SOUTH EASTERN EUROPE

# ANNUAL REPORT OF ASSECO SOUTH EASTERN EUROPE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

## CONSOLIDATED FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE GROUP INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS

**Rzeszów, 19 February 2014**

**CONSOLIDATED FINANCIAL STATEMENTS
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INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**CONSOLIDATED FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE GROUP
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS
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 |

## FINANCIAL HIGHLIGHTS OF ASSECO SOUTH EASTERN EUROPE GROUP

| | | 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. | Sales revenues | 471,692 | 462,454 | 112,014 | 110,805 |
| II. | Operating profit | 42,115 | 52,594 | 10,001 | 12,602 |
| III. | Pre-tax profit | 43,369 | 54,638 | 10,299 | 13,091 |
| IV. | Net profit for the reporting period | 35,967 | 49,587 | 8,541 | 11,881 |
| V. | Net profit attributable to Shareholders of the Parent Company | **35,949** | **49,626** | **8,537** | **11,890** |
| VI. | Net cash provided by (used in) operating activities | 40,538 | 54,213 | 9,627 | 12,990 |
| VII. | Net cash provided by (used in) investing activities | (25,574) | (54,911) | (6,073) | (13,157) |
| VIII. | Net cash provided by (used in) financing activities | (29,604) | (19,659) | (7,030) | (4,710) |
| IX. | Cash and cash equivalents at the end of period | 59,126 | 74,153 | 14,257 | 18,138 |
| X. | Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR) | 0.69 | 0.96 | 0.16 | 0.23 |
| XI. | Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR) | 0.69 | 0.96 | 0.16 | 0.23 |

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

- items of the consolidated income statement and consolidated 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
- the Group's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
  - exchange rate effective on 31 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

## CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|---|
| **Sales revenues** | 1 | **471,692** | **462,454** |
| Cost of goods and third-party services sold (-) | 3 | (203,921) | (204,929) |
| **Surplus of revenues over third-party costs** | 2 | **267,771** | **257,525** |
| Production costs (-) | 3 | (150,289) | (132,968) |
| Distribution costs (-) | 3 | (38,744) | (39,177) |
| General administrative expenses (-) | 3 | (36,870) | (33,454) |
| **Net profit on sales** | | **41,868** | **51,926** |
| Other operating income | 4 | 1,591 | 2,397 |
| Other operating expenses (-) | 4 | (1,344) | (1,729) |
| **Operating profit** | | **42,115** | **52,594** |
| Financial income | 5 | 2,479 | 4,979 |
| Financial expenses (-) | 5 | (1,225) | (2,935) |
| **Pre-tax profit** | | **43,369** | **54,638** |
| Corporate income tax (current and deferred tax expense) | 6 | (7,402) | (5,051) |
| **Net profit for the reporting period** | | **35,967** | **49,587** |
| Attributable to: | | | |
| **Shareholders of the Parent Company** | | **35,949** | **49,626** |
| Non-controlling interests | | 18 | (39) |
| **Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN)** | | | |
| Basic consolidated earnings per share from continuing operations for the reporting period | 7 | 0.69 | 0.96 |
| Diluted consolidated earnings per share from continuing operations for the reporting period | 7 | 0.69 | 0.96 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| **Net profit for the reporting period** | **35,967** | **49,587** |
| **Other comprehensive income, of which:** | **(10,556)** | **(72,434)** |
| *Components that may be reclassified to profit or loss* | *(10,556)* | *(72,434)* |
| Exchange differences on translation of foreign operations | (10,556) | (72,434) |
| **TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD** | **25,411** | **(22,847)** |
| **Attributable to:** | | |
| *Shareholders of the Parent Company* | *25,453* | *(22,809)* |
| *Non-controlling interests* | *(42)* | *(38)* |

All figures in thousands of PLN, unless stated otherwise

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|---|
| **Non-current assets** | | **563,393** | **541,123** |
| Property, plant and equipment | 9 | 34,090 | 20,410 |
| Investment property | | 1,230 | 774 |
| Intangible assets | 10 | 32,890 | 26,786 |
| Goodwill arising from consolidation | 11 | 491,656 | 488,031 |
| Investments in subsidiary companies | | 11 | 11 |
| Long-term financial assets | 14 | 234 | 292 |
| Long-term receivables | | 300 | 336 |
| Deferred income tax assets | 6 | 2,562 | 3,901 |
| Long-term prepayments and accrued income | 16 | 420 | 582 |
| **Current assets** | | **213,958** | **218,717** |
| Inventories | 12 | 17,694 | 16,331 |
| Prepayments and accrued income | 16 | 7,422 | 6,675 |
| Trade receivables | 13 | 107,480 | 74,428 |
| Corporate income tax receivable | 13 | 1,997 | 1,367 |
| Other receivables from the state and local budgets | 13 | 373 | 1,394 |
| Receivables arising from valuation of IT contracts | 25 | 8,193 | 12,480 |
| Other receivables | 13 | 9,758 | 10,602 |
| Short-term financial assets | 14 | 1,915 | 21,287 |
| Cash and short-term deposits | 15 | 59,126 | 74,153 |
| **TOTAL ASSETS** | | **777,351** | **759,840** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EQUITY AND LIABILITIES | Note | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|---|
| **Equity (attributable to shareholders of the Parent Company)** | | **648,778** | **664,672** |
| Share capital | 17 | 518,942 | 518,942 |
| Share premium | 18 | 38,825 | 38,825 |
| Exchange differences on translation of foreign operations | | (74,354) | (63,856) |
| Retained earnings and current net profit | | 165,365 | 170,761 |
| **Non-controlling interests** | 19 | **171** | **181** |
| **Total equity** | | **648,949** | **664,853** |
| **Non-current liabilities** | | **12,353** | **5,838** |
| Interest-bearing bank loans and borrowings | 22 | 7,157 | 24 |
| Deferred income tax provisions | 6 | 2,422 | 2,527 |
| Long-term provisions | 20 | 1,373 | 1,446 |
| Long-term financial liabilities | 21 | 718 | 741 |
| Long-term deferred income | 24 | 683 | 1,094 |
| Other long-term liabilities | | - | 6 |
| **Current liabilities** | | **116,049** | **89,149** |
| Interest-bearing bank loans and borrowings | 22 | 6,314 | 489 |
| Trade payables | 23 | 52,264 | 31,839 |
| Corporate income tax payable | 23 | 66 | 1,199 |
| Other liabilities to the state and local budgets | 23 | 13,998 | 11,153 |
| Financial liabilities | 21 | 2,073 | 1,974 |
| Liabilities arising from valuation of IT contracts | 25 | 1,270 | 2,966 |
| Other liabilities | 23 | 13,870 | 13,513 |
| Short-term provisions | 20 | 2,682 | 3,834 |
| Deferred income | 24 | 7,863 | 8,502 |
| Accruals | 24 | 15,649 | 13,680 |
| **TOTAL LIABILITIES** | | **128,402** | **94,987** |
| **TOTAL EQUITY AND LIABILITIES** | | **777,351** | **759,840** |

All figures in thousands of PLN, unless stated otherwise

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

| | | Share capital | Share premium | Exchange differences on translation of foreign operations | Retained earnings and current net profit | Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2013** | | **518,942** | **38,825** | **(63,856)** | **170,761** | **664,672** | **181** | **664,853** |
| Net profit (loss) for the reporting period | | - | - | - | 35,949 | **35,949** | 18 | **35,967** |
| Other comprehensive income | | - | - | (10,496) | - | **(10,496)** | (60) | **(10,556)** |
| **Total comprehensive income for the reporting period** | | **-** | **-** | **(10,496)** | **35,949** | **25,453** | **(42)** | **25,411** |
| **Changes in the Group structure, of which:** | | **-** | **-** | **-** | **86** | **86** | **(53)** | **33** |
| *Acquisition of shares in a subsidiary* | | - | - | - | - | **-** | *33* | ***33*** |
| *Acquisition of non-controlling interests* | | - | - | - | *86* | ***86*** | *(86)* | **-** |
| Change in valuation of liabilities under put options of non-controlling shareholders | 29 | - | - | - | 686 | **686** | - | **686** |
| Recognition of financial result attributable to non-controlling interests | | - | - | (2) | (83) | **(85)** | 85 | **-** |
| Dividend | | - | - | - | (42,034) | **(42,034)** | - | **(42,034)** |
| **As at 31 December 2013** (audited) | | **518,942** | **38,825** | **(74,354)** | **165,365** | **648,778** | **171** | **648,949** |

for the year ended 31 December 2012

| | Share capital | Share premium | Exchange differences on translation of foreign operations | Retained earnings and current net profit | Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2012** | **518,942** | **38,825** | **8,579** | **139,465** | **705,811** | **-** | **705,811** |
| Net profit (loss) for the reporting period | - | - | - | 49,626 | **49,626** | (39) | **49,587** |
| Other comprehensive income | - | - | (72,435) | - | **(72,435)** | 1 | **(72,434)** |
| **Total comprehensive income for the reporting period** | **-** | **-** | **(72,435)** | **49,626** | **(22,809)** | **(38)** | **(22,847)** |
| **Changes in the Group structure, of which:** | **-** | **-** | **-** | **-** | **-** | **149** | **149** |
| *Acquisition of shares in a subsidiary* | - | - | - | - | **-** | *149* | ***149*** |
| Recognition of financial result attributable to non-controlling interests | **-** | **-** | **-** | (70) | **(70)** | 70 | **-** |
| Change in valuation of liabilities under put options of non-controlling shareholders | **-** | **-** | **-** | 422 | **422** | **-** | **422** |
| Dividend | **-** | **-** | **-** | (18,682) | **(18,682)** | **-** | **(18,682)** |
| **As at 31 December 2012** (restated) | **518,942** | **38,825** | **(63,856)** | **170,761** | **664,672** | **181** | **664,853** |

All figures in thousands of PLN, unless stated otherwise

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|---|
| **Cash flows - operating activities** | | | |
| Pre-tax profit | | 43,369 | 54,638 |
| **Total adjustments:** | | **5,302** | **6,190** |
| Depreciation and amortization | | 13,936 | 10,807 |
| Change in inventories | | (1,166) | (5,080) |
| Change in receivables | | (27,066) | 14,268 |
| Change in liabilities | | 21,123 | (10,736) |
| Change in prepayments and accruals | | 884 | 486 |
| Change in provisions | | (1,065) | (1,543) |
| Interest income and expenses | | (1,348) | (1,940) |
| Gain (loss) on foreign exchange differences | | 438 | (30) |
| Gain (loss) on investing activities | | (440) | (964) |
| Other | | 6 | 922 |
| **Net cash generated from operating activities** | | **48,671** | **60,828** |
| Corporate income tax paid | | (8,133) | (6,615) |
| **Net cash provided by (used in) operating activities** | | **40,538** | **54,213** |
| **Cash flows - investing activities** | | | |
| Disposal of property, plant and equipment and intangible assets | | 739 | 556 |
| Acquisition of property, plant and equipment and intangible assets | | (23,547) | (12,327) |
| Expenditures for development projects | | (12,502) | (8,714) |
| Acquisition of subsidiary companies | 27 | (10,363) | (29,546) |
| Cash and cash equivalents of subsidiary companies acquired | | 318 | 14 |
| Disposal of financial assets carried at fair value through profit or loss | 14 | 9,529 | 10,463 |
| Acquisition of financial assets carried at fair value through profit or loss | 14 | (9,500) | (163) |
| Disposal of Treasury bonds | 14 | 3,350 | 14,803 |
| Acquisition of Treasury bonds | | - | (14,098) |
| Bank deposits withdrawn | 14 | 21,283 | - |
| Bank deposits made | 14 | (4,798) | (17,712) |
| Dividends paid out to former shareholders of a subsidiary | | (1,703) | - |
| Loans collected (granted) | 14 | (80) | 91 |
| Interest received | | 1,699 | 1,941 |
| Other | | 1 | (219) |
| **Net cash provided by (used in) investing activities** | | **(25,574)** | **(54,911)** |

| | Note | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|---|
| **Cash flows - financing activities** | | | |
| Proceeds from (repayments of) short-term bank loans and borrowings | | 2,438 | (439) |
| Proceeds from other bank loans and borrowings | | 10,786 | - |
| Finance lease liabilities paid | | (417) | (384) |
| Dividends paid out to shareholders of the Parent Company | 8 | (42,034) | (18,682) |
| Acquisition of non-controlling interests | 27 | (210) | - |
| Interest paid | | (220) | (156) |
| Other | | 53 | 2 |
| **Net cash provided by (used in) financing activities** | | **(29,604)** | **(19,659)** |
| Net increase (decrease) in cash and cash equivalents | | (14,640) | (20,357) |
| Net foreign exchange differences | | (393) | (8,552) |
| Cash and cash equivalents as at 1 January | | 74,133 | 103,042 |
| **Cash and cash equivalents as at 31 December** | **15** | **59,100** | **74,133** |

All figures in thousands of PLN, unless stated otherwise

## SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

### I. GENERAL INFORMATION

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

The Parent Company was established on 10 April 2007. 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.

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 time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

Asseco South Eastern Europe Group is engaged in the sale of its own and third-party software as well as in the provision of implementation, integration and outsourcing services. The Group is a provider of IT solutions, authentication solutions and online payment settlement systems, while it also delivers and performs maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware. The Group conducts business operations in the markets of Poland, South Eastern Europe, and Turkey.

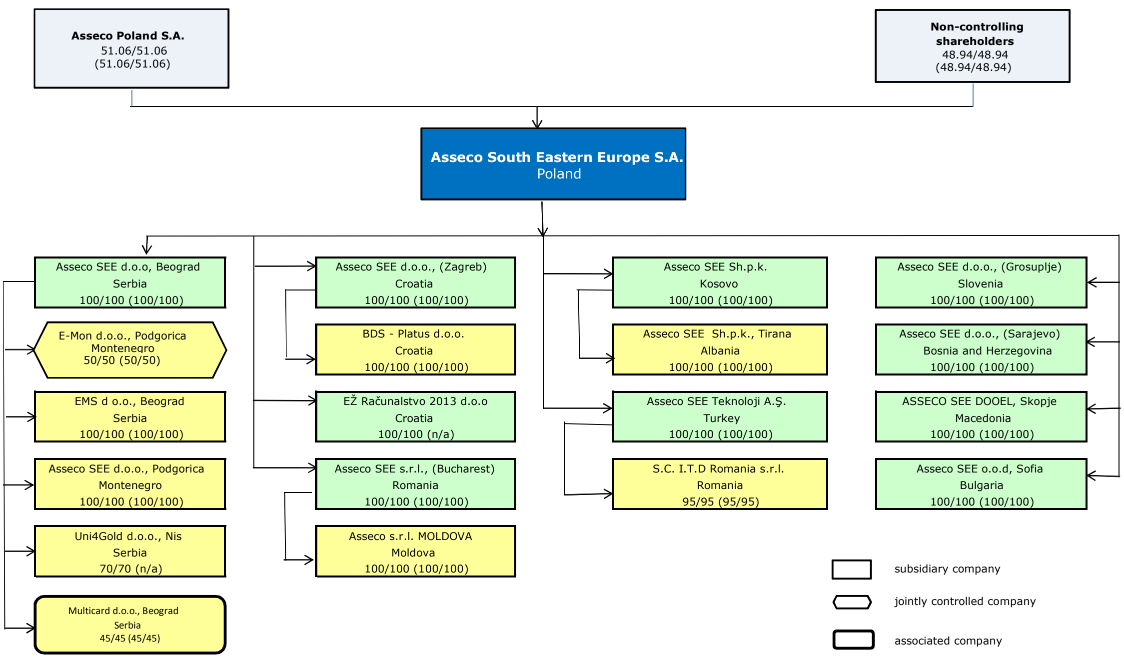
The scope of Asseco South Eastern Europe Group's core business broken down by relevant segments is described in Section V of these consolidated financial statements.

