

Asseco Business Solutions S.A.
Report of the Management Board on the
Company's Operations in the Year Ended
31 December 2018

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DEAR SHAREHOLDERS OF ASSECO BUSINESS SOLUTIONS S.A.,

Again, I am pleased to share good financial results of Asseco Business Solutions for the outgoing financial year.

In 2018 Asseco Business Solutions reported the revenues on sales of almost PLN 254.7 million (up by 19.7 % compared with 2017). Besides, the year closed with the net profit of over PLN 62.6 million, which is an increase by 24.8 % compared with the figure for 2017. Other indicators, such as EBITDA and EBIT also showed a growth of 24.6 % and 23.1 %, respectively. Our results prove that the Company is following the right path of development, and that the adopted measures and development-based growth policy have been chosen well.

2018 also saw a pivotal change in the Company's organisation. On 2 January 2018, we merged with Macrologic and took over its achievements, experience, resources, and products. From that moment on, we have strived to transfer our current business philosophy and Asseco BS's policy to the newly created business division of Macrologic ERP. We have designed procedures facilitating the exchange of knowledge and expertise between our existing business divisions in order to tap the synergy potential that emerged after the merger. Some positive effects of these initiatives are visible today.

With our stable and effective development strategy, we are growing our client portfolio, both at home and abroad. In Poland we partner up with tens of thousands of companies that run our ERP, HR, SFA, data exchange, or factoring software. Our foreign FMCG customers can select among our mobile sales support solutions. Such and similar software have been already deployed in 50 countries world-wide. We are proud to inform that our foreign sales went up by impressive 18 % in 2018.

I also wish to point out that in the first six months of 2018 our Company paid its shareholders the dividend of PLN 43.444 million. In summary, since our listing on the Warsaw Stock Exchange (2007), Asseco Business Solutions has paid its investors as many as ten dividends totalling almost PLN 302.1 million.

We want to thank you for your trust and hope that the timely and regularly paid dividend demonstrates that our effort and invested funds yield desirable results. Please, read the attached Report on Operation of the Management Board of Asseco Business Solutions S.A. for the Year Ended 2018.

Wojciech Barczentewicz
President of the Management Board of Asseco Business Solutions S.A.

1. Selected financial data of Asseco Business Solutions S.A.

	12 months to 31 December 2018 <i>PLN thou.</i>	12 months to 31 December 2017 <i>PLN thou.</i>	12 months to 31 December 2018 <i>EUR thou.</i>	12 months to 31 December 2017 <i>EUR thou.</i>
Operating revenues	254,690	212,793	59,690	50,131
Operating profit	76,577	62,188	17,947	14,651
Profit before tax	76,129	61,994	17,842	14,605
Net profit for reporting period	62,569	50,138	14,664	11,812
Net cash from operating activities	80,194	63,975	18,794	15,072
Net cash used in investing activities	(12,516)	(114,175)	(2,933)	(26,898)
Net cash from financing activities	(51,964)	(23,084)	(12,178)	(5,438)
Cash and cash equivalents at end of period (comparable period: 31 December 2017)	12,800	(2,914)	2,977	(699)
Net income per ordinary share (in PLN/EUR)	1.87	1.50	0.44	0.35

Selected financial data presented in these financial statements has been converted into the EURO as follows:

- Items regarding the profit and loss account, other comprehensive income and the cash flow statement have been translated at the exchange rate being the arithmetic average of the average exchange rates published by the National Bank of Poland and effective on the last day of each month. These rates were, respectively:
 - in the period from 1 January 2018 to 31 December 2018: EUR 1 = PLN 4,2669
 - in the period from 01 January 2017 to 31 December 2017: EUR 1 = PLN 4,2447
- The Company's carrying balance of cash at the end of the current financial year and at the end of the previous financial year has been calculated based on the average daily exchange rates published by the National Bank of Poland. These rates were, respectively:
 - the exchange rate effective on 31 December 2018: 1 EUR = 4.3000 PLN
 - the exchange rate effective on 31 December 2017: 1 EUR = 4.1709 PLN

All amounts given in the financial statements are expressed in thousands of Polish złotys (PLN), unless stated otherwise.

2. The Management

On 31 December 2018, the Management Board of Asseco Business Solution S.A. was made up of:

Wojciech Barczentewicz	President of the Board
Piotr Masłowski	Vice-President of the Management Board
Andreas Enders	Vice-President of the Management Board
Mariusz Lizon	Member of the Management Board

On 31 December 2018, the Supervisory Board of Asseco Business Solution S.A. was made up of:

Jozef Klein	President of the Supervisory Board
Adam Góral	Vice-Chairman of the Supervisory Board
Romuald Rutkowski	Member of the Supervisory Board
Zbigniew Pomianek	Member of the Supervisory Board
Piotr Stępniaak	Member of the Supervisory Board

The Supervisory Board has an audit committee composed of Piotr Stępniaak (chairman), Romuald Rutkowski and Adam Góral (members).

3. About Asseco Business Solutions

3.1. Business profile

Asseco Business Solutions S.A. (“Company,” “Asseco BS”) designs and develops enterprise software. Companies that need modern management systems can benefit from the offering of Asseco BS as a complete and dedicated set of solutions tailored to the specific qualities, size and needs of almost any business in any industry.

“The goal of Asseco Business Solutions is to provide innovative IT solutions that enhance the enterprise management capacity and help develop and strengthen a competitive advantage in the market. When designing its systems, Asseco Business Solutions is always open and responsive to companies’ needs and does its utmost to provide the most practical and effective tools that help grow the business.”

