ANNUAL REPORT
OF ASSECO SOUTH EASTERN EUROPE S.A.
FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE S.A.
FOR THE YEAR ENDED 31 DECEMBER 2013
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS

Rzeszów, 19 February 2014

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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FOR THE YEAR ENDED 31 DECEMBER 2013**

These financial statements were 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
Calin Barseti	Member 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

Person responsible for maintaining the accounting books:

Anna Dworzak

FINANCIAL HIGHLIGHTS OF ASEE S.A.

		Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
		PLN ’000	**PLN ’000**	**EUR ’000**	**EUR ’000**
I.	Revenues from holding activities	46,117	49,907	10,952	11,958
II.	Revenues from operating activities	9,081	4,990	2,156	1,196
III.	Operating profit	40,354	45,830	9,583	10,981
IV.	Pre-tax profit	42,656	46,138	10,130	11,055
V.	Net profit for the reporting period	**40,312**	**46,712**	**9,573**	**11,192**
VI.	Net cash provided by (used in) operating activities	30,432	19,179	7,227	4,595
VII.	Net cash provided by (used in) investing activities	11,909	(2,683)	2,828	(643)
VIII.	Net cash provided by (used in) financing activities	(42,034)	(18,798)	(9,982)	(4,504)
IX.	Cash and short-term deposits	2,950	2,644	711	647
X.	Earnings per ordinary share (in PLN/EUR)	0.78	0.90	0.19	0.22
XI.	Diluted earnings per ordinary share (in PLN/EUR)	0.78	0.90	0.19	0.22

The financial highlights disclosed in these annual financial statements were translated into EUR in the following way:

- items of the income statement and statement of cash flows were 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:
  - in the period from 1 January 2013 to 31 December 2013: EUR 1 = PLN 4.2110
  - in the period from 1 January 2012 to 31 December 2012: EUR 1 = PLN 4.1736
- 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 December 2013: EUR 1 = PLN 4.1472
  - exchange rate effective on 31 December 2012: EUR 1 = PLN 4.0882

All figures in thousands of PLN, unless stated otherwise

INCOME STATEMENT OF ASEE S.A.

	Note	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Holding activities		***46,117***	***49,907***
Dividend income	1	36,794	44,774
Revenues from sales of services	1	9,323	5,133
Operating activities		***9,081***	***4,990***
Revenues from sales of IT services and software	2	9,081	4,990
Total sales revenues		**55,198**	**54,897**
Cost of sales (-)	3	(12,544)	(8,456)
Gross profit on sales		**42,654**	**46,441**
Distribution costs (-)	3	(2,249)	(1,795)
General administrative expenses (-)	3	(67)	(52)
Net profit on sales		**40,338**	**44,594**
Other operating income	4	19	1,410
Other operating expenses (-)	4	(3)	(174)
Operating profit		**40,354**	**45,830**
Financial income	5	7,124	1,883
Financial expenses (-)	5	(4,822)	(1,575)
Pre-tax profit		**42,656**	**46,138**
Corporate income tax (current and deferred tax expense)	6	(2,344)	574
Net profit for the reporting period		**40,312**	**46,712**

	Note	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Earnings per share for the reporting period (in PLN):			
Basic earnings per share from continuing operations for the reporting period	7	0.78	0.90
Diluted earnings per share from continuing operations for the reporting period	7	0.78	0.90

STATEMENT OF COMPREHENSIVE INCOME OF ASEE S.A.

	Note	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Net profit for the reporting period		**40,312**	**46,712**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		**40,312**	**46,712**

All figures in thousands of PLN, unless stated otherwise

STATEMENT OF FINANCIAL POSITION OF ASEE S.A.

ASSETS	Note	31 December 2013 (audited)	31 December 2012 (audited)
Non-current assets		**603,691**	**597,200**
Property, plant and equipment	9	418	390
Goodwill arising from a merger	10	4,567	4,567
Intangible assets	10	233	296
Investments in subsidiary companies	11	592,677	588,840
Deferred income tax assets	6	1,488	2,568
Other long-term receivables	12	4,066	82
Long-term prepayments and accrued income	20	242	457
Current assets		**15,027**	**19,401**
Inventories		2	6
Prepayments and accrued income	20	2,075	651
Trade receivables	12	5,044	2,801
Receivables from the state and local budgets		-	88
Other short-term receivables	12	3,856	563
Short-term financial assets	14	1,100	12,648
Cash and short-term deposits	13	2,950	2,644
TOTAL ASSETS		**618,718**	**616,601**

STATEMENT OF FINANCIAL POSITION OF ASEE S.A.

EQUITY AND LIABILITIES	Note	31 December 2013 (audited)	31 December 2012 (audited)
Equity			
Share capital	15	518,942	518,942
Share premium	16	38,825	38,825
Retained earnings and current net profit	17	52,708	54,430
Total equity		**610,475**	**612,197**
Non-current liabilities		**292**	**583**
Long-term deferred income	20	292	583
Current liabilities		**7,951**	**3,821**
Trade payables	19	3,756	672
Liabilities to the state and local budgets	19	737	429
Financial liabilities	19	1,800	-
Other liabilities		24	54
Deferred income	20	1,190	1,118
Accruals	20	444	1,548
TOTAL LIABILITIES		**8,243**	**4,404**
TOTAL EQUITY AND LIABILITIES		**618,718**	**616,601**

All figures in thousands of PLN, unless stated otherwise

STATEMENT OF CHANGES IN EQUITY OF ASEE S.A.

for the year ended 31 December 2013 and for the year ended 31 December 2012

	Share capital	Share premium	Retained earnings (deficit) and current net profit	Total equity
As at 1 January 2013	**518,942**	**38,825**	**54,430**	**612,197**
Net profit for the reporting period	**-**	**-**	40,312	**40,312**
Total comprehensive income for the reporting period	**-**	**-**	**40,312**	**40,312**
Dividends	**-**	**-**	(42,034)	**(42,034)**
As at 31 December 2013 (audited)	**518,942**	**38,825**	**52,708**	**610,475**
As at 1 January 2012	**518,942**	**38,825**	**25,196**	**582,963**
Net profit for the reporting period	**-**	**-**	46,712	**46,712**
Total comprehensive income for the reporting period	**-**	**-**	**46,712**	**46,712**
Recognition of the merger with ITD Poland	**-**	**-**	1,204	**1,204**
Dividends	**-**	**-**	(18,682)	**(18,682)**
As at 31 December 2012 (audited)	**518,942**	**38,825**	**54,430**	**612,197**

CASH FLOW STATEMENT OF ASEE S.A.

	Note	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Cash flows - operating activities			
Pre-tax profit		42,656	46,138
Total adjustments:		**(12,312)**	**(26,950)**
Depreciation and amortization		262	197
Change in inventories	21	4	1
Change in receivables	21	(2,402)	(551)
Change in liabilities	21	3,362	(1,648)
Change in prepayments and accruals	21	(2,533)	1,614
Change in provisions	21	-	(1,229)
Interest income and expenses		(474)	(109)
Gain (loss) on foreign exchange differences		(308)	953
Gain (loss) on investing activities		(38,366)	(45,845)
Other		(3)	260
Selected operating cash flows		**28,146**	**19,407**
Acquisition of shares in subsidiary companies	21	(10,473)	(26,991)
Disposal of shares in subsidiary companies	21	2,506	2,173
Cash and cash equivalents acquired under the merger with ITD Poland Sp. z o.o.		-	1,798
Dividends received	21	36,113	42,427
Net cash used in operating activities		**30,344**	**19,188**
Corporate income tax recovered (paid)		88	(9)
Net cash provided by (used in) operating activities		**30,432**	**19,179**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(227)	(228)
Disposal of financial assets carried at fair value through profit or loss	14	9,529	10,299
Acquisition of financial assets carried at fair value through profit or loss	14	(9,500)	-
Inflows from bank deposits withdrawn	14	15,809	-
Outflows for bank deposits made	14	(4,300)	(12,509)
Loans granted / (collected)		-	(35)
Interest received	14	598	6
Other		-	(216)
Net cash provided by (used in) investing activities		**11,909**	**(2,683)**
Cash flows - financing activities			
Dividends paid out to shareholders of ASEE S.A.		(42,034)	(18,682)
Proceeds from bank loans		-	8,217
Repayment of bank loans		-	(8,310)
Interest paid		-	(21)
Other		-	(2)
Net cash provided by (used in) financing activities		**(42,034)**	**(18,798)**
Net increase (decrease) in cash and cash equivalents		307	(2,302)
Net foreign exchange differences		(1)	(4)
Cash and cash equivalents as at 1 January		2,644	4,950
Cash and cash equivalents as at 31 December	13	**2,950**	**2,644**

All figures in thousands of PLN, unless stated otherwise

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

I. GENERAL INFORMATION

Asseco South Eastern Europe S.A. (the "Company", "Issuer", "Entity", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007.
The Company has been listed on the Warsaw Stock Exchange since 28 October 2009.

According to the Articles of Association, the Company's business profile includes:
- Activities of head offices and holdings;
- Computer programming activities;
- Computer consultancy activities;
- Computer facilities management activities;
- Other information technology and computer service activities;
- Data processing, hosting activities;
- Web portals and call center activities;
- Research and experimental development on natural sciences and engineering;
- Reproduction of recorded media;
- Wholesale of computers, computer peripheral equipment and software;
- Wholesale of electronic and telecommunications equipment;
- Retail sale of computers, peripheral units and software;
- Accounting, book-keeping and tax consultancy;
- Business and other management consultancy activities.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The period of the Company's operations is indefinite.

The parent of ASEE S.A. is Asseco Poland S.A. (the higher-level parent company). As at 31 December 2013, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

These financial statements cover the year ended 31 December 2013 and contain comparable data for the year ended 31 December 2012.

The Company draws up its financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union for the current and comparable period.

These financial statements for the year ended 31 December 2013 were approved for publication by the Management Board on 19 February 2014.

The Company also prepared the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2013, which were approved for publication by the Management Board on 19 February 2014.

II. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

As at 31 December 2013 as well as on the date of publication of this report, i.e. on 19 February 2014, the Company's Management Board and Supervisory Board and its Audit Committee were composed of the following persons:

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

In the reporting period, the Management Board composition changed as follows:
- on 18 December 2013, the Company received letters of resignation from Hatice Ayas and Dražen Pehar, resigning as Members of the Management Board with effect from 31 December 2013.

During the reporting period as well as in the period from 31 December 2013 till the publication of this report, this is till 19 February 2014, the compositions of the Company's Supervisory Board and Audit Committee remained unchanged.

