2,021	143%
Payment Solutions	13,386	14,016	-4%
Systems Integration	3,990	2,862	39%
	22,283	18,899	18%

EUR'000	3 months ended	3 months ended	Change
	31 March 2017 (unaudited)	31 March 2016 (unaudited)	
Banking Solutions	1,144	464	147%
Payment Solutions	3,121	3,218	-3%
Systems Integration	930	657	42%
	5,195	4,339	20%

Consolidated EBITDA of ASEE Group for the first quarter of 2017 reached EUR 5.2 million, improving by nearly EUR 0.9 million or 20% in relation to the comparable period last year. The largest contributor to our EBITDA growth was the Banking Solutions segment (an increase by almost EUR 0.7 million). Another EUR 0.3 million of the increase in EBITDA was added by the Systems Integration segment. Whereas, EBITDA generated by the Payment Solutions segment for the first quarter of 2017 was by EUR 0.1 million lower than a year ago.

Analysis of financial ratios

PLN'000	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Gross profit margin	22.9%	23.4%
EBITDA margin	16.7%	15.8%
Operating profit margin	9.6%	8.5%
Net profit margin	7.6%	6.8%
Return on equity (ROE)	7.8%	6.6%
Return on assets (ROA)	6.3%	5.3%

The above ratios have been computed using the following formulas:
 Gross profit margin = gross profit on sales / sales
 EBITDA margin = (operating profit + depreciation and amortization) / sales
 Operating profit margin = operating profit / sales
 Net profit margin = net profit for the reporting period attributable to Shareholders of the Parent Company / sales
 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 quarter of 2017, our gross profit margin equalled 22.9%, decreasing by 0.5 percentage points in comparison to the first three months of

Net profit

Consolidated net profit of ASEE Group for the first quarter of 2017 amounted to EUR 2.37 million, increasing by EUR 0.5 thousand or 27% in relation to the comparable period last year.

The Group's net result on financial operations in the first three months of 2017 equalled EUR 29 thousand, as compared with EUR -1 thousand reported a year ago. This year ASEE Group recorded a slightly higher amount of interest income. Whereas, in the first quarter of 2016, our financial expenses included a portion of costs related to the acquisition of Chip Card a.d. in Serbia.

In the first quarter of 2017, our income tax expense amounted to EUR 657 thousand (effective tax rate of 21.7%) as compared with EUR 474 thousand incurred in the previous year (effective tax rate of 20.2%). 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 quarter of 2017, our subsidiary operating in Macedonia adopted a resolution to pay out EUR 2.1 million in dividends to the holding company, which caused the obligation to pay a withholding tax and increased our effective tax rate. During the first three months of 2016, no dividends were paid out to the holding company, hence the income tax expense was incurred fully on our current business operations. Excluding the effect of withholding tax on dividends, our effective tax rate for the first quarter of 2017 decreased in comparison with the corresponding period last year, basically due to a lower income tax expense in Turkey and Serbia.

2016. As described above, our profitability at this level declined primarily as a result of lower margins realized on resale of infrastructure and third-party solutions.

Despite a lower gross profit margin, the amount of our gross profit on sales increased by EUR 0.7 million, while net profit on sales improved by EUR 0.8 million owing to selling cost savings and just a slight increase in general and administrative expenses. As a result, our profit margins at further levels were also stronger in the first quarter of 2017 than in the comparable period last year. Hence, our EBITDA margin increased from 15.8% to 16.7%, operating profit margin from 8.5% to 9.6%, while net profit margin improved from 6.8% to 7.6%. An increase in our net profit for the trailing 12 months contributed to the improvement of ROA and ROE

ratios for the first quarter of the year. Return on equity equalled 7.8%, increasing by 1.2 percentage points; whereas, return on assets reached the level of 6.3%, increasing by 1 percentage point.