Mission Statement

The comprehensive offering of Asseco Business Solutions includes ERP systems that support business processes in SMEs, a suite of applications for small-company management, programs optimizing the HR area, mobile SFA applications for the mobile workforce marketed Europe-wide, data exchange platforms, and programs handling factoring transactions.

All products designed by Asseco BS are based on the knowledge and expertise of experienced professionals, proven project methodology and the use of tomorrow’s information technology tools. With the original high-quality products and related services, the software from Asseco BS has been successful in supporting the operations of tens of thousands of companies for many years. Asseco BS’s track record covers dozens of completed software deployments in Poland and in most European countries.

Asseco Business Solutions is part of the international Asseco Group, a Europe-leading vendor of proprietary software. The Group is a constellation of companies involved in IT technology development.



The Group operates in over 50 geographies, e.g. in most European countries, and in the USA, Canada, Israel, or Japan.

3.2. Description of changes in the Issuer's organisation

On 2 January 2018, the District Court in Lublin registered the merger of Asseco Business Solutions S.A. with Macrologic S.A. The merger of the companies was conducted under Article 492(1)(1) of the Code of Commercial Companies and Partnerships (merger by acquisition), i.e. by the transfer of Macrologic's entire assets to Asseco Business Solutions. As a result of the merger, Macrologic S.A. was dissolved without liquidation. The merger was carried out in accordance with Article 515(1) of the Code of Commercial Companies and Partnerships, i.e. without increasing the share capital of Asseco Business Solutions and without exchanging Macrologic's shares for shares in the share capital of Asseco Business Solutions.

3.3. Product offering

Asseco Business Solutions S.A. furnishes modern enterprise software for businesses, irrespective of their size, character and industry. Within the Asseco Capital Group, Asseco Business Solutions S.A. serves as a Competence Centre responsible for the development of ERP software, mobile reporting systems (SFA), factoring systems, and software for SMEs.

In the ERP segment, Asseco Business Solutions S.A. offers modern and integrated software (Softlab ERP by Asseco and Macrologic ERP by Asseco) handling the management of medium and large enterprises. These products feature a wealth of functions. Softlab ERP by Asseco streamlines the management of the vast area of any company's business: production, finance and accounting, HR and payroll, logistics as well as sales and inventory management. It also provides an array of managerial tools offering management and analytical capabilities. The Macrologic ERP by Asseco suite is a package of IT solutions and consulting knowledge supporting corporate resource planning and management, efficient information and knowledge management and business analysis. In addition, the Macrologic-branded system, Merit ERP by Asseco, is Poland-first process-oriented ERP solution that supports the implementation of business processes in enterprises.

ERP software for SMEs is WAPRO ERP by Asseco. It is a family of management applications intended for small and medium-sized enterprises to support the operations of internal departments: sales, finance and accounting, human resources and mobile personnel. WAPRO ERP by Asseco can be implemented in virtually any industry. They offer trouble-free installation, easy configuration and intuitive operation.

The offering of Asseco Business Solutions also features mature sales support systems (Mobile Touch by Asseco), including the mobile SFA and FFA solutions, and services of electronic exchange of commercial data between the different links in a distribution chain (mainly between manufacturers and their wholesale partners (Connector Platform by Asseco). The mobile systems by Asseco BS are among the leading SFA solutions in the world. They have been implemented in 50 countries worldwide and boast as many as 45 thousand active users.

Most system deployments are performed in the full outsourcing model. It means that the Company assumes the full responsibility not only for the programs but also for the most sensitive components of the solutions: the system infrastructure, communications, supervision over the integration processes, or transfer of orders to distributors. Such an implementation approach is possible thanks to Asseco BS's own Data Processing Centre.

Asseco Business Solutions S.A. has also designed the Faktor system: a novel application tailored to the needs of the financial market, enabling a comprehensive handling of factoring transactions.

In addition, the Company generates the so-called unallocated revenue which falls outside the main segment. This category includes revenues from the sale and deployments of Central Data Processing systems (including deployments of terminal solutions), based on third-party technologies, e.g. Citrix.

3.4. The markets

The primary market for Asseco Business Solutions S.A. is Poland. The Company is also increasing its exports. Its products have been implemented in more than 50 countries in Europe, the Middle East, Asia, Australia, or Latin America.

Asseco Business Solutions has offices in 12 Polish cities (HQ in Lublin, a trade office in Warsaw), operates a network of several hundred business partners (distributing WAPRO ERP by Asseco) throughout the country and its own Data Centre in Lublin. The Company also offers access to its Data Centre for solutions implemented outside Poland, e.g. in Russia, China, India, the USA, and Brazil. The technological and business partners of Asseco Business Solutions are the largest global software and hardware vendors, such as Oracle, Microsoft, HP, IBM, Citrix.

The Company's IT solutions are deployed at tens of thousands of companies in Poland and abroad. Among them, there are many market global leaders but also smaller organisations aspiring to gain a competitive edge in their home markets. Some of the users of Asseco BS's solutions: Bacardi, Dr Oetker, Dr Zdrowie, Ekoinstal Holding, EURO RTV-AGD, Ferrero, Grupa Topex, Herbapol, Igepa Polska, Lotte Wedel, Kuchnie Świata, McCormick, Mokate, Mondelez International, Nestlé, P4 (Play), Perfetti Van Melle, Pernod Ricard, Reckit Benckiser, Tchibo, USP Zdrowie, Wyborowa, Wydawnictwo Naukowe PWN, Żywiec Zdrój and more.