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

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

### II. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP



The chart above presents the structure of ASEE Group along with equity interests and voting interests at the general meetings of shareholders/partners as at 31 December 2013.

Both as at 31 December 2013 and 31 December 2012, voting interests the Group was entitled to exercise in ASEE Group companies were proportional to the Group's equity interests in these entities.

## III. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF ASEE S.A. 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 | |

## IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis for preparation of consolidated financial statements

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

These consolidated financial statements were prepared on a going-concern basis, assuming the Group, Parent Company as well as its subsidiary companies will continue their business activities in the foreseeable future.

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

### 2. Compliance statement

These consolidated 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 Group's operations, within the scope of accounting policies applied by the Group, 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.

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

### 3. Functional currency and reporting currency

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

Separate and consolidated financial statements of the Group companies are drawn up in the functional currencies of their primary business environments.

The functional currencies of direct subsidiaries of ASEE S.A. include the Romanian leu (RON), Croatian kuna (HRK), Serbian dinar (RDS), Macedonian denar (MKD), euro (EUR), Turkish lira (TRY), Bulgarian lev (BGN), and Bosnia and Herzegovina convertible mark (BAM).

## 4. Changes in estimates

In the year ended 31 December 2013, our approach to making estimates was not subject to any substantial change.

## 5. Professional judgement

Preparing consolidated 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 Group's management best knowledge on 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 Group's future results.

### *i. Operating cash flows assumed for valuation of IT contracts as well as measurement of their completion*

The Group executes a number of contracts for construction and implementation of information technology systems. Valuation of IT contracts requires determination of future operating cash flows in order to provide the fair value of revenues and expenses, as well as measurement of the progress of contract execution. The percentage of contract completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required. As at 31 December 2013, receivables arising from valuation of IT contracts amounted to PLN 8,193 thousand, while liabilities due to such valuation equalled PLN 1,270 thousand.

### *ii. 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 Group verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

### *iii. Goodwill impairment testing*

As at 31 December 2013, the Management Board of the Parent Company performed an impairment test on goodwill arising from the acquisition of subsidiary companies.

This task required making estimates of the recoverable value of goodwill allocated to individual operating segments. 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. As at 31 December 2013, goodwill arising from the acquisition of subsidiary companies amounted to PLN 491,656 thousand as compared with PLN 488,031 thousand reported as at 31 December 2012.

### *iv. Liabilities to pay for the remaining stakes of shares in subsidiary companies*

As at 31 December 2013, the Group 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.

As at 31 December 2012, the Group recognized liabilities resulting from future payments to non-controlling shareholders in the company Multicard Serbia. As at 31 December 2012, these liabilities amounted to PLN 628 thousand. Determination of the amounts payable under such liabilities required making estimates of the company's future financial results. Due to losing control over the company of Multicard Serbia, such liabilities were not recognized as at 31 December 2013. A detailed description of the loss of control over Multicard Serbia is included in explanatory note 29 to these financial statements.

### *v. Deferred income tax assets*

As at 31 December 2013, the Group recognized a deferred income tax asset in the amount of PLN 2,562 thousand and a deferred income tax provision of PLN 2,422 thousand. In the period of 12 months ended 31 December 2013, the balance of deferred income tax asset and provision changed by PLN (1,095) thousand, as compared with PLN 2,003 thousand change in the comparable period of 2012.

Based on the current financial budget and applicable tax regulations, the Group's management believes that future utilization of deferred tax asset recognized on the consolidated financial statements in the amount of PLN 2,562 thousand is very likely.

The Parent 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 Parent 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.

## 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 Group's consolidated 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 Group has decided to apply this IFRS for annual periods beginning on or after 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 Group has decided to apply this IFRS for annual periods beginning on or after 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 Group has decided to apply this IFRS for annual periods beginning on or after 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 Group has decided to apply the amended IAS for annual periods beginning on or after 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 Group has decided to apply the amended IAS for annual periods beginning on or after 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 Group 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 is currently analyzing the impact of applying IFRS 10 and 11 on the methods of recognition of the companies of E-mon Montenegro and Multicard Serbia in the financial statements that will be prepared for reporting periods beginning on or after 1 July 2014.

## 8. Significant accounting policies

### *i. Consolidation rules*

These consolidated financial statements comprise the financial statements of the Parent Company, Asseco South Eastern Europe S.A., as well as the financial data of its subsidiaries in each case prepared for the period from 1 January 2013 to 31 December 2013. The financial data of subsidiary companies have been prepared using consistent accounting policies and based on uniform accounting policies applied to transactions and business events of similar nature.

Subsidiary companies are entities in which the Group holds more than half of the votes at the general meeting of shareholders or is able to govern the financial and operating policy of such entities in any other way. Assessment whether the Group controls other entities is made considering the existence and influence of potential votes, which may be exercised at the general meeting of shareholders of such entities.

All balances of settlements and transactions between the Group companies, including unrealized profits resulting from transactions within the Group, are fully eliminated during the consolidation. Losses are eliminated to the extent in which they do not indicate impairment.

Subsidiary companies are subject to consolidation in the period from the date the Group obtains control over such entities until such control ceases. The parent company maintains control over an entity when it holds, either directly or indirectly through its subsidiaries, more than half of the votes in such entity unless it can be proved that such ownership does not result in the exercise of control. Control is maintained also when the Company is able to direct the financial and operating policy of a given entity.

Any changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as capital transactions. In such events, in order to reflect changes in the ownership of a respective subsidiary, the Group shall adjust the carrying amount of controlling interests and non-controlling interests. Any differences between the change in non-controlling interests and the fair value of consideration paid or received are recognized directly in equity and attributed to the owners of the parent company.

The Group's interests in jointly controlled entities are accounted for under the proportionate consolidation method. All the assets, liabilities, income and expenses of a jointly controlled entity attributable to the Group are combined line by line with similar items in the Group's consolidated financial statements.
The consolidated financial statements of the Group must be subject to appropriate consolidation adjustments in order to eliminate the Group's share in mutual balances, income, expenses and unrealized profits resulting from transactions between the Group subsidiaries and a jointly controlled entity. A jointly controlled entity is recognized under the proportionate method until the time the joint control over such entity ceases. From the date on which an entity ceases to be jointly controlled and it does not become a subsidiary or an associate of the Group, the Group shall account for its interest in such entity at fair value. Any differences between the carrying value of a former joint venture and the fair value of the present investment and also any proceeds from disposal shall be recognized in the income statement. In the event the remaining portion of investment is significant, it shall be accounted for as an investment in an associate.

### *ii. 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 Group by the pooling of interests method.

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 Asseco South Eastern Europe 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 financial results of the Company or the Group.

### *iii. Goodwill*

Goodwill arising from the acquisition of an entity is initially recognized at purchase cost constituting the excess of:

- the aggregate of:
  - (i) the consideration transferred,
  - (ii) the amount of any non-controlling interest in the acquired entity; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity.
- over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis, or more frequently if there are indications to do so. Goodwill is not subject to amortization.

As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects of the related business combination.

Each cash-generating unit or group of units to which the goodwill is so allocated shall:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment identified in accordance with IFRS 8 Operating Segments.

An impairment write-down is determined by estimating the recoverable value of a cash-generating unit to which goodwill has been allocated. In the event the recoverable value of a cash-generating unit is lower than its carrying amount, an impairment charge shall be recognized. In the event a cash-generating unit contains goodwill and a part of business of this cash-generating unit is sold, goodwill related to the disposed business shall be included in its carrying amount for the purpose of determining a gain or loss on disposal of that business. In such circumstances the value of goodwill sold shall be measured as a proportion of the value of business disposed to the value of the cash-generating unit retained.

### *iv. Translation of items expressed in foreign currencies*

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

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

Transactions denominated in foreign currencies are first recognized at the functional currency exchange rate of the transaction date. Assets and liabilities expressed in foreign currencies are converted at the functional currency exchange rate prevailing at the balance sheet date. Foreign currency non-cash items valued at historical cost are converted at the exchange rate as at the initial transaction date. Foreign currency non-cash items valued at fair value are converted using the exchange rate as of the date when such fair value is determined.

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 translation are reported respectively as financial income (expenses) or in equity.

As at the balance sheet date, assets and liabilities of those foreign subsidiary companies have been restated in the reporting currency of Asseco South Eastern Europe Group using the exchange rate effective on the balance sheet date, and their income statements have been restated at the average exchange rate for the reporting period. Foreign currency differences resulting from such restatement are reported directly under own equity, as a separate component thereof. On the date of disposal of a foreign company, the accumulated deferred exchange rate differences carried under own equity and relating to that foreign company shall be recognized in the income statement.

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 |

### *v. Put options for non-controlling shareholders*

During a year non-controlling interests are recognized in equity along with any changes in their value resulting from allocation of a portion of net profit attributable to minority shareholders, from their share in changes of other equity items as well as from any dividends declared until the balance sheet date.

At each balance sheet date, non-controlling interests are temporarily reversed, as if such minority interests being subject to put options were redeemed on that date.

The resulting financial liabilities are recognized at fair value at each balance sheet date. Whereas, the difference between the values of a reversed non-controlling interest and the corresponding financial liability is disclosed in equity as at each balance sheet date.

Any exercise of put option rights is accounted for as described above; whereas, the financial liability is extinguished through an actual payment of the option exercise price.

If an option expires unexercised, any adjustments to equity made in the past at each balance sheet date shall be reversed, and the non-controlling interest shall be recognized in the amount at which it would be carried if the option was not accounted for by the Company.

The above described policy addresses the accounting treatment of currently held put option.

### *vi. Property, plant and equipment*

Property, plant and equipment are disclosed at purchase cost/production cost decreased by accumulated depreciation and any impairment write-downs. 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.

### *vii. Investment property*

Investment property is initially recognized at purchase cost or production cost.

Subsequently to such initial recognition, an investment property owned by the Group is accounted for in accordance with the requirements applicable to tangible fixed assets, this is at purchase cost or production cost decreased by accumulated depreciation and accumulated impairment write-downs, except for the investment property that meets the criteria to be qualified as held for sale or is disclosed in the group of assets classified as held for sale.

An investment property shall be removed from the balance sheet after it is disposed or definitely withdrawn from use, when no future economic benefits are expected from its sale. Any gain or loss resulting from removal of an investment property from the balance sheet shall be disclosed in the income statement for the period in which such derecognition is made.

Such assets are depreciated using the straight-line method over their expected useful lives.

### *viii. Intangible assets*

*Purchased separately or as a result of merger of companies*

Intangible assets purchased in a separate transaction shall be capitalized at purchase cost. Intangible assets acquired as a result of a company take-over shall be capitalized at fair value as at the take-over date.

The period of useful life of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over the expected useful life, and amortization charges are expensed adequately in the income statement. The periods of useful life, being the basis for determination of amortization rates, are subject to annual verification and, if needed, they are adjusted starting from the next financial year.

Except for development work, intangible assets generated internally by the Group shall not be capitalized, but expenditures on their production shall be expensed in the income statement for the period in which they were incurred.

Impairment tests shall be performed every year for intangible assets with an indefinite period of useful life and those which are no longer used. The remaining intangible assets shall be tested for impairment if there are indications of a possible impairment in value. Should the carrying amount exceed the estimated recoverable value (the higher of the following two amounts: net sales price or value in use), the value of these assets shall be reduced to the recoverable value.

*Cost of development work*

An intangible asset generated as a result of development work (or completion of the development phase of an internal project) should be recognized if, and only if, the Group is able to demonstrate:

- the technical feasibility of completing such intangible asset so that it would be suitable for use or sale;
- the intention of finishing the construction of such intangible asset and the intention to use or sell the item;
- the ability to use or sell such intangible asset;
- how such intangible asset is going to generate probable future economic benefits. First of all the company should demonstrate there is a market for products made with the use of the given intangible asset, or that such intangible asset may itself be sold, or that such intangible asset is useful if it is to be used by the company;
- the availability of relevant technical, financial and other resources required to finish the development work and to make the intangible asset ready for use or sale;
- its ability to measure reliably the expenditure for the development work attributable to such intangible asset.

Costs of development work which do not satisfy the above criteria shall be expensed in the income statement.

Costs of development work which satisfy the above-mentioned criteria are recognized at purchase cost less accumulated amortization and accumulated impairment write-downs. All the expenditures carried forward to future periods are subject to amortization over the estimated period in which the related undertaking generates sales revenues. The costs of development work shall be amortized over the period of economic use of an intangible asset, but not longer than for 5 years.

The costs of development work are reviewed concerning a possible impairment on an annual basis – if the related asset has not been commissioned to use, or more frequently – if during the reporting period there is an indication of impairment, as a result of which the book value may not be recovered.

All the intangible assets subject to amortization are amortized under the straight-line method. Presented below are the periods of useful life adopted for intangible assets:

| Type | Period of useful life |
|---|---|
| Cost of development work | 2–5 years |
| Computer software | 2–5 years |
| Patents and licenses | 2–5 years |
| Other | 3-10 years |

Any gains or losses resulting from derecognition of an intangible asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying amount) are recognized as other income or other expenses in the income statement at the time when such derecognition is made.

### *ix. Leases*

Finance lease agreements, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, are recognized in the balance sheet at the commencement of the lease term, at fair value of the leased tangible asset or at present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly as expenses in the income statement.

Property, plant and equipment used under finance lease agreements are subject to depreciation over the estimated useful life or the lease term, whichever is shorter.