	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Working capital (in thousands of PLN)	95,625	118,752	78,487
Current liquidity ratio	1.64	1.64	1.56
Quick liquidity ratio	1.41	1.44	1.32
Absolute liquidity ratio	0.71	0.66	0.59

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 – receivables from the state and local budgets – receivables from valuation of IT contracts) / current liabilities
 Absolute liquidity ratio = (short-term financial assets + cash and short-term bank deposits) / current liabilities

Our working capital decreased by PLN 23.1 million in comparison with the end of December 2016. During the first quarter of 2017, total current assets declined by PLN 59.5 million mainly due to a lower amount of trade receivables by nearly PLN 44 million, and a decrease in cash and short-term financial assets by nearly PLN 17 million. In the same period, total current liabilities were reduced by PLN 36.4 million. This was primarily a consequence of decreases in the amounts of trade payables by PLN 25 million, liabilities to the state and local budgets by PLN 13.9 million, as well as other liabilities by PLN 12 million. On the other hand, we recognized a financial liability arising from dividends payable to shareholders of ASEE in the amount of PLN 24.9 million.

Our current liquidity ratio equalled 1.64 at the end of March 2017, remaining at a similar level as at the previous year end. The quick liquidity ratio dropped slightly from the level observed at the prior year's end, in the wake of a greater decrease in liquid current assets (especially trade receivables) than in current liabilities. Conversely, we achieved an improvement in the absolute liquidity ratio because, in the first quarter of the year, our cash and cash equivalents decreased less dynamically than our current liabilities.

Analysis of debt

	31 March 2017 (audited)	31 Dec. 2016 (audited)	31 March 2016 (audited)
Total debt ratio	20.2%	22.6%	19.6%
Debt / equity ratio	5.5%	6.1%	6.4%
Debt / (debt + equity) ratio	5.2%	5.7%	6.0%

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 22.6% reported as at the end of 2016 to the level of 20.2% as at 31 March 2017. Such change resulted from the decrease in current liabilities, as described above, as well as from the repayment of PLN 6.9 million of our bank loan liabilities in the first quarter of 2017. By reducing the total amount of interest-bearing bank loans and borrowings, we managed to improve the ratio of debt to equity, as well as in the ratio of debt to total interest-bearing liabilities and equity.

Statement of cash flows

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Cash and cash equivalents at the beginning of the period	118,058	99,868
Net cash provided by (used in) operating activities	3,036	(9,195)
Net cash provided by (used in) investing activities	(16,304)	(9,678)
Net cash provided by (used in) financing activities	(5,420)	(4,865)
Net foreign exchange differences	(4,780)	205
Cash and cash equivalents at the end of period	94,590	76,335

In the first quarter of 2017, our operating activities provided PLN 3 million of net cash inflows. Traditionally, cash flows generated from operating activities of ASEE Group in the first three months of each year remain at a low 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 114 million). During the first three months of 2017, ASEE Group settled more than PLN 51 million of its current liabilities, while the aggregate change in receivables and inventories amounted to only PLN 34 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. 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 three months of 2017, these were Croatia, Macedonia, Romania, Serbia, and Turkey. Furthermore, the first quarter of a year is 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 16.3 million in the first quarter of 2017, increasing by PLN 6.6 million in relation to the

comparable period last year. In the first three months of 2017, our investing cash flows were most considerably influenced by the acquisitions of property, plant and equipment, and intangible assets, for the total amount of nearly PLN 9 million. This line includes, among others, our expenditures for infrastructure to be used in the outsourcing of payment processes (more than PLN 7 million), as well as purchases of payment transaction processing software, IT infrastructure, and business cars. The second largest item within our investing cash flows represented the acquisitions and disposals of units in money market investment funds, which caused net cash outflows of PLN 7.3 million in the first quarter of 2017.

In the first quarter of 2017, net cash used in our financing activities amounted to PLN 5.4 million. These negative cash flows were primarily a consequence of our repayments of bank loans and borrowings which were PLN 4.8 million higher than proceeds from new bank loans. Such repayments were associated mainly with external financing obtained for the purchases of infrastructure used in the outsourcing projects that are implemented by the Payment Solutions segment.

XI. FACTORS WHICH IN THE MANAGEMENT'S OPINION WILL AFFECT THE GROUP'S FINANCIAL PERFORMANCE AT LEAST TILL THE NEXT QUARTER END

The factors that will affect the Group's financial performance at least till the end of the next quarter have been indicated and explained as part of the summary and analysis of the financial results of ASEE Group in section IX of this report.

The factors that may affect the Group's financial performance in 2017 have been also described in the Management report on the Group's operations for the year 2016.