3.5. Company's position in the IT sector

For several years, Asseco Business Solutions has been leading many industry rankings related to the Polish IT market.

The Company is ranked among the leading Polish vendors of ERP systems for both large and medium-sized enterprises (Softlab ERP by Asseco and Macrologic ERP by Asseco) and for SMEs (WAPRO ERP by Asseco). The Company was the 2018 edition of the prestigious ranking of ERP solution providers in Poland, Computerworld TOP200, a showcase of the Polish ICT sector.

Asseco Business Solutions received a positive evaluation in the latest report, Vendor Panorama for Retail Execution and Monitoring in Consumer Goods 2018, prepared by the Promotion Optimization Institute (POI). The Company and its Mobile Touch by Asseco system were ranked high in the majority of categories. Asseco Business Solutions has also won the prestigious POI Best-in-Class award for innovative SFA solutions and has been described as a global SFA supplier and leader for the FMCG industry.

3.6. Asseco Business Solutions in the Capital Market

Asseco Business Solutions S.A. made its début on the Warsaw Stock Exchange on 19 November 2007. The total number of Company's shares is 33,418,193. The Company is listed in the sWIG80 and the WIG-Informatyka.



In the period from 1 January 2018 to 31 December 2018, the price of Asseco BS's shares and its position in the WIG-20 index were as follows:



<https://www.inwestinfo.pl/>

In the period from 1 January 2018 to 31 December 2018, the price of Asseco BS’s shares ranged between PLN 23.10 and 29.50. The top listing was recorded on 23 January 2018. At the close of the market session on 28 December 2018, the price of shares of Asseco Business Solutions amounted to PLN 27.90 and was 5% higher than at the close of the first market session of 2018 when it was reported at PLN 26.5.

3.7. Asseco Business Solutions Group: Development Outlook

The strategy of Asseco Business Solutions aims to build value for shareholders in the long term through organic growth and acquisitions. The Company focuses on improving its operating results and increasing its net profit, which is reflected in the long-term dividend policy.

A bold development step was the acquisition by Asseco Business Solutions S.A. of the shares of Macrologic S.A. in June 2017 and the formation of a capital group with the acquired company. The merger of the companies was conducted on 2 January 2018 under Article 492(1)(1) of the Code of Commercial Companies and Partnerships (merger by acquisition), i.e. by the transfer of Macrologic’s entire assets to Asseco Business Solutions. As a result of the merger, Macrologic S.A. was dissolved without liquidation. Already in 2017, a process was launched aimed at optimizing the operations of combined organisations with a view to achieving the effect of operational synergy, cost reduction and integration of know-how. Looking back, the Company is satisfied with its 2017 decision to acquire the shares of Macrologic S.A.

The combination of the two businesses has translated into a competence growth at Asseco Business Solutions, specifically in the development and maintenance of ERP systems for enterprises. Macrologic-branded systems and services have been added to the existing product offering. The merger has materially boosted the Company’s potential, i.e. more comprehensive IT solutions can now be offered covering the full range of functionalities sought by the existing and new customers. The merger has complemented and strengthened the know-how behind the offered services and has given the extra edge in competing on the domestic market.

The expected further profit surge and improved performance should increase the capitalization of the Issuer, which, in turn, should boost the liquidity of the Issuer’s shares and encourage investment in the shares of Asseco Business Solutions S.A.

4. Overview of the basic economic and financial figures and factors and events having a significant impact on the Group’s operations and achieved results

	12 months to 31 December 2018	12 months to 31 December 2017	Growth rate 12 mths 2018/ 12 mts 2017
Revenues on sale	254,690	212,793	19.7%
Gross profit on sales	108,629	94,652	14.8%
EBIT	76,577	62,188	23.1%
EBITDA	95,134	76,333	24.6%
Net profit	62,569	50,138	24.8%

EBITDA = EBIT + amortisation/depreciation

- In the second half of 2017, Asseco Business Solutions S.A. acquired Macrologic S.A. and has been consolidating its results ever since. On 2 January 2018, Asseco Business Solutions S.A. and Macrologic S.A. Merged. The transaction is described in the Financial Statements for 2018. Consequently, the results of the Company for 2017 and 2018 are not fully comparable because the data for 2017 contain the results of Macrologic S.A. only from 1 July 2017 on.
- In 2018 the revenues on sale of Asseco Business Solutions S.A. amounted to PLN 254,690 thousand and were 19.7% higher compared with 2017. The increase in revenues is attributed to the acquisition of Macrologic S.A. in 2017 and increased sales of Asseco BS’s products both on the domestic and foreign markets.
- The increase in sales eventuated in the growing level of operating expenses. The basic operating expenses (excluding COGS) were higher than in 2017 by 18.0 %. The largest share in the Company’s operating expenses (68.4%) was allocated to employee benefits (primarily salaries). Compared with 2017, these expenses grew by 16.6%. Another important cost item was the external services which grew by 16.4%. The value of goods, materials and external services sold (COGS) upped by 23.1%.
- The Company keeps increasing its share in the portfolio of higher-profitability projects, which resulted in the growth of all growth dynamics.
- The net profit of the capital company Asseco Business Solutions realised in 2018 closed at PLN 62,569 thousand, compared with PLN 50,138 thousand in 2017 (up by 24.8%).
- EBITDA rose by 24.6% to PLN 95,134 thousand.
- Organisational changes in the Company resulted in better profitability ratios.