As at 31 December 2012, the Company's Management Board and Supervisory Board and its Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Adam Góral	Piotr Jeleński	Andrzej Mauberg
Jacek Duch	Hatice Ayas	Jacek Duch
Jan Dauman	Calin Barseti	Gabriela Żukowicz
Andrzej Mauberg	Miljan Mališ	
Mihail Petreski	Miodrag Mirčetić	
Przemysław Sęczkowski	Dražen Pehar	
Gabriela Żukowicz	Marcin Rulnicki	

All figures in thousands of PLN, unless stated otherwise

III. INVESTMENTS IN COMPANIES

The Company holds investments in the following subsidiaries:

Company	Short name	Seat	Business profile	Equity interest held 31 Dec. 2013	Equity interest held 31 Dec. 2012
Asseco SEE d.o.o., Beograd	**ASEE Serbia**	Serbia	Development of financial applications and provision of comprehensive IT systems for financial institutions	100%	100%
Asseco SEE d.o.o., (Zagreb)	**ASEE Croatia**	Croatia	Provision of IT services for the banking and finance sector, insurance sector, and large companies	100%	100%
EŽ Računalstvo 2013 d.o.o., (Zagreb)[1)]	**EŽR Croatia**	Croatia	Sale and maintenance of payment terminals	100%	-
Asseco SEE s.r.l., (Bucharest)	**ASEE Romania**	Romania	Integration services and IT solutions for the financial, industrial, and public administration sectors	100%	100%
Asseco SEE Sh.p.k., (Pristina)	**ASEE Kosovo**	Kosovo	Integration of IT systems as well as development and implementation of proprietary software for the banking sector and public administration	100%	100%
Asseco SEE Teknoloji A.Ş., (Istanbul)	**ASEE Turkey**	Turkey	Solutions for settlement of on-line payments, fraud detection and prevention, operation of call centers	100%	100%
Sigma Danışmanlık ve Uygulama Merkezi A.Ş (Istanbul)[2)]	**Sigma, Turkey**	Turkey	Solutions for enterprise asset management, leasing product and asset management at leasing companies and financial institutions	-	87%
Asseco SEE d.o.o., (Grosuplje)	**ASEE Slovenia**	Slovenia	Card payment solutions	100%	100%
Asseco SEE o.o.d., Sofia	**ASEE Bulgaria**	Bulgaria	Integration services and IT solutions for the financial, industrial, and public administration sectors	100%	100%
Asseco SEE d. o.o., (Sarajevo)	**ASEE B&H**	Bosnia & Herzegovina	Sale of comprehensive information systems for financial institutions, mobile solutions, and card payment solutions	100%	100%
Asseco SEE DOOEL, Skopje	**ASEE Macedonia**	Macedonia	Integration services and IT solutions for the financial, industrial, and public administration sectors	100%	100%

1) On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia.
2) On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey. On 11 September 2013, there was registered a merger between our Turkish subsidiaries: ASEE Turkey (the taking-over company) and Sigma Turkey (the acquired company).

As at 31 December 2013 and 31 December 2012, voting interests the Company was entitled to exercise in its subsidiary companies were proportional to the Company's equity holdings in those entities.

IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

1. Basis for preparation of financial statements

The financial statements were 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 financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN '000), unless stated otherwise.

These financial statements were prepared on a going-concern basis, assuming the Company will continue its business activities in the foreseeable future, this is over a period not shorter than 12 months from the balance sheet date, i.e. 31 December 2013.

Till the date of approving these financial statements, we have not observed any circumstances that would threaten the Company's ability to continue as a going concern in the period of at least 12 months following the balance sheet date.

2. Compliance statement

These financial statements have been prepared in compliance with the International Financial Reporting Standards as adopted by the European Union.

As at the date of approving these financial statements for publication, given the ongoing process of implementation of IFRS standards in the EU as well as the nature of the Company's operations, within the scope of accounting policies applied by the Company, there are differences between the International Financial Reporting Standards and the International Financial Reporting Standards adopted by the European Union. The Company took advantage of the option, which is given to adopters of the International Financial Reporting Standards adopted by the EU, to apply the IFRS 10, IFRS 11, IFRS 12, and amended IAS 27 and IAS 28 only for annual periods beginning on or after 1 January 2014.

3. Functional currency and reporting currency

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

4. Changes in estimates

In the period of 12 months ended 31 December 2013, our approach to making estimates was not subject to any substantial change.

5. Professional judgement and uncertainty of estimates

Preparing financial statements in accordance with IFRS requires making estimates and assumptions which impact the data disclosed in such financial statements. Despite the estimates and assumptions have been adopted based on the Company's management best knowledge about the current activities and occurrences, the actual results may differ from those anticipated.

Presented below are the main areas, which in the process of applying the accounting policies were subject to accounting estimates and the management's professional judgement, and whose estimates, if changed, could significantly affect the Company's future results.

Rates of depreciation and amortization

The level of depreciation and amortization rates is determined on the basis of anticipated period of useful economic life of the components of tangible and intangible assets. The Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

Goodwill impairment testing

As at 31 December 2013, the Company's Management Board performed an impairment test on goodwill arising in 2012 from the merger with ITD Poland. This task required making estimates of the recoverable value of goodwill. The recoverable value was estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. The discount rate applied in the model was 6.9%; whereas, sales revenue growth was assumed at the rate of 5%. Goodwill arising from the merger amounted to PLN 4,567 thousand both as at 31 December 2013 and 31 December 2012. Any reasonable modification of the key assumptions adopted in the model should not indicate any impairment of goodwill.

Liabilities to pay for the remaining stakes of shares in subsidiary companies

As at 31 December 2013, the Company recognized a contingent liability due to the future payment for shares acquired in EŽR Croatia. Determination of the amount of such liability required making estimates of the company's financial results. The liability value as at 31 December 2013 amounted to PLN 1,800 thousand.

Deferred income tax assets

The Company did not recognize the entire balance of deferred income tax asset related to the prior years' losses. Deferred income tax assets arising from tax losses were recognized in the amount of PLN 1,418 thousand, this is to the extent it is probable that future taxable income will enable writing such unutilized losses off. The Company's tax-deductible losses not accounted for in deferred income tax assets amounted to PLN 63,688 thousand as at 31 December 2013, as compared with PLN 73,181 thousand as at 31 December 2012.

Impairment of financial assets

At every balance sheet date, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount. The recoverable value is estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests carried out on our investments as at 31 December 2013 have been described in explanatory note 11 to these financial statements.

6. Changes in the accounting policies applied

The accounting policies adopted for drawing up this report are coherent with those applied for the preparation of the annual financial statements for the year ended 31 December 2012, except for applying the amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2013.

Likewise, the Group has not changed the method for valuation of financial instruments measured at fair value.

7. New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not come into force:

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement as amended* – entry into force has been delayed by the IASB without indicating the planned date of endorsement;
- IFRS 10 *Consolidated Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning from 1 January 2014;
- IFRS 11 *Joint Arrangements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning from 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning from 1 January 2014;
- Amendments of IFRS 10, IFRS 11 and IFRS 12 *Transitional Provisions* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014;
- IAS 27 *Separate Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply the amended IAS for annual periods beginning from 1 January 2014;
- IAS 28 *Investments in Associates and Joint Ventures* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply the amended IAS for annual periods beginning from 1 January 2014;
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – effective for annual periods beginning on or after 1 January 2014;
- IFRIC 21 *Levies* – effective for annual periods beginning on or after 1 January 2014 – not adopted by the EU till the date of approval of these financial statements;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (issued on 29 May 2013) – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27 June 2013) – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013) – effective for annual periods beginning on or after 1 January 2014 – not adopted by the EU till the date of approval of these financial statements;

- Amendments resulting from the annual improvements of IFRSs 2010-2012 – some amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions occurring on or after 1 July 2014 – not adopted by the EU till the date of approval of these financial statements;
- Amendments resulting from the annual improvements of IFRSs 2011-2013 – effective for annual periods beginning on or after 1 July 2014 – not adopted by the EU till the date of approval of these financial statements.

The Company did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

The Management Board conducts an analysis of whether the introduction of the above-mentioned standards and interpretations will have a significant impact on the accounting policies applied by the Company.

8. Significant accounting policies

i. Translation of items expressed in foreign currencies

Transactions denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rate published by the National Bank of Poland and in effect on the day preceding the transaction date.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. Foreign currency differences resulting from such restatement are reported respectively as financial income (expenses) or they may be capitalized as assets in case it is provided for in the adopted accounting policies. Non-cash assets and liabilities carried at historical cost expressed in a foreign currency are disclosed the historical exchange rate of the transaction date. Non-cash assets and liabilities carried at fair value expressed in a foreign currency are reported at the exchange rate from the date when fair value measurement was carried out.

The following exchange rates were applied for the purpose of balance sheet valuation:

Currency	As at 31 Dec. 2013	As at 31 Dec. 2012
USD	3.0120	3.0996
EUR	4.1472	4.0882
RON	0.9262	0.9197
HRK	0.5444	0.5413
RSD	0.0362	0.0359
BGN	2.1205	2.0903
MKD	0.0675	0.0652
BAM	2.1204	2.0807
TRY	1.4122	1.7357

Average exchange rates for the specified reporting periods were as follows:

Currency	for the year ended 31 Dec. 2013	for the year ended 31 Dec. 2012
USD	3.1653	3.2312
EUR	4.2110	4.1736
RON	0.9543	0.9377
HRK	0.5557	0.5547
RSD	0.0372	0.0369
BGN	2.1531	2.1340
MKD	0.0681	0.0679
BAM	2.1512	2.1387
TRY	1.6498	1.8022

ii. Property, plant and equipment

The initial value of tangible assets corresponds to their purchase cost increased by expenditures related directly to the purchase and adaptation of such assets to their intended use. Such expenditures may also include the cost of spare parts to be replaced on machinery or equipment at the time when incurred, if the recognition criteria are met. Any costs incurred after a tangible asset is commissioned to use, such as maintenance or repair fees, are expensed in the income statement at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

All figures in thousands of PLN, unless stated otherwise

Type	Period of useful life
Buildings and structures	40 years
Leasehold improvements	5 years
Computers and telecommunication equipment	1-5 years
Furniture	2-8 years
Office equipment	5-10 years
Transportation vehicles	4-6 years
Other tangible assets	2-5 years

The residual values, useful lives as well as the methods of depreciation of tangible assets are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Should there be any events or changes indicating that the book value of property, plant and equipment may not be recovered, such assets will be reviewed for their possible impairment. If there are any indications of a possible impairment and the book value exceeds the expected recoverable value, the value of such assets or cash-generating units shall be reduced to the recoverable amount. The recoverable value of property, plant and equipment is the greater of their fair value (decreased by any related selling expenses) and their value in use. In order to determine the value in use, estimated future cash flows shall be discounted to the present value by applying a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the asset. In case of an asset which does not generate cash independently, the recoverable value shall be determined for the cash-generating unit, to which such asset belongs. Impairment write-downs are accounted for as operating expenses in the income statement.

A tangible asset may be derecognized from the balance sheet after it is disposed or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset shall be assessed by comparing the income from such disposal with the present book value of such asset, and it shall be accounted for as operating income/expense. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying amount) are recognized in the income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned to use.

iii. Intangible assets

Intangible assets purchased in a separate transaction or generated (if qualifying to be recognized as cost of development work) shall be initially recognized at their purchase cost or production cost. The purchase cost of intangible assets acquired under a business combination shall equal their fair value as at the merger date. After the initial recognition, intangible assets are accounted for at their purchase cost or production cost decreased by accumulated amortization and impairment charges. Expenditures for internally generated intangible assets, except for the costs of development work, shall not be capitalized but expensed in the period when they are incurred.

The Company shall determine whether the period of useful life of an intangible asset is definite or indefinite. Intangible assets with a definite period of useful life are amortized over the expected useful life, and are subject to impairment testing each time there are indications of possible impairment. The periods and methods of amortization of intangible assets with a definite period of useful life are subject to verification at least at the end of each financial year. Any changes in the expected useful life, or the expected consumption of economic benefits derived from an intangible asset, are addressed by changing the relevant period or method of amortization, and are treated as changes in estimates. Amortization charges against intangible assets with a definite period of useful life are expensed in the income statement, in the category which corresponds to the function of each individual intangible asset.

Intangible assets with an indefinite period of useful life, as well as those which are no longer used, are subject to impairment testing on an annual basis, with regard to individual assets or at the level of cash-generating unit.

