



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

Rzeszów, 19 February 2014

**LETTER OF THE PRESIDENT OF
ASSECO SOUTH EASTERN EUROPE S.A.**

Rzeszów, 19 February 2014

Dear Shareholders,

It is our pleasure to present to you the Annual Report of Asseco South Eastern Europe Group (ASEE) for 2013.

Last year was the seventh in the history of our business operations. As a leading provider of software and IT services in the region of South Eastern Europe, we tried to maintain our market position through internal development of our organization as well as by improving the quality of ASEE products and customer service. Despite the challenging economic environment in the region, last year we managed to generate nearly EUR 112 million in revenues and achieved an operating profit of EUR 10 million, which confirms our very strong and stable position in the region.

During 2013, we continued the process of construction and development of ASEE towards operational integration. This was the consecutive year when we focused on strengthening our sales organization and, in particular, on improving the efficiency of controls and management of our sales processes. Furthermore, we decided to intensify our efforts aimed at the standardization and enhancement of the quality of our business operations. The management team of ASEE S.A. was joined by Chief Operating Officer (COO), who began the process of unifying the standards applied in project management and new product development within the Group. In the first place, the new COO focused on the implementation of new and unification of already existing tools used for managing projects, as well as on measuring the efficiency of our resources.

One of our key objectives in 2013 as well as a top priority of ASEE for the coming years is to concentrate on boosting our revenues in New Markets. In 2013, New Market sales reached EUR 15.6 million, increasing by EUR 3 million or 23% as compared to the prior year. This was achieved thanks to the restructuring of our sales team and modification of our sales motivation scheme. In 2014, we want to place additional emphasis on sales to new customers as well as on sales of new solutions to the existing clients of ASEE.

In the process of further development of ASEE, we intend to continue to focus on expanding and enhancing the portfolio of our own products and services. Therefore, it may be necessary to concentrate more on the Group's key competencies, and as a result we may need to resign from offering certain solutions, which are not strategically important for ASEE. ASEE plans to build a comprehensive and consistent portfolio of

IT solutions in each of the Group's existing operating segments.

The year of 2013 was quite challenging for the Banking Solutions segment of ASEE, due to the bankruptcies of Serbian banks that were important clients of the Group. Despite the unfavourable impact of these events, the segment's financial results were positive. The Group successfully completed several large projects in other countries, including the implementation of ASEBA Pub and Experience for Podravska banka in Croatia, or the ASEBA Absolut system for Intesa Sanpaolo Bank in Romania. The pipeline of next year's projects provides some optimistic outlook for the future of the Banking Solutions segment.

We are very pleased with revenues generated by our online payment solutions (NestPay® Payment Gateway), which improved by 13% in comparison to the previous year. The market position of our Payment Solutions segment was also reinforced by the acquisition of EŽR Croatia as well as by taking over a team of specialists engaged in the maintenance of POS terminals in Slovenia.

The value of our orders backlog for 2014 is similar to the year-ago level, which given the prevailing economic instability in Europe may be a good opportunity to strengthen ASEE's presence in the region.

The past year, just like the previous ones, was a period of hard work for the whole Team of Asseco South Eastern Europe and our subsidiaries. Therefore now, on behalf of the Management Board, I wish to express sincere appreciation to all of our Employees. I would also like to thank our Clients for the credit of trust they gave us as well as to our Partners for their support in building our international group of companies and reinforcing our market position in the region and beyond. We are also grateful to our Shareholders and Investors for their confidence and supporting our initiatives.

All of our accomplishments in 2013 lay a solid foundation for continued development of Asseco South Eastern Europe in the years to come.

Piotr Jeleński

President of the Management Board
Asseco South Eastern Europe S.A.



**MANAGEMENT REPORT ON BUSINESS OPERATIONS
ASSECO SOUTH EASTERN EUROPE S.A.
FOR THE YEAR ENDED
31 DECEMBER 2013**

Rzeszów, 19 February 2014

MANAGEMENT REPORT ON BUSINESS OPERATIONS
 OF ASSECO SOUTH EASTERN EUROPE S.A.
 FOR THE YEAR ENDED 31 DECEMBER 2013

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1. GENERAL INFORMATION ON THE ISSUER

Asseco South Eastern Europe S.A. (the "Company", "Issuer", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007 as a joint stock company.

On 11 July 2007, the Company was entered in the register of entrepreneurs maintained by the District Court in Rzeszów, XII Commercial Department of the National Court Register, under the number 0000284571.

The Company has been listed on the Warsaw Stock Exchange since 28 October 2009.