In addition to the above-mentioned descriptions, in the next quarter our financial results will be influenced by common factors with impact on the Group's operations (the existing order backlog, efficient implementation of ongoing projects, potential new contracts, etc.). The Group continues to invest in the development of new products.

XII. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
1. Breakdown of sales revenues

During the first quarter of 2017 and in the comparable period, operating revenues were as follows:

Sales revenues by type of products	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Proprietary software and services	82,889	74,703
Third-party software and services	21,342	18,093
Hardware and infrastructure	28,974	27,077
	133,205	119,873

2. Breakdown of operating costs

	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Employee benefits (-)	(42,434)	(41,171)
Third-party non-project services and outsourcing of employees (-)	(4,679)	(4,739)
Depreciation and amortization (-)	(9,439)	(8,683)
Maintenance costs of property and business cars (-)	(8,569)	(7,565)
Business trips (-)	(811)	(882)
Advertising (-)	(651)	(459)
Other expenses (-)	(1,404)	(2,447)
	(67,987)	(65,946)
Cost of sales, of which:	(102,647)	(91,860)
Cost of goods and third-party services sold (-)	(52,277)	(44,106)
Production costs (-)	(50,370)	(47,754)
Selling costs (-)	(8,084)	(8,838)
General and administrative expenses (-)	(9,533)	(9,354)

3. Financial income and expenses

Financial income	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Interest income on loans granted and bank deposits	385	306
Gain on valuation of derivative instruments	1,165	543
Positive foreign exchange differences	586	652
Other financial income	24	-
	2,160	1,501

Financial expenses	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Interest expense (-)	(213)	(305)
Bank fees and commissions (-)	(103)	(12)
Negative foreign exchange differences (-)	(1,598)	(825)
Company acquisition related expenses (-)	-	(113)
Interest expenses under finance leases (-)	(32)	(25)
Loss on valuation of derivative instruments (-)	(89)	(225)
	(2,035)	(1,505)

4. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during that financial year. Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share.

The table below presents net profits and numbers of shares used for the calculation of basic and diluted earnings per share:

Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
	10,082	8,149

Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	3 months ended	3 months ended
	31 March 2017 (unaudited)	31 March 2016 (unaudited)
	51,894,251	51,894,251

Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN):

Basic consolidated earnings per share from continuing operations for the reporting period	0.19	0.16
Diluted consolidated earnings per share from continuing operations for the reporting period	0.19	0.16

5. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of Asseco South Eastern Europe S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, decided that the net profit for the financial year 2016 amounting to PLN 19,069.06 and a portion of the capital reserve established pursuant to Resolution No. 7 of the Company's Ordinary General Meeting of Shareholders of 31 March 2016, shall be distributed as follows:

- the amount of PLN 1,525.52 from the net profit for the financial year 2016 has been allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;
- the amount of PLN 17,543.54 from the net profit for the financial year 2016 as well as the amount of PLN 24,891,696.94 representing a portion of the above-mentioned capital reserve have been allocated for distribution among all of the Company's shareholders by payment of a dividend amounting to PLN 0.48 per share.

The Company's General Meeting of Shareholders established 30 June 2017 as the dividend record date and 14 July 2017 as the dividend payment date.

The number of shares eligible for dividend is 51,894,251.

6. Property, plant and equipment, and intangible assets

	Tangible assets	Intangible assets
Net book value as at 1 January 2017	102,161	30,180
Purchases (+)	7,467	794
Capitalization of project development costs (+)	-	671
Transfers from inventories (+)	2,809	-
Finance lease liabilities (+)	336	-
Other changes (+/-)	-	-
Depreciation/amortization charges (-)	(7,597)	(1,872)
Disposal and liquidation (-)	(326)	-
Foreign exchange differences on translation of foreign operations (+/-)	(4,328)	(2,028)
Net book value as at 31 March 2017	100,522	27,745
Net book value as at 1 January 2016	86,369	33,566
Purchases (+)	3,968	385
Capitalization of project development costs (+)	-	1,006
Transfers from inventories (+)	3,036	-
Finance lease liabilities (+)	211	-
Other changes (+/-)	-	97
Depreciation/amortization charges (-)	(6,553)	(2,168)
Disposal and liquidation (-)	(71)	-
Foreign exchange differences on translation of foreign operations (+/-)	381	(88)
Net book value as at 31 March 2016	87,341	32,798

The higher value of tangible assets as at 31 March 2017 (PLN 100,522 thousand) and as at 31 December 2016 (PLN 102,161 thousand) both in comparison to those of 31 March 2016 (PLN 87,341 thousand) resulted primarily from purchases of ATMs, POS terminals and other elements of infrastructure to be offered in the outsourcing model.