The useful lives are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Cost of development work	3-5 years
Computer software	2-5 years
Patents and licenses	2-5 years
Other	5 years

Any gains or losses resulting from removal of intangible assets from the balance sheet (calculated as the difference between the net cash obtained from sales and the book value of such item) are recognized in the income statement for the period when such derecognition is made.

iv. Impairment of non-financial assets

At every balance sheet date, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount. If the book value of a given asset exceeds its recoverable value, impairment charges are made reducing the book value to the level of recoverable value. The recoverable value is the higher of the following two values: fair value of an asset or cash-generating unit less selling expenses, or value in use determined for an asset if such asset generates cash flows significantly independent from cash flows generated by other assets or groups of assets or cash-generating units.

At each balance sheet date, the Company determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Company needs to estimate the recoverable value of relevant asset. A formerly recognized impairment charge may be reversed only when, from the date of the last recognition of impairment, there occurred changes in the estimates applied for determination of the recoverable value of relevant asset. If this is the case, the carrying amount of such asset shall be increased to its recoverable value. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset in the prior years. A reversal of an impairment charge shall be immediately recognized as income in the income statement. Following a reversal of an impairment write-down, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

v. Shares in subsidiaries, associates, and joint ventures

Subsidiary companies are companies where the Company holds more than a half of votes at the general meeting of shareholders or is able to manage the financial and operating policy of such undertakings in any other way. Assessment whether the Company controls other companies is made considering existence and influence of potential votes, which may be used at the general meeting of shareholders of those undertakings.

Associated companies are entities in which the Company holds between 20% and 50% of votes at the general meeting of shareholders and on which the Company exerts a significant influence, however, without the ability to control them. This means they are neither subsidiary companies nor joint ventures.

Jointly controlled companies are entities which are neither subsidiary nor associated companies, in which the Company is entitled to exercise no more than 50% of votes at the general meeting, or is otherwise able to direct the financial and operating policy of such entities together with other shareholders.

Investments in subsidiary, jointly controlled and associated companies are recognized by the Company at purchase cost. At every balance sheet date, the Company verifies its investments in related companies concerning possible indications of impairment. Furthermore, at the end of each financial year the Company estimates the recoverable value of its financial assets by analyzing and measuring the future cash flows to be generated by such assets.

vi. Combination of businesses under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Company by the pooling of interests method.

In particular, as far as the Company's mergers with its subsidiaries are concerned, the applied approach assumes that:

- assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the consolidated financial statements of the parent determined as at the date of obtaining control. This means that goodwill recognized initially in the consolidated financial statements as well as any other intangible assets recognized in the merger accounting process are transferred to the separate financial statements;
- merger-related transaction costs are expensed in the income statement;
- mutual balances of accounts receivable/payable are eliminated;
- any difference between the purchase price paid and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);
- the income statement presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of ASEE S.A. are combined, the carrying value of investment in the acquiree subsidiary is only transferred to the value of investment in the acquirer subsidiary. Hence, a take-over of one subsidiary by another subsidiary has no impact on the Company's financial results whatsoever.

Where under an acquisition of a subsidiary the acquirer recognizes a conditional payment, any changes in the fair value of such conditional consideration occurring after the acquisition date shall be recognized as financial income or expenses.

vii. Financial instruments

Financial instruments are divided into the following categories:

- financial assets held to maturity,
- financial instruments valued at fair value through profit or loss,
- loans granted and receivables,
- financial assets available for sale, and
- financial liabilities.

All the financial assets are initially recognized at purchase cost equal to fair value of the effected payment, including the costs related to the purchase of a financial asset, except for financial instruments valued at fair value through profit or loss.

Financial assets held to maturity are investments with payments specified or which may be specified and with a fixed repayment date (maturity), which the Company intends to and may held to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity shall be classified as fixed assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits by taking advantage of short-term price fluctuations shall be classified as financial instruments carried at fair value through profit or loss. Financial instruments carried at fair value through profit or loss are measured at their market value as at the balance sheet date.

Changes in these financial instruments are recognized as financial income or expenses. Financial assets carried at fair value through profit or loss shall be classified as current assets, provided the Management Board intends to dispose them within 12 months from the balance sheet date. This does not apply to currency forward contracts that need to be classified as short-term items irrespectively of their term of maturity.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as fixed assets.

Any other financial assets constitute financial assets available for sale. Financial assets available for sale are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. If financial instruments are not be quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, such financial assets available for sale shall be measured at purchase cost adjusted by impairment charges. Provided financial instruments have a market price determined in a regulated active market or it is possible to determine their fair value in other reliable way, the positive and negative differences between the fair value and the purchase cost of such assets available for sale (after deducting any deferred tax liabilities) shall be disclosed in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, shall be disclosed as a financial expense in the income statement.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At the initial recognition they are valued at purchase cost, this is at fair value plus the transaction-related costs.

Financial liabilities other than financial instruments carried at fair value through profit or loss, are measured at amortized cost using the effective interest rate.

A financial instrument shall be derecognized from the balance sheet if the Company no longer controls the contractual rights arising from such financial instrument; this usually takes place when the instrument is sold or when all cash flows generated by that instrument are transferred to an independent third party.

viii. Derivative financial instruments and hedges

Derivative instruments utilized by the Company in order to hedge against the risk of changes in foreign currency exchange rates include primarily currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

Gains and losses on changes in fair value of derivatives, which do not qualify for hedge accounting, are recognized directly in profit or loss for the financial year.

Fair value of currency forward contracts is determined on the basis of the forward exchange rates available currently for contracts with similar maturity.

Hedge accounting includes the following types of hedges:

- fair value hedges against the exposure to changes in fair value of a recognized asset or liability, or
- cash flow hedges against the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a forecast transaction, or
- hedges of net investments in foreign operations.

ix. Impairment of financial assets

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of such assets shall be reduced either directly or by establishing an impairment write-down. The amount of the loss shall be recognized in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are assessed for impairment individually, and for which an impairment loss is or continues to be recognized, are not included in the collective assessment of impairment of a group of assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. Such reversal of the impairment write-down shall be recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date when the impairment is reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognized in profit or loss, shall be removed from equity and recognized in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the amount of such impairment loss shall be reversed in the income statement.

x. Inventories

Inventories are valued at the lower of the following two values: purchase cost/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company uses the method of precise identification for valuation of outgoing inventories.

The Company is obliged to perform an ageing analysis of their inventories at each balance sheet date, separately for the main groups (licenses, goods for resale, maintenance service inventories). Such analysis provides the rationale for making revaluation write-downs on tangible current assets subject to the following rules:

- 100% write-down on inventories stored longer than 2 years,
- 50% write-down on inventories stored between 1 and 2 years.

xi. Prepayments and accrued income

Prepayments comprise expenses incurred before the balance sheet date that relate to future periods.

Prepayments may in particular include the following items:

- rents paid in advance,
- insurances,
- subscriptions,
- prepaid third-party services which shall be provided in future periods,
- any other expenses incurred in the current period, but related to future periods.

Accrued income includes mainly maintenance services relating to future periods. The Company recognizes prepayments and accrued income if their amounts relate to future reporting periods.

xii. Trade receivables and other receivables

Trade receivables, usually with payment terms ranging from 14 and 90 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectible receivables. For receivables past-due over 180 days a 50% write-down shall be recognized; whereas, receivables past-due over 365 days shall be written down by 100%. An allowance for doubtful accounts shall be determined also when it is no longer probable that the entire amount receivable will be collected, irrespective of the past-due period. Doubtful accounts shall be expensed in the income statement at the time when they are deemed uncollectible.

Where the effect of the value of money in time is material, the amount of receivables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. Should the discounting method be used, any increase in receivables over time shall be booked as financial income.

xiii. Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash kept in banks and on hand by the Company, short-term bank deposits with a maturity not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Company decided not to present bank overdraft facilities (used as an element of financing) in the balance of cash and cash equivalents.

xiv. Interest-bearing bank loans and borrowings

All bank loans, borrowings and debt securities are initially recognized at their purchase cost, being the fair value of cash received net of any costs associated with obtaining a credit or loan, or with issuing a debt security.

Subsequently to such initial recognition, bank loans, borrowings and debt securities are measured at amortized purchase cost using the effective interest rate. Determination of the amortized purchase cost shall take into account the costs related to obtaining a credit or loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

The difference between the cash received (net of costs related to obtaining a credit or loan, or issuing a debt security) and the repayment amount shall be disclosed in the income statement during the term of the liability involved. Any gains or losses shall be recognized in the income statement after the liability has been removed from the balance sheet. All expenses relating to bank loans, borrowings or debt securities issued, shall be recognized in the income statement for the period they relate to.

xv. Trade payables

Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to. Other liabilities to a significant extent also relate to operating activities yet, in contrast to trade payables, they were not invoiced.

Where the effect of the value of money in time is material, the amount of payables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. Where discounting method is used, the increase in liabilities due to the passage of time is recognized as a financial expense.

xvi. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be disclosed in the income statement, net of the amount of any reimbursements.

The Company recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received therefrom.

Where the effect of the value of money in time is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

xvii. Sales revenues

Revenues shall be recognized in the amount reflecting probable economic benefits associated with the transaction to be obtained by the Company and when the amount of revenue can be reliably measured. Revenues are recognized at fair value of the received or receivable payment, decreased by the amounts of value added tax, excise tax, or discounts. While recognizing sales revenues the below mentioned criteria are also taken into account.

Sales of licenses, services and hardware

Revenues shall be recognized if the significant risks and rewards incidental to ownership of licenses and hardware have been transferred to the buyer and when the amount of revenue can be measured reliably. Sales of computer software licenses are recognized systematically during the term of relevant contracts. Whereas, revenues from sales of implementation services are recognized based on the percentage of their completion. Revenues relating to licensing fees shall be recognized when invoiced.

Interest

Interest income shall be recognized on a time proportion basis (taking into account the effective yield, this is the interest rate which accurately discounts future cash flows during the estimated useful life of a financial instrument) on the net book value of a financial asset.

Interest income comprises interest on loans granted, investments in securities held to maturity, bank deposits and other items.

Dividends

Dividends shall be recognized when the shareholders' right to receive payment is vested.

xviii. Taxes

Current income tax

Liabilities and receivables by virtue of current income tax, for the current and prior periods, are measured at the amounts of expected payments to the tax authorities (or repayments from the tax authorities), applying the tax rates and tax regulations legally or factually in force at the balance sheet date.

Deferred income tax

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying amount disclosed in the financial statements. Deferred income tax provisions are established in relation to all positive temporary differences – except for situations when a deferred tax provision arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiary or associated companies or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized – except for situations when deferred tax assets arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss; as well as in relation to negative temporary differences arising from investments in subsidiary or associated companies or from interests in joint ventures, in which cases deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying amount of an individual deferred tax asset shall be verified at every balance sheet date and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred tax assets and deferred tax provisions shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which shall be the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Value added tax

Revenues, expenses and assets shall be disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of goods or services is not recoverable from tax authorities; in such event the value added tax paid shall be recognized as a part of the purchase cost of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

xix. **Earnings per share**

Basic earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the weighted average number of shares outstanding in the given reporting period. Diluted earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the sum of the weighted average number of shares outstanding in the given reporting period and all potential shares of new issues.

9. Seasonal nature of business

Because we are a holding company, the distribution of our financial results during a fiscal year depends largely on the dates when our subsidiary companies adopt resolutions to pay out dividends.

10. Changes in the presentation principles applied

In the reporting period, the Group did not introduce any presentation changes.

11. Corrections of material errors

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

V. INFORMATION ON OPERATING SEGMENTS

The Company's operating activities comprise both holding operations and sales of IT services and software.