2. BUSINESS PROFILE OF THE ISSUER

Asseco South Eastern Europe S.A. is engaged in holding operations which involve investments in new IT companies of South Eastern Europe and Turkey, as well as management of companies that have been already incorporated into Asseco South Eastern Europe Group in that region. Since 1 June 2012, this is from the merger with its subsidiary ITD Poland, ASEE S.A. has been also engaged in the sales of services and software for voice automation solutions, payment systems and mobile communication.

Asseco South Eastern Europe S.A. holds equity in the following subsidiaries:

Company	Short name	Seat	Business profile	Equity interest held	
				31 Dec. 2013	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., (İstanbul)	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 (İstanbul)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).

3. SHAREHOLDERS STRUCTURE

According to the best knowledge of the Management Board of Asseco South Eastern Europe 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%

As at 31 December 2013, the share capital of Asseco South Eastern Europe 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.

4. SHARES HELD BY MANAGEMENT AND SUPERVISORY PERSONNEL

Changes in the numbers of ASEE shares held by its management and supervisory staff.

Supervisory Board Members	Number of shares held as at			
	19 Feb. 2014	31 Dec. 2013	24 Oct. 2013	31 Dec. 2012
Adam Góral ¹⁾	-	-	-	-
Jacek Duch	-	-	-	-
Jan Dauman	-	-	-	-
Andrzej Mauberg	-	-	-	-
Mihail Petreski ²⁾	-	-	-	-
Przemysław Sęczkowski	-	-	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	19 Feb. 2014	31 Dec. 2013	24 Oct. 2013	31 Dec. 2012
Piotr Jeleński	550	550	550	550
Hatice Ayas ³⁾	n/a	n/a	-	-
Calin Barseti	-	-	-	-
Miljan Mališ ⁴⁾	-	-	-	-
Miodrag Mirčetić ⁴⁾	-	-	-	-
Dražen Pehar ³⁾	n/a	n/a	788,843	949,900
Marcin Rulnicki	-	-	-	-

¹⁾ Adam Góral, Member of the Supervisory Board of ASEE S.A. and a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; as at 31 December 2013, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

²⁾ Mihail Petreski, Member of the Supervisory Board of ASEE S.A. and a shareholder in the company Liatris d.o.o. which in turn is a shareholder in ASEE S.A.; as at 31 December 2013, Liatris d.o.o. held 3,838,683 shares in ASEE S.A.

³⁾ 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. In the year ended 31 December 2013, Dražen Pehar sold 311,057 shares in ASEE S.A.

⁴⁾ Miljan Mališ, Member of the Management Board of ASEE S.A. and a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.; as at 31 December 2013, Mini Invest d.o.o. held 835,597 shares in ASEE S.A.

⁵⁾ Miodrag Mirčetić, Member of the Management Board of ASEE S.A. and a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.; as at 31 December 2013, I4-INVENTION d.o.o. held 1,522,971 shares in ASEE S.A. In the year ended 31 December 2013, this company sold 250,000 shares in ASEE S.A.

5. AGREEMENTS WHICH MAY RESULT IN CHANGES OF THE EQUITY INTERESTS HELD

According to the best knowledge of the Management Board of ASEE S.A., there are no agreements under which the equity interests held by the Company's existing shareholders would change in the future.

Information concerning any restrictions on disposal of shares, which may result in changes of the equity interests held by existing shareholders, is presented in item 7 of the Asseco South Eastern Europe's Declaration of compliance with the corporate standards.

6. ISSUER'S DEVELOPMENT POLICY

ASEE S.A. is primarily engaged in holding operations; hence, it is focused on managing the Group of companies as well as on extending its geographical coverage and product portfolio (holding activities). Since 1 June 2012, this is from the merger with its subsidiary ITD Poland, ASEE S.A. has been also engaged in the sales of services and software for voice automation solutions, payment systems and mobile communication.

Because ASEE S.A. is primarily engaged in holding operations, directions of the Company's development need to be examined taking into account the development and operations of the entire ASEE Group, as described in the Management report on business operations of the Group in 2013, which has been published on 19 February 2014.

7. KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES

At present, ASEE S.A. is engaged in holding activities involving management of its Group of companies, as well as in operating activities involving sales of services and software for voice automation solutions, payment systems, and mobile communication.

8. SELLING MARKETS

Dividend income received from subsidiary companies represents the largest portion of the Company's revenues. Revenues from sales of services are recognized from the provision of business and technical support services to the Company's subsidiaries.

ASEE S.A. also generates revenues from the sale of services and software for voice automation systems, as well as from the sale of software, services and hardware to the banking sector. Sales of IT services and software are made in the Polish market.