Profitability ratios	12 months to 31 December 2018	12 months to 31 December 2017
Gross margin on sales	42.7%	44.5%
EBITDA profit margin	37.4%	35.9%
Operating margin	30.1%	29.2%
Net margin	24.6%	23.6%

The Company classifies its revenues by segments: ERP systems and unallocated revenue. In 2018 the ERP segment revenues were 18.6 % higher than in 2017, while the overall segment sales result increased by 21.6%.

Revenue on sales by segment	12 months to 31 December 2018	12 months to 31 December 2017	Growth rate 12 mths 2018/ 12 mts 2017
ERP systems	238,071	200,793	18.57%
Unallocated	16,619	12,000	38.49%
	254,690	212,793	19.69%

5. The Nature of Company's Assets and Liabilities

ASSETS	31 December 2018	share in balance sheet total	31 December 2017	share in balance sheet total
Non-current assets	300,778	83%	302,634	85%
Current assets	61,484	17%	55,450	15%
TOTAL ASSETS	362,262	100%	358,084	100%

LIABILITIES	31 December 2018	share in balance sheet total	31 December 2017	share in balance sheet total
Total equity	298,529	82%	279,591	78%
Long-term liabilities	13,012	4%	15,704	4%
Short-term liabilities	50,721	14%	62,789	18%
TOTAL EQUITY AND LIABILITIES	362,262	100%	358,084	100%

As at 31 December 2018, the total assets of the Company amounted to PLN 362,262 thousand, which is a growth by 1.2% compared with 31 December 2017.

The Company's main asset component is non-current assets, which account for 83.0 % of the balance sheet total. Among them, intangible assets are the key item (mainly goodwill) amounting to PLN 277,429 thousand. The share of this item in total assets is 76.6%. This is a rather standard situation among tech companies whose greatest asset is knowledge and intangible assets.

An increase in current assets compared with 31 December 2017 is the effect of accumulated cash for the payment of dividend for 2018 and the repayment of a revolving loan.

As at 31 December 2018, the Company's equity amounted to PLN 298,529 thousand (82.4% of liabilities).

As at 31 December 2018, the Company held long-term loan liabilities in the amount of PLN 6,701 thousand and short-term loans in the amount of PLN 6,650 thousand (3.7% of total liabilities).

An important item of short-term liabilities is also assets from contracts with customers (3.1%) covering prepayments for services, such as IT services and IT support.

6. Risk factors related to the Company's business

The Company is exposed to a number of risks that may have an adverse effect on its operations, financial standing and operating conditions as well as on its brands and corporate image. The Issuer's management

analyses the market setting and risk factors to which the Company is exposed on a regular basis. New projects and major transactions are subject to a thorough analysis.

Discussed below are some basic risks that, if occurred, may have a significant impact on the Company's operations.

Risks associated with the economic situation in the country and abroad

The IT services sector development is inextricably linked to the overall domestic and global economic situation. The financial results achieved by the capital company Asseco Business Solutions are definitely driven by the growing GDP and the level of investment in enterprises. A relatively good situation in the domestic market encourages businesses to new investment, including in the IT infrastructure. This should result in a greater number of new IT projects.

Risks involved in the execution of IT projects

The Company raises most of its income from the sales of IT solutions to enterprises. Systems vended by the Company have a material impact on the key operations of our clients. Error-laden operation of the system can lead to significant financial losses at the customer's, resulting in legal claims that may dent the reputation of the Company, as well as its financial position and development outlooks. In extreme cases, clients may, even in the absence of explicit Company's fault, terminate the concluded agreements or demand contractual penalties applicable in the event of a delayed project implementation. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Company, as well as affecting its prospective development.

Risks related to a more intense competition in the domestic market

The Company operates in the IT services market. This economy segment is marked by rapid development, on the one hand, and, on the other, by strong competition. The Company's operations are under pressure from ever stronger competition, both from the local players and international IT corporations, and may have an adverse impact on the Company's operations, financial position, financial results and future development outlook. Consolidation of the IT segment, the saturation of the domestic market and an increased use of in-house IT specialists by institutions and enterprises may also affect the Company's financial results.

Risk of becoming dependent on key accounts

ERP and HR software, mobile systems, Connector Platform and factoring systems comprise the core product portfolio and offering of the Company. The ERP software is the core sales revenue generator, still there is no single client that brings in revenues in excess of 10% of the total revenue. Revenue earned in cooperation with Asseco Poland S.A. account for approx. 1% of Company's receipts on sales. The loss of agreements with key customers will mean a change in the Company's financial results, which will also affect its financial position.

Risks of losing clients' trust

The implementation of IT systems in most cases involves long-term agreements with the system users and is based on users' trust. Clients' trust is built up on the quality of our solutions and quality of implementation services rendered by the Company. Should the level of quality in both the provided services and customer service be reduced, it may lead to undermined trust in the Company. This may tarnish the Company's image and reputation, which can affect both the current market activity and the prospecting for new contracts, as testimonials play a vital role in the entire sales process. Losing clients' trust would therefore have a substantial negative impact on the operations, financial position and results of the Company, as well as on its future development outlook.

Risk of becoming overdependent on key suppliers

As part of its business, the capital company Asseco Business Solutions collaborates with global corporations that develop IT solutions and provide software and hardware. In the event that the key suppliers modify their strategy of cooperation with local partners, e.g. begin favouring one partner over another, market their own services or products without intermediaries or revise the pricing policy, this may have a negative impact on the Company's operations and financial position, financial results and development prospects. Particular risks exist in the cooperation with Microsoft and Oracle because they are the only providers of database technology to the major ERP systems.