The Holding Activities segment includes revenues and expenses related to managing the Group. The segment's revenues comprise primarily dividends and sales of business and technical support services to the Company's subsidiaries.

The IT Services segment includes revenues and expenses related to our information technology operations in two areas: authentication solutions (banking) and voice automation solutions (systems integration).

For the year ended 31 December 2013 in PLN thousands (audited)	Holding activities	IT services	*Total*
Dividend income	36,794	**-**	**36,794**
Revenues from sales of services	9,323	**-**	**9,323**
Revenues from sales of IT services and software	**-**	9,081	**9,081**
Total sales revenues	**46,117**	**9,081**	**55,198**
Gross profit on sales	**40,698**	**1,956**	**42,654**
Distribution costs (-)	(1,208)	(1,041)	**(2,249)**
General administrative expenses (-)	-	(67)	**(67)**
Net profit on sales	**39,490**	**848**	**40,338**

For the year ended 31 December 2012 in PLN thousands (audited)	Holding activities	IT services	*Total*
Dividend income	44,774	**-**	**44,774**
Revenues from sales of services	5,133	**-**	**5,133**
Revenues from sales of IT services and software	**-**	4,990	**4,990**
Total sales revenues	**49,907**	**4,990**	**54,897**
Gross profit on sales	**45,387**	**1,054**	**46,441**
Distribution costs (-)	(1,061)	(734)	**(1,795)**
General administrative expenses (-)	-	(52)	**(52)**
Net profit on sales	**44,326**	**268**	**44,594**

VI. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Holding activities – Dividend income and service revenues

Operating revenues from holding activities comprise dividends received from subsidiary companies as well as revenues from the sale of consulting, business and technical support services which are provided to subsidiary companies of ASEE Group. As the Company is primarily engaged in holding operations, the above-mentioned categories of revenues are presented in operating activities.

	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Dividends from related companies	36,794	44,774
Revenues from sales of services	9,323	5,133
	46,117	**49,907**

Cash inflows generated from dividends amounted to PLN 36,113 thousand in 2013, as compared with PLN 42,427 thousand received in 2012. The difference between recognized revenues and actually received inflows resulted from withholding tax charged by our subsidiaries, foreign exchange differences, as well as income tax charged in the case of Macedonia.

2. Operating activities – Revenues from sales of IT services and software

	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Revenues from sales of software and IT services	9,081	4,990

Both in the year ended 31 December 2013 and in the comparable period, operating activities include revenues from licensing fees as well as maintenance and implementation services.

In the comparable period of 2012, a portion of revenues from IT services amounting to PLN 128 thousand, generated in the period from 1 January 2012 to 1 June 2012, this is until the merger of ASEE S.A. and ITD Poland Sp. z o.o., has been presented under other operating income; hence, the amount of PLN 4,990 thousand is related to the period from 1 June till 31 December 2012.

Prior to this merger, revenues other than those generated from holding activities were treated as other operating activities because ASEE S.A. operated primarily as a holding company.

As a result of the merger conducted between ASEE S.A. and ITD Poland on 1 June 2012, the Company's business profile was extended from holding operations to the Group management as well as sales of IT services and software, and therefore, from that time, all revenues are reported under operating activities.

All figures in thousands of PLN, unless stated otherwise

3. Breakdown of operating costs

	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Materials and energy used (-)	(144)	(139)
Third-party services (-)	(4,993)	(3,092)
Salaries (-)	(2,774)	(3,145)
Employee benefits (-)	(450)	(381)
Depreciation and amortization (-)	(262)	(197)
Taxes and charges (-)	(29)	(157)
Business trips (-)	(465)	(438)
Other (-)	(65)	(37)
	(9,182)	**(7,586)**
Cost of sales:	**(12,544)**	**(8,456)**
Production costs (-)	(6,866)	(5,739)
cost of goods and third-party services sold (COGS) (-)	(5,678)	(2,717)
Distribution costs (-)	**(2,249)**	**(1,795)**
General administrative expenses (-)	**(67)**	**(52)**

4. Other operating income and expenses

Other operating income	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Revenues from sales of software and services	-	128
Reversal of a provision for tax liabilities	-	1,208
Other	19	74
	19	**1,410**

Other operating income of PLN 19 thousand recognized in 2013 resulted primarily from compensations received (PLN 16 thousand).

In the comparable period of 2012, other operating income of PLN 128 thousand resulted from the sale of third-party IT support and software maintenance services provided during a warranty period, as well as the sale of token and SMS handling services.

Such revenues were presented under other operating income in the amounts relating to the period from 1 January 2012 to 1 June 2012, this is until the date of the merger between ASEE S.A. and ITD Poland Sp. z o.o. Prior to this merger, revenues other than those generated from holding activities were treated as other operating activities because ASEE S.A. operated primarily as a holding company.

In 2012, the Company reversed a provision amounting to PLN 1,208 thousand that was established in previous years in order to account for a potential tax liability as it was questionable, whether the costs of the public offering of shares (IPO) may be recognized as tax-deductible.

Other operating expenses	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Cost of purchase of third-party software and services (-)	-	(116)
Costs of post-accident repairs (-)	(2)	(34)
Other (-)	(1)	(24)
	(3)	**(174)**

Other operating expenses of PLN 116 thousand incurred in 2012 correspond to the purchases of third-party support and maintenance services as well as implementation and licensing services, which were recognized up until the date of merger with ITD Poland, this is till 1 June 2012.

5. Financial income and expenses

Financial income	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Positive foreign exchange differences	71	-
Interest on bank deposits	654	719
Reversal of an investment impairment write-down	6,033	-
Gain on exercise of derivative instruments	4	47
Gain on change in fair value of derivative instruments	99	495
Gain on disposal of financial assets carried at fair value through profit or loss	25	128
Gain on revaluation of contingent payments in transactions to obtain control	-	494
Gain on disposal of shares	238	-
	7,124	**1,883**

In 2013, we reversed an impairment write-down amounting to PLN 6,033 thousand on our investment in ASEE Kosovo as the company's earnings improved.

In addition, financial income includes a gain of PLN 238 thousand recognized on the disposal of a 38.22% stake in Sigma Turkey.

Financial income for the year 2012 includes a reduction of estimated conditional payments for the acquisition of shares in subsidiaries by the total amount of PLN 494 thousand (of which: EST A.Ş., presently ASEE Turkey – PLN 85 thousand, Altius Bulgaria – PLN 335 thousand, and ASEE Bulgaria – PLN 74 thousand). Furthermore, financial income for the comparable period includes the effects of valuation of derivative instruments amounting to PLN 495 thousand, as well as a gain on disposal of investment fund units amounting to PLN 128 thousand.

All figures in thousands of PLN, unless stated otherwise

Financial expenses	**Year ended 31 Dec. 2013 (audited)**	**Year ended 31 Dec. 2012 (audited)**
Negative foreign exchange differences (-)	-	(1,469)
Loss on change in fair value of derivative instruments (-)	(22)	-
Loss on exercise of derivative instruments (-)	-	(93)
Interest expense on bank loans and borrowings (-)	-	(12)
Impairment write-down on investments in subsidiary companies	(4,800)	-
Other (-)	-	(1)
	(4,822)	**(1,575)**

Financial expenses for 2013 include an impairment write-down of PLN 4,800 thousand on our investment in ASEE Croatia, as well as a loss of PLN 22 thousand incurred on valuation of derivative instruments.

6. Corporate income tax

The main charges on pre-tax profit by virtue of corporate income tax (current and deferred portions):

	Year ended 31 Dec. 2013 (audited)	**Year ended 31 Dec. 2012 (audited)**
Current corporate income tax and prior years adjustments	-	63
Deferred income tax related to origination and reversal of temporary differences	(1,080)	1,908
Income tax payable on dividends	(1,264)	(1,397)
Income tax expense as disclosed in the income statement	**(2,344)**	**574**

Income tax expense as disclosed in the income statement resulted primarily from withholding tax paid on dividends received from our subsidiaries.

The amount of change in deferred income tax disclosed in the income statement for 2013 resulted basically from utilizing our deferred tax assets arising from tax losses, which amounted to PLN 882 thousand. In addition, income tax expense disclosed in the income statement was influenced by withholding tax paid on dividends in the amount of PLN 1,264 thousand. In 2013, our effective tax rate equalled 5.68%.

Whereas, the line of income tax expense for 2012 shows a positive amount. This resulted from the recognition in 2012 of deferred tax assets arising from tax losses amounting to PLN 2,300 thousand (that effect was decreased to PLN 1,908 thousand due to the creation of deferred tax provisions for other items). Income tax expense for 2012 was also influenced by withholding tax paid on dividends received.

As at 31 December 2013, tax-deductible losses of ASEE S.A. not accounted for in deferred income tax assets amounted to PLN 63,688 thousand. In the year ended 31 December 2013, the amount of tax losses not included in deferred tax assets changed by PLN 9,493 thousand.

The Company did not recognize the entire balance of deferred tax assets related to tax losses. Deferred income tax assets arising from unutilized tax losses were recognized in the amount of PLN 1,418 thousand as at 31 December 2013 (as compared with PLN 2,300 thousand as at 31 December 2012), this is to the extent it is probable that future taxable income will enable writing such unutilized losses off. The utilization of those tax-deductible losses is possible till the end of 2015.

All figures in thousands of PLN, unless stated otherwise

Reconciliation of corporate income tax payable on pre-tax profit according to the statutory tax rates with corporate income tax computed at the Company's effective tax rate:

	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Pre-tax profit	**42,656**	**46,138**
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	**(8,105)**	**(8,766)**
Non-tax-deductible expenses, of which:	**(951)**	**(62)**
Not capitalized costs of acquisition of financial fixed assets	*-*	*(20)*
Impairment write-down on investments in subsidiary companies	*(912)*	*-*
Other	*(39)*	*(42)*
Tax-deductible expenses not recognized in the balance sheet, of which:	**6**	**(72)**
Expenses covered by provisions	*-*	*(72)*
Cost of shares sold	*6*	*-*
Non-taxable income, of which	**1,158**	**343**
Reversal of liabilities arising from conditional payments	*-*	*109*
Reversal of a provision for IPO-related costs	*-*	*234*
Reversal of an impairment write-down on investments	*1,146*	*-*
Other	*12*	*-*
Tax exempt income, of which:	**2,143**	**2,434**
Dividends received	*2,143*	*2,434*
Tax deduction, of which:	**1,569**	**3,531**
Dividend income tax paid by subsidiaries	*1,569*	*3,531*
Utilization of tax-deductible losses	**1,836**	**3,166**
Corporate income tax computed at the effective tax rate of 5.68 % in 2013 and -1.24 % in 2012	**(2,344)**	**574**

Tax exempt income amounting to PLN 2,143 thousand in 2013 and PLN 2,434 thousand in 2012 corresponds to dividends received from the European Union countries, which are exempted from taxation under Art. 22 of the Corporate Income Tax Act. Whereas, the deduction of dividend income tax paid by subsidiaries amounting to PLN 1,569 thousand in 2013 and PLN 3,531 thousand in 2012 is related to our subsidiaries, dividends from which are taxable in Poland, but which had already paid income taxes in their countries (tax deduction pursuant to Art. 22 of the Corporate Income Tax Act).