Lease agreements, whereby the Group retains substantially all the risks and rewards incidental to ownership of the leased asset, are considered as operating leases. The initial direct costs incurred during the negotiation of operating lease agreements are added to the carrying amount of the leased asset and are subsequently recognized over the lease term, on the same basis as revenues from rental. The conditional leasing fees are recognized as income for the period when they become receivable.

### x. Borrowing costs

The costs of external financing are capitalized as a part of the production cost of tangible assets, investment property, or intangible assets, as the case may be. The costs of external financing include any interest computed using the effective interest rate, financial charges under finance lease agreements, or foreign exchange differences that are incurred as a result of external financing up to the amount of interest expense adjustment.

### xi. 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 identified or identifiable payments and with a fixed maturity date, which the Group intends and is able to hold till 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 Group 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.

### *xii. Derivative financial instruments and hedges*

Derivative instruments utilized by the Group 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.

### *xiii. Impairment of financial assets*

At each balance sheet date, the Group 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 Group 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 Group 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.

### *xiv. 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 Group measures the value of consumed inventories at the price (cost) of earlier purchased (generated) assets, following the first-in first-out principle.

The Group companies are obliged to perform an ageing analysis of their inventories at each balance sheet date, separately for the main groups (goods for resale, maintenance service inventories). Such analysis provides the rationale for making write-downs on inventories 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.

### *xv. 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:

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

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

### *xvi. Trade 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.

### *xvii. Cash and cash equivalents, restricted cash*

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

### *xviii. Interest-bearing bank loans and borrowings*

All bank loans and borrowings are initially recognized at purchase cost, being the fair value of cash received net of any costs associated with obtaining the loan.

Subsequently to such initial recognition, bank loans and borrowings are measured at amortized purchase cost using the effective interest rate method.
Determination of the amortized purchase cost shall take into account any costs associated with obtaining a loan.

The difference between the cash obtained (deducted by costs relating to obtaining the credit or loan) and the repayment amount shall be presented in the income statement during the period of loan. 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 and borrowings are recognized in the income statement for the period they relate to.

### *xix. 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.

### *xx. Provisions*

A provision should be recognized when the Group 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 Group 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 Group 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 under it.

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.

*Provision for warranty repairs*

The provision for warranty repairs is established to cover anticipated future costs of warranty or service obligations resulting from the executed IT contracts. The costs of fulfilment of our warranty obligations comprise mainly labour costs (number of man-days multiplied by the standard rate) as well as the value of goods, materials and third-party services used in performing such warranty obligations.

This provision is set aside in the cases where:
- the client has not signed any contract for maintenance services;
- the scope of the maintenance services contract does not fully cover all anticipated costs of the fulfilment of warranty obligations;
- the scope of the manufacturer’s warranty for any equipment resold is narrower than the scope of warranty the Group is contractually committed to provide to its client.

The provision amount recognized at the balance sheet date shall be proportional to the progress of the IT contract execution. In particular in the case of implementation contracts, where revenues are recognized based on the percentage of contract completion, the provision amount shall be determined by multiplying such percentage of completion by the amount of costs that individual companies of the Group expect to incur in performing the warranty obligations. Hence, the cost of provision for warranty repairs is recognized proportionally to the progress of contract execution, yet it is not included in the project cost budget and, therefore, does not affect the percentage of contract completion, as it is accounted for in parallel with the project budget.

Any costs associated with the provision of our warranty services shall be, when incurred, deducted from the established provision (utilization of the provision). At each balance sheet date, the Group verifies the amount of carried provision for warranty repairs. If the actual costs of warranty services or anticipated future costs are lower/higher than assumed when the provision was established, the provision shall be decreased/increased accordingly to reflect the Group's current expectations in respect of fulfilment of its warranty obligations in future periods.

*Retirement benefits, other post-employment benefits and accrual for unused holiday leaves*

The Group establishes a provision for the present value of liabilities relating to future payments of retirement benefits. Furthermore, the Group recognizes an accrual for unused holiday leaves, which relate to periods prior to the balance sheet date and which will be used in future periods. Here the amount of related payment depends on the average monthly remuneration and the number of due but untaken leave days as at the balance sheet date. Costs of both termination benefits and untaken leaves are based on estimates and recognized in accordance with the accrual accounting.

### *xxi. Sales revenues*

*Revenues and costs related to the execution of implementation contracts*

Sales of services executed under a contract, which as at the balance sheet date are not completed but provided to a considerable extent, shall be recognized at the balance sheet date proportionally to the percentage of completion of such services, on condition the amount of revenue can be determined in a reliable way. The progress of contract execution shall be measured as a percentage of the total estimated contract execution costs incurred from the date of contract conclusion till the day when the related revenues are being determined, or as a portion of work completed out of the total work effort required. When determining the contract execution costs incurred till the balance sheet date, any expenses for future activities related to the contract shall not be taken into account.

Should it be impossible to estimate reliably the result of the contract, the revenues shall only be recognized in the amount of costs incurred which the Group expects to recover.
Should it be impossible to reliably estimate the progress of a service execution as at the balance sheet date, sales revenues shall be recognized in the amount of costs incurred in the reporting period, which should however be limited to the amount of costs that are likely to be paid by the ordering party in the future.

In case it is probable that the total contract execution costs exceed the total contract revenues, the anticipated loss shall be recognized as cost in the reporting period in which it has been detected.

Production costs of unfinished services shall comprise the costs incurred since the effective date of relevant agreement till the balance sheet date. Production costs that have been incurred prior to concluding the agreement and are related to the subject matter thereof shall be capitalized, provided they are likely to be covered with future revenues received from the ordering party.

Should the percentage progress of incurred costs, decreased by expected losses and increased by profits included in the income statement, exceed the percentage progress of invoiced sales, the amount of uninvoiced sales resulting from such difference shall be disclosed as other receivables in the balance sheet.

On the other hand, if the progress of invoiced sales exceeds the proportion of costs incurred, decreased by expected losses and increased by profits included in the income statement, then future-related (unearned) revenues resulting from such difference shall be disclosed as other liabilities.

*Sales revenues*

Accounting policies relating to the recognition of sales revenues from execution of IT contracts have been already described above in this supplementary information. Revenues shall be recognized in the amount reflecting probable economic benefits associated with the transaction to be obtained by the Group and when the amount of revenue can be measured reliably.

The Group presents its revenues from the sales of licenses, services and hardware. Such presentation appropriately reflects the business profile of the Group that is engaged in the provision of comprehensive information technology solutions based on proprietary products. Those revenues are generated from the execution of information technology projects, which include development of IT systems and maintenance services.

While recognizing sales revenues the following criteria are also taken into account:

*Sales revenues*

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.

***xxii. 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.

## 9. Seasonal nature of business

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

## 10. Changes in the presentation principles applied

In the reporting period we have changed the layout of items disclosed in the consolidated income statement. This change involved the introduction of two additional lines, i.e. cost of goods and third-party services sold, and production costs. Up until now, both the items were disclosed in aggregate, in a single line as the cost of sales. We have also ceased to present the gross profit on sales which was calculated by deducting the cost of sales from sales revenues. Furthermore, we have introduced a new subtotal representing the *surplus of revenues over third-party costs* which is calculated by deducting the cost of goods and third-party services sold from sales revenues. The *surplus of revenues over third-party costs* is not a standard line defined by the IFRS. This amount is an indicator used by the Group to plan and measure its operating performance. Such changes have been made in order to harmonize the presentation of data with the management approach, to increase their usefulness for understanding of our financial performance, as well as to facilitate the projection of financial results.

Apart from those described above, we have not introduced any other presentation changes in the reporting period.

## 11. Change in the comparable data

As a result of fair value measurement of assets and liabilities of Sigma Turkey, the Group's balance sheet data as at 31 December 2012 have been changed retrospectively. ASEE Group acquired a 98.68% stake in Sigma Turkey on 14 September 2012. The process of fair value measurement of assets and liabilities of the acquired company, carried out as part of the purchase price allocation, was not completed in 2012. Therefore, goodwill arising from the purchase of shares in Sigma Turkey, which was recognized in the consolidated financial statements as at 31 December 2012, was estimated on the basis of provisional values of identifiable assets, liabilities and contingent liabilities. In 2013, such estimated value of goodwill was changed due to the recognition of an additional liability relating to a contract executed by Sigma Turkey before being taken over by ASEE S.A. The valuation process has been completed in the 3rd quarter of 2013. The table below presents the changes which were introduced to the Group's balance sheet data as at 31 December 2012.

| ASSETS | Report for the year ended 31 Dec. 2012 (audited) | Changes resulting from purchase price allocation as at 31 Dec. 2012 | Balance sheet restated as at 31 Dec. 2012 (restated) |
|---|---|---|---|
| **Non-current assets** | **540,203** | **920** | **541,123** |
| Property, plant and equipment | 20,410 | - | 20,410 |
| Investment property | 774 | - | 774 |
| Intangible assets | 26,786 | - | 26,786 |
| Goodwill arising from consolidation | 487,111 | 920 | 488,031 |
| Investments in subsidiary companies | 11 | - | 11 |
| Financial assets available for sale | 104 | - | 104 |
| Long-term loans | 188 | - | 188 |
| Long-term receivables | 336 | - | 336 |
| Deferred income tax assets | 3,901 | - | 3,901 |
| Long-term prepayments and accrued income | 582 | - | 582 |
| **Current assets** | **218,717** | **-** | **218,717** |
| Inventories | 16,331 | - | 16,331 |
| Prepayments and accrued income | 6,675 | - | 6,675 |
| Trade receivables | 74,428 | - | 74,428 |
| Corporate income tax receivable | 1,367 | - | 1,367 |
| Other receivables from the state and local budgets | 1,394 | - | 1,394 |
| Receivables arising from valuation of IT contracts | 12,480 | - | 12,480 |
| Other receivables | 10,602 | - | 10,602 |
| Short-term financial assets | 21,287 | - | 21,287 |
| Cash and short-term deposits | 74,153 | - | 74,153 |
| **TOTAL ASSETS** | **758,920** | **920** | **759,840** |

| EQUITY AND LIABILITIES | Report for the year ended 31 Dec. 2012 (audited) | Changes resulting from purchase price allocation as at 31 Dec. 2012 | Balance sheet restated as at 31 Dec. 2012 (restated) |
|---|---|---|---|
| **Equity (attributable to shareholders of the Parent Company)** | **664,672** | **-** | **664,672** |
| Share capital | 518,942 | - | 518,942 |
| Share premium | 38,825 | - | 38,825 |
| Exchange differences on translation of foreign operations | (63,856) | - | (63,856) |
| Retained earnings and current net profit | 170,761 | - | 170,761 |
| **Non-controlling interests** | **181** | - | **181** |
| **Total equity** | **664,853** | **-** | **664,853** |
| **Non-current liabilities** | **5,838** | **-** | **5,838** |
| Interest-bearing bank loans and borrowings | 24 | - | 24 |
| Deferred income tax provisions | 2,527 | - | 2,527 |
| Long-term provisions | 1,446 | - | 1,446 |
| Long-term financial liabilities | 741 | - | 741 |
| Long-term deferred income | 1,094 | - | 1,094 |
| Other long-term liabilities | 6 | - | 6 |
| **Current liabilities** | **88,229** | **920** | **89,149** |
| Interest-bearing bank loans and borrowings | 489 | - | 489 |
| Trade payables | 31,839 | - | 31,839 |
| Corporate income tax payable | 1,199 | - | 1,199 |
| Other liabilities to the state and local budgets | 11,153 | - | 11,153 |
| Financial liabilities | 1,974 | - | 1,974 |
| Liabilities arising from valuation of IT contracts | 2,966 | - | 2,966 |
| Other liabilities | 12,593 | 920 | 13,513 |
| Short-term provisions | 3,834 | - | 3,834 |
| Deferred income | 8,502 | - | 8,502 |
| Accruals | 13,680 | - | 13,680 |
| **TOTAL LIABILITIES** | **94,067** | **920** | **94,987** |
| **TOTAL EQUITY AND LIABILITIES** | **758,920** | **920** | **759,840** |

All figures in thousands of PLN, unless stated otherwise

## V. INFORMATION ON OPERATING SEGMENTS

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

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

*Banking Solutions*

This segment deals with integrated banking systems based on the Oracle and Microsoft platforms (offered under the brand name of ASEBA), including primarily *core banking systems*.

In addition, the integrated systems include solutions dedicated to support various bank access channels, payment systems, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems.

This segment also provides systems enabling secure authentication of bank clients or IT system users, as well as e-banking solutions available on mobile phones. These solutions are marketed as an integral part of the core and multi-channel banking systems offered by the Group companies, or separately for the purpose of being integrated with legacy IT solutions or third-party software already utilized by banks. Our offering features the authentication technologies that make use of mobile tokens, SMS, PKI (Public Key Infrastructure) / chip cards (smartcards) acting as electronic signature devices. The ASEBA JiMBA mobile banking system and a variety of e-commerce solutions are state-of-the-art products providing access to banking services over the Internet from mobile phones.

Furthermore, the product portfolio of the Banking Solutions segment includes LeaseFlex, a fully-fledged lease and asset lifecycle management solution.

*Payment Solutions*

This segment is engaged in the sale and maintenance of ATMs and POS terminals as well as in the provision of related support services. ATMs and POS terminals are also offered by the Group in the outsourcing model, which allows customers to just rent the equipment from ASEE and take advantage of our maintenance and infrastructure management services.

This operating segment also provides IT systems for the settlement of internet credit card payments as well as for fast and direct online money transfers. ASEE Group offers these systems based on its proprietary IT solutions – a group of software products developed on the NestPay® platform. These solutions are offered both in the form of outsourcing or on-premise implementation of software.