Risk involved in concluding contracts with the related parties

In the course of its business, the capital company Asseco Business Solutions enters into transactions with related parties within the Asseco Group. Such transactions ensure the effective operation of Asseco BS and include the exchange of services, supply of goods as well as other transactions. With regard to the tax regulations pertaining to dealings with related parties and especially to transfer pricing applied in such transactions, and the documentation required to be completed for such transactions, as well as due to the increasing interest of the tax authorities in the transfer prices and terms in related party transactions, it cannot be precluded that Asseco Business Solutions S.A. will be subject to tax audits or other controlling activities undertaken by the tax authorities in this respect. Furthermore, judging by the past taxation practices, when taxpayers engaged in transactions which were non-standard for their type of business and which helped decrease their tax charges, they were exposed to the accusations of tax evasion, which may have a negative impact on the Company's operations and financial result.

Risk involved in the influence of the majority shareholder on the Issuer

On the date of this report, Asseco Enterprise Solutions a.s. holds 46.47% of shares of Asseco Business Solutions S.A., which represents the same percentage of votes at the General Meeting. The decision on control by Asseco Enterprise Solutions a.s. is described in item I of the notes to the Financial Statements of Asseco Business Solutions for the Year Ended 31 December 2018. The scope of powers related to the share held by Asseco Enterprise Solutions a.s. in the share capital of Asseco Business Solutions S.A. can lead to a situation in which the remaining shareholders will have limited impact on the management and operations of the Company. In addition, the exercise of those powers may not be coinciding with the intentions of the other shareholders of Asseco Business Solutions S.A. Moreover, there is no guarantee that other shareholder will not acquire a block of shares to allow him, through his shares in the share capital and appointed representatives on the Supervisory Board, to have a significant impact on the Company's activities.

Risks of changes in regulations

Amendments, lack of cohesion and uniform interpretation of the provisions of law, in particular the tax regulations, the Act on Trading in Financial Instruments, the Act on Public Offering as well as the Polish Commercial Companies Code give rise to the regulatory risk occurring in the environment in which the Company operates. Particularly frequent are changes to tax laws and their interpretation. In the event the tax authorities take a position that is different from the Asseco BS's interpretation of relevant fiscal regulations, the Company's operations, economic situation and financial results may be affected. The growth of the Company's operations on the IT market depends, to a large degree, on the ownership of intellectual property rights, especially copyright to computer programs. Potential (even illegitimate) claims of copyrights, that may be raised by third parties, will have a negative bearing on the Company's operations, financial position and results.

Risk related to the losing of key personnel

A successful performance of the Company's agreements depends to a large extent on highly skilled personnel. Also, the executives exert a material influence on the overall shape of the Company. Any loss of personnel, both experts and managers, may entail the risk of compromising the quality of rendered services and lead to delays in performing under valid agreements. The growing demand for IT professionals and competitors' activities may lead to the loss of key personnel, as well as disrupting the recruitment of new talents with the desired competence, experience, and qualification. It may also lead to wage pressures by specialists. In the case of a dynamic development of the Company, this may cause a substantial shortage of key IT and managerial personnel, which would seriously impact the Company's results. Similar effects could be seen in the case of unlawful conduct of employees (e.g. damage to third parties, disloyalty manifested in, for example, undertaking competitive activity, or disclosure of confidential corporate and professional information).

7. Corporate Governance Statement

The Corporate Governance Statement is contained in a separate document attached to the Management Board's Report on the Operations of Asseco Business Solutions S.A.

8. Declaration on Non-Financial Information

According to Article 49b of the Accounting Act, Asseco Business Solutions S.A. is obliged to make a declaration on non-financial information for the year ended 31 December 2018. As a member of the capital company, the Company is entitled to exemption referred to in Article 49b(11) of the Accounting Act.

Asseco Poland S.A., seated in Rzeszów, at ul. Olchowa 14, is a higher-tier parent preparing a declaration of the capital company on non-financial information that covers the Issuer. Asseco Business Solutions S.A. will publish a consolidated declaration on non-financial information on its website www.assecobs.pl within 30 days from the date of approval of the consolidated declaration on non-financial information of the capital company Asseco Poland S.A.

9. Proceedings Pending before the Court

During the reporting period, no proceedings were pending before any court, competent authority for arbitration or a public administration body.

10. Agreements Significant to the Company's Operations

Selected important agreements concluded by Asseco Business Solutions S.A. in 2018:

- Meble Black Red White sp. z o.o. – licensing and implementation of Safo jERP by Asseco,
- BOKARO Szeligowscy sp. j. – licensing and implementation of Safo jERP by Asseco,
- SARIA POLSKA Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Zakład Produkcji Kruszyw Rupińscy Sp. j. - licensing and implementation of Asseco Softlab HR,
- Techmot Sp. z o.o. – implementation of Connector and Safo jERP by Asseco,
- BISK S.A. – implementation of Safo jERP by Asseco,
- Target Pro Sp. z o.o. Sp. K. – implementation and maintenance of Connector Enterprise,
- Florian Centrum S.A. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,

- Tabal Sp. z o.o. – licensing and implementation of Sofo jERP by Asseco and the provision of maintenance services,
- Wikpol Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Brabant Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Kemos Saria Group Sp. z o.o. sp. k. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- CENTRAL EUROPEAN ENGINE SERVICES Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and Asseco Softlab HR and the provision of maintenance services.