9. SIGNIFICANT AGREEMENTS CONCLUDED BY THE COMPANY

The Company's operations were significantly influenced by the acquisition of shares in EŽR Croatia. The above-mentioned transaction has been described in explanatory note 11 to the annual financial statements of Asseco South Eastern Europe S.A. for 2013.

10. KEY ECONOMIC AND FINANCIAL FIGURES

Financial results for 2013

	Year ended 31 Dec. 2013 PLN '000	Year ended 31 Dec. 2012 PLN '000
Dividend income	36,794	44,774
Revenues from sales of services	18,404	10,123
Cost of sales (-)	(12,544)	(8,456)
Distribution costs (-)	(2,249)	(1,795)
General administrative expenses (-)	(67)	(52)
Operating profit	40,354	45,830
Net profit for the reporting period	40,312	46,712

Asseco South Eastern Europe S.A. is primarily engaged in holding operations, which substantially determines the structure of its income statement. Most revenues recognized by ASEE S.A. represent dividend income, which amounted to PLN 36,749 thousand in 2013, as compared with PLN 44,774 thousand in 2012.

Structure of the statement of financial position of ASEE S.A.

Structure of assets	31 Dec. 2013 PLN '000	31 Dec. 2012 PLN '000	31 Dec. 2013 %	31 Dec. 2012 %
Non-current assets	603,691	597,200	98%	97%
Property, plant and equipment, and intangible assets	5,218	5,253	1%	1%
Investments in subsidiary companies	592,677	588,840	96%	95%
Other	5,796	3,107	1%	1%
Current assets	15,027	19,401	2%	3%
Trade receivables and prepayments	7,119	3,452	1%	1%
Cash and cash deposits	2,950	2,644	0%	0%
Short-term financial assets	1,100	12,648	0%	2%
Other	3,858	657	1%	0%
TOTAL ASSETS	618,718	616,601	100%	100%

The structure of assets of ASEE S.A. is dominated by investments in subsidiary companies. Over the period from 31 December 2012 to 31 December 2013, the total value of such investments increased by PLN 3,837 thousand.

Our investments in subsidiary companies increased as a result of:

- acquisition of 100% of shares in the company EŽR, Croatia. The value of investment recognized on this transaction currently amounts to PLN 12,287 thousand.
- sale of a 38.22% stake of shares held in Sigma Turkey to ASEE Turkey. Following this transaction, the value of our investment in Sigma Turkey 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, we 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.

- recognition of 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.
- reversal of an impairment write-down of PLN 6,033 thousand due to stronger financial results of ASEE Kosovo.

Structure of equity and liabilities	31 Dec. 2013 PLN '000	31 Dec. 2012 PLN '000	31 Dec. 2013 %	31 Dec. 2012 %
Equity	610,475	612,197	99%	99%
Non-current liabilities	292	583	0%	0%
Current liabilities	7,951	3,821	1%	1%
TOTAL EQUITY AND LIABILITIES		618,718	616,601	100%

In line with the adopted strategy, the operations of ASEE S.A. are financed primarily with equity. In 2013, the structure of equity and liabilities remained unchanged.

Structure of the statement of cash flows

	Year ended 31 Dec. 2013 PLN '000	Year ended 31 Dec. 2012 PLN '000
Net cash provided by (used in) operating activities	30,432	19,179
Net cash provided by (used in) investing activities	11,909	(2,683)
Net cash provided by (used in) financing activities	(42,034)	(18,798)
Net change in cash and cash equivalents	307	(2,302)

Cash inflows generated from operating activities in 2013 comprise primarily dividends received from subsidiary companies in the amount of PLN 36,113 thousand, proceeds from the sale of shares in EST A.Ş. amounting to PLN 517 thousand and in Sigma Turkey amounting to PLN 1,989 thousand, as well as expenditures for the acquisition of shares in EŽR Croatia amounting to PLN 10,473 thousand (presented under operating activities because ASEE S.A. operates as a holding company).

Cash inflows from investing activities are related primarily to our investments in cash deposits with maturities of more than 3 months (PLN 11,509 thousand). Cash outflows from financing activities reflect basically the dividend payment to the shareholders of ASEE S.A. (PLN 42,034 thousand).

Analysis of financial ratios

Profitability ratios

	Year ended 31 Dec. 2013 %	Year ended 31 Dec. 2012 %
Return on equity (ROE)	6.59%	7.82%
Return on assets (ROA)	6.53%	7.76%

The above ratios have been computed using the following formulas:
Return on equity (ROE) = net profit / average annual equity
Return on assets (ROA) = net profit / average annual assets

Both return on equity and return on assets metrics deteriorated in 2013 as compared to those reported for 2012 as a result of a lower amount of dividends received from subsidiary companies, which led to a decrease in net profit for the reporting period.