*Systems Integration*

This segment is engaged in the development of customized IT systems, integration of third-party software and elements of infrastructure, as well as in the sale and installation of hardware solutions. Furthermore, the Systems Integration segment includes the presentation of sales of a number of the Group's proprietary solutions that do not qualify for any of the operating segments described above. Among such solutions are ASEBA BPS (content management solution), call/contact center systems, CRM ASEBA LIVE platform, Fidelity (asset lifecycle management solution), and SKAI (billing system for utilities).

| For the year ended 31 December 2013 and as at 31 December 2013 in PLN thousands (audited) | Banking Solutions (I) | Payment Solutions (II) | *Total Banking Business (I-II)* | Systems Integration (III) | Unallocated | Eliminations / Reconcilia-tions | Total |
|---|---|---|---|---|---|---|---|
| **Sales revenues:** | **140,492** | **117,370** | ***257,862*** | **238,207** | **10,788** | **(35,165)** | **471,692** |
| Sales to external customers | 124,842 | 112,001 | *236,843* | 234,849 | - | - | **471,692** |
| Inter/intra segment sales | 15,650 | 5,369 | *21,019* | 3,358 | 10,788 | (35,165) | **-** |
| **Surplus of revenues over third-party costs** | **113,755** | **79,340** | ***193,095*** | **74,676** | **-** | **-** | **267,771** |
| Production costs (-) | (70,348) | (41,633) | *(111,981)* | (38,308) | - | - | **(150,289)** |
| Distribution costs (-) | (12,100) | (8,260) | *(20,360)* | (18,384) | - | - | **(38,744)** |
| General administrative expenses (-) | (15,708) | (11,255) | *(26,963)* | (9,907) | - | - | **(36,870)** |
| **Net profit on sales** | **15,599** | **18,192** | ***33,791*** | **8,077** | **-** | **-** | **41,868** |
| *goodwill arising from consolidation* | *194,480* | *112,685* | ***307,165*** | *184,491* | | | ***491,656*** |

| For the year ended 31 Dec. 2013 in EUR thousands | Banking Solutions (I) | Payment Solutions (II) | *Total Banking Business (I-II)* | Systems Integration (III) | Unallocated | Eliminations / Reconcilia-tions | Total |
|---|---|---|---|---|---|---|---|
| **Sales revenues:** | **33,363** | **27,872** | ***61,235*** | **56,568** | **2,562** | **(8,351)** | **112,014** |
| Sales to external customers | 29,647 | 26,597 | *56,244* | 55,770 | - | - | **112,014** |
| Inter/intra segment sales | 3,716 | 1,275 | *4,991* | 798 | 2,562 | (8,351) | **-** |
| **Surplus of revenues over third-party costs** | **27,014** | **18,841** | ***45,855*** | **17,735** | **-** | **-** | **63,590** |
| Production costs (-) | (16,706) | (9,887) | *(26,593)* | (9,097) | - | - | **(35,690)** |
| Distribution costs (-) | (2,873) | (1,962) | *(4,835)* | (4,366) | - | - | **(9,201)** |
| General administrative expenses (-) | (3,730) | (2,673) | *(6,403)* | (2,353) | - | - | **(8,756)** |
| **Net profit on sales** | **3,705** | **4,319** | ***8,024*** | **1,919** | **-** | **-** | **9,943** |

The above figures have been converted at the average exchange rate for the period from 1 January 2013 to 31 December 2013: EUR 1 = PLN 4.2110

| For the year ended 31 December 2012 and as at 31 December 2012 in PLN thousands (audited) | Banking Solutions (I) | Payment Solutions (II) | *Total Banking Business (I-II)* | Systems Integration (III) | Unallocated | Eliminations / Reconcilia-tions | Total |
|---|---|---|---|---|---|---|---|
| **Sales revenues:** | **133,681** | **115,744** | ***249,425*** | **238,849** | **5,221** | **(31,041)** | **462,454** |
| Sales to external customers | 117,127 | 112,236 | *229,363* | 233,091 | - | - | **462,454** |
| Inter/intra segment sales | 16,554 | 3,508 | *20,062* | 5,758 | 5,221 | (31,041) | **-** |
| **Surplus of revenues over third-party costs** | **103,986** | **73,048** | ***177,034*** | **80,491** | **-** | **-** | **257,525** |
| Production costs (-) | (61,685) | (36,122) | *(97,807)* | (35,161) | **-** | **-** | **(132,968)** |
| Distribution costs (-) | (9,656) | (7,853) | *(17,509)* | (21,668) | - | - | **(39,177)** |
| General administrative expenses (-) | (13,849) | (9,717) | *(23,566)* | (9,888) | - | - | **(33,454)** |
| **Net profit on sales** | **18,796** | **19,356** | ***38,152*** | **13,774** | **-** | **-** | **51,926** |
| *goodwill arising from consolidation* | 194,684 | 104,156 | ***298,840*** | 189,191 | - | - | **488,031** |

| For the year ended 31 Dec. 2012 in EUR thousands | Banking Solutions (I) | Payment Solutions (II) | *Total Banking Business (I-II)* | Systems Integration (III) | Unallocated | Eliminations / Reconcilia-tions | Total |
|---|---|---|---|---|---|---|---|
| **Sales revenues:** | **32,030** | **27,732** | ***59,762*** | **57,229** | **1,251** | **(7,437)** | **110,805** |
| Sales to external customers | 28,064 | 26,892 | *54,956* | 55,849 | - | - | **110,805** |
| Inter/intra segment sales | 3,966 | 840 | *4,806* | 1,380 | 1,251 | (7,437) | **-** |
| **Surplus of revenues over third-party costs** | **24,915** | **17,502** | ***42,417*** | **19,286** | **-** | **-** | **61,703** |
| Production costs (-) | (14,780) | (8,654) | *(23,434)* | (8,425) | **-** | **-** | **(31,859)** |
| Distribution costs (-) | (2,314) | (1,882) | *(4,196)* | (5,191) | - | - | **(9,387)** |
| General administrative expenses (-) | (3,318) | (2,328) | *(5,646)* | (2,369) | - | - | **(8,015)** |
| **Net profit on sales** | **4,503** | **4,638** | ***9,141*** | **3,301** | **-** | **-** | **12,442** |

The above figures have been converted at the average exchange rate for the period from 1 January 2012 to 31 December 2012: EUR 1 = PLN 4.1736

All figures in thousands of PLN, unless stated otherwise 28

# VII. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Breakdown of sales revenues

During the year ended 31 December 2013 and in the comparable period, operating revenues were as follows:

| Sales revenues by type of products | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Proprietary software and services | 225,974 | 219,404 |
| Third-party software and services | 80,831 | 81,480 |
| Hardware and infrastructure | 164,887 | 161,570 |
| | **471,692** | **462,454** |

| Sales revenues by sectors | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Banking and finance | 303,280 | 303,576 |
| Central and local administration | 61,305 | 40,390 |
| Public utilities | 12,891 | 17,784 |
| Telecommunications and media | 43,813 | 36,197 |
| Other enterprises | 50,403 | 64,507 |
| | **471,692** | **462,454** |

## 2. Surplus of revenues over third-party costs

In the consolidated income statement for the reporting period, we have introduced a new line representing the surplus of revenues over third-party costs, which is calculated by deducting the cost of goods and third-party services sold from sales revenues. This reflects the amount of surplus remaining to cover the Group's own costs, including production costs, distribution costs, and general administrative expenses. This amount is one of the key indicators used by the Group to plan and measure its operating performance. It is characterized by a greater degree of comparability and stability than revenues, especially in the segment of Systems Integration, where fluctuations in sales have a lower impact on operating profit basically due to low margins realized.

The *surplus of revenues over third-party costs* is not a standard metric and has not been defined by the IFRS. Understanding and the method of calculating this indicator may vary depending on the approach taken by individual entities.

## 3. Breakdown of operating costs

| | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Materials and energy used (-) | (7,278) | (5,063) |
| Third-party services (-) | (49,568) | (51,496) |
| Employee salaries and benefits (-) | (144,481) | (131,001) |
| Depreciation and amortization (-) | (13,936) | (10,807) |
| Taxes and charges (-) | (1,544) | (1,530) |
| Business trips (-) | (6,013) | (5,213) |
| Other (-) | (3,083) | (489) |
| | **(225,903)** | **(205,599)** |
| Production costs (-) | (150,289) | (132,968) |
| Distribution costs (-) | (38,744) | (39,177) |
| General administrative expenses (-) | (36,870) | (33,454) |
| Cost of goods and third-party services sold (-) | (203,921) | (204,929) |

## 4. Other operating income and expenses

| Other operating income | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Gain on disposal of property, plant and equipment | 373 | 146 |
| Income from leases of space | 147 | 171 |
| Compensations received | 253 | 82 |
| Discounts received | - | 111 |
| Reversal of other provisions | 97 | 1,319 |
| Other | 721 | 568 |
| | **1,591** | **2,397** |

Other operating income for the year ended 31 December 2013, in the line of "Other", includes the disposal of an organized part of enterprise conducted by ASEE Croatia. The disposed organized part of enterprise was engaged in the provision of telecom sector solutions, disclosed under our Systems Integration operating segment. The total gain on this transaction reached PLN 500 thousand, of which PLN 487 thousand were recognized as other operating income in the line of "Other", whereas PLN 13 thousand were recognized as gain on disposal of property, plant and equipment.

| Other operating expenses | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Loss on disposal of property, plant and equipment (-) | (64) | (140) |
| Other provisions established (-) | (231) | (148) |
| Liquidation of property, plant and equipment, intangible assets, and inventories (-) | (35) | (38) |
| Charitable contributions to unrelatec parties (-) | (496) | (701) |
| Costs of post-accident repairs (-) | (39) | (74) |
| Inventory count deficit (-) | (26) | (66) |
| Penalties and compensations (-) | (158) | (78) |
| Other (-) | (295) | (484) |
| | **(1,344)** | **(1,729)** |

All figures in thousands of PLN, unless stated otherwise

## 5. Financial income and expenses

| Financial income | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Interest income on loans granted and bank deposits | 1,960 | 2,635 |
| Interest income on financial assets held to maturity | 57 | 260 |
| Other interest income | 7 | 79 |
| Gain on revaluation of contingent payments in transactions to obtain control | - | 494 |
| Gain on valuation/exercise of derivative instruments | 80 | 542 |
| Gain on valuation/exercise of financial assets carried at fair value | 26 | 128 |
| Positive foreign exchange differences | 246 | 841 |
| Other financial income | 103 | - |
| | **2,479** | **4,979** |

| Financial expenses | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Interest expense (-) | (157) | (9) |
| Other interest expenses (-) | (29) | (5) |
| Bank fees and commissions (-) | (144) | (93) |
| Negative foreign exchange differences (-) | (870) | (2,244) |
| Company acquisition related expenses (-) | - | (92) |
| Interest expenses under finance leases (-) | (16) | (47) |
| Loss on exercise of derivative instruments (-) | - | (93) |
| Other financial expenses | (9) | (352) |
| | **(1,225)** | **(2,935)** |

## 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 portion of income tax and prior years adjustments | (6,307) | (7,054) |
| Deferred portion of income tax | (1,095) | 2,003 |
| **Income tax expense as disclosed in the income statement, of which:** | **(7,402)** | **(5,051)** |
| *Income tax attributable to continuing operations* | *(7,402)* | *(5,051)* |

The Group's effective tax rate increased from 9.24% in 2012 to 17.07% in 2013. Such a large increase resulted mainly from a reversal of deferred tax assets by the Parent Company due to the utilization of tax losses (PLN 882 thousand), as well as from the 5 pp higher income tax rate that was enforced in Serbia as of 1 January 2013.

Whereas, in 2012 our effective tax rate decreased to 9.24% or by approx. 3 pp in comparison to 2011. That decrease resulted from a recognition of deferred tax assets amounting to PLN 2,300 thousand by the Parent Company due to the existence of tax losses deductible against future taxable income.

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 the corporate income tax computed at the Group's effective tax rate.

| | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| **Pre-tax profit** | **43,369** | **54,638** |
| Statutory corporate income tax rate | 19% | 19% |
| **Corporate income tax computed at the statutory tax rate** | **(8,240)** | **(10,381)** |
| **[A] Non-taxable income recognized in the balance sheet** | **3,150** | **3,322** |
| *-non-taxable income achieved in a special technological zone* | *2,943* | *2,694* |
| *-changes in estimates of liabilities* | - | *98* |
| *-reversal of provisions* | - | *337* |
| *-reversal of write-downs* | *131* | - |
| *-other* | *76* | *193* |
| **[B] Taxable income not recognized in the balance sheet** | **(4,878)** | **(6,072)** |
| *-taxable dividends, eliminated from consolidation* | *(4,878)* | (6,072) |
| **[C] Non-tax-deductible expenses recognized in the balance sheet** | **(3,738)** | **(2,334)** |
| *-non-tax-deductible expenses incurred in a technological zone* | *(2,090)* | *(1,029)* |
| *-representation expenses* | *(104)* | (223) |
| *-difference between the tax and accounting depreciation and amortization* | *(479)* | (88) |
| *-allowances for receivables and write-downs on inventories* | *(267)* | - |
| *-penalties and compensations* | *(174)* | - |
| *-other* | *(624)* | *(994)* |
| **[D] Utilization of tax losses, change in deferred tax assets arising from tax losses, deduction of dividend income tax paid by subsidiaries** | **3,404** | **3,166** |
| **[E] Utilization of tax credits and other tax deductibles** | **919** | **4,507** |
| **[F] Difference due to different rates of corporate income tax paid abroad** | **1,888** | **2,798** |
| **[G] Correction of an error in the calculation of deferred tax in previous reporting periods (+) / (-)** | **93** | **(57)** |
| **Corporate income tax at the effective tax rate of 17.07% in 2013 and 9.24% in 2012** | **(7,402)** | **(5,051)** |

| | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| **Deferred income tax assets** | | |
| Receivables / Liabilities arising from book valuation of IT contracts | 44 | 31 |
| Valuation of financial assets and/or financial liabilities at fair value | 77 | 77 |
| Accruals, provisions and other liabilities | 474 | 548 |
| Allowances for receivables | 243 | 236 |
| write-downs on inventories | 687 | 730 |
| Tax credit for capital expenditures made | 29 | 170 |
| Losses deductible against future taxable income | 1,418 | 2,300 |
| Shares in subsidiaries | 103 | 127 |
| Other temporary differences | 31 | 232 |
| **Total** | **3,106** | **4,451** |
| **Deferred income tax provision** | | |
| Difference between tax depreciation and accounting depreciation | 374 | 403 |
| Provision for income tax payable to a subsidiary upon the dividend payment | 2,517 | 2,601 |
| Other temporary differences | 75 | 73 |
| **Total** | **2,966** | **3,077** |
| **Deferred income tax assets (+), net of deferred income tax provision** | **2,562** | **3,901** |
| **Deferred income tax provision (-), net of deferred income tax assets** | **2,422** | **2,527** |

As at 31 December 2013, the Group recognized a deferred income tax asset in the amount of PLN 2,562 thousand (vs. PLN 3,901 thousand as at 31 December 2012) and a deferred income tax provision of PLN 2,422 thousand(vs. PLN 2,527 thousand as at 31 December 2012).

The Parent Company did not recognize the entire balance of deferred income tax asset related to the prior years' 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 (vs. 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 Parent 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. The utilization of those tax-deductible losses is possible till the end of 2015.