11. Organisational Relations with Other Parties

Asseco Business Solutions S.A. belongs to the capital company Asseco through Asseco Enterprise Solutions (AES) which holds 46.47% of the shares of Asseco Business Solutions S.A. and exercises its mandate to the corresponding number of votes at the General Meeting. Asseco Enterprise Solutions is 96.41% owned by Asseco Poland. AES is the ERP competence centre of the capital company of Asseco, and Asseco Business Solutions S.A. is its mainstay. Through the membership in the Asseco Group, Asseco BS is implicitly organizationally linked with other companies making up the capital company Asseco.

12. Related Party Transactions on Non-Market Terms

The Issuer did not enter into transactions with related parties other than based on the arm's length principle. Details of transactions with related parties are presented in Note 2.16 to the Financial Statements for the year ended 31 December 2018.

13. Concluded or Terminated Loans Agreements

During the covered reporting period, the Issuer did not enter into any loan agreements.

14. Granted Loans

During the reporting period, the Issuer did not grant any loans, especially to parties related to the Issuer.

15. Granted and Obtained Sureties and Guarantees

During the reporting period, the Issuer did not grant any sureties for credits or loans or guarantees, especially to parties related to the Issuer.

16. Description of Off-Balance Sheet Commitments

A description of significant off-balance sheet commitments in terms of the subject, object and value was presented in point 5.1 of the notes to the Financial Statements of Asseco Business Solutions for the Year Ended 31 December 2017.

17. Proceeds from the Issuance of Shares

During the reporting period, the Issuer did not issue any shares.

18. Explanation of Differences between the Financial Results and Financial Forecasts

The Management Board of Asseco Business Solutions S.A. did not publish performance forecasts for 2018.

19. Evaluation of Management of Financial Resources

Over the 12 months ended 31 December 2018, the capital company Asseco Business Solutions financed its operations from funds generated from operating activities and loans.

As at 31 December 2018, the general debt ratio decreased to 17.6%.

Total liabilities decreased by PLN 14,760 thousand compared to the end of 2017, while the assets went up by PLN 4,198 thousand. As at 31 December 2018, the value of the Company's loan debt amounted to PLN 13,351 thousand.

Debt ratios	12 months to 31 December 2018	12 months to 31 December 2017
General debt ratio	17.6%	21.9%

Total debt ratio = total liabilities/total assets

Working capital is defined as the difference between current assets and current liabilities and represents the volume of fixed capital (equity and long-term foreign capital) that finance current assets. As the most liquid part of capital, it secures the liabilities arising from the current cash cycle in the company. The Company's working capital as at 31 December 2018 amounted to PLN 10,763 thousand.

Current liabilities decreased by 19.2 %, while the level of current assets increased by 10.9%. On the asset side, there was an increase in cash and short-term deposits; on the liabilities side, there was a reduction in bank loan liabilities.

As a result, the Company's liquidity ratio compared to 2017.

Liquidity ratios	12 months to 31 December 2018	12 months to 31 December 2017
Working capital (in PLN thou.)	10,763	(7,339)
Current ratio	1.21	0.88
Quick ratio	1.19	0.85
Super quick ratio	0.25	0.13

These ratios have been calculated using the following formulas:

Working capital = current assets (short-term) - current liabilities

Current ratio = current assets (short-term) / current liabilities Quick ratio = (current assets - inventories - accruals and prepayments) / current liabilities

Super quick ratio = (bonds and securities held to maturity + cash and short-term deposits) / current liabilities

20. Opinion on feasibility of investment projects

In the opinion of the Management Board of Asseco Business Solutions S.A., current financial situation of the Company is very good and promises advantageous conditions for further development in 2019. The Company satisfies all its obligations towards business partners and pays due contributions to the state. In 2018 the capital company Asseco Business Solutions realized the revenue on sales of PLN 254,690 thousand and the net profit of PLN 62,569 thousand. The Company

finances its investment activities from own resources and bank loans. Cash and short-term deposits at the end of December 2018 amounted to PLN 12,800 thousand. Any prospective acquisitions will be financed from own resources or new issuance of shares.

21. Evaluation of Factors and Single-Time Events Affecting the Financial Results

No other information and facts are known, besides what is disclosed in the Financial Statements for the Year Ended 31 December 2018, that could significantly affect the assessment of the Company's financial situation.

22. Important Factors for the Company's Development and an Outline of Business Development Prospects

The condition of the Polish IT industry largely depends on the overall fitness of the country's economy. This is particularly evident in the case of IT solutions for business, which is closely associated with the private sector and depends on the prevailing economic conditions. Today, however, many analytical firms believe that the outlooks for the IT industry in Poland is very promising, and Poland is leading the region in terms of the scale of forecast IT investment, particularly in cloud computing and mobile technologies. A profound impact on the development of the IT market is also exerted by the use of ERP systems by Polish enterprises. It is still significantly lower than in the developed EU markets. It is expected that in the next few years the demand for management support systems in Polish enterprises is to grow steadily.

In the opinion of the Management Board of Asseco Business Solutions S.A., the current financial situation of the Company is satisfactory and conducive to further growth in 2019. In the opinion of the Management Board, the most important external and internal factors that may affect the operations of the Company and its prospective results in the following year are:

External factors:

- the economic and political developments in Poland, the European Union and other countries in which the Company operates,
- the attitude of potential clients to investment in IT against the backdrop of the general economic situation,
- risk of time-shifting of potential clients' investment decisions,
- intense direct and indirect competition from both Polish and foreign IT companies,
- risk related to technological saturation,
- the level of capital earmarked for IT investment in companies and the volume of used EU funds,
- the prospects for expanding markets outside the existing Company's areas of operation,
- opportunities and risks associated with a rapid technological progress and innovation in the IT market,
- market openness and absorption capacity for new product solutions.