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT for the year ended	
	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Deferred income tax provision				
Interest accrued on cash equivalents	-	(22)	22	(22)
Financial assets carried at fair value through profit or loss	-	-	-	33
Unrealized foreign exchange differences	-	-	-	5
Receivables arising from valuation of IT contracts	-	-	-	46
Other differences	(19)	(8)	(11)	37
Deferred income tax provision, gross	**(19)**	**(30)**		
Deferred income tax assets				
Losses deductible against future taxable income	1,418	2,300	(882)	1,868
Accrual for salaries	3	158	(155)	35
Accrual for unused holiday leaves	38	33	5	(12)
Valuation of financial assets and liabilities at fair value	-	-	-	(162)
Provision for other operating costs	48	107	(59)	80
Deferred income tax assets, gross	**1,507**	**2,598**		
Write-down due to inability to realize a deferred income tax asset	-	-		
Deferred income tax assets, net	**1,507**	**2,598**		
Assets (+) / Provision (-), net	**1,488**	**2,568**		
Change in deferred income tax in the reporting period, of which:			**(1,080)**	**1,908**
change in deferred income tax recognized directly in other comprehensive income			-	-
change in deferred income tax recognized in profit or loss			(1,080)	1,908

All figures in thousands of PLN, unless stated otherwise

7. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding during that financial year.

Both during the reporting period and the prior year's comparable period, no events occurred that would result in a dilution of earnings per share.

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

	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Net profit for the reporting period	**40,312**	**46,712**
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
Earnings per share for the reporting period (in PLN):		
Basic earnings per share	0.78	0.90
Diluted earnings per share	0.78	0.90

8. Information on dividends paid out or declared

a) the amount of PLN 3,737,011.97 from the net profit for the financial year 2012 has been allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;

b) the amount of PLN 42,034,343.31 has been distributed to all the Company's shareholders through payment of a dividend amounting to PLN 0.81 per share.

The remaining portion of the net profit for 2012 amounting to PLN 3,102,417.79 has been retained as prior years' earnings.

The Company's Ordinary General Meeting of Shareholders established 12 July 2013 as the dividend record date. The number of shares eligible for dividend was 51,894,251. The dividend was paid out on 31 July 2013.

All figures in thousands of PLN, unless stated otherwise

9. Property, plant and equipment

for the year ended 31 December 2013 (audited)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
As at 1 January 2013, less depreciation	**94**	**292**	**4**	**390**
Additions, of which:	**59**	**139**	**3**	**201**
Purchases	59	139	3	**201**
Reductions, of which:	**(66)**	**(102)**	**(5)**	**(173)**
Depreciation charges for the reporting period (-)	(66)	(102)	(5)	**(173)**
As at 31 December 2013, less depreciation	**87**	**329**	**2**	**418**
As at 1 January 2013				
Gross book value	353	441	164	**958**
Depreciation (-)	(259)	(149)	(160)	**(568)**
Net book value as at 1 January 2013	**94**	**292**	**4**	**390**
As at 31 December 2013				
Gross book value	407	580	167	**1,154**
Depreciation (-)	(320)	(251)	(165)	**(736)**
Net book value as at 31 December 2013	**87**	**329**	**2**	**418**

Both as at 31 December 2013 and 31 December 2012, property, plant and equipment did not serve as security for any bank loans.

for the year ended 31 December 2012 (audited)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
As at 1 January 2012, less depreciation	**29**	**190**	**5**	**224**
Additions, of which:	**314**	**179**	**156**	**649**
Purchases	51	179	1	**231**
Mergers	263	-	155	**418**
Reductions, of which:	**(249)**	**(77)**	**(157)**	**(483)**
Depreciation charges for the reporting period (-)	(39)	(77)	(4)	**(120)**
Disposals (-)	(6)	-	-	**(6)**
Mergers (-)	(204)	-	(153)	**(357)**
As at 31 December 2012, less depreciation	**94**	**292**	**4**	**390**
As at 1 January 2012				
Gross book value	46	262	8	**316**
Depreciation (-)	(17)	(72)	(3)	**(92)**
Net book value as at 1 January 2012	**29**	**190**	**5**	**224**
As at 31 December 2012				
Gross book value	353	441	164	**958**
Depreciation (-)	(259)	(149)	(160)	**(568)**
Net book value as at 31 December 2012	**94**	**292**	**4**	**390**

10. Intangible assets

for the year ended 31 December 2013 (audited)	CRM software	Goodwill	Other intangible assets	Total
As at 1 January 2013, less amortization	**282**	**4,567**	**14**	**4,863**
Additions, of which:	**-**	**-**	**26**	**26**
Purchases	-	-	26	**26**
Reductions, of which:	**(71)**	**-**	**(18)**	**(89)**
Amortization charges for the reporting period (-)	(71)	-	(18)	**(89)**
As at 31 December 2013, less amortization	**211**	**4,567**	**22**	**4,800**
As at 1 January 2013				
Gross book value	353	4,567	105	**5,025**
Amortization (-)	(71)	-	(91)	**(162)**
Net book value as at 1 January 2013	**282**	**4,567**	**14**	**4,863**
As at 31 December 2013				
Gross book value	353	4,567	131	**5,051**
Amortization (-)	(142)	-	(109)	**(251)**
Net book value as at 31 December 2013	**211**	**4,567**	**22**	**4,800**

Both as at 31 December 2013 and 31 December 2012, intangible assets did not serve as security for any bank loans.

for the year ended 31 December 2012 (audited)	CRM software	Goodwill	Other intangible assets	Total
As at 1 January 2012, less amortization	**353**	**-**	**-**	**353**
Additions, of which:	**-**	**4,567**	**102**	**4,669**
Purchases	-	-	3	**3**
Mergers	-	4,567	99	**4,666**
Reductions, of which:	**(71)**	**-**	**(88)**	**(159)**
Amortization charges for the reporting period (-)	(71)	-	(6)	**(77)**
Mergers (-)	-	-	(82)	**(82)**
As at 31 December 2012, less amortization	**282**	**4,567**	**14**	**4,863**
As at 1 January 2012				
Gross book value	353	-	3	**356**
Amortization (-)	-	-	(3)	**(3)**
Net book value as at 1 January 2012	**353**	**-**	**-**	**353**
As at 31 December 2012				
Gross book value	353	4,567	105	**5,025**
Amortization (-)	(71)	-	(91)	**(162)**
Net book value as at 31 December 2012	**282**	**4,567**	**14**	**4,863**

All figures in thousands of PLN, unless stated otherwise

11. Investments in subsidiary companies

Full name of company	Short name	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Asseco SEE d.o.o., (Sarajevo)	ASEE B&H	25,830	25,830
Asseco SEE o.o.d., Sofia	ASEE Bulgaria	4,265	4,265
Asseco SEE d.o.o. (Zagreb)	ASEE Croatia	105,880	110,680
EŽ Računalstvo 2013 d.o.o., (Zagreb)	EŽR Croatia	12,287	-
Asseco SEE Sh.p.k. (Pristina)	ASEE Kosovo	44,361	38,328
Asseco SEE DOEL, (Skopje)	ASEE Macedonia	98,480	98,480
Asseco SEE s.r.l., (Bucharest)	ASEE Romania	147,485	147,485
Asseco SEE d.o.o., (Beograd)	ASEE Serbia	80,297	80,297
Asseco SEE d.o.o., (Grosuplje)	ASEE Slovenia	2,332	2,332
Asseco SEE Teknoloji A.Ş. (Istanbul)	ASEE Turkey	71,460	55,810
Sigma Danışmanlık ve Uygulama Merkezi A.Ş.	Sigma Turkey	-	25,333
		592,677	**588,840**

ASEE BOSNIA AND HERZEGOVINA

The company of ASEE Bosnia and Herzegovina resulted from the merger of Cardinfo BDS d.o.o. (ASEE B&H Sarajevo) and ASEE B&H (Banja Luka).

History of acquisitions in Bosnia and Herzegovina

The agreement for the acquisition of a 50% stake in Cardinfo BDS d.o.o. worth PLN 4,631 thousand was signed by ASEE S.A. on 13 September 2010. The remaining 50% of shares in Cardinfo BDS d.o.o. worth PLN 9,693 thousand as well as shares in ASEE B&H (Banja Luka) worth PLN 11,506 thousand were transferred within the Group's structure, from ASEE Serbia directly to ASEE S.A. Such transfer was carried out as part of the Group's reorganization process which was finalized by the merger of ASEE S.A. with its subsidiary ITD Poland Sp. z o.o. on 1 June 2012.

On 19 July 2012, there was registered a merger between our two subsidiary companies seated in Bosnia and Herzegovina. As a result of that merger, the value of our investment in ASEE B&H (Banja Luka) amounting to PLN 11,506 thousand was added to our investment in ASEE B&H (Sarajevo). Following the merger, the total value of our investments in Bosnia and Herzegovina equals PLN 25,830 thousand.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE B&H remained unchanged.

ASEE BULGARIA

ASEE Bulgaria was created by the merger of ASEE Bulgaria (former Pexim Solutions o.o.d) and Altius, Bulgaria.

History of acquisitions in Bulgaria

On 23 September 2010, ASEE S.A. acquired a 49% stake in ASEE Bulgaria. The remaining 51% of shares were purchased by ASEE S.A. from its subsidiary ASEE Macedonia on 1 December 2011. Following both the transactions, ASEE S.A. has become a direct owner of 100% of shares in its Bulgarian subsidiary. The total cost of investment recognized amounted to PLN 2,499 thousand.

On 19 October 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of 100% of shares in Altius Bulgaria EOOD. Our investment in this company amounted to PLN 1,766 thousand.

The merger of both the above-mentioned companies was registered on 10 February 2012. Following this business combination, the total value of our investment in ASEE Bulgaria reached PLN 4,265 thousand.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE Bulgaria remained unchanged.

ASEE CROATIA

ASEE Croatia was created by merging our three subsidiaries based in Croatia: Arbor Informatika d.o.o., Logos d.o.o., and Biro Data Servis d.o.o.

History of acquisitions in Croatia

On 20 December 2007, ASEE S.A. concluded an agreement for the acquisition of a 60% stake in Logos d.o.o. and a 70% stake in Arbor Informatika d.o.o. The control over Arbor Informatika d.o.o. was obtained on 22 January 2008; whereas, Logos d.o.o. has been controlled as of 8 April 2008.

The remaining non-controlling interests in these companies, i.e. 40% of shares in Logos d.o.o. and 30% of shares in Arbor Informatika d.o.o., were acquired by ASEE S.A. in 2009, in each case by conversion of those shares into shares of ASEE S.A. Following such swap transactions, ASEE S.A. has become the owner of 100% of shares in both the companies.

On 4 January 2010, the subsidiary Logos d.o.o. was renamed as Asseco SEE d.o.o. (ASEE Croatia). Concurrently, there was registered a merger of ASEE Croatia (as the taking-over company) with Arbor Informatika d.o.o. (as the acquired company).

Afterwards, ASEE S.A. acquired a 100% stake in Biro Data Servis d.o.o. (BDS) under an agreement signed on 13 September 2010. The merger of ASEE Croatia with BDS was registered on 3 January 2011.

All figures in thousands of PLN, unless stated otherwise

In the period of 12 months ended 31 December 2013, we recognized an impairment write-down, decreasing the value of our investment in ASEE Croatia by PLN 4,800 thousand. Such write-down was created due to lower than expected financial performance of that company.

Net of impairment write-downs, the total value of our investments in Croatia reached PLN 105,880 thousand.

EŽR Croatia

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia, for the total amount not exceeding EUR 3,200 thousand. The consideration for the shares has been divided into two portions. The first instalment amounting to EUR 2,500 thousand (of which EUR 2,362 thousand due to the seller and EUR 138 thousand for the share capital increase) was paid on the date of signing the share acquisition agreement. The amount of the second instalment will depend on the acquired company's financial results and shall range from EUR 300 thousand to EUR 700 thousand. The value of investment recognized on this transaction amounted to PLN 12,287 thousand.