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 attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during that financial year. Both during the reporting period and the 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) |
|---|---|---|
| **Consolidated net profit for the reporting period attributable to Shareholders of ASEE S.A.** | **35,949** | **49,626** |
| Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share | 51,894,251 | 51,894,251 |
| **Consolidated earnings per share for the reporting period attributable to Shareholders of ASEE S.A. (in PLN)** | | |
| Basic consolidated earnings per share from continuing operations for the reporting period | 0.69 | 0.96 |
| Diluted consolidated earnings per share from continuing operations for the reporting period | 0.69 | 0.96 |

## 8. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of ASEE S.A. seated in Rzeszów, by its resolution passed on 15 April 2013, decided that the net profit for the financial year 2012 amounting to PLN 46,712,649.63 as well as retained earnings for 2011 amounting to PLN 2,161,123.44 shall be distributed as follows:

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) | Land and buildings | Computers and other office equipment | Transportation vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2013, less depreciation** | **481** | **14,306** | **4,419** | **1,204** | **-** | **20,410** |
| Additions, of which: | **-** | **16,083** | **2,812** | **149** | **7,571** | **26,615** |
| Purchases | - | 12,529 | 1,674 | 116 | 7,571 | **21,890** |
| Finance leases | - | - | 1,087 | - | - | **1,087** |
| Obtaining control over subsidiaries | - | 738 | 45 | 13 | - | **796** |
| Transfers from tangible assets under construction | - | 2,052 | - | - | - | **2,052** |
| Transfers from inventories | - | 764 | - | - | - | **764** |
| Other changes | - | - | 6 | 20 | - | **26** |
| Reductions, of which: | **(481)** | **(7,294)** | **(1,856)** | **(483)** | **(2,052)** | **(12,166)** |
| Depreciation charges for the reporting period (-) | (16) | (6,452) | (1,575) | (481) | - | **(8,524)** |
| Loss of control (-) | - | (694) | - | - | - | **(694)** |
| Disposal and liquidation (-) | - | (143) | (281) | (1) | - | **(425)** |
| Transfers from tangible assets under construction (-) | - | - | - | - | (2,052) | **(2,052)** |
| Transfers to investment property | (465) | - | - | - | - | **(465)** |
| Other changes (-) | - | (5) | - | (1) | - | **(6)** |
| Exchange differences on translation of foreign operations (+/-) | - | (571) | (95) | 11 | (114) | **(769)** |
| **As at 31 December 2013, less depreciation** | **-** | **22,524** | **5,280** | **881** | **5,405** | **34,090** |
| As at 1 January 2013 | | | | | | |
| Gross book value | 645 | 35,297 | 11,983 | 4,127 | - | **52,052** |
| Depreciation (-) | (164) | (20,991) | (7,564) | (2,923) | - | **(31,642)** |
| **Net book value as at 1 January 2013** | **481** | **14,306** | **4,419** | **1,204** | **-** | **20,410** |
| As at 31 December 2013 | | | | | | |
| Gross book value | - | 48,000 | 13,015 | 4,187 | 5,405 | **70,607** |
| Depreciation (-) | - | (25,476) | (7,735) | (3,306) | - | **(36,517)** |
| **Net book value as at 31 December 2013** | **-** | **22,524** | **5,280** | **881** | **5,405** | **34,090** |

Tangible assets under construction amounting to PLN 5,405 thousand as at 31 December 2013 comprised mainly infrastructure to be rented in the outsourcing model, which was being prepared for use.

As at 31 December 2013, property, plant and equipment did not serve as security for any bank loans taken out.

| for the year ended 31 December 2012 (restated) | Land and buildings | Computers and other office equipment | Transportation vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2012, less depreciation** | **547** | **13,385** | **4,567** | **1,779** | **48** | **20,326** |
| Additions, of which: | - | 7,868 | 2,179 | 272 | - | **10,319** |
| Purchases | - | 7,410 | 1,974 | 229 | - | **9,613** |
| Finance leases | - | - | 51 | - | - | **51** |
| Obtaining control over subsidiaries | - | 212 | 88 | 38 | - | **338** |
| Transfers from tangible assets under construction | - | - | 46 | - | - | **46** |
| Transfers from inventories | - | 97 | - | - | - | **97** |
| Other changes | - | 149 | 20 | 5 | - | **174** |
| Reductions, of which: | **(15)** | **(5,236)** | **(1,861)** | **(675)** | **(46)** | **(7,833)** |
| Depreciation charges for the reporting period (-) | (15) | (4,981) | (1,516) | (460) | - | **(6,972)** |
| Disposal and liquidation (-) | - | (255) | (343) | (10) | - | **(608)** |
| Transfers from tangible assets under construction (-) | - | - | - | - | (46) | **(46)** |
| Other changes (-) | - | - | (2) | (205) | - | **(207)** |
| Exchange differences on translation of foreign operations (+/-) | (51) | (1,711) | (466) | (172) | (2) | **(2,402)** |
| **As at 31 December 2012, less depreciation** | **481** | **14,306** | **4,419** | **1,204** | **-** | **20,410** |
| As at 1 January 2012 | | | | | | |
| Gross book value | 713 | 31,172 | 12,351 | 5,560 | 48 | **49,844** |
| Depreciation (-) | (166) | (17,787) | (7,784) | (3,781) | - | (29,518) |
| **Net book value as at 1 January 2012** | **547** | **13,385** | **4,567** | **1,779** | **48** | **20,326** |
| As at 31 December 2012 | | | | | | |
| Gross book value | 645 | 35,297 | 11,983 | 4,127 | - | **52,052** |
| Depreciation (-) | (164) | (20,991) | (7,564) | (2,923) | - | **(31,642)** |
| **Net book value as at 31 December 2012** | **481** | **14,306** | **4,419** | **1,204** | **-** | **20,410** |

As at 31 December 2012, property, plant and equipment did not serve as security for any bank loans taken out.

All figures in thousands of PLN, unless stated otherwise

## 10. Intangible assets

| for the year ended 31 December 2013 (audited) | Own software and licenses | Costs of development projects in progress | Software, patents and licenses purchased | Total |
|---|---|---|---|---|
| **As at 1 January 2013, less amortization** | **11,956** | **10,998** | **3,832** | **26,786** |
| Additions, of which: | 8,910 | 12,728 | 2,372 | **24,010** |
| Purchases | - | - | 2,340 | **2,340** |
| Capitalization of the costs of development projects | - | 12,728 | - | **12,728** |
| Transfer of the costs of completed development projects | 8,910 | - | - | **8,910** |
| Obtaining control over subsidiaries | - | - | 32 | **32** |
| Reductions, of which: | **(3,648)** | **(8,910)** | **(1,910)** | **(14,468)** |
| Amortization charges for the reporting period (-) | (3,648) | - | (1,870) | **(5,518)** |
| Transfer of the costs of completed development projects (-) | - | (8,910) | - | **(8,910)** |
| Disposal and liquidation (-) | - | - | (40) | **(40)** |
| Exchange differences on translation of foreign operations (+/-) | (2,116) | (1,013) | (309) | **(3,438)** |
| **As at 31 December 2013, less amortization** | **15,102** | **13,803** | **3,985** | **32,890** |
| As at 1 January 2013 | | | | |
| Gross book value | 19,869 | 10,998 | 11,044 | **41,911** |
| Amortization (-) | (7,913) | - | (7,212) | **(15,125)** |
| **Net book value as at 1 January 2013** | **11,956** | **10,998** | **3,832** | **26,786** |
| As at 31 December 2013 | | | | |
| Gross book value | 25,604 | 13,803 | 12,478 | **51,885** |
| Amortization (-) | (10,502) | - | (8,493) | **(18,995)** |
| **Net book value as at 31 December 2013** | **15,102** | **13,803** | **3,985** | **32,890** |

As at 31 December 2013, intangible assets did not serve as security for any bank loans taken out.

| for the year ended 31 December 2012 (audited) | Own software and licenses | Costs of development projects in progress | Software, patents and licenses purchased | Total |
|---|---|---|---|---|
| **As at 1 January 2012, less amortization** | **5,395** | **2,973** | **3,761** | **12,129** |
| Additions, of which: | 9,538 | 10,861 | 1,934 | **22,333** |
| Purchases | - | - | 1,761 | **1,761** |
| Capitalization of the costs of development projects | - | 8,723 | - | **8,723** |
| Transfer of the costs of completed development projects | 2,219 | - | - | **2,219** |
| Obtaining control over subsidiaries | 7,319 | 2,138 | 113 | **9,570** |
| Other changes | - | - | 60 | **60** |
| Reductions, of which: | (2,321) | (2,219) | (1,530) | **(6,070)** |
| Amortization charges for the reporting period (-) | (2,321) | - | (1,530) | **(3,851)** |
| Transfer of the costs of completed development projects (-) | - | (2,219) | - | **(2,219)** |
| Exchange differences on translation of foreign operations (+/-) | (656) | (617) | (333) | **(1,606)** |
| **As at 31 December 2012, less amortization** | **11,956** | **10,998** | **3,832** | **26,786** |
| As at 1 January 2012 | | | | |
| Gross book value | 8,624 | 2,973 | 8,983 | **20,580** |
| Amortization (-) | (3,229) | - | (5,222) | **(8,451)** |
| **Net book value as at 1 January 2012** | **5,395** | **2,973** | **3,761** | **12,129** |
| As at 31 December 2012 | | | | |
| Gross book value | 19,869 | 10,998 | 11,044 | **41,911** |
| Amortization (-) | (7,913) | - | (7,212) | **(15,125)** |
| **Net book value as at 31 December 2012** | **11,956** | **10,998** | **3,832** | **26,786** |

As at 31 December 2012, intangible assets did not serve as security for any bank loans taken out.

All figures in thousands of PLN, unless stated otherwise

The Group carries out development projects focusing on the generation of new software or significant modification/extension of applications already marketed by the Group.

In the year ended 31 December 2013, the total capitalized costs of development projects amounted to PLN 12,728 thousand, in comparison to PLN 8,723 thousand in the previous year ended 31 December 2012.

In 2013, capitalized costs of development projects were incurred in the following operating segments:

| | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (restated) |
|---|---|---|
| Banking Solutions | 9,816 | 5,988 |
| Payment Solutions | 1,169 | 779 |
| Systems Integration | 1,743 | 1,956 |
| | **12,728** | **8,723** |

Within the Banking Solutions segment, capitalized costs of development work are primarily related to the new lines of ASEBA Experience products – state-of-the-art banking software offered in the areas of distribution channels, core banking systems, and Business Intelligence solutions.

Due to the development of our ASEBA and ASEBA Experience product lines, in 2013 we capitalized expenditures for: Experience solutions platform, ASEBA Experience Deposit Back Office (deposits management module), ASEBA Experience Loans Back Office (loan portfolio management module), ASEBA Experience Relationship Manager (customer relations module), ASEBA Experience Treasury (treasury management module), Product Studio (banking products management solution), ASEBA JiMBa (mobile banking platform), and ASEBA PFM (personal finance management solution).

Furthermore, in 2013 we capitalized expenditures made for the development of LeaseFlex software (fully-fledged lease and asset lifecycle management solution dedicated to leasing companies) as well as InACT software (transaction monitoring, anti-fraud and anti-money laundering solution).

The Payment Solutions segment develops a solution marketed under the NestPay® brand. It is a B2B platform handling the settlements of online card payments between headquarters and a network of dealers, which is designed to enable banks to offer card acceptance services for web merchants.

A major product developed by the Systems Integration segment in 2013 was Fidelity, a comprehensive solution that automates the full lifecycle of asset and spend processes.

In line with the requirements of IAS 36 *Impairment of Assets*, the Group measured the recoverable value of the costs of development projects in progress as at 31 December 2013. Components of intangible assets that are not yet available for use shall be valued on an annual basis, regardless of whether there are indications of possible impairment. During both the financial years 2013 and 2012, the Group did not make any impairment write-downs on such intangible assets.

## 11. Goodwill arising from consolidation

During the reporting period and comparable period, goodwill arising from consolidation changed as follows:

| | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| **Goodwill from consolidation at the beginning of the period** | **488,031** | **523,149** |
| Banking Solutions | 194,684 | 209,686 |
| Payment Solutions | 104,156 | 118,141 |
| Systems Integration | 189,191 | 195,322 |
| **Change in consolidation goodwill due to the acquisition of shares (+/-)** | **12,064** | **20,271** |
| Banking Solutions | - | 8,717 |
| Payment Solutions | 11,674 | - |
| Systems Integration | 390 | 11,554 |
| **Exchange differences on translation of goodwill in foreign subsidiaries (+/-)** | **(8,439)** | **(55,389)** |
| Banking Solutions | (204) | (23,719) |
| Payment Solutions | (3,145) | (13,985) |
| Systems Integration | (5,090) | (17,685) |
| **Total book value at the end of period** | **491,656** | **488,031** |
| Banking Solutions | 194,480 | 194,684 |
| Payment Solutions | 112,685 | 104,156 |
| Systems Integration | 184,491 | 189,191 |

All figures in thousands of PLN, unless stated otherwise

**Impairment tests of goodwill from consolidation**

Goodwill from consolidation is subject to impairment testing on an annual basis.

Goodwill resulting from the acquisition of subsidiaries was tested for impairment of value as at 31 December 2013. The value of cash-generating units (to which goodwill has been allocated) was determined on the basis of their recoverable value, by applying the model of discounted free cash flow to firm (FCFF).

The calculations were based on the following uniform assumptions:

- the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole Group;
- detailed forecasts covered the period of 5 years, for which increasing cash flows were assumed, while for further time of each subsidiary operations the residual value was computed assuming no growth in cash flows;
- the assumed increases in cash flows depend upon the strategy of the entire Group, plans of individual companies, they take due account of conditions prevailing in particular markets by geography and sector, and at the same time they reflect the present and potential order portfolios. The potential orders portfolio presumes gaining new clients whilst keeping the present ones. The assumed rates of growth are not materially different from average growth observed in relevant markets,
- forecasts for foreign subsidiaries assume growth in EUR;
- the discount rate applied was equivalent to the weighted average cost of capital in the market of South Eastern Europe.

Based on the conducted tests, we did not recognize any impairment write-downs on goodwill in the year ended 31 December 2013 nor in the comparable period.

Additionally, the Parent Company carried out a sensitivity analysis of the impairment tests conducted on goodwill arising from the acquisition of shares in its subsidiary companies.

The results of such sensitivity analysis as at 31 December 2013 and 31 December 2012 have been summarized in the following tables:

| 31 Dec. 2013 | Discount rate | | Sales revenue growth rate | |
|---|---|---|---|---|
| | applied in the model | terminal | applied in the model | terminal |
| Banking Solutions | 9.8% | 15.5% | 8.8% | 4.2% |
| Payment Solutions | 9.5% | 18.7% | 10.0% | 3.1% |
| Systems Integration | 9.5% | 10.9% | 5.9% | 5.1% |

In the case of goodwill allocated to the Systems Integration segment, the recoverable value of this investment would be equal to its carrying amount if the discount rate applied in the model was changed by 1.4 pp with other assumptions remaining constant, or if the sales revenue growth rate was changed by 0.8 pp with other assumptions remaining constant. As at 31 December 2013, the excess of the recoverable value of goodwill allocated to the Systems Integration segment over its carrying amount equalled PLN 33 million.