Internal factors:

- the quality and comprehensive nature of Company's offering,
- the ability to take advantage of the opportunities created by the merger of the Issuer and Macrologic S.A.,
- the results of intense and ongoing trade activities both domestically and abroad,

- activities run under currently valid agreements,
- the need to attract and keep the most qualified and key employees,
- effects of work on new products.

23. Changes in the Basic Principles of the Company Management

In the reporting period, there were no changes to the basic principles of management of Asseco Business Solutions S.A.

24. Agreements Concluded between the Issuer and Its Executives

In the reporting period, no agreements were concluded between Asseco Business Solutions S.A. and its management that would provide for compensation in case of their resignation or dismissal.

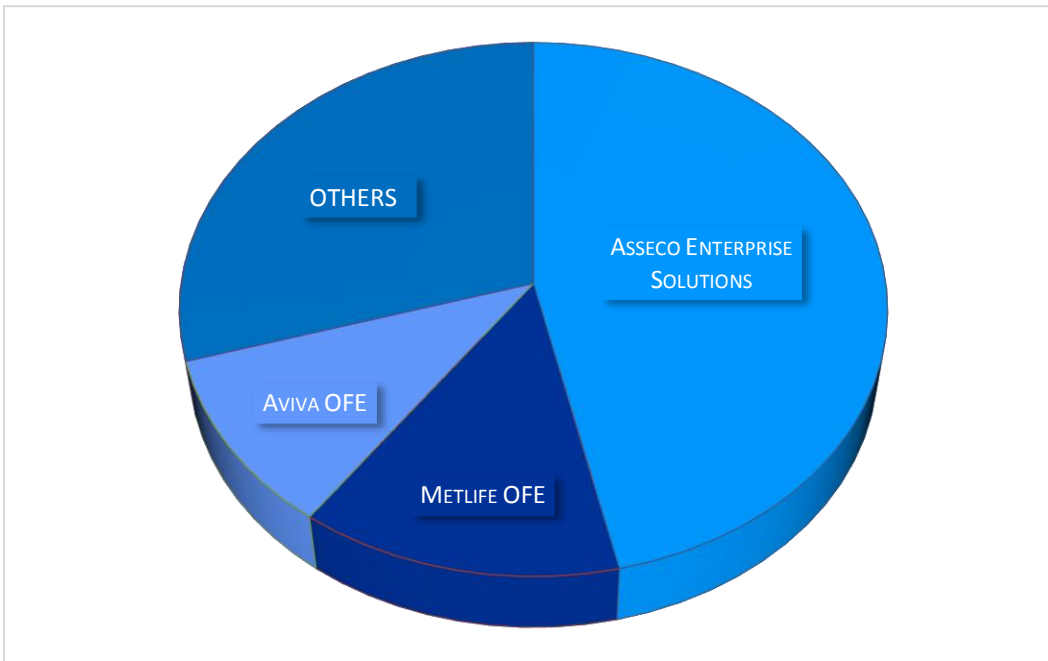
There are no service agreements entered into between Asseco Business Solutions S.A. and the members of the Supervisory Board, setting out the benefits paid upon termination of such agreements.

25. Remuneration, Bonuses and Benefits of Incentive Programmes for the Executives

The remuneration of the executive and supervising persons are presented in item 5.4 of the notes to the Financial Statements of Asseco Business Solutions for the Year Ended 31 December 2019. There are no liabilities generated by pensions and similar benefits for former managers, supervisors or former members of the governance bodies.

26. Shareholding Structure

To the best knowledge of the Management Board of the Issuer, that is, on 27 February 2019, and based on the notification of changes in the shareholding received later, the shareholders of Asseco Business Solutions S.A. holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting on the day of 23 April 2018 are as follows:



Shareholder	Number of shares held	Shareholding	Number of votes	% share in total votes at GM
Asseco Enterprise Solutions	15,528,570	46.47%	15,528,570	46.47%
Metlife Otworthy Fundusz Emerytalny	4,500,000	13.47%	4,500,000	13.47%
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	3,492,000	10.45%	3,492,000	10.45%
Other shareholders	9,897,623	29.61%	9,897,623	29.61%
	33,418,193	100.00%	33,418,193	100.00%

The number of shares attributable to the critical shareholders corresponds to the number of votes at the General Meeting.

Overview of the Issuer's shares or rights to them held by the Executive and Supervising Persons:

	31 December 2018		31 December 2017	
	number of shares held	shareholding in %	number of shares held	shareholding in %
Executive persons				
Wojciech Barcentewicz	461,267	1.38%	461,267	1.38%
Piotr Masłowski	715,063	2.14%	715,063	2.14%
Mariusz Lizon	183,000	0.55%	183,000	0.55%
Supervising persons				
Romuald Rutkowski	426,828	1.28%	426,828	1.28%
TOTAL	1,786,158	5.35%	1,786,158	5.35%

27. Agreements That May Result in the Changing of Proportions of Shareholding

At the date of this report, the Management Board of Asseco Business Solutions S.A. have no knowledge of agreements, which could prospectively result in changes in the proportion of shares held by the existing shareholders.

28. Control of Employee Share Schemes

In the reporting period, Asseco Business Solutions S.A. did not propose any employee share schemes.

29. Information on the Company's Sponsoring and Charity Policy or Any Other Similar Activities

The Company supports financially different charity initiatives. Company's charitable activity is mainly the sponsoring of community organisations aiding people in need and supporting disadvantaged individuals and families and offering funding to socially-beneficial charity.