In the first quarter of 2017, capitalized costs of development projects amounted to PLN 671 thousand as compared with PLN 1,006 thousand in the comparable period of 2016.

Liabilities resulting from purchases of property, plant and equipment and intangible assets amounted to PLN 1,328 thousand as at 31 March 2017, and PLN 1,179 thousand as at 31 December 2016, as compared with PLN 497 thousand as at 31 March 2016.

7. Goodwill

During the reporting period and comparable period, the amount of goodwill changed as follows:

	3 months ended 31 March 2017 (unaudited)	12 months ended 31 Dec. 2016 (audited)	3 months ended 31 March 2016 (unaudited)
Goodwill at the beginning of the period	505,634	488,566	488,566
Banking Solutions	205,749	193,556	193,556
Payment Solutions	111,842	110,292	110,292
Systems Integration	188,043	184,718	184,718
Change in consolidation goodwill due to the acquisition of shares (+)	-	6,409	-
Banking Solutions	-	6,315	-
Payment Solutions	-	94	-
Systems Integration	-	-	-
Foreign exchange differences on translation of goodwill in foreign subsidiaries (+/-)	(23,114)	10,659	2,196
Banking Solutions	(9,247)	5,878	1,144
Payment Solutions	(5,159)	1,456	(135)
Systems Integration	(8,708)	3,325	1,187
Total book value at the end of period	482,520	505,634	490,762
Banking Solutions	196,502	205,749	194,700
Payment Solutions	106,683	111,842	110,157
Systems Integration	179,335	188,043	185,905

8. Short-term receivables

	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Trade receivables			
Trade receivables, of which:	71,426	117,511	71,236
From related parties	870	837	755
From other entities	73,278	119,940	73,462
Allowance for doubtful receivables (-)	(2,722)	(3,266)	(2,981)
Receivables from uninvoiced deliveries, of which:	11,221	8,987	8,053
From related parties	-	25	-
From other entities	11,221	8,962	8,053
	82,647	126,498	79,289
Other receivables			
Advance payments to other suppliers	1,821	2,403	2,812
Security deposits receivable	339	354	434
Other receivables	1,603	875	538
	3,763	3,632	3,784

Advance payments to other suppliers correspond to advances paid to subcontractors on the account of execution of contracts.

Other receivables disclosed as at 31 March 2017 include receivables from assets let under financial leases in the amount of PLN 1,376 thousand.

Other receivables disclosed as at 31 March 2017, 31 December 2016 as well as at 31 March 2016 include also restricted cash amounting to PLN 46 thousand as at 31 March 2017, as compared with PLN 174 thousand as at 31 December 2016, and PLN 166 thousand as at 31 March 2016.

9. Financial assets

	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Financial assets available for sale:	135	138	123
Shares in companies listed on regulated markets	115	117	103
Shares in companies not listed on regulated markets	20	21	20
Loans granted:	85	89	49
Loans granted to unrelated entities	85	89	34
Loans granted to employees	-	-	15
Financial assets held to maturity:	15	29	106
Deposits for 3 to 12 months	8	22	30
Deposits for over 12 months	7	7	76
Financial assets carried at fair value through profit or loss:	10,116	2,996	2,482
Currency forward contracts	102	-	-
Investment fund units	10,014	2,996	2,482

As at 31 March 2017, 31 December 2016 and 31 March 2016, financial assets carried at fair value through profit or loss included investment fund units with a value of PLN 10,014 thousand, PLN 2,996 thousand and PLN 2,482 thousand, respectively, that are held by ASEE Croatia and ASEE Macedonia. During the first quarter of 2017, expenditures for the acquisition of investment fund units amounted to PLN 9,412 thousand.