Any reasonable modification of the key assumptions adopted in the model of valuation of goodwill allocated to the remaining two segments should not indicate a necessity of recognizing any goodwill impairment charges.

Due to recognizing a write-down on our investment in ASEE Croatia in the separate financial statements of ASEE S.A. prepared as at 31 December 2013, we have analyzed net assets of that company disclosed in the consolidated financial statements of ASEE Group with regard to possible impairment. The analysis was based on the model for forecasting of free cash flows, as used to estimate the value of investment in ASEE Croatia disclosed in the separate financial statements of ASEE S.A. The conducted test did not indicate a necessity to recognize any impairment charge on net assets of ASEE Croatia disclosed in the consolidated financial statements of the Group. Any reasonable modification of the assumptions adopted in the model should not indicate impairment of such assets.

| 31 Dec. 2012 | Discount rate | | Sales revenue growth rate | |
|---|---|---|---|---|
| | applied in the model | terminal | applied in the model | terminal |
| Banking Solutions | 9.7% | 15.0% | 11.1% | 8.3% |
| Payment Solutions | 9.2% | 20.5% | 11.3% | 6.6% |
| Systems Integration | 9.0% | 11.1% | 7.2% | 5.9% |

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.

All figures in thousands of PLN, unless stated otherwise

### Change in consolidation goodwill due to the acquisition of shares

### Changes in the purchase price allocation of Sigma Turkey

ASEE Group acquired a 98.68% stake in Sigma Turkey on 14 September 2012. The process of fair value measurement of assets and liabilities of the acquired company, carried out as part of the purchase price allocation, was not completed in 2012. Therefore, goodwill arising from the purchase of shares in Sigma Turkey, which was recognized in the consolidated financial statements as at 31 December 2012, was estimated on the basis of provisional values of identifiable assets, liabilities and contingent liabilities. In 2013, such estimated value of goodwill was changed due to the recognition of an additional liability relating to a contract executed by Sigma Turkey before being taken over by ASEE S.A. The valuation process has been completed in the 3rd quarter of 2013.

| SIGMA | 31 Dec. 2012 (audited) | 31 December 2012 (restated) | *Change* |
|---|---|---|---|
| **Non-current assets** | **9,976** | **9,976** | **-** |
| Property, plant and equipment | 338 | 338 | - |
| Intangible assets | 9,570 | 9,570 | - |
| Other | 68 | 68 | - |
| **Current assets** | **4,425** | **4,425** | **-** |
| Receivables | 4,057 | 4,057 | - |
| Other | 354 | 354 | - |
| Cash and cash equivalents | 14 | 14 | - |
| **TOTAL ASSETS** | **14,401** | **14,401** | **-** |
| **Equity** | **11,308** | **10,388** | ***(920)*** |
| **Liabilities and provisions** | **3,093** | **4,013** | ***920*** |
| Liabilities | 1,074 | 1,994 | *920* |
| Provisions | 441 | 441 | - |
| Deferred income | 554 | 554 | - |
| Other | 1,024 | 1,024 | - |
| **TOTAL EQUITY AND LIABILITIES** | **14,401** | **14,401** | **-** |
| **Purchase price** | **28,779** | **28,779** | **-** |
| **Dividend payment liabilities** | **1,731** | **1,731** | **-** |
| **Non-controlling interests** | **149** | **149** | **-** |
| **Net assets value** | **11,308** | **10,388** | ***(920)*** |
| **Goodwill as at the acquisition date** | **19,351** | **20,271** | ***920*** |

### Acquisition of Uni4Gold Serbia by ASEE Serbia

On 30 April 2013, ASEE Serbia acquired a 70% stake in the company of Uni4Gold Serbia for EUR 112 thousand. The acquired company is engaged in the development of financial sector software.

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company. The provisional values of identifiable assets and liabilities of this company as at the acquisition date were as follows:

| Uni4Gold Serbia | Provisional value as at the acquisition date |
|---|---|
| **Non-current assets** | **661** |
| Property, plant and equipment | 661 |
| **Current assets** | **452** |
| Receivables | 301 |
| Cash and short-term deposits | 151 |
| **TOTAL ASSETS** | **1,113** |
| **Equity** | **113** |
| **Liabilities and provisions** | **1,000** |
| **TOTAL EQUITY AND LIABILITIES** | **1,113** |
| **Purchase price** | **469** |
| **Non-controlling interests** | **34** |
| **Net assets value** | **113** |
| **Goodwill as at the acquisition date** | **390** |

Goodwill arising from the acquisition of shares in this company has been allocated to the Systems Integration segment.

### Acquisition of EŽR Croatia by ASEE S.A.

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 company is engaged in the installation and maintenance of payment terminals.

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company. The provisional values of identifiable assets and liabilities of this company as at the acquisition date were as follows:

| EŽ RAČUNALSTVO 2013 d.o.o. | Provisional value as at the acquisition date |
|---|---|
| **Non-current assets** | **167** |
| Property, plant and equipment | 135 |
| Intangible assets | 32 |
| **Current assets** | **1,478** |
| Inventories | 12 |
| Receivables | 1,130 |
| Prepayments and accrued income | 169 |
| Cash and cash equivalents | 167 |
| **TOTAL ASSETS** | **1,645** |
| **Equity** | **13** |
| **Liabilities and provisions** | **1,632** |
| **TOTAL EQUITY AND LIABILITIES** | **1,645** |
| **Purchase price** | **11,687** |
| **Net assets value** | **13** |
| **Goodwill as at the acquisition date** | **11,674** |

Goodwill arising from the acquisition of shares in this company has been allocated to the Payment Solutions segment.

All figures in thousands of PLN, unless stated otherwise

## 12. Inventories

| Inventories | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Goods for resale | 16,031 | 15,274 |
| Maintenance inventories | 7,288 | 7,710 |
| Write-down on inventories (-) | (5,625) | (6,653) |
| | **17,694** | **16,331** |

In the year ended 31 December 2013, the Group made write-downs on inventories in the total amount of PLN 1,064 thousand, while it reversed revaluation write-downs of PLN 1,766 thousand. In the year ended 31 December 2012, the Group made write-downs on inventories in the total amount of PLN 3,168 thousand, while it reversed revaluation write-downs of PLN 2,304 thousand.

## 13. Short-term receivables

| Trade receivables | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Trade receivables, of which: | 111,674 | 77,470 |
| From related companies | 1,318 | 9 |
| From other companies | 110,356 | 77,461 |
| Allowance for uncollectible receivables (-) | (4,194) | (3,042) |
| | **107,480** | **74,428** |

Trade receivables are non-interest bearing.

As at 31 December 2013, receivables in the amount of PLN 259 thousand served as security for bank loans and bank guarantee facilities. As at 31 December 2013, there were no liabilities under bank loans secured with such assets; however, off-balance-sheet liabilities due to bank guarantees extended under a bank guarantee facility secured with those receivables amounted to PLN 4,183 thousand.

As at 31 December 2012, receivables in the amount of PLN 211 thousand served as security for bank loans and bank guarantee facilities. As at 31 December 2012, there were no liabilities under bank loans secured with such assets; however, off-balance-sheet liabilities due to bank guarantees extended under a bank guarantee facility secured with those receivables amounted to PLN 3,165 thousand.

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

| Ageing of trade receivables | 31 December 2013 (audited) | | 31 December 2012 (restated) | |
|---|---|---|---|---|
| | **amount** | **structure** | **amount** | **structure** |
| Receivables not yet due | 87,821 | 81.71% | 61,428 | 82.53% |
| Receivables past-due up to 3 months | 16,775 | 15.61% | 11,695 | 15.71% |
| Receivables past-due over 3 months | 2,884 | 2.68% | 1,305 | 1.76% |
| | **107,480** | **100.00%** | **74,428** | **100.00%** |

Valuation allowances recognized for trade receivables were as follows:

| | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (restated) |
|---|---|---|
| **Allowances recognized as at 1 January** | **3,042** | **2,798** |
| Established | 2,568 | 2,737 |
| Reversed (-) | (1,409) | (1,699) |
| Utilized (-) | (24) | (480) |
| Exchange differences on translation of foreign operations (+/-) | 17 | (314) |
| **Allowances recognized as at 31 December** | **4,194** | **3,042** |

| Receivables from the state and local | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Value added tax | 1 | 1,047 |
| Corporate income tax (CIT) | 1,997 | 1,367 |
| Other | 372 | 347 |
| | **2,370** | **2,761** |

| Other receivables | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Receivables from uninvoiced deliveries | 4,269 | 4,997 |
| Advance payments to suppliers | 3,794 | 2,813 |
| Receivables from employees | 304 | 78 |
| Receivables from grants | - | 181 |
| Security deposits receivable | 201 | 94 |
| Other receivables | 1,351 | 2,597 |
| Allowances for other receivables (-) | (161) | (158) |
| | **9,758** | **10,602** |

Receivables relating to uninvoiced deliveries result from the sale of licenses and IT services, for which invoices have not been issued yet.

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

Other receivables disclosed as at 31 December 2013 and 31 December 2012 include, among others, restricted cash amounting to PLN 837 thousand and PLN 1,864 thousand, respectively.

All figures in thousands of PLN, unless stated otherwise

## 14. Financial assets

| | 31 Dec. 2013 (audited) | Acquired / Granted / Deposited | Disposed / Repaid / Withdrawn | Foreign currency translation differences | 31 Dec. 2012 (restated) |
|---|---|---|---|---|---|
| **Assets available for sale** | | | | | |
| Shares in companies listed on regulated markets | 110 | - | - | - | 110 |
| Shares in companies not listed on regulated markets | 19 | - | - | - | 19 |
| **Total, of which:** | **129** | **-** | **-** | **-** | **129** |
| *- long-term* | *104* | | | | *104* |
| *- short-term* | *25* | | | | *25* |
| **Loans granted** | | | | | |
| Loans granted to related companies | 369 | 441 | (192) | (6) | 126 |
| Loans granted to employees | 66 | - | (169) | 5 | 230 |
| **Total, of which:** | **435** | **441** | **(361)** | **(1)** | **356** |
| *- long-term* | *130* | | | | *188* |
| *- short-term* | *305* | | | | *168* |
| **Financial assets held to maturity** | | | | | |
| Treasury bonds | - | - | (3,350) | 143 | 3,207 |
| Bank deposits (3 to 12 months long) | 1,486 | 4,798 | (21,283) | 107 | 17,864 |
| **Total, of which:** | **1,486** | **4,798** | **(24,633)** | **250** | **21,071** |
| *- short-term* | *1,486* | | | | *21,071* |
| **Financial assets carried at fair value through profit or loss** | | | | | |
| Currency forward contracts | 99 | | | | 23 |
| **Total, of which:** | **99** | | | | **23** |
| *- short-term* | *99* | | | | *23* |

As at 31 December 2013, just as at the end of 2012, the Group 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.

Loans granted to related companies:

- PLN 249 thousand of a non-interest bearing loan granted to Multicard Serbia (an associated company), to be repaid till 31 October 2014;
- PLN 79 thousand of a non-interest bearing loan granted to shareholders that have joint control over E-Mon Montenegro, to be repaid till 30 June 2014;
- PLN 41 thousand of a non-interest bearing loan granted to Member of the Management Board, to be repaid till 31 December 2013.

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.

The levels of in the fair value hierarchy of financial assets have been presented in explanatory note 35 to these financial statements.

## 15. Cash and short-term deposits

| | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Cash at bank and in hand | 34,489 | 40,590 |
| Short-term bank deposits | 24,581 | 33,489 |
| Cash equivalents | 31 | 60 |
| Cash being transferred | 25 | 14 |
| | **59,126** | **74,153** |
| *Interest accrued on cash and cash equivalents as at the balance sheet date* | *(26)* | *(20)* |
| **Cash and cash equivalents as disclosed in the cash flow statement** | **59,100** | **74,133** |

## 16. Prepayments and accrued income

| **Long-term** | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Prepaid maintenance services and license fees | 248 | 506 |
| Other | 172 | 76 |
| | **420** | **582** |

| **Short-term** | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Prepaid maintenance services and license fees | 5,344 | 5,194 |
| Prepaid insurance | 345 | 584 |
| Prepaid rents | 370 | 199 |
| Prepaid consulting services | 426 | 243 |
| Other prepaid services | 99 | 74 |
| Other | 838 | 381 |
| | **7,422** | **6,675** |

All figures in thousands of PLN, unless stated otherwise

Both as at 31 December 2013 and 31 December 2012, prepayments included primarily the costs of maintenance services amounting to PLN 5,344 thousand and PLN 5,194 thousand, respectively, that will be successively expensed in future periods.

## 17. Share capital

| Share capital Shares | Series | Par value per share | 31 Dec. 2013 (audited) Number of shares | 31 Dec. 2013 (audited) Value of shares | 31 Dec. 2012 (restated) Number of shares | 31 Dec. 2012 (restated) 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.

## 18. 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.

## 19. Non-controlling interests

The value of non-controlling interests in Uni4Gold Serbia was determined on the basis of their percentage share in net assets of that company at the date of obtaining control by ASEE S.A.

| | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| **At the beginning of the period** | **181** | **-** |
| Share in profits of subsidiary companies | 18 | (39) |
| Recognition of financial result attributable to non-controlling interests | 85 | 70 |
| Exchange differences on translation of foreign operations | (27) | 1 |
| Acquisition of shares in a subsidiary | 33 | 149 |
| Buy-out of non-controlling interests | (86) | - |
| Other | (33) | - |
| **At the end of the period** | **171** | **181** |

All figures in thousands of PLN, unless stated otherwise

The amounts of PLN 85 thousand for 2013 and PLN 70 thousand for 2012 correspond to the losses attributed to non-controlling interests, which were subject to a put option. In accordance with the Group's policy of accounting for non-controlling interests covered by a put option, such financial result shall be reversed at each balance sheet date and recognized in the Group's equity, as a change in non-controlling interests (reversal of a loss).