ASEE KOSOVO

History of acquisitions in Kosovo

The agreement for the acquisition of 100% of shares in Pronet Sh.p.k was signed on 5 November 2009. Asseco South Eastern Europe S.A. gained control over that company as of 1 July 2009. On 25 January 2010, the subsidiary Pronet Sh.p.k. was renamed as Asseco SEE Sh.p.k. (ASEE Kosovo).

The value of our investment in Kosovo changed both in 2010 and in 2011. In 2010, taking into account the audited consolidated financial statements of ASEE Kosovo for the year 2009, we finally completed the purchase price allocation process, which resulted in reducing the value of this investment by PLN 388 thousand. Whereas, in the first half of 2011, we recognized an impairment write-down on our Kosovo investment, decreasing its value by PLN 6,033 thousand, because the achieved financial results were weaker than expected. In the period of 12 months ended 31 December 2013, the above-mentioned write-down was reversed entirely as the company's earnings improved.

The value of our investments in Kosovo is PLN 44,361 thousand.

ASEE MACEDONIA

History of acquisitions in Macedonia

ASEE Macedonia joined ASEE Group in 2007, being a subsidiary of the acquired Serbian company. As a result of a division of ASEE Serbia and establishing of IPSA BHM Investments, as well as due to further reorganization of ASEE Group finalized by the merger with ITD Poland, the investment in ASEE Macedonia was transferred directly to ASEE S.A. and evaluated at PLN 98,480 thousand.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE Macedonia remained unchanged.

ASEE ROMANIA

ASEE Romania was created by merging our three Romanian subsidiaries: Fiba Software s.r.l., Net Consulting s.r.l., and Probass S.A.

History of acquisitions in Romania

On 26 April 2007, Asseco Romania S.A. (a subsidiary of Asseco Poland S.A.) acquired 70% stakes in the companies of Fiba Software s.r.l. and Net Consulting s.r.l. As a result of the acquisition of shares in Asseco Romania S.A. by Asseco South Eastern Europe S.A. in January 2008 and subsequent merger of those companies executed on 8 May 2008, ASEE S.A. obtained control both over Fiba Software s.r.l. and Net Consulting s.r.l.

The remaining 30% non-controlling interests in each of these companies were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following such swap transactions, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in both the Romanian companies.

On 29 December 2009, Net Consulting s.r.l. was renamed as Asseco SEE s.r.l. (ASEE Romania) and, subsequently, ASEE Romania acted as the taking-over company in the merger of our Romanian subsidiaries that was carried out on 31 December 2010.

On 11 December 2009, Asseco South Eastern Europe S.A. signed an agreement for the acquisition of 100% of shares in Probass S.A. On 1 June 2010, there was registered a merger of ASEE Romania (the taking-over company) with Probass S.A. (the acquired company).

After the mergers, the total value of our investments in Romania reached PLN 147,485 thousand.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE Romania remained unchanged.

ASEE SERBIA

ASEE Serbia was created by merging our three subsidiaries based in Serbia: Pexim d.o.o., Beograd, Antegra d.o.o., Beograd, and Pexim Cardinfo d.o.o., Beograd.

History of acquisitions in Serbia

Asseco South Eastern Europe S.A. acquired: 60% of shares in Pexim d.o.o. on 18 December 2007, 60% of shares in Pexim Cardinfo d.o.o. on 6 May 2008, as well as 70% of shares in Antegra d.o.o. on 21 May 2008.

The remaining non-controlling interests were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following that transaction, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in that company.

On 23 November 2009, our subsidiary Pexim d.o.o. was renamed as Asseco SEE d.o.o., Beograd (ASEE Serbia). On 4 January 2010, there was registered a merger of ASEE Serbia (the taking-over company) with Pexim Cardinfo d.o.o. (the acquired company) and Antegra d.o.o. (the acquired company).

Division of ASEE Serbia and establishing of IPSA BHM Investments d.o.o.

On 22 November 2010, IPSA BHM Investments d.o.o., Beograd (IPSA) was established as a result of the separation of a portion of assets of ASEE Serbia, which at the date of such separation was a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

The separated assets of ASEE Serbia that were transferred to the newly established IPSA comprised shareholdings in the following companies:

- 100% of shares in ASEE B&H (former Pexim Solutions d.o.o.) seated in Banja Luka, Bosnia and Herzegovina;
- 100% of shares in IBIS a.d. seated in Banja Luka, Bosnia and Herzegovina;
- 50% of shares in ASEE B&H (former Cardinfo BDS d.o.o) seated in Sarajevo, Bosnia and Herzegovina;
- 100% of shares in ASEE Macedonia.

The market value of the separated assets was estimated to equal PLN 124,380 thousand. Following such separation of assets, in 2011 the value of our investment in ASEE Serbia was reduced by the amount corresponding to the estimated market value of assets transferred to IPSA (this is from PLN 204,677 thousand to its current value of PLN 80,297 thousand).

The company of IPSA was liquidated on 31 October 2011. Whereas, all of its shareholdings in the above-mentioned companies were transferred to ITD Poland.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE Serbia remained unchanged.

ASEE SLOVENIA

History of acquisitions in Slovenia

On 13 July 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of a 50% stake in ASEE Slovenia (former SIMT Cardinfo d.o.o.). The agreement became effective upon the fulfilment of a condition precedent, i.e. approval of the above-mentioned transaction by the competent court of Slovenia. The court's consent became final and binding on 10 October 2011. Our investment in this company amounted to PLN 1,327 thousand.

On 18 April 2012, ASEE S.A. was registered as the holder of 100% of shares in ASEE Slovenia, following a buy-out of the remaining 50% stake from its previous owner ASEE Serbia. Following this transaction, the value of our investment in ASEE Slovenia increased by PLN 1,005 thousand to its current level of PLN 2,332 thousand.

During the period of 12 months ended 31 December 2013, the value of our investment in ASEE Slovenia remained unchanged.

ASEE TURKEY

ASEE Turkey resulted from the merger of ITD A.Ş., EST A.Ş. and Sigma A.Ş.

History of acquisitions in Turkey

Both the above-mentioned companies were acquired by ASEE S.A. on 30 July 2010.

The value of investment in 99.662% of shares in ITD A.Ş. amounted to PLN 33,965 thousand. 29.0429% of shares in ITD A.Ş. were acquired in exchange for 837,472 newly issued, series S shares of Asseco South Eastern Europe S.A., with the issuance value of PLN 8,827 thousand, which was recognized as the investment's purchase cost. The value of investment in 99.997% of shares in EST A.Ş. amounted to PLN 28,267 thousand. Additionally, in March 2011, ASEE S.A. purchased 165 shares from a shareholder in ITD A.Ş., increasing the value of this investment by PLN 108 thousand.

In March 2011, Asseco South Eastern Europe S.A. sold a 23.1% stake in EST A.Ş. to ITD A.Ş.; hence the value of our investment in this company decreased by PLN 6,530 thousand.

The merger of both the Turkish subsidiaries was registered on 6 June 2011. As at the merger date, the value of our investment in ASEE Turkey amounted to PLN 55,810 thousand.

On 14 September 2012, ASEE S.A. acquired an 86.68% stake in the company Sigma Danışmanlık ve Uygulama Merkezi A.Ş. seated in Istanbul. The value of investment recognized on this transaction amounted to PLN 25,333 thousand. (Additional 12% of shares were purchased by our subsidiary ASEE Turkey.)

On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey. Following this transaction, the value of our investment in Sigma decreased by PLN 9,683 thousand to the level of PLN 15,650 thousand.

On 11 September 2013, there was registered a merger between our Turkish subsidiaries: ASEE Turkey (the taking-over company) and Sigma Turkey (the acquired company). Concurrently to the merger, ASEE Turkey carried out a squeeze-out procedure and purchased a 1.32% non-controlling interest in Sigma. Following this procedure, ASEE S.A. has become the owner of all shares in both the merged companies.

The value of our investment in ASEE Turkey, after the merger with Sigma Turkey, reached PLN 71,460 thousand as at 31 December 2013.

Impairment testing of investments

At every balance sheet date, ASEE S.A. carries out a valuation of its assets concerning possible impairment.

Because the market capitalization of ASEE S.A. was lower than the book value of the Company's net assets, we estimated the recoverable value of all of our investments in subsidiaries as at 31 December 2013.

The recoverable value of investments in subsidiaries as at 31 December 2013 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no growth of the achieved margins after the forecast period.

The discount rate applied to determine the present value of expected future cash flows was equivalent to the estimated weighted average cost of capital for each individual company. Particular components of the discount rate were determined taking into account the market values of risk-free interest rates, the beta coefficient that was leveraged to reflect the market debt-equity structure, as well as the expected market yield.

Based on the conducted tests, we decided to reverse an impairment write-down amounting to PLN 6,033 thousand on our investment in ASEE Kosovo that was originally created in 2011, as well as to recognize an impairment write-down amounting to PLN 4,800 thousand on our investment in ASEE Croatia. These changes in write-downs have been recognized respectively in financial income and expenses.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2013:

31 Dec. 2013	Discount rate applied in the model	Sales revenue growth rate applied in the model
ASEE B&H	10.0%	10.4%
ASEE Bulgaria	7.6%	22.9%
ASEE Croatia	9.1%	9.6%
ASEE Kosovo	10.2%	2.9%
ASEE Macedonia	9.2%	5.7%
ASEE Romania	8.1%	7.3%
ASEE Serbia	11.0%	1.5%
ASEE Slovenia	9.4%	2.9%
ASEE Turkey	8.4%	19.1%

In the case of ASEE Croatia, taking into account the created write-down and current assumptions, the carrying amount of this investment is equal to its recoverable value. Any increase in the applied discount rate or decrease in the assumed revenue growth rate might result in further write-downs on our investment in ASEE Croatia.

In the case of ASEE Kosovo, the recoverable value of this investment would be equal to its carrying amount if the discount rate applied in the model was changed by 1.1 pp with other assumptions remaining constant, or if the revenue growth rate was changed by 1.3 pp with other assumptions remaining constant. As at 31 December 2013, the excess of the recoverable value of our investment in ASEE Kosovo over its carrying amount equalled PLN 5 million.

In the case of ASEE Romania, the recoverable value of this investment would be equal to its carrying amount if the discount rate applied in the model was changed by 1.5 pp with other assumptions remaining constant, or if the revenue growth rate was changed by 1.3 pp with other assumptions remaining constant. As at 31 December 2013, the excess of the recoverable value of our investment in ASEE Romania over its carrying amount equalled PLN 27.05 million.

Any reasonable modification of the key assumptions adopted in the valuation model of our investments in other subsidiaries should not indicate a necessity of recognizing any impairment charges.

All figures in thousands of PLN, unless stated otherwise

In 2012, given the level of financial results achieved by the following subsidiaries: ASEE Croatia, ASEE Kosovo, and ASEE Romania, we considered that there occurred indications to carry out impairment tests on those investments. The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model in 2012:

31 Dec. 2012	Discount rate applied in the model	Sales revenue growth rate applied in the model
ASEE Croatia	9.4%	8.2%
ASEE Kosovo	11.5%	11.7%
ASEE Romania	8.5%	6.0%

As at 31 December 2012, the excess of recoverable values of our investments over their carrying amounts equalled PLN 14.24 million in the case of ASEE Croatia, PLN 4.79 million for ASEE Kosovo, and PLN 26.67 million for ASEE Romania. If the discount rate applied in the model was changed, with other assumptions remaining constant, by 1.2 pp in the case of ASEE Croatia, 1.3 pp for ASEE Kosovo, and 1.6 pp for ASEE Romania, the recoverable values of our investments would be equal to their carrying amounts.