Liquidity ratios

	31 December 2013	31 December 2012
Working capital	7,076	15,580
Current liquidity ratio	1.89	5.08
Quick liquidity ratio	1.63	4.91
Absolute liquidity ratio	0.51	4.00

The above ratios have been computed using the following formulas:
Working capital = current assets - current liabilities
Current liquidity ratio = current assets / current liabilities
Quick liquidity ratio = (current assets - inventories - prepayments) / current liabilities
Absolute liquidity ratio = (short-term financial assets + cash and short-term bank deposits) / current liabilities

The decrease in working capital as at 31 December 2013 in comparison to the end of the previous year resulted from several factors. On the assets side, it was caused by a decrease in the value of short-term financial assets (investment fund units and cash deposits) which were used for the dividend payment to the shareholders of ASEE S.A. Whereas, on the liabilities side, working capital declined due to the recognition as at 31 December 2013 of a portion of liabilities arising from the acquisition of shares in EŽR Croatia (which depends on the financial results of that company), as well as higher trade payables resulting from purchases for the needs of ongoing projects. Liquidity ratios declined as a result of both the above-mentioned factors, i.e. the decrease in short-term financial assets and the increase in liabilities.

11. SIGNIFICANT EVENTS WITH IMPACT ON BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

Because ASEE S.A. is primarily engaged in holding operations, financial performance of the Company and the Group is mostly influenced by the same events. A detailed description of events with a significant impact on the financial results achieved by ASEE Group in 2013 is provided in item 11 of the Management report on business operations of the Group.

In addition to the above information, in the Management's opinion, the Company's operations and financial results have been or, in the near future, may be significantly influenced by:

- earnings of our subsidiaries which determine the amount of dividends received by ASEE S.A.;
- foreign exchange rates at which dividends are recognized in the accounting books of ASEE S.A.;
- acquisition of the company EŽR Croatia;
- development of the function-based management of ASEE Group, resulting in the expansion of our team and incurrence of higher costs.

12. EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE ISSUER'S DEVELOPMENT

Because ASEE S.A. is primarily engaged in holding operations, factors significant for the Company's development need to be examined taking into account the development and operations of the entire Asseco South Eastern Europe Group.

In the opinion of the Management Board of ASEE S.A., the Group's current financial standing, production potential and market position pose no threats to its ability to continue as a going concern throughout 2014. However, there are numerous factors, both internal and external, which may directly or indirectly affect the Group's financial performance in the next quarters.

The external factors with a bearing on the future performance of ASEE Group include:

- Economic situation in the region of South Eastern Europe and Turkey, especially in the context of continued weak economic conditions that may have an impact on the volume of orders and financial condition of ASEE Group's customers, as well as the future economic situation and eventual return to a sustainable growth path;
- Availability of the EU structural funds in Romania, Bulgaria and Croatia, as well as pre-accession funds in other countries;
- Condition of the IT market in the SEE region and Turkey; this part of Europe remains still way underinvested in terms of information technology as compared with the West European countries;
- Implementation of informatization processes at the region's public administration in order to upgrade the quality and functionality of their services to international standards and especially to the European Union requirements;

- Consolidation and development of the banking sector in SEE countries and Turkey;
- Prospects for expansion of the Group's operations into new markets through cooperation with partners;
- Prospects for expansion of the Group's product portfolio in connection with potential future acquisitions;
- Inflation and fluctuations in the currency exchange rates of the countries where the Group operates;
- More and more severe competition both from the local players and international IT corporations, which is observed especially when it comes to execution of large and prestigious contracts;
- Changes in the credit standing, financial liquidity, and availability of debt financing for customers;
- Opportunities and risks resulting from rapid technological changes and innovations in the IT market.

The internal factors with a bearing on the future performance of ASEE Group include:

- Premium quality and comprehensive offer of ASEE Group;
- Research and development expenditures made by the Group;
- Stability and experience of the managerial staff;
- Transparent and efficient organizational structure of the Group;
- Vast experience in the execution of complex IT projects involving provision of diversified services in broad geographical regions;
- Effective activities of the sales and marketing force;
- Execution of complex information technology projects carried out under long-term agreements;
- Implementation of the Group's business strategy that involves focusing on strategic products and services, expansion into New Markets, and improving operating efficiency;
- Successful completion of potential future company acquisitions.