The book values of financial assets held by the Group as at 31 March 2017, 31 December 2016 and 31 March 2016 did not differ from their fair values.

10. Cash and short-term deposits

	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Cash at bank and in hand	57,872	80,745	37,594
Short-term bank deposits	37,801	38,801	42,617
Cash equivalents		-	2
	95,673	119,546	80,213
<i>Interest accrued on cash and cash equivalents as at the end of the reporting period</i>	(49)	(47)	(15)
<i>Overdraft facilities utilized for liquidity management</i>	(1,034)	(1,441)	(3,863)
Cash and cash equivalents as disclosed in the cash flow statement	94,590	118,058	76,335

11. Prepayments and accrued income

Long-term	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Prepaid maintenance services and license fees	960	527	165
Other	158	108	361
	1,118	635	526
Short-term	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Prepaid maintenance services and license fees	10,013	9,883	8,182
Prepaid insurance	1,326	644	1,419
Prepaid rents	401	391	486
Prepaid consulting services	725	773	940
Other prepaid services	856	845	433
Costs of services performed for which revenues have not been recognized yet	969	556	761
Other	996	1,288	1,081
	15,286	14,380	13,302

As at 31 March 2017, 31 December 2016 and 31 March 2016, prepayments included primarily the costs of maintenance services and licensing fees amounting to PLN 10,973 thousand, PLN 10,410 thousand, and PLN 8,347 thousand, respectively, that will be successively expensed in future periods.

12. Interest-bearing bank loans and borrowings

As at 31 March 2017, total liabilities of ASEE Group under all bank loans and borrowings aggregated at PLN 37,632 thousand, as compared with PLN 44,596 thousand as at 31 December 2016, and PLN 43,271 thousand as at 31 March 2016.

Total proceeds from and repayments of bank loans disclosed in the statement of cash flows for the first 3 months of 2017 amounted to PLN 1,347 thousand (proceeds) and PLN 6,138 thousand (repayments).

As at 31 March 2017, tangible assets with a book value of PLN 1,329 thousand served as security for bank loans. As at 31 March 2017, liabilities that were secured with such assets amounted to PLN 9,610 thousand.

The book values of assets serving as security for bank loans as well as the amounts of liabilities that were secured with such assets in the comparable periods have been presented in the financial reports drawn up for those periods.

13. Long-term and short-term financial liabilities

Long-term	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Currency forward contracts	-	821	102
Finance lease liabilities	1,888	1,935	1,595
	1,888	2,756	1,697

Short-term	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Dividends payable to shareholders of ASEE S.A.	24,909	-	21,796
Currency forward contracts	-	240	-
Finance lease liabilities	908	923	703
Other	29	35	54
	25,846	1,198	22,553

14. Current liabilities

Trade payables	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Trade payables, of which:	33,703	61,046	30,458
To related parties	53	190	181
To other entities	33,650	60,856	30,277
Liabilities for uninvoiced deliveries, of which:	9,937	7,628	7,143
To related parties	-	-	-
To other entities	9,937	7,628	7,143
	43,640	68,674	37,601

The term for repayment of the Group's liabilities is 114 days on average.

Other current liabilities	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Liabilities to employees relating to salaries	3,657	12,127	3,635
Trade prepayments received	6,269	9,419	7,299
Liabilities from purchases of tangible assets and intangible assets	723	1,179	497
Other liabilities	742	648	424
	11,391	23,373	11,855

Current liabilities to the state and local budgets	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Value added tax	5,340	16,563	4,549
Corporate income tax (CIT)	2,422	2,539	1,333
Personal income tax (PIT)	658	2,014	821
Social security payable	1,940	3,260	2,264
Other	332	306	274
	10,692	24,682	9,241

15. Accruals and deferred income

Short-term accruals	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Accrual for unused holiday leaves	2,273	1,928	2,276
Accrual for employee bonuses	11,979	11,687	11,200
	14,252	13,615	13,476

Long-term deferred income	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Prepaid maintenance services	1,239	1,284	270
Grants for the development of assets	224	-	495
Other	370	134	-
	1,833	1,418	765

Short-term deferred income	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Maintenance services	15,402	13,609	12,406
Prepaid implementation services	727	1,894	353
License fees	213	419	853
Grants for the development of assets	142	443	143
Other	438	5,387	253
	16,922	21,752	14,008