No indications of impairment were observed in respect of our investments in other subsidiaries as at 31 December 2012.

The sales revenue growth rate specified in the tables above was calculated as the compound annual growth rate (CAGR), this is an average annual growth rate over the analyzed period, assuming that each year-on-year increase is added to the next period's base.

12. Short-term and long-term receivables

Trade receivables	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Trade receivables, of which:	5,044	2,801
From related companies	1,434	530
From other companies	3,610	2,271

Receivables from related companies amounting to PLN 1,434 thousand, as presented herein, resulted from sales of consulting, business and technical support services to subsidiary companies of ASEE Group. As at 31 December 2012, trade receivables resulting from such sales amounted to PLN 530 thousand.

In the year ended 31 December 2013, the value of sales to Asseco Poland S.A. reached PLN 425 thousand. Whereas, in the year ended 31 December 2012, sales to Asseco Poland S.A. amounted to PLN 305 thousand, including PLN 6 thousand from the disposal of tangible assets.

Both as at 31 December 2013 and 31 December 2012, there were no outstanding receivables under transactions conducted with Asseco Poland S.A.

Presented below is the ageing analysis of trade receivables as at 31 December 2013 and 31 December 2012:

Ageing analysis	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Receivables not yet due	4,073	2,322
Past-due receivables, of which:	971	479
- less than 30 days	*217*	*440*
- from 30 to 90 days	*297*	*39*
- from 90 to 180 days	*222*	*-*
- more than 180 days	*235*	*-*
	5,044	**2,801**

Receivables past-due more than 180 days represent our receivables from a subsidiary company. The Company analyzes the recoverability of receivables from the Group companies and sees no reasons to make any allowances for such accounts.

Other receivables	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Receivables from disposal of shares	7,635	517
Other receivables	287	128
	7,922	**645**
- short-term	3,856	563
- long-term	4,066	82

As at 31 December 2013, receivables from disposal of shares resulted from the sale of shares in Sigma Turkey and amounted to PLN 7,635 thousand (of which PLN 4,066 thousand is presented in long-term receivables and PLN 3,569 thousand in short-term receivables); whereas, as at 31 December 2012, such receivables resulted from the sale of shares in EST A.Ş. and amounted to PLN 517 thousand.

13. Cash and short-term deposits

	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Cash at bank and in hand	2,085	1,521
Short-term bank deposits	865	1,123
	2,950	**2,644**

14. Short-term financial assets

Short-term financial assets disclosed include bank cash deposits with maturities from 3 and 12 months as well as currency forward contracts.

All figures in thousands of PLN, unless stated otherwise

As at 31 December 2013, bank deposits amounted to PLN 1,001 thousand inclusive of accrued interest (PLN 1 thousand); whereas, as at 31 December 2012, they amounted to PLN 12,625 thousand inclusive of accrued interest (PLN 116 thousand). In the year ended 31 December 2013, outflows for bank deposits made were PLN 4,300 thousand, inflows from bank deposits withdrawn reached PLN 15,809 thousand, whereas interest received on bank deposits amounted to PLN 598 thousand.

Financial assets resulting from currency forward contracts amounted to PLN 99 thousand as at 31 December 2013, as compared with PLN 23 thousand as at 31 December 2012.

As at 31 December 2013, just as at the end of 2012, the Company held no units in money market investment funds; however, we purchased and sold such assets during the year of 2013. In the year ended 31 December 2013, outflows for the acquisition of units in money market investment funds amounted to PLN 9,500 thousand, whereas inflows from their disposal reached PLN 9,529 thousand.

The book values of financial assets held by the Group as at 31 December 2013 and 31 December 2012 did not differ from their fair values.

15. Share capital

Share capital		Par value	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
Shares	**Series**	**per share**	**Number of shares**	**Value of shares**	**Number of shares**	**Value of shares**
Ordinary registered shares	A*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	B*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	C*	0.1	2,567,000,900	256,700	2,567,000,900	256,700
Ordinary registered shares	D	10	25,770,009	257,700	25,770,009	257,700
Ordinary registered shares	E	10	956,447	9,565	956,447	9,565
Ordinary registered shares	F	10	1,475,509	14,755	1,475,509	14,755
Ordinary registered shares	G	10	2,708,378	27,084	2,708,378	27,084
Ordinary registered shares	H	10	1,062,030	10,620	1,062,030	10,620
Ordinary registered shares	I	10	1,770,609	17,706	1,770,609	17,706
Ordinary registered shares	J	10	1,714,209	17,142	1,714,209	17,142
Ordinary registered shares	K	10	4,590,470	45,905	4,590,470	45,905
Ordinary registered shares	L	10	2,100,000	21,000	2,100,000	21,000
Ordinary registered shares	M	10	4,810,880	48,109	4,810,880	48,109
Ordinary registered shares	N	10	1,078,909	10,789	1,078,909	10,789
Ordinary registered shares	P	10	1,524,269	15,242	1,524,269	15,242
Ordinary registered shares	R	10	592,941	5,929	592,941	5,929
Ordinary registered shares	S	10	837,472	8,375	837,472	8,375
Ordinary registered shares	T	10	902,119	9,021	902,119	9,021
			51,894,251	**518,942**	**51,894,251**	**518,942**

* Following a reverse stock split of series D shares

According to the best knowledge of the Management Board of ASEE S.A. as at the date of publication of this report, i.e. 19 February 2014, and as at 31 December 2013, the shareholders who, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting interest at GMS
Asseco Poland S.A.	26,494,676	51.06%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,838,683	7.40%
Aviva Pension Fund	2,746,061	5.29%
Other shareholders	14,003,951	26.98%
	51,894,251	**100.00%**

The shareholders who, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders as at 31 December 2012 were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting interest at GMS
Asseco Poland S.A.	26,494,676	51.06%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,838,683	7.40%
Other shareholders	16,750,012	32.27%
	51,894,251	**100.00%**

Both as at 31 December 2013 and 31 December 2012, the share capital of ASEE S.A. amounted to PLN 518,942,510 and 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.

16. Share premium

Equity includes share premium in the amount of PLN 30,395 thousand arising from the issuances of shares of series L, M and N, which was decreased by the incurred share issuance costs of PLN 3,605 thousand (recognized in 2009) as well as share premium in the amount of PLN 11,759 thousand arising from the issuance of shares of series P, R and S, which was decreased by the incurred share issuance costs of PLN 84 thousand (recognized in 2010). The share premium was additionally increased by the amount of PLN 396 thousand due to the reversal of a provision for issuance related expenses, and decreased by other costs of PLN 36 thousand.

All figures in thousands of PLN, unless stated otherwise

17. Retained earnings

As at 31 December 2013, prior years' retained earnings and current net profit totalled PLN 52,708 thousand and comprised: current year's net profit amounting to PLN 40,312 thousand; undistributed portion of prior years' earnings amounting to PLN 3,102 thousand; allocations amounting to PLN 8,132 thousand from the Company's net profits for 2009, 2010, 2011 and 2012 to reserve capital which were made pursuant to resolutions of the General Meeting of Shareholders of Asseco South Eastern Europe S.A.; the amount of PLN 1,204 thousand arising from the merger with ITD Poland; as well as other components charged against equity in 2009 amounting to PLN 42 thousand.

18. Provisions

Both as at 31 December 2013 and 31 December 2012, the Company had no provisions.

19. Trade payables and financial liabilities

Short-term trade payables	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
To related companies	412	490
To other companies	3,344	182
	3,756	**672**

An increase in trade payables to other companies as at 31 December 2013, in comparison to the prior year level, resulted from purchases for the needs of execution of ongoing contracts.

As at 31 December 2013, trade payables outstanding under transactions conducted with Asseco Poland S.A. amounted to PLN 37 thousand, as compared with PLN 95 thousand as at 31 December 2012. Other related party liabilities included payables to subsidiaries arising from purchases we made in order to provide IT services (amounting to PLN 71 thousand as at 31 December 2013 and PLN 395 thousand as at 31 December 2012), as well as payables for the performance of the Group functions (amounting to PLN 304 thousand as at 31 December 2013 and null as at 31 December 2012).

During the year ended 31 December 2013, the value of purchases from Asseco Poland S.A. reached PLN 215 thousand. Whereas, in the year ended 31 December 2012, purchases from Asseco Poland S.A. totalled PLN 289 thousand, including PLN 26 thousand spent for tangible assets.

The table below discloses the Company's trade payables as at 31 December 2013 and 31 December 2012, by maturity period based on the contractual undiscounted payments.

Ageing of trade payables	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Amount	Structure	Amount	Structure
Liabilities due already	171	4.55%	395	58.78%
Liabilities falling due within 3 months	3,096	82.43%	277	41.22%
Liabilities falling due after more than 3 months	489	13.02%	-	-
	3,756	100.00%	672	100.00%

Current financial liabilities	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Liabilities for the acquisition of shares	1,800	-
	1,800	**-**

As at 31 December 2013, financial liabilities resulting from the acquisition of shares corresponded to the outstanding portion of payment for shares acquired in EŽR Croatia, which depends on the financial results of that company. As at 31 December 2012, we had no liabilities for the acquisition of shares.

Liabilities to the state and local budgets	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Personal income tax (PIT)	45	45
Social security payable	42	65
Value added tax	650	319
	737	**429**

20. Prepayments, accruals and deferred income

Prepayments	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Prepaid maintenance services and license fees	2,194	1,080
Prepaid insurance	17	12
Other	106	16
	2,317	**1,108**
- short-term	2,075	651
- long-term	242	457

Accruals	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Provision for the audit of financial statements	146	136
Accrual for unused holiday leaves	199	172
Accrual for salaries	17	831
Provision for operating costs	82	409
	444	**1,548**
- short-term	444	1,548
- long-term	-	-

Both as at 31 December 2013 and 31 December 2012, accruals comprised the provision for the audit of financial statements, provision for current operating costs which have been incurred but not yet invoiced, accrual for salaries along with payroll overheads to be paid out in future periods that resulted from the bonus schemes applied by ASEE S.A., as well as the accrual for unused holiday leaves.

All figures in thousands of PLN, unless stated otherwise

Deferred income	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Maintenance services paid in advance	1,482	1,112
Revenues relating to future periods	-	589
	1,482	**1,701**
- short-term	1,190	1,118
- long-term	292	583

The balance of deferred income relates to prepayments for services to be provided, such as maintenance and IT services.