## 20. Provisions

| | Provision for warranty repairs and returns | Costs related to on-going court proceedings | Provision for post-employment benefits | Other provisions | Total |
|---|---|---|---|---|---|
| **As at 1 January 2013** | **3,429** | **-** | **1,598** | **253** | **5,280** |
| Established during the financial year | 2,133 | 231 | 517 | 20 | **2,901** |
| Utilized (-) | (103) | - | (471) | (10) | **(584)** |
| Reversed (-) | (2,988) | - | (238) | (96) | **(3,322)** |
| Exchange differences on translation of foreign operations (+/-) | 47 | (33) | (239) | 5 | **(220)** |
| **As at 31 December 2013 (audited)** | **2,518** | **198** | **1,167** | **172** | **4,055** |
| Short-term | 2,518 | - | 88 | 76 | **2,682** |
| Long-term | - | 198 | 1,079 | 96 | **1,373** |
| **As at 31 December 2012 (restated)** | **3,429** | **-** | **1,598** | **253** | **5,280** |
| Short-term | 3,429 | - | 257 | 148 | **3,834** |
| Long-term | - | - | 1,341 | 105 | **1,446** |

### Provision for warranty repairs

The provision for the costs of warranty repairs was established in connection with the obligations to provide contractually guaranteed repair services on software and hardware products supplied to our clients. Such provisions were reversed in the amount of PLN 2,988 thousand PLN chiefly as a result of the completion of projects executed by ASEE Serbia or the commencement of service agreements after expiry of the warranty period. The reversal of warranty repair provisions was partially related to the provisions created originally for an implementation project executed for Privredna Banka in Serbia that were reversed following the bank's bankruptcy.

### Provision for post-employment benefits

The provision for benefits after the employment period relates entirely to retirement benefits which are to be paid to the Group's employees when they go into retirement.

## 21. Long-term and short-term financial liabilities

| Long-term | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Liabilities for the acquisition of non-controlling interests in subsidiaries (put options) | - | 628 |
| Finance lease liabilities | 718 | 113 |
| | **718** | **741** |

As at 31 December 2012, the Group carried a long-term liability under put options held by non-controlling shareholders in Multicard Serbia. The amount owed by ASEE Group corresponded to the estimated present value of future payment for the remaining stake of shares in the above-mentioned company. As at 31 December 2013, the Group ceased to disclose Multicard Serbia as its subsidiary due to losing control over that company. The non-controlling shareholders' right to exercise their put options was contingent upon achievement of certain earnings by the company. As the above-mentioned condition was not satisfied and the put options became unexercisable, the said liability was no longer recognized by the Group as at 31 December 2013. This liability has been reversed in correspondence with the Group's equity.

| Short-term | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Dividend payment liabilities | - | 1,736 |
| Finance lease liabilities | 273 | 238 |
| Liabilities for the acquisition of shares | 1,800 | - |
| | **2,073** | **1,974** |

As at 31 December 2013, liabilities for the acquisition of shares included the remaining portion of payment for the acquisition of 100% of shares in EŽR Croatia, amounting to PLN 1,800 thousand and depending on the financial results of the acquired company.

As at 31 December 2012, dividend payment liabilities amounted to PLN 1,736 thousand and they comprised dividends payable by the Group to former shareholders of Sigma Turkey from the prior years' profits generated by this company. These liabilities have been settled in the 1st quarter of 2013.

All figures in thousands of PLN, unless stated otherwise

## 22. Interest-bearing bank loans and borrowings

| Name of entity | Effective interest rate % | Currency | Repayment date | Amounts drawn as at 31 Dec. 2013 (audited) long-term portion | 31 Dec. 2013 (audited) short-term portion | 31 Dec. 2012 (restated) long-term portion | 31 Dec. 2012 (restated) short-term portion |
|---|---|---|---|---|---|---|---|
| **BANK OVERDRAFT FACILITIES** | | | | | | | |
| NLB Tutunska Banka AD Skopje | 14% | MKD | 2014-01-02 | - | 13 | - | 13 |
| Komercijalna Banka AD Skopje | 14% | MKD | 2014-01-02 | - | 21 | - | 12 |
| **OTHER BANK LOANS** | | | | | | | |
| Yapi Kredi Bankasi A.Ş. | 5% | TRY | 2014-03-31 | - | 17 | 24 | 118 |
| Garanti Bank Levent, Istanbul | 0% | TRY | 2014-01-02 | - | 236 | - | 346 |
| Akbank, Istanbul | 0% | TRY | 2014-01-02 | - | 136 | - | - |
| Raiffeisen banca | 6M Euribor + margin | EUR | 2015-12-31 | | 2,482 | - | - |
| Privredna banka Zagreb d.d. | 3M Euribor + margin | EUR | 2019-04-30 | 151 | 23 | - | - |
| Kreditna banka Zagreb d.d. | 7% | HRK/EUR | 2014-06-30 | - | 244 | - | - |
| Zagrebacka banka d.d./HBOR | 12M Treasury bonds + margin | HRK/EUR | 2016-11-30 | 3,478 | 1,966 | - | - |
| Zagrebacka banka d.d./HBOR | 12M Euribor + margin | HRK/EUR | 2017-03-31 | 3,528 | 1,176 | - | - |
| | | | | **7,157** | **6,314** | **24** | **489** |

An increase in debt as at 31 December 2013 as compared with the previous year resulted primarily from the Group's transition to a service-based model, which involves leasing of infrastructure instead of selling equipment directly to customers. Purchases of infrastructure for outsourcing purposes are financed increasingly with external capital.

Repayment of a bank loan granted to ASEE Croatia by Zagrebačka banka d.d./HBOR has been secured with a guarantee of PLN 9,908 thousand which is provided by ASEE S.A. and effective till 31 May 2017. It is an off-balance-sheet item.

## 23. Short-term trade payables and other liabilities

| Short-term trade payables | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| To related companies | 893 | 699 |
| To other companies | 51,371 | 31,140 |
| | **52,264** | **31,839** |

An increase in the amount of trade payables as at 31 December 2013 in comparison with 31 December 2012 resulted from purchases of equipment and services for the needs of ongoing projects. The term for repayment of the Group's liabilities is 30 days on average.

| Ageing of trade payables | 31 Dec. 2013 (audited) amount | 31 Dec. 2013 (audited) structure | 31 Dec. 2012 (restated) amount | 31 Dec. 2012 (restated) structure |
|---|---|---|---|---|
| Liabilities due already, of which: | 13,442 | 25.7% | 8,981 | 28.2% |
| *-Liabilities past-due up to 3 months* | *11,445* | 21.9% | *7,448* | 23.4% |
| *-Liabilities past-due from 3 to 6 months* | *227* | 0.4% | *1,047* | 3.3% |
| *-Liabilities past-due over 6 months* | *1,770* | 3.4% | *486* | 1.5% |
| Liabilities falling due within 3 months | 38,109 | 72.9% | 22,851 | 71.8% |
| Liabilities falling due within 3 to 12 months | 713 | 1.4% | 7 | 0.0% |
| | **52,264** | **100%** | **31,839** | **100%** |

| Other current liabilities | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Liabilities to employees relating to salaries and wages | 5,103 | 3,576 |
| Liabilities due to uninvoiced deliveries | 1,248 | 2,179 |
| Trade prepayments received | 6,404 | 6,645 |
| Liabilities due to purchases of tangible assets and intangible assets | 704 | 37 |
| Other liabilities | 411 | 1,076 |
| | **13,870** | **13,513** |

Other current liabilities decreased from PLN 1,076 thousand as at 31 December 2012 to PLN 411 thousand as at 31 December 2013, mainly because a liability under a contract implemented by Sigma Turkey that was disclosed in this line as at 31 December 2012 was subsequently settled in 2013. This liability was recognized in the process of fair value measurement of assets and liabilities of Sigma Turkey, performed as part of the purchase price allocation.

| Current liabilities to the state and local budgets | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Value added tax | 10,784 | 7,878 |
| Corporate income tax (CIT) | 66 | 1,199 |
| Personal income tax (PIT) | 1,225 | 1,264 |
| Social security payable | 1,817 | 1,791 |
| Other | 172 | 220 |
| | **14,064** | **12,352** |

All figures in thousands of PLN, unless stated otherwise

## 24. Accruals and deferred income

| Short-term accruals | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Accrual for unused holiday leaves | 1,321 | 819 |
| Accrual for employee bonuses | 9,150 | 7,941 |
| Provision for uninvoiced costs | 4,811 | 4,487 |
| Provision for auditing expenses | 367 | 433 |
| | **15,649** | **13,680** |

Accruals comprise mainly accruals for unused holiday leaves, accruals for employee bonuses of the current period to be paid out in future periods which result from the incentive schemes applied by ASEE Group, as well as provisions for the current operating expenses which have been incurred but not yet invoiced.

| Long-term deferred income | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Maintenance services paid in advance | 293 | 611 |
| Grants for the development of assets | 390 | 483 |
| | **683** | **1,094** |

| Short-term deferred income | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Maintenance services paid in advance | 6,811 | 6,237 |
| Prepaid consulting services | 127 | 564 |
| Grants for the development of assets | 95 | - |
| Other | 830 | 1,701 |
| | **7,863** | **8,502** |

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

## 25. Implementation contracts

In the years 2013 and 2012, ASEE Group executed a number of the so-called IT implementation contracts. In line with IAS 11, sales generated from such contracts are recognized according to the percentage of completion of relevant contracts. In 2013 and 2012, the Group measured the percentage of completion of IT implementation contracts using the "cost" method (this is by determining the relation of costs incurred to the overall project costs) or according to the "work-effort" method.

In the year ended 31 December 2013, sales revenues recognized from the execution of all long-term IT contracts reached PLN 52,908 thousand; whereas, in the comparable period of 2012 they amounted to PLN 48,613 thousand.

The following table includes basic data about the ongoing IT implementation contracts. It presents the aggregate data for contracts being in progress as at 31 December 2013, accumulated since their commencement.

| | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Long-term IT contracts in progress at the end of the reporting period: | | |
| Costs incurred due to execution of IT contracts (-) | (28,104) | (35,189) |
| Profit (loss) on execution of IT contracts | **14,901** | **21,721** |
| Invoiced sales revenues from execution of IT contracts | 35,871 | 47,095 |
| Receivables arising from valuation of IT contracts | 8,193 | 12,480 |
| Liabilities arising from valuation of IT contracts (-) | (1,270) | (2,966) |
| Provision for potential losses arising from valuation of IT contracts (-) | (165) | - |
| Exchange differences on translation of foreign operations (+/-) | 376 | 301 |

## 26. Finance lease liabilities

Companies of ASEE Group are parties to a number of agreements for finance lease of cars and IT hardware. The aggregate future cash flows and liabilities under such finance lease of cars and equipment are as follows:

| Leasing of cars and equipment | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| **Minimum lease payments** | | |
| in the period shorter than 1 year | 312 | 189 |
| in the period from 1 to 5 years | 781 | 188 |
| **Future minimum lease payments** | **1,093** | **377** |
| Future interest expense | (102) | (26) |
| **Present value of finance lease commitment** | **991** | **351** |
| in the period shorter than 1 year | 273 | 238 |
| in the period from 1 to 5 years | 718 | 113 |

## 27. Information and explanations to the statement of cash flows

The table below presents expenditures incurred by ASEE Group in the year ended 31 December 2013 for the acquisition of shares in subsidiaries as well as for the acquisition of non-controlling interests:

| Acquisition of shares in subsidiaries | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Altius Bulgaria | - | (632) |
| Sigma Turkey | - | (28,914) |
| EŽR Croatia | (9,898) | - |
| Uni4Gold Serbia | (465) | - |
| | **(10,363)** | **(29,546)** |

All figures in thousands of PLN, unless stated otherwise

| Acquisition of non-controlling interests | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Sigma Turkey | (210) | - |
| | **(210)** | - |

## 28. Contingent liabilities and receivables

As at 31 December 2013, the Group 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.

Within its commercial activities ASEE Group uses bank guarantees, letters of credit, contract performance guarantees as well as tender deposits as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies. As at 31 December 2013, the related contingent liabilities equalled PLN 37,321 thousand, while as at 31 December 2012 they amounted to PLN 20,450 thousand.

Assets serving as security for bank guarantee facilities:

| Category of assets | Net value of assets | | Amount of granted guarantee secured with assets | |
|---|---|---|---|---|
| | 31 Dec. 2013 | 31 Dec. 2012 | 31 Dec. 2013 | 31 Dec. 2012 |
| Trade receivables | 259 | 211 | 4,183 | 3,165 |
| Other receivables (restricted cash) | 837 | 222 | 4,104 | 749 |
| **Total** | **1,096** | **433** | **8,287** | **3,914** |

As the Group companies rent office space, both as at 31 December 2013 and 31 December 2012, the Group was a party to a number of rental, leasing and other contracts of similar nature, resulting in the following future payments:

| Liabilities under leases of space | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| In the period up to 1 year | 12,486 | 12,253 |
| In the period from 1 to 5 years | 30,651 | 33,340 |
| | **43,137** | **45,593** |

| Liabilities under operating lease of property, plant and equipment | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| In the period up to 1 year | 1,299 | 871 |
| In the period from 1 to 5 years | 2,886 | 1,073 |
| | **4,185** | **1,944** |

## 29. Information on related parties

The table below presents the structure of ASEE Group along with the equity interests and voting interests held at the general meetings of shareholders/partners of ASEE Group companies as at 31 December 2013 and 31 December 2012:

| Full name of entity | Short name as used in this report | Country of registration | Equity / Voting interest 31 Dec. 2013 | Equity / Voting interest 31 Dec. 2012 |
|---|---|---|---|---|
| **Asseco South Eastern Europe S.A.** | **ASEE S.A.** | Poland | | |
| **Asseco SEE s.r.l. (Bucharest)** | **ASEE Romania** | Romania | 100.00% | 100.00% |
| Asseco s.r.l. MOLDOVA | ASEE Moldova | Moldova | 100.00% | 100.00% |
| **Asseco SEE d.o.o., Beograd** | **ASEE Serbia** | Serbia | 100.00% | 100.00% |
| E-Mon d.o.o., Podgorica | E-Mon Montenegro | Montenegro | 50.00% | 50.00% |
| eMS d.o.o., Beograd | eMS Serbia | Serbia | 100.00% | 100.00% |
| Asseco SEE d.o.o., Podgorica | ASEE Montenegro | Montenegro | 100.00% | 100.00% |
| Uni4Gold d.o.o., Nis | Uni4Gold Serbia | Serbia | 70.00% | n/a |
| Multicard d.o.o., Beograd | Multicard Serbia | Serbia | 45.00% | 45.00% |
| **Asseco SEE d.o.o. (Zagreb)** | **ASEE Croatia** | Croatia | 100.00% | 100.00% |
| BDS-Platus d.o.o. | BDS-Platus Croatia | Croatia | 100.00% | 100.00% |
| **EŽ Računalstvo 2013 d.o.o., (Zagreb)** | **EŽR Croatia** | Croatia | 100.00% | n/a |
| **Asseco SEE Sh.p.k. (Pristina)** | **ASEE Kosovo** | Kosovo | 100.00% | 100.00% |
| Asseco SEE Sh.p.k., Tirana | ASEE Albania | Albania | 100.00% | 100.00% |
| **Asseco SEE Teknoloji A.Ş. (Istanbul)** | **ASEE Turkey** | Turkey | 100.00% | 100.00% |
| SC I.T.D Romania s.r.l. | SC I.T.D Romania | Romania | 95.38% | 95.38% |
| Sigma Danışmanlık ve Uygulama Merkezi A.Ş. (Istanbul) | Sigma Turkey | Turkey | n/a | 12.00% |
| **Sigma Danışmanlık ve Uygulama Merkezi A.Ş. (Istanbul)** | **Sigma Turkey** | Turkey | n/a | 86.68% |
| **Asseco SEE d.o.o. (Grosuplje)** | **ASEE Slovenia** | Slovenia | 100.00% | 100.00% |
| **Asseco SEE DOOEL, Skopje** | **ASEE Macedonia** | Macedonia | 100.00% | 100.00% |
| **Asseco SEE d.o.o. (Sarajevo)** | **ASEE B&H** | Bosnia and Herzegovina | 100.00% | 100.00% |
| **Asseco SEE o.o.d., Sofia** | **ASEE Bulgaria** | Bulgaria | 100.00% | 100.00% |

The parent of Asseco South Eastern Europe 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.