16. Changes in impairment write-downs on assets

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
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Trade receivables		
Opening balance	(3,266)	(2,876)
Created	(165)	(408)
Utilized	316	95
Reversed	248	211
Foreign exchange differences	145	(3)
Closing balance	(2,722)	(2,981)

Inventories		
Opening balance	(11,784)	(8,805)
Created	(900)	(933)
Utilized	-	-
Reversed	287	372
Foreign exchange differences	526	(4)
Closing balance	(11,871)	(9,370)

During the first 3 months of 2017 and in the comparable period of 2016, the Group did not recognize or reverse any impairment write-downs on its financial assets, property, plant and equipment, or intangible assets.

17. Issuance, redemption and repayment of non-equity and equity securities

In the reporting period, the Issuer did not conduct any transactions of issuance, redemption or repayment of debt securities.

18. Employment

Group's workforce as at	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
Management Board of the Parent Company*	4	4	4
Management Boards of the Group companies	28	25	22
Production departments	1,133	1,145	1,061
Sales departments	128	123	127
Administration departments	182	183	182
	1,475	1,480	1,396

* Piotr Jeleński and Marcin Rulnicki serve in the Management Board of ASEE S.A. on the basis of employment contracts. The remaining members of the Company's Management Board perform their duties within ASEE S.A. by assignment.

Numbers of employees in the Group companies as at	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
ASEE S.A.	25	24	26
ASEE Romania	184	186	156
ASEE Serbia Group	523	510	467
ASEE Croatia	232	241	240
ASEE Kosovo	59	59	58
ASEE Turkey	170	178	178
ASEE Bulgaria	20	20	20
ASEE B&H	59	59	49
ASEE Macedonia	149	148	147
ASEE Slovenia	36	36	35
ASEE Montenegro	10	10	10
ASEE Nestpay	8	9	10
	1,475	1,480	1,396

19. Outsourcing contracts – the Group acting as a lessor

The Group implements a number of contracts for outsourcing of payment transaction processes. The total amounts of future minimum lease payments under such contracts have been estimated as follows:

Future minimum lease payments	31 March 2017 (unaudited)	31 Dec. 2016 (audited)	31 March 2016 (unaudited)
(i) within 1 year	37,931	41,022	32,375
(ii) within 1 to 5 years	45,982	46,892	57,437
(iii) within more than 5 years	2,190	2,598	2,029
	86,103	90,512	91,841

20. Contingent liabilities and receivables

Within its commercial activities ASEE Group uses bank guarantees as well as contract performance guarantees as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies. The value of such guarantees amounted to PLN 27,054 thousand as at 31 March 2017, PLN 29,561 thousand as at 31 December 2016, and PLN 27,846 thousand as at 31 March 2016.

Assets serving as security for bank guarantee facilities:

Category of assets	Net value of assets			Amount of granted guarantee secured with assets		
	31 March 2017	31 Dec. 2016	31 March 2016	31 March 2017	31 Dec. 2016	31 March 2016
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Trade receivables	6,572	1,720	2,495	4,874	5,283	2,428
Other receivables (restricted cash)	39	167	159	642	1,466	2,096
	6,611	1,887	2,654	5,516	6,749	4,524

XIII. RELATED PARTY TRANSACTIONS

Until the date of approval of these interim condensed consolidated financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be carried out other than on an arm's length basis.

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

As at 31 March 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 569 thousand (initial estimation) 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 other proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of ASEE S.A. or of its subsidiaries, 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.

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

The Management Board of ASEE S.A. did not publish any financial forecasts for the year 2017.

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

During the period of 3 months ended 31 March 2017, 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.

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

During the reporting period presented, the Management Board of ASEE S.A. has not become aware of any other significant factors that might affect the assessment of the Issuer's human resources, assets, and financial position.

XVIII. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the period from 31 March 2017 till the date of approval of these interim condensed consolidated financial statements, this is until 26 April 2017, we have not observed any significant events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE Group.

XIX. SIGNIFICANT EVENTS RELATED TO PRIOR YEARS

Until the date of preparing these interim condensed consolidated financial statements, this is until 26 April 2017, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.