13. SIGNIFICANT RISK FACTORS AND THREATS

Risk related to general macroeconomic situation in South Eastern Europe and Turkey

ASEE S.A. is the parent company of the Group which runs operations in the countries of South Eastern Europe and Turkey. The Company's and the Group's strategy assumes reinforcement of our position in the region as well as further expansion in the region and in other emerging markets. As a consequence of the planned growth, business operations of ASEE S.A. may be influenced by factors depending on the economic and political stability of the region. Development of the IT services sector is closely correlated to the overall economic situation of South

Eastern European countries. Our financial results are to a large extent driven by the pace of GDP growth, level of capital expenditures made by enterprises, and the inflation rate.

Risk associated with political instability in the region of South Eastern Europe and Turkey

Potential changes in the governments of South Eastern European countries and Turkey as well as civil unrest may initiate periods of political instability, which may result in a reduction of public spending.

Risk related to intensified competition in South Eastern Europe and Turkey

Information technology infrastructure and services become a more and more competitive marketplace in South Eastern Europe. With a variety of services and products in our portfolio, we are tough competition to large consulting firms, multinational technological giants, IT outsourcing companies as well as software houses, inclusive of internal IT departments of large corporations operating in the region. The IT industry undergoes rapid changes resulting from investments in new technologies made primarily by large companies and acquisitions of local businesses by international players. Furthermore, the biggest global corporations, which have been so far active only in the large enterprises market, expand their offerings with solutions and implementation methodologies dedicated also to medium-sized companies.

The risk associated with the condition of the regional banking sector

The provision of IT solutions and services to banks and other financial institutions is one of our core businesses. The financial sector experiences a lack of stability and financial institutions are under strong pressure to cut their investment spending and optimize operating costs, which may have an adverse impact on the Group's operations. The banking sector around the world, and especially in the South Eastern European countries, undergoes intensive processes of consolidation with much attention paid to the standardization of solutions and optimization of costs at the corporate level. If headquarters of a bank group choose other global participants of the IT market as their preferred suppliers of IT technologies, this may have adverse effects for the Group's operations.

Risk of potential legal disputes concerning copyrights

Development of the Group's operations in the market of IT products depends to a large degree on ownership of intellectual property rights, and especially copyrights to computer programs. Because of a variety of legal regulations pertaining to the protection of intellectual property applicable in the countries where our subsidiaries operate, there is a risk that in some circumstances there may be doubts as to the effectiveness of assignment of

copyrights in software codes compiled by employees in favour of their employers.

Furthermore, there is also a risk that in some countries where the Group operates, local regulations may not provide adequate protection of copyrights in computer programs owned by our subsidiaries. Taking advantage of such situation by other local firms with a similar business profile may lead to the loss of ASEE's competitive edge in a given market.

Risk of changes in local tax regulations

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

Foreign currency exposure risk

The Group conducts business operations in many countries of South Eastern Europe and Turkey. Contracts concluded by the Group companies are denominated in miscellaneous currencies, also in currencies that are foreign to the countries where the Group operates. Temporary fluctuations in the currency exchange rates as well as long-term trends in the currency market may impact the financial results of the Group.

a. Material risk factors involved in the Group's business operations

Risk of fluctuations in revenues and expenditures

Due to the project-driven nature of IT investments, sales revenues generated by the Group companies may be subject to considerable fluctuations from period to period. It is possible that in the future our revenues and operating results will fall short of the market expectations because of the completion of work performed under large-scale projects. Moreover, due to technological changes, the Group's existing technology and products may become obsolete and will require making sizeable new investments. The above processes may have negative impact on the rate of return on investment or the amount of dividends to be paid out.

Risk of non-performance or improper performance of projects and losing the clients' trust

In each area of our business, the provision of services by the Group depends on the clients' trust and the quality of our products and services. Adequate implementation of an IT project, which has critical importance for the operating activities of our client, in most cases results in signing a long-term contract. The quality of solutions and customer service provided to our clients determines their confidence in our Group.

Risk associated with fixed-price contracts

Some contracts for provision of IT services or products concluded by the Group determine a fixed remuneration and therefore they are not settled on the *time-and-material basis*. If we misevaluate the resources and time required for the project performance, future salary increases, inflation or foreign exchange rates, or if we fail to perform our contractual obligations within the agreed deadline, this may have an adverse impact on the Group's financial results and cash flows.