21. Information and explanations to the statement of cash flows

The table below presents items comprising changes in working capital as disclosed in the statement of cash flows:

Changes in working capital	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Change in inventories	4	1
Change in receivables	(2,402)	(551)
Change in liabilities	3,362	(1,648)
Change in prepayments and accruals	(2,533)	1,614
Change in provisions	-	(1,229)
	(1,569)	**(1,813)**

The following tables present the reconciliation between the balance sheet changes in working capital and the changes that affect operating cash flows as reported in the statement of cash flows:

Changes in working capital	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Changes in liabilities as per the balance sheet	**5,162**	**(1,432)**
Change in liabilities arising from company acquisitions	(1,800)	1,203
Valuation of forward contracts	-	426
Trade payables of an acquired company	-	(1,873)
Loans and interest	-	7
Other	-	21
Total changes affecting operating cash flows	**3,362**	**(1,648)**

Changes in working capital	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Changes in receivables as per the balance sheet	**(9,432)**	**(134)**
Income tax paid	-	40
Excessive amount of income tax recovered	(88)	-
Adjustment of receivables from disposal of EST A.Ş.	(517)	(2,331)
Disposal of shares in Sigma	7,635	-
Trade receivables of an acquired company	-	1,874
Total changes affecting operating cash flows	**(2,402)**	**(551)**

The table below reveals the costs incurred by ASEE S.A. for the acquisition of shares in subsidiary companies:

Acquisition of shares in subsidiaries	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
ASEE Bulgaria	-	(632)
ASEE Slovenia	-	(1,026)
Sigma Turkey	-	(25,333)
EŽR Croatia	(10,473)	-
	(10,473)	**(26,991)**

Disposal of shares in subsidiary companies	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
ASEE Turkey (former EST A.S., (Istanbul))	517	2,173
Sigma Turkey	1,989	-
	2,506	**2,173**

Proceeds from the disposal of shares were received from the sale of a 23.1% stake in EST A.Ş. (Istanbul) to ASEE Turkey in 2011 (PLN 517 thousand), and from the sale of a 38.22% stake in Sigma Turkey to ASEE Turkey in 2013 (PLN 1,989 thousand).

In the comparable period last year, proceeds from the disposal of shares equalled PLN 2,173 thousand and were received from the above-mentioned sale of shares in EST A.Ş. (presently ASEE Turkey).

The table below discloses the amounts of dividend income received by ASEE S.A. from its subsidiary companies:

Dividend income received	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
ASEE Serbia	10,410	10,391
ASEE Croatia	6,834	2,302
ASEE Romania	4,400	11,932
ASEE Kosovo	858	823
ASEE Macedonia	8,313	16,338
ASEE Slovenia	-	641
ASEE B&H	5,298	-
	36,113	**42,427**

All figures in thousands of PLN, unless stated otherwise

22. Contingent and off-balance-sheet liabilities

As at 31 December 2013, the Company had a liability amounting to PLN 1,800 thousand resulting from a contingent payment for the acquisition of shares in EŽR Croatia, dependent on the financial results of that company.

Furthermore, the Company extended a guarantee to secure repayment of a bank loan by ASEE Croatia amounting to PLN 9,908 thousand. This guarantee shall be effective till 31 May 2017 and it is an off-balance-sheet item.

As at 31 December 2013, the Company had no other contingent or off-balance-sheet liabilities.

23. Information on related parties

Related party transactions

The following table discloses the total amounts of transactions concluded with the Company's related entities during the current and prior financial year:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company:				
Asseco Poland S.A.				
2013	425	215	47	37
2012	305	289	-	95
Subsidiary companies:				
2013	9,213	2,808	1,434	375
2012	5,233	513	530	395

In the year ended 31 December 2013, purchases from related parties increased to PLN 2,808 thousand from the amount of PLN 513 thousand in the prior year, in the wake of building the Group's geographically independent sales force structure. In practice, this means that some people employed in companies operating in the region perform work for the entire Group. The costs of such employees are incurred by ASEE S.A. and subsequently allocated to individual operating companies that use their services.

Receivables from Asseco Poland S.A. disclosed as at 31 December 2013 include other receivables (security deposits) amounting to PLN 47 thousand.

Transactions conducted with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of Asseco South Eastern Europe S.A.

The values of transactions conducted by ASEE S.A. and companies of Asseco South Eastern Europe Group with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A. during the years ended 31 December 2013 and 31 December 2012, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2013 and 31 December 2012 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:				
2013	75	5,584	4	41
2012	89	5,374	10	36

Purchases from and sales to related parties presented in the table above are associated primarily with the rental of space and purchases or sales of hardware and services that were conducted by companies of ASEE Group and ASEE S.A. with parties related through the Key Management Personnel or with the Key Management Personnel themselves.

The above table does not include the remuneration received for performing managerial or supervisory functions in subsidiaries.

The figures disclosed in the table above include the following transactions concluded with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:

During the period of 12 months ended 31 December 2013, ASEE Serbia incurred space rental costs that were paid to its related parties MHM d.o.o., Beograd[1], DM3 d.o.o., Beograd[1] and Mini Invest d.o.o., Beograd[2], amounting in total to PLN 4,776 thousand, as compared with PLN 4,661 thousand incurred in the year ended 31 December 2012.

During the period of 12 months ended 31 December 2013, ASEE Macedonia incurred space rental costs that were paid to its related party MPS d.o.o., Skopje[3], amounting in total to PLN 590 thousand, as compared with PLN 685 thousand incurred in the year ended 31 December 2012.

All the above-mentioned transactions were carried out on an arm's length basis.

Members of the Management Board and parties related through Members of the Management Board and Supervisory Board of Asseco South Eastern

[1] Mihail Petreski, Member of the Supervisory Board of ASEE S.A. is a shareholder in Liatris d.o.o. which as at 31 December 2013 held a 7.40% equity interest in ASEE S.A. (as at 31 December 2012: 7.40%). Mihail Petreski and Liatris d.o.o. hold 40% of shares in MHM d.o.o. as well as 50% of shares in DM3 d.o.o. Furthermore, President of the Management Board of ASEE S.A. holds indirectly a 15% stake in MHM d.o.o. through his wholly-owned Kompania Petyhorska d.o.o. Whereas, 20% of shares in MHM d.o.o. are held by I4 Invention d.o.o. which is also a shareholder in ASEE S.A. 100% of shares in I4 Invention d.o.o. are owned by Miodrag Mirčetić, President of the Management Board of Asseco Serbia and Member of the Management Board of ASEE S.A.

[2] Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.

[3] Mihail Petreski, Member of the Supervisory Board of ASEE S.A. is a shareholder in MPS d.o.o., Skopje.

All figures in thousands of PLN, unless stated otherwise

Europe S.A. received dividends from ASEE S.A. in the total gross amount of PLN 5,780 thousand, as compared with PLN 2,663 thousand distributed in 2012.

In addition, our Parent Company Asseco Poland S.A. received dividends from ASEE S.A. in the gross amount of PLN 21,461 thousand, as compared with PLN 9,538 thousand in 2012.

Until the date of approval of these financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be, separately or jointly, deemed significant or would be carried out not on an arm's length basis.

24. Employment

Average workforce in the reporting period	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Management Board	2	2
Production departments	10	7
Sales departments	5	3
Administration departments	8	8
	25	**20**

25. Remuneration of Members of the Management Board and Supervisory Board of ASEE S.A.

The table below presents remuneration payable to individual Members of the Company's Management Board for performing their functions during 2013 and 2012:

Remuneration for the period of	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Management Board		
Piotr Jeleński – President of the Management Board	363	789
Marcin Rulnicki – Member of the Management Board	138	167
Rafał Kozłowski – Vice President of the Management Board	-	234
	501	**1,190**

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 and Supervisory Board perform their functions under an assignment and do not receive any remuneration for the performance of their duties.

26. Remuneration of certified auditors or the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, namely Ernst & Young Audyt Polska Sp. z o.o. (limited partnership), paid or payable for the years ended 31 December 2013 and 31 December 2012:

Remuneration for the period of	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Obligatory audit of the annual financial statements and review of semi-annual financial statements	223	210

27. Capital management

The primary objective of the Company's capital management is to maintain its capital ratios at a safe level enabling a strong credit rating in order to support further development of the Company's business operations as well as continuing maximization of shareholder value.

The Company manages its capital structure and makes necessary adjustments in response to the changing economic conditions. To maintain or adjust its capital structure, the Company may recommend the amount of dividend payment, return some capital to its shareholders, or issue new shares. During the last two years ended 31 December 2013 and 31 December 2012, the Group did not introduce any changes to its objectives, policies and processes adopted in this area.

28. Objectives and principles of financial risk management

ASEE S.A. is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Company holds its investments as well as from the microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates versus the Polish zloty, and (ii) changes in official interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate.

Foreign currency risk

The currency used for presentation of the Company's results is Polish zloty (PLN). Because our subsidiaries conduct business operations in countries with the functional currencies other than our presentation currency, the Company is exposed to changes in such foreign currency exchange rates both with respect to the dividends received from our subsidiaries, and the planned acquisitions. The Company implemented hedge accounting of future cash flows in order to reduce the impact of changes in foreign currency exchange rates on our financial results.

The analysis of the Company's financial results sensitivity to fluctuations in the exchange rates of EUR and USD, performed as at 31 December 2013, did not indicate any potential significant impact on our financial performance.

All figures in thousands of PLN, unless stated otherwise 37

Credit risk

The Company concludes transactions only with reputable companies which have good credit ratings. All customers who wish to trade on credit terms are subject to the procedures of preliminary verification of their creditworthiness. Furthermore, current monitoring of receivables makes it possible to eliminate the risk of uncollectible receivables almost entirely.

In relation to other financial assets, such as cash and cash equivalents, the Company's credit risk results from the contracting party's inability to settle their payments, whereas the maximum exposure to such risk is limited to the carrying value of such financial instruments.

There is no particular concentration of credit risk in any segment of the Company's operations.

Financial liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of both financial investments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

29. Financial instruments

Fair value

The book values of financial assets and liabilities held by the Company both as at 31 December 2013 and 31 December 2012 did not differ from their fair values.

Assets that are carried at fair value through profit or loss have been assigned to Level 2 in the fair value hierarchy.

During both the years ended 31 December 2013 and 31 December 2012, none of the financial instruments were reclassified from Level 1 to Level 2, or from Level 2 to Level 3, or contrariwise, in the fair value measurement hierarchy.

Items of income, expenses, gains and losses recognized in the income statement, by category of financial instruments

Year ended 31 Dec. 2013 (audited)	Category according to IAS 39	Interest income (expenses):	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment write-downs	Gain (loss) on revaluation	Total
Financial assets						
Trade receivables and other receivables	L&R	-	(7)	-	-	(7)
Cash and cash equivalents	FVtPL	179	(176)	-	-	3
Cash deposits	OFLaAC	475	-	-	-	475
Financial assets carried at fair value through profit or loss	FVtPL	-	-	-	25	25
Financial liabilities						
Liabilities for the acquisition of shares	FVtPL	-	14	-	-	14
Trade payables and other financial liabilities	OFLaAC		(41)			(41)
Currency forward contracts	FVtPL	-	4	-	77	81
		654	**(206)**		**102**	**550**

Year ended 31 Dec. 2012 (audited)	Category according to IAS 39	Interest income (expenses):	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment write-downs	Gain (loss) on revaluation	Total
Financial assets						
Trade receivables and other receivables	L&R	6	(70)	-	-	(64)
Cash and cash equivalents	FVtPL	713	(477)	-	-	236
Financial assets carried at fair value through profit or loss	FVtPL	-	-	-	128	128
Financial liabilities						
Interest-bearing bank loans and borrowings	OFLaAC	(12)	(95)	-	-	(107)
Liabilities for the acquisition of shares	FVtPL	-	56	-	494	550
Trade payables and other financial liabilities	OFLaAC	-	(1)	-	-	(1)
Currency forward contracts	FVtPL	-	(46)	-	495	449
		707	**(633)**	**-**	**1,117**	**1,191**

All figures in thousands of PLN, unless stated otherwise

30. Significant events after the balance sheet date

On 2 January 2014, there was registered a merger of our two Croatian subsidiaries, namely ASEE Croatia (the taking-over company) and EŽR Croatia (the acquired company).

In the period from 31 December 2013 till the date of approval of these financial statements, this is until 19 February 2014, 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 S.A.

31. Significant events related to prior years

Until the date of preparing these financial statements, this is until 19 February 2014, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.