30. Agreement with the Entity Authorized to Audit the Financial Statements

On 27 March 2018, the Supervisory Board of Asseco Business Solutions S.A. selected PriceWaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. to audit the Company's financial statements for 2018-2019. The agreement with PriceWaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., seated in Warsaw, at ul. Polna 11, the entity authorized to audit the financial statements of Asseco Business Solutions S.A., was concluded on 30 May 2018. The agreement was concluded for a period sufficient to ensure that the Issuer is able meet its obligations in terms of information provided and reporting deadlines established by the Warsaw Stock Exchange. The work related to the auditing of the financial statements of Asseco Business Solutions S.A. closed on 26 February 2019. The basic remuneration for PriceWaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. amounted to PLN 140 thousand; an extra consideration of PLN 18 thousand will be paid for additional services (travel, accommodation, per diem allowances). For the review of the interim financial statements, PriceWaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. was paid PLN 55 thousand; the entity received no more than PLN 7 thousand for additional services.

The agreement with Ernst&Young Audyt Polska Sp. z o.o. sp. k., seated in Warsaw, at Rondo ONZ 1, the entity authorized to audit the financial statements of the capital company Asseco Business Solutions S.A., was concluded on 30 May 2017. The agreement was concluded for a period sufficient to ensure that the Issuer is able meet its obligations in terms of information provided and reporting deadlines established by the Warsaw Stock Exchange. The work related to the auditing of the financial statements of Asseco Business Solutions S.A. closed on 06 March 2018. The basic remuneration for Ernst&Young Audyt Polska Sp. z o.o. sp.k. amounted to PLN 104 thousand; an extra consideration of PLN 35 thousand will be paid for additional services (travel, accommodation, per diem allowances). For the review of the interim consolidated financial statements of the Company and the condensed financial statements of the Company, Ernst&Young Audyt Polska Sp. z o.o. sp.k. was paid PLN 57 thousand; the entity received no more than PLN 15 thousand for additional services.

31. Financial Instruments and Related Risks

Financial instruments and related risks are described in item 4 of the notes to the Financial Statements of Asseco Business Solutions for the Year Ended 31 December 2018.

3². Major Achievements in R&D

Beginning from 2016, the Company has been benefiting from a relief in corporate income tax related to research and development. In 2018 additional tax costs related to the aforementioned relief amounted to PLN 6,366 thousand. The above costs are the remuneration of persons employed in R&D projects conducted by the Company.

The projects implemented in the Company in 2018 are described in item 2.2 of the notes to the Financial Statements of Asseco Business Solutions for the Year Ended 31 December 2018. In total, the capitalized expenditure for the conducted R&D work disclosed in the balance sheet as at 31 December 2018 amounted to PLN 9,809 thousand.

**Signatures of all Members of the Management Board of Asseco Business Solutions S.A.
under the Report of the Management Board on the Company's Operations in the Year
Ended 31 December 2018**

Management Board of Asseco Business Solutions S.A.:

Wojciech Barczentewicz

President of the
Management Board

Signature Not Verified
Document signed by Wojciech Juliusz
Barczentewicz
Date: 2019.02.26 16:50:28 CET

Piotr Masłowski

Vice-President of the
Management Board

Signature Not Verified
Document signed by Piotr Jerzy
Masłowski
Date: 2019.02.26 16:56:50 CET

Andreas Enders

Vice-President of the
Management Board

Mariusz Lizon

Member of the

Signature Not Verified
Document signed by Mariusz
Paweł Lizon
Date: 2019.02.27 09:34:34 CET

33. Statement of the Management Board of Asseco Business Solutions S.A. Pursuant to Article 70(1)(6) of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on the conditions for recognition as equivalent of the information required by the laws of a non-member state ("Regulation")

The Management Board of Asseco Business Solutions S.A. declares that to the best of its knowledge the annual financial statements of Asseco Business Solutions S.A. for the period ended 31 December 2018, and comparative figures for the 12 months ended 31 December 2017 have been prepared in accordance with the Group's accounting policy and the International Financial Reporting Standards adopted by the EU, and reflects a reliable, accurate, clear and fair the financial position and financial performance of Asseco Business Solutions S.A. This Report of the Management Board on the Company's Operations provides a true picture of the development and achievements of the Company, including an overview of major risks and uncertainties.

Management Board of Asseco Business Solutions S.A.:

Wojciech Barczentewicz

President of the
Management Board

Piotr Maślowski

Vice-President of the
Management Board

Andreas Enders

Vice-President of the
Management Board

Mariusz Lizon

Member of the
Management Board

34. Statement of the Management Board of Asseco Business Solutions S.A. Pursuant to Article 70(1)(6) of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on the conditions for recognition as equivalent of the information required by the laws of a non-

The Management Board of Asseco Business Solutions S.A. declares that the entity authorized to audit the financial statements, reviewing the annual financial statements of Asseco Business Solutions S.A., has been selected in accordance with law, and that this entity and the certified auditors reviewing the financial statements meet the requirements of issuing an impartial and independent opinion on the audited financial statements of Asseco Business Solutions S.A., in accordance with any relevant regulations and professional standards.

Management Board of Asseco Business Solutions S.A.:

Wojciech Barczentewicz

President of the Management Board

Piotr Maślowski

Vice-President of the Management Board

Andreas Enders

Vice-President of the Management Board

Signature Not Verified
 Digitally signed by Andreas Enders
 Date: 2019.02.26 17:24:47 CET

Mariusz Lizon

Member of the

Asseco Business Solutions S.A.

@assecobs.pl

assecobs.pl

ASSECO