Risk associated with gaining new IT contracts

Some of the Group's sales revenues are generated from projects won in tendering procedures organized by state institutions and companies as well as by large private enterprises. Most of such tenders are attended by leading IT companies in the region and major foreign companies, which results in a fairly high competition. Our business depends on the availability of reliable information about future investment plans, in the public and private sectors, with regard to information and telecommunications technology. Access to such information, in particular regarding the state sector, is very limited. Additionally, the lack of procedures and experience in obtaining the EU structural funds in Romania, Bulgaria and Croatia may hinder our ability to achieve the expected level of growth.

Risk of becoming dependent on the key customers

The Group's business is to a great extent based on the execution of long-term projects which require a large work effort. Implementation of the key account contracts will heavily impact the level of our sales revenues in the coming years.

Risk of becoming dependent on the key suppliers

The Group's business is characterized by close cooperation with big international companies. There is a risk that the key suppliers to our Group may change their strategies for cooperation with local partners or may want to tighten their cooperation with one partner of their choice. Furthermore, they may start to offer the implementation services for their products themselves or else increase the prices of the products supplied.

Risk related to the profitability of integration projects

In some of the markets where the Group operates, providers of integration services generate higher margins of profit than average margins realized in mature economies. Hence, it may be expected that such margins will be squeezed once these markets become saturated.

Risk related to insolvency or misconduct of our subcontractors

In certain cases, we provide our clients with the solutions developed and completed by our subcontractors. Just as any other entrepreneurs, our subcontractors may face business or financial difficulties and become unable to fulfil their obligations towards us or our clients.

Risk related to technological changes in the industry and development of new products and services

The IT sector is characterized by rapid development of solutions and technologies. Hence, the product lifecycles in such a market are relatively short. In order to maintain a competitive advantage in this market, it is necessary to undertake research work and invest in new products. There is a risk that new solutions will be launched to the market, causing the products and services offered by the Group to become less attractive and eventually not as profitable as expected.

Risk involved in strategic investments in complementary industries, technologies, services or products as well as in strategic alliances with third parties

While implementing the Group's development strategy, we may engage in strategic investments, establish companies, undertake joint ventures and make acquisitions related to complementary industries, technologies, services or products. Despite exercising due care when selecting our business partners, we may be unable to identify a suitable partner or to manage such a venture or acquisition appropriately. As a consequence we may be exposed to typical risks involved in mergers and acquisitions.

Risk of unfortunate acquisitions

Business acquisitions are one of the cornerstones of ASEE's development. We try to take over companies that are truly complementary to the Group's offering and are in good financial condition. Our acquisition processes are based on the best market practices. However, there is a risk that our acquisition decisions will turn out to be wrong and that acquired companies will fail to meet our expectations, which may adversely affect the Group's financial results.

Risk involved in integration of the Group

The Group is exposed to a risk associated with effective integration of ASEE S.A. and its subsidiaries, especially as the Group's companies operate in various markets and in various countries. It is our strategy to integrate the subsidiary undertakings with Asseco South Eastern Europe S.A. and to make further company acquisitions in South Eastern Europe. Nonetheless, we cannot entirely exclude the risks of delays, partial completion or failure to complete the intended integration process. Apart from that, even our subsidiaries and further potentially acquired entities are successfully integrated with the Group, we may still be unable to fully integrate the products and services portfolios of particular companies, or to continue the development processes in line with our present corporate practices.

Risk of becoming dependent on the key management personnel

Just as in the majority of companies developing IT systems, highly qualified personnel and managerial staff are the main pillars of the Group's success. We operate in the information technology industry which is characterized by a high rotation of personnel. It is probable that the Group will be unable to retain its present employees or to recruit new, equally highly qualified employees in the future. In most cases, key members of the management staff are concurrently the founders of our subsidiary companies. Acquisition of new investments often depends on the business contacts obtained by the key personnel. Losing some of the key management members would have a negative impact on the Group's operations, financial position and results as well as on its future development outlook.

Risk of impairment of investments in subsidiary companies

The balance sheet of ASEE S.A. is dominated by investments in subsidiary companies. These assets are tested for impairment at the end of each year. In the event such test showed that the fair value of an asset was lower than its carrying amount, we would have to recognize a fair value impairment write-down that would weigh on the financial results of ASEE S.A.

Based on the impairment tests of our investments in subsidiary companies that were conducted by ASEE S.A. as at 31 December 2013, 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. Both the operations have been recognized respectively in financial income and expenses of ASEE S.A.

Risk of low liquidity and loss of value of our shares

Investors considering the purchase of ASEE shares should take into account that the trading price of our shares may change in the future and that they may not be able to recover all invested funds. Furthermore, any purchase or sale of ASEE shares depend on the market liquidity, hence the execution of an investment decision may not be possible at a given time.