**Solutions
for demanding
business.**

ASSECO
SOUTH EASTERN EUROPE

**ASSECO SOUTH EASTERN EUROPE S.A.
STANDALONE FINANCIAL DATA
FOR THE FIRST QUARTER OF 2017**

Rzeszów, 26 April 2017

FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE S.A.

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Revenues from holding activities	10,674	2,408	2,489	553
II. Revenues from operating activities	1,567	1,734	365	398
III. Operating profit	9,060	1,565	2,112	359
IV. Pre-tax profit	8,913	1,356	2,078	311
V. Net profit for the reporting period	8,104	1,051	1,889	241
VI. Net cash provided by (used in) operating activities	(379)	319	(88)	73
VII. Net cash provided by (used in) investing activities	12,874	(7,014)	3,002	(1,610)
VIII. Net cash provided by (used in) financing activities	(3,521)	(823)	(821)	(189)
IX. Cash and cash equivalents at the end of period	20,148	25,244	4,775	5,914
X. Basic earnings per ordinary share for the reporting period (in PLN/EUR)	0.16	0.02	0.04	0.00
XI. Diluted earnings per ordinary share for the reporting period (in PLN/EUR)	0.16	0.02	0.04	0.00

The financial highlights disclosed in these condensed financial statements have been translated into euros (EUR) in the following way:

- items of the interim condensed income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - for the period from 1 January 2017 to 31 March 2017: EUR 1 = PLN 4.2891
 - for the period from 1 January 2016 to 31 March 2016: EUR 1 = PLN 4.3559
- the Company's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 31 March 2017: EUR 1 = PLN 4.2198
 - exchange rate effective on 31 March 2016: EUR 1 = PLN 4.2684

**CONDENSED INCOME STATEMENT
ASSECO SOUTH EASTERN EUROPE S.A.**

	3 months ended 31 March 2017 <small>(unaudited)</small>	3 months ended 31 March 2016 <small>(unaudited)</small>
Holding activities	10,674	2,408
Dividend income	9,061	-
Revenues from sales of services	1,613	2,408
Operating activities	1,567	1,734
Revenues from sales of IT services and software	1,567	1,734
Total sales revenues	12,241	4,142
Cost of sales (-)	(2,564)	(1,763)
Gross profit on sales	9,677	2,379
Selling costs (-)	(634)	(797)
General and administrative expenses (-)	(14)	(17)
Net profit on sales	9,029	1,565
Other operating income	214	2
Other operating expenses (-)	(183)	(2)
Operating profit	9,060	1,565
Financial income	1,437	877
Financial expenses (-)	(1,584)	(1,086)
Pre-tax profit	8,913	1,356
Corporate income tax (current and deferred tax expense) (+/-)	(809)	(305)
Net profit for the reporting period	8,104	1,051
Earnings per share for the reporting period (in PLN):		
Basic earnings per share from continuing operations for the reporting period	0.16	0.02
Diluted earnings per share from continuing operations for the reporting period	0.16	0.02

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
ASSECO SOUTH EASTERN EUROPE S.A.**

	3 months ended 31 March 2017 <small>(unaudited)</small>	3 months ended 31 March 2016 <small>(unaudited)</small>
Net profit for the reporting period	8,104	1,051
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	8,104	1,051

**CONDENSED STATEMENT OF FINANCIAL POSITION
ASSECO SOUTH EASTERN EUROPE S.A.**

ASSETS	31 March 2017	31 Dec. 2016	31 March 2016
	(unaudited)	(audited)	(unaudited)
Non-current assets	601,417	606,970	626,724
Property, plant and equipment	352	507	361
Goodwill arising from business combinations	4,567	4,567	4,567
Intangible assets	884	925	683
Investments in subsidiaries	580,101	580,101	588,565
Long-term financial assets	10,226	14,478	25,671
Deferred tax assets	-	416	261
Other long-term receivables	5,287	5,976	6,616
Current assets	47,483	38,308	39,814
Inventories	2	2	2
Prepayments and accrued income	2,082	900	1,302
Trade receivables	1,813	1,569	3,493
Other short-term receivables	10,535	1,719	1,566
Short-term financial assets	12,903	22,910	8,207
Cash and short-term deposits	20,148	11,208	25,244
TOTAL ASSETS	648,900	645,278	666,538