All figures in thousands of PLN, unless stated otherwise

Within the Group's organizational structure, the company of E-Mon Montenegro is treated as a jointly controlled company and therefore consolidated under the proportionate method; whereas, the company of Multicard Serbia is an associated company accounted for using the equity method. Up until 30 September 2013, Multicard Serbia was treated as a subsidiary and subject to full consolidation.

The remaining companies incorporated within the Group are treated as subsidiaries and are subject to full consolidation.

Both as at 31 December 2013 and 31 December 2012, voting interests the Group was entitled to exercise in ASEE Group companies were proportional to the Group's equity interests in these entities.

### Changes in ASEE Group composition

During the year ended 31 December 2013, the organizational structure of ASEE Group changed as follows:

### Acquisition of Uni4Gold Serbia by ASEE Serbia

On 30 April 2013, ASEE Serbia acquired a 70% stake in the company of Uni4Gold Serbia for EUR 112 thousand. The acquired company is engaged in the development of financial sector software. The purchase price allocation has been presented in explanatory note 11 to these financial statements.

### Sale of shares in Sigma Turkey to 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 Group's total shareholding in the company of Sigma Turkey remained unchanged at the level of 98.68%. The said transaction had no impact on the Group's consolidated financial statements.

### Merger of ASEE Turkey with Sigma Turkey and acquisition of non-controlling interests

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). The merger had no impact on the consolidated financial statements of ASEE Group. 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 100% of shares in both the merged companies.

### Acquisition of EŽ RAČUNALSTVO 2013 d.o.o. by ASEE S.A.

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 company is engaged in the installation and maintenance of payment terminals. The purchase price allocation has been presented in explanatory note 11 to these financial statements.

### Loss of control over Multicard Serbia

On 30 September 2013, ASEE Group ceased to disclose Multicard Serbia as its subsidiary due to losing control over that company. As at 31 December 2013, Multicard Serbia has been accounted for using the equity method, as an associated company. The fair value of this investment at the time of losing control was null. The loss of control was a consequence of amendments to the company acquisition agreement (imposing a condition that call options for non-controlling interests may be exercised upon achievement of certain earnings by the acquired company) as well as concentration of non-controlling interests in one entity. Because the earnings condition was not satisfied and the call options for non-controlling could not be exercised as at 31 December 2013, Multicard Serbia is no longer recognized as a subsidiary company of ASEE Group. Liabilities under put options amounting to PLN 686 thousand have been reversed in correspondence with the equity of ASEE Group, in accordance with the adopted accounting policy described in item IV.5 of this report. The following table presents the accounting for the loss of control over Multicard Serbia and its recognition by the equity method:

| **Accounting for the loss of control over Multicard Serbia and its recognition by the equity method** | **31 Dec. 2013 (audited)** |
|---|---|
| Net assets as at the date of losing control (100%) | 178 |
| Non-controlling interests as at the date of losing control (55%) | (98) |
| **Net assets attributable to the Group as at the date of losing control** | **80** |
| Initial value of investment in Multicard Serbia | 404 |
| Prior years' losses attributed to ASEE Group (45%) | (413) |
| Loss of Multicard Serbia attributed to ASEE Group in 2013 (45%) | (70) |
| **Total, of which:** | **(79)** |
| ***Investments in associated companies*** | - |
| ***Excess of accumulated losses of Multicard Serbia over the value of investment (financial income)*** | **(79)** |

All figures in thousands of PLN, unless stated otherwise

## Related party transactions

The values of transactions conducted by ASEE Group with Asseco Poland S.A. (a shareholder with significant influence on the Group's operations) as well as with other related parties of Asseco Poland Group 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 |
|---|---|---|---|---|
| **Parties having significant influence over the Group:** | | | | |
| *2013* | 425 | 229 | 47 | 41 |
| *2012* | 342 | 372 | 57 | 97 |
| **Other related parties:** | | | | |
| *2013* | 989 | 283 | 966 | 86 |
| *2012* | 83 | 139 | - | 12 |

Apart from trade receivables, the above table also discloses receivables arising from space rental deposits paid amounting to PLN 47 thousand as at 31 December 2013 and PLN 57 thousand as at 31 December 2012.

### Transactions conducted with or through the Key Management Personnel (members of Management Boards and Supervisory Boards) of ASEE Group companies

The values of transactions conducted by ASEE Group with or through the Key Management Personnel (members of the Management Boards and Supervisory Boards) of the Group companies 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 Management Boards and Supervisory Boards) of ASEE S.A. and the Group companies:** | | | | |
| *2013* | 999 | 9,559 | 352 | 767 |
| *2012* | 128 | 10,389 | 9 | 590 |

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 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 that are presented in explanatory note 31 to these financial statements.

Additionally, as at 31 December 2013 and 31 December 2012, ASEE Kosovo used bank guarantee facilities in the amounts of PLN 6,221 thousand and PLN 6,132 thousand, respectively, that were secured with a pledge on a building owned by that company's management staff.

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

Until the date of approval of these consolidated 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.

[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

## 30. Employment

| The Group's workforce as at | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Management Board of the Parent Company* | 5 | 7 |
| Management Boards of the Group companies | 26 | 29 |
| Production departments | 1,081 | 1,004 |
| Sales departments | 139 | 140 |
| Administration departments | 165 | 159 |
| | **1,416** | **1,339** |

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

| Numbers of employees in the Group companies as at | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| ASEE S.A. | 25 | 27 |
| ASEE Romania Group | 164 | 189 |
| ASEE Serbia Group | 494 | 490 |
| ASEE Croatia | 162 | 171 |
| ASEE Kosovo Group | 84 | 85 |
| ASEE Turkey | 174 | 160 |
| ASEE Bulgaria | 25 | 27 |
| ASEE B&H | 47 | 41 |
| ASEE Macedonia | 144 | 134 |
| ASEE Slovenia | 28 | 15 |
| EŽR Croatia | 69 | n/a |
| | **1,416** | **1,339** |

## 31. Remuneration of Members of the Management Board and Supervisory Board of the Parent Company and its subsidiaries

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.

The following table discloses the amounts of remuneration received by members of the Management Board of ASEE S.A. for their performance of duties in the governing bodies of subsidiary companies:

| Remuneration paid or payable by subsidiaries to members of the Company's Management Board | Year ended 31 Dec. 2013 (audited) | Year ended 31 Dec. 2012 (audited) |
|---|---|---|
| Management Board – subsidiary companies | 4,883 | 3,464 |

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of subsidiary companies of ASEE Group in the year ended 31 December 2013 amounted to PLN 10,348 thousand (excluding the amounts stated in the tables above).

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of subsidiary companies of ASEE Group in the year ended 31 December 2012 amounted to PLN 8,533 thousand (excluding the amounts stated in the tables above).

## 32. 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 |

## 33. Capital management

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy level of capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in response to changing economic conditions. To maintain or adjust its capital structure, the Group 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.

| Capital management | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Interest-bearing loans and borrowings | 13,471 | 513 |
| Trade payables and other liabilities | 83,541 | 62,644 |
| Minus cash and cash equivalents (-) | (59,126) | (74,153) |
| **Net debt** | **37,886** | **(10,996)** |
| Equity | 648,778 | 664,672 |
| **Equity and net debt** | **686,664** | **653,676** |
| **Leverage ratio** | **5.52%** | **-1.68%** |

All figures in thousands of PLN, unless stated otherwise

## 34. Objectives and principles of financial risk management

Asseco South Eastern Europe Group is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Group companies operate as well as from microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Group'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. Whereas, the internal factors with potential negative bearing on the Group's performance are: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of the project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

**Foreign currency risk**

The currency used for presentation of the Group's financial results is Polish zloty (PLN); whereas, the functional currencies of foreign subsidiaries of the Group are currencies of the countries where these entities are legally registered in. Consequently, the assets and financial results of such subsidiaries need to be converted to Polish zlotys and their values presented in the Group's financial statements remain under the influence of foreign currency exchange rates.

**Interest rate risk**

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group's exposure to the above-mentioned risk may result in changes of the amounts of interest charged to the Group companies on third-party borrowings which are based on variable interest rates.

The interest rate risk arises and is recognized by individual companies of the Group at the time of concluding a transaction or a financial instrument based on a variable interest rate. All such agreements are subject to analysis by the appropriate departments within the Group companies, hence the knowledge of that issue is complete and acquired directly.

The Group companies measure their exposure to the interest rate risk by preparing statements of the total amounts resulting from all the financial instruments based on a variable interest rate. Additionally, the Group companies maintain records of debt planned to be incurred during the next 12 months, and in case of long-term instruments – for the period of their maturity.

The purpose of reducing such risk is to minimize expenses arising from the concluded financial instruments based on a variable interest rate.

In order to reduce their interest rate risk, the Group companies may: (i) try to avoid taking out loan facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

The Group gathers and analyzes the current market information concerning its present exposure to the interest rate risk. At present the Group companies do not apply any interest rate hedges.

**Credit risk**

The Group concludes transactions only with well-known companies with a good credit rating. 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, financial assets available for sale and some financial derivatives, the Group'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 book value of such financial instruments. There is no particular concentration of credit risk in any segment of the Group's operations.

**Financial liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This toll takes into account the maturity deadlines of investments and financial assets (e.g. receivables, financial assets) as well as the anticipated cash flows from operating activities. The Group's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The ageing structure of the Group's trade payables as at 31 December 2013 and 31 December 2012, by maturity period based on contractual undiscounted payments, has been presented in explanatory note 23 to these financial statements.

The table below presents the ageing structure of finance lease liabilities as at 31 December 2013 and 31 December 2012.

| Ageing of finance lease liabilities | 31 Dec. 2013 (audited) | 31 Dec. 2012 (restated) |
|---|---|---|
| Liabilities falling due within 3 months | 105 | 62 |
| Liabilities falling due within 3 to 12 months | 207 | 127 |
| Liabilities falling due within 1 to 5 years | 781 | 188 |
| | **1,093** | **377** |

**Effects of reducing the foreign currency risk**

The analysis of sensitivity of trade payables and receivables as well as of cash at foreign currency bank accounts to fluctuations in the exchange rates of the American dollar against the functional currencies of the Group companies indicates a potential gain of PLN 133 thousand in case the dollar depreciates 10% versus such functional currencies. Likewise, if euro depreciates 10% versus the functional currencies of the Group companies, the Group will potentially gain PLN 285 thousand. Hence, the cumulative effect of 10% weaker dollar and euro against the functional currencies of the Group companies would improve the Group's financial results by PLN 418 thousand. In contrast, if the dollar and euro appreciated by 10% versus those functional currencies, the Group would incur an additional loss of PLN 418 thousand.

| As at 31 Dec. 2013 (audited) | Amount exposed to risk | Impact on financial results of the Group (10%) | 10% |
|---|---|---|---|
| **EUR:** | | | |
| Trade receivables | 16,447 | (478) | 478 |
| Trade payables | 18,777 | 1,404 | (1,404) |
| Foreign currency bank accounts | 8,655 | (641) | 641 |
| **Balance** | | **285** | **(285)** |
| **USD:** | | | |
| Trade receivables | 4,940 | (494) | 494 |
| Trade payables | 11,056 | 1,106 | (1,106) |
| Foreign currency bank accounts | 4,790 | (479) | 479 |
| **Balance** | | **133** | **(133)** |

| As at 31 Dec. 2012 (restated) | Amount exposed to risk | Impact on financial results of the Group (10%) | 10% |
|---|---|---|---|
| **EUR:** | | | |
| Trade receivables | 11,050 | (568) | 568 |
| Trade payables | 9,473 | 861 | (861) |
| Foreign currency bank accounts | 12,551 | (732) | 732 |
| **Balance** | | **(439)** | **439** |
| **USD:** | | | |
| Trade receivables | 3,758 | (376) | 376 |
| Trade payables | 9,477 | 948 | (948) |
| Foreign currency bank accounts | 5,478 | (548) | 548 |
| **Balance** | | **24** | **(24)** |

**Methods adopted for conducting the sensitivity analysis**

The analysis of sensitivity to fluctuations in foreign exchange rates, with potential impact on our financial results, was conducted using the percentage deviations of +/-10% by which the reference exchange rates, effective as at the balance sheet date, were increased or decreased.

**Effects of reducing the interest rate risk**

The Group companies use external sources of financing in the form of bank loans and borrowings, which are appropriated primarily for operating activities (financing of working capital) as well as for the Group's investing activities (purchase/construction of fixed assets, capital investments).

The Group's total liabilities under all bank loans and borrowings aggregated at PLN 13,471 million as at 31 December 2013, of which the amount of PLN 12,804 million was exposed to the interest rate risk.

The interest rate risk involved in other items of financial assets and liabilities is not substantial.

All figures in thousands of PLN, unless stated otherwise

## 35. Financial instruments

### Fair value

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

| | Book value 31 Dec. 2013 | Level 1 i) | Level 2 ii) | Level 3 iii) | Book value 31 Dec. 2012 | Level 1 i) | Level 2 ii) | Level 3 iii) |
|---|---|---|---|---|---|---|---|---|
| ***Financial assets carried at fair value through profit or loss*** | **99** | **99** | **-** | **-** | **23** | **23** | **-** | **-** |
| *Currency forward contracts* | 99 | 99 | - | - | 23 | 23 | - | - |
| **Financial assets available for sale** | **129** | **110** | **19** | **-** | **129** | **110** | **19** | **-** |