Risk related to dividends

Our potential investors should be aware of the fact that distribution of any dividends will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. It is the Management Board intention to allocate a portion of our net earnings to dividends; however, the

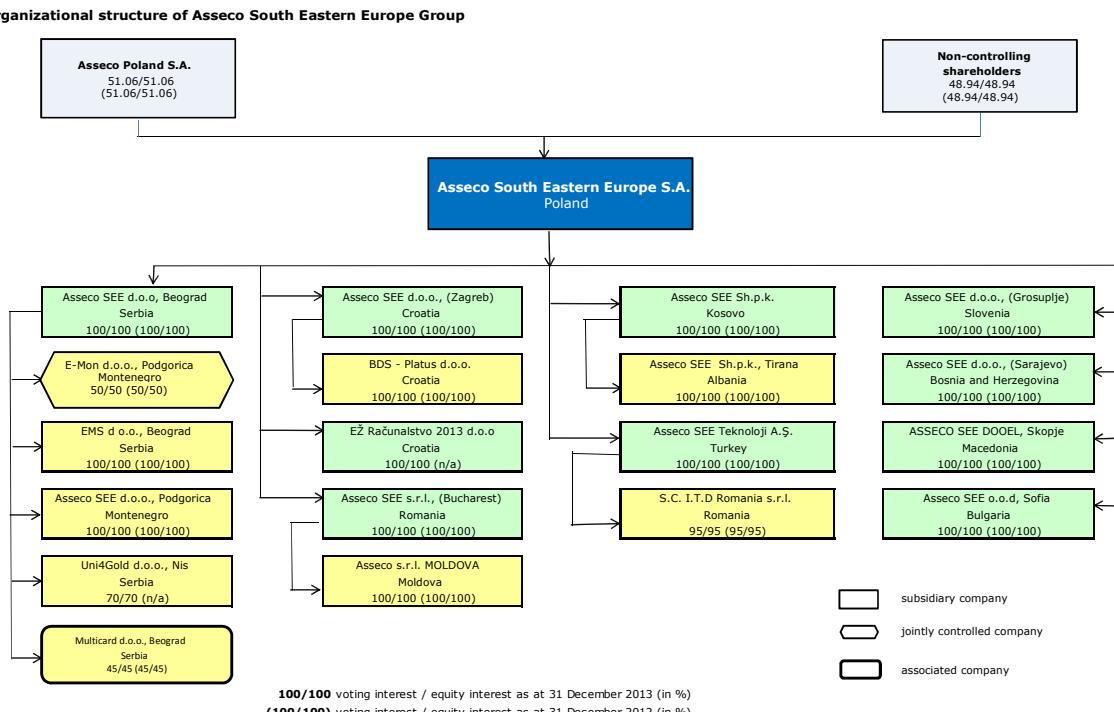
Company is not in the position to guarantee that such plans will be actually executed nor to determine the amounts of future dividend payments.

Risk related to the influence exerted by the Company's majority shareholder

As at the date of publication of this report, Asseco Poland S.A., our majority shareholder, holds 51.06% of shares in our Company. We expect that Asseco Poland S.A. will maintain its position as a majority shareholder and retain significant influence on our Company's business operations. Asseco Poland S.A. is entitled to exercise broad rights with respect to its shareholding in our Company and it must be taken into account that in the present situation Asseco Poland S.A. has a decisive impact on the Company's strategic decisions.

14. ORGANIZATIONAL AND EQUITY RELATIONSHIPS OF THE ISSUER

Asseco South Eastern Europe S.A. is the parent of Asseco South Eastern Europe Group and concurrently a subsidiary of the higher-level parent company Asseco Poland S.A. The Issuer's position as well as organizational and equity relationships are presented in the chart of organizational structure below:



15. RELATED PARTY TRANSACTIONS

In the year ended 31 December 2013, Asseco South Eastern Europe S.A. or its subsidiaries did not conduct any transactions with their related parties other than on an arm's length basis.

Information on related party transactions carried out during the year ended 31 December 2013 has been presented in explanatory note 23 to the annual financial statements of ASEE S.A. for the year 2013.

16. AGREEMENTS FOR BANK LOANS AND BORROWINGS

On 28 October 2013, ASEE S.A. concluded an agreement with ING Bank Śląski S.A. for the provision of a bank credit facility up to the equivalent of PLN 3,000 thousand. The amounts drawn will bear interest at the rate of 1M WIBOR + margin. The agreement shall be effective for a period of one year with a possibility of being extended till 31 October 2024. As at 31 December 2013, ASEE S.A. did not use any amounts under the above-mentioned credit facility.