**CONDENSED STATEMENT OF FINANCIAL POSITION
ASSECO SOUTH EASTERN EUROPE S.A.**

EQUITY AND LIABILITIES	31 March 2017	31 Dec. 2016	31 March 2016
	(unaudited)	(audited)	(unaudited)
Equity			
Share capital	518,942	518,942	518,942
Share premium	38,825	38,825	38,825
Retained earnings and current net profit	50,821	67,626	68,658
Total equity	608,588	625,393	626,425
Non-current liabilities	8,512	12,025	11,409
Interest-bearing bank loans	8,132	11,204	11,307
Long-term financial liabilities	-	821	102
Deferred tax liabilities	380	-	-
Current liabilities	31,800	7,860	28,704
Interest-bearing bank loans	3,401	4,453	3,015
Trade payables	641	831	1,157
Liabilities to the state and local budgets	250	398	406
Financial liabilities	24,909	240	21,796
Other liabilities	14	101	360
Deferred income	2,007	783	1,503
Accruals	403	951	310
Short-term provisions	175	103	157
TOTAL LIABILITIES	40,312	19,885	40,113
TOTAL EQUITY AND LIABILITIES	648,900	645,278	666,538

**CONDENSED STATEMENT OF CHANGES IN EQUITY
ASSECO SOUTH EASTERN EUROPE S.A.**

for the periods of 3 months ended 31 March 2017, 3 months ended 31 March 2016, and 12 months ended 31 December 2016

	Share capital	Share premium	Retained earnings and current net profit	Total equity
As at 1 January 2017	518,942	38,825	67,626	625,393
Net profit for the reporting period	-	-	8,104	8,104
Total comprehensive income for the reporting period	-	-	8,104	8,104
Dividends	-	-	(24,909)	(24,909)
As at 31 March 2017 (unaudited)	518,942	38,825	50,821	608,588
As at 1 January 2016	518,942	38,825	89,403	647,170
Net profit for the reporting period	-	-	1,051	1,051
Total comprehensive income for the reporting period	-	-	1,051	1,051
Dividends	-	-	(21,796)	(21,796)
As at 31 March 2016 (unaudited)	518,942	38,825	68,658	626,425
As at 1 January 2016	518,942	38,825	89,403	647,170
Net profit for the reporting period	-	-	19	19
Total comprehensive income for the reporting period	-	-	-	-
Dividends	-	-	(21,796)	(21,796)
As at 31 December 2016 (audited)	518,942	38,825	67,626	625,393

**CONDENSED STATEMENT OF CASH FLOWS
ASSECO SOUTH EASTERN EUROPE S.A.**

	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
Cash flows – operating activities		
Pre-tax profit	8,913	1,356
Total adjustments:	(9,310)	(1,389)
Depreciation and amortization	89	60
Change in receivables	(99)	(854)
Change in liabilities, accruals and provisions	(404)	(839)
Interest income and expenses	(150)	(230)
Gain/Loss on foreign exchange differences	1,230	468
Gain/Loss on investing activities	(9,971)	4
Other	(5)	2
Selected operating cash flows	362	361
Disposal of shares in subsidiaries	362	361
Net cash used in operating activities	(35)	328
Corporate income tax paid	(344)	(9)
Net cash provided by (used in) operating activities	(379)	319
Cash flows – investing activities		
Acquisition of property, plant and equipment, and intangible assets	(164)	(188)
Disposal of property, plant and equipment and intangible assets	20	-
Acquisition/settlement of financial assets carried at fair value through profit or loss	(89)	-
Bank deposits made	-	(4)
Interest received	248	254
Loans granted	-	(8,183)
Loans collected	12,859	1,107
Net cash provided by (used in) investing activities	12,874	(7,014)
Cash flows – financing activities		
Repayments of bank loans	(3,420)	(751)
Interest repaid	(101)	(72)
Net cash provided by (used in) financing activities	(3,521)	(823)
Net increase/(decrease) in cash and cash equivalents	8,974	(7,518)
Net foreign exchange differences	(34)	(167)
Cash and cash equivalents as at 1 January	11,208	32,929
Cash and cash equivalents as at 31 March	20,148	25,244