17. LOANS GRANTED DURING THE FINANCIAL YEAR

During the year ended 31 December 2013, ASEE S.A. did not grant or take any loans.

18. SURETIES AND GUARANTIES

In the year ended 31 December 2013, Asseco South Eastern Europe S.A. 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.

19. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES

In the year ended 31 December 2013, Asseco South Eastern Europe S.A. did not issue any new shares.

20. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUS FINANCIAL FORECASTS FOR THE YEAR

Asseco South Eastern Europe S.A. did not publish any financial forecasts for the year reported.

21. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT

During the year ended 31 December 2013, Asseco South Eastern Europe S.A. had no problems with timely settlement of its trade payables, payment of regulatory state charges, or with fulfilling its investment commitments.

22. FEASIBILITY OF INVESTMENT PLANS

As at 31 December 2013, Asseco South Eastern Europe S.A. held PLN 2.95 million of spare cash, which may be appropriated for potential company acquisitions in the region of South Eastern Europe and Turkey. Such acquisitions will be financed partially from the Company's own funds, but it is also possible that the Company will seek external sources of financing. Furthermore, the Company may choose to finance its investment plans through the issuance of new shares.

23. CHANGES IN THE POLICIES OF COMPANY AND GROUP MANAGEMENT

In 2013 the policies applied for managing the company of ASEE S.A. remained unchanged; whereas, changes in the Group's management policies have been described in the Management report on business operations of the Group for the year 2013.

24. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND ITS MANAGEMENT AND SUPERVISORY PERSONNEL

ASEE S.A. did not sign any agreements of such nature.

25. REMUNERATION DUE TO THE ISSUER'S MANAGEMENT AND SUPERVISORY PERSONNEL

Information on remuneration due to the Issuer's management and supervisory personnel has been disclosed in explanatory note 25 to the annual financial statements of ASEE S.A. for the year 2013.

26. MONITORING OF EMPLOYEE SHARE OPTION PLANS

The Company does not run any employee share option plans.

27. AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The agreement with the entity authorized to audit financial statements, namely Ernst & Young Audit Polska Sp. z o.o. (limited partnership), to carry out audits of the separate and consolidated financial statements of ASEE S.A. drawn up for the year ended 31 December 2013 was signed on 17 July 2013.

28. REMUNERATION PAID OR PAYABLE TO THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

Information on remuneration due to the entity authorized to audit financial statements has been presented in explanatory note 26 to the annual financial statements of ASEE S.A. for the year 2013.

29. SIGNIFICANT OFF-BALANCE-SHEET ITEMS

As at 31 December 2013 and the date of publication of this report, the Company had no significant off-balance-sheet items apart from contingent liabilities which have been described in explanatory note 22 to the annual financial statements of ASEE S.A. for the year 2013.

30. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASEE S.A. OR ITS SUBSIDIARY COMPANIES

During the reporting period, no proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of Asseco South Eastern Europe S.A. or its subsidiaries, whose aggregate value would equal or exceed 10% of the Company's equity.

31. INFORMATION ON THE ISSUER

Information on the issuer as required under § 92 sect. 4 of the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (Journal of Laws of 2009 No. 33, item 259) is included in the declaration of compliance with the corporate governance standards.

Signatures of all Members of the Management Board of Asseco South Eastern Europe S.A. under the Management Report on Business Operations of Asseco South Eastern Europe S.A. for the year ended 31 December 2013

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

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

Rzeszów, 19 February 2014

Pursuant to the requirements under the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information to be published by issuers of securities, the Management Board of Asseco South Eastern Europe S.A. hereby declares that:

- to the best of its knowledge, the annual financial statements of Asseco South Eastern Europe S.A. for the year ended 31 December 2013, and the comparable data contained therein, have been prepared in compliance with the International Financial Reporting Standards as adopted by the European Union, issued and effective as at the date of preparation of these financial statements, and furthermore the presented data give a true, reliable and fair view of the property, financial position and financial results of Asseco South Eastern Europe S.A. The report on business operations of Asseco South Eastern Europe S.A. provides a fair description of the development, achievements and economic position of the Company, inclusive of major risks and threats to its operations.

- Ernst & Young Audyt Polska Sp. z o.o. (limited partnership), the entity authorized to audit financial statements which audited the annual financial statements of Asseco South Eastern Europe S.A. for the year ended 31 December 2013, was chosen in accordance with the provisions of the law in force, and furthermore this entity and certified auditors, who carried out the said audit, both satisfied the conditions for expressing an impartial and independent opinion on such audit, in line with the applicable regulations.

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

Member of the Management Board

Rzeszów, 19 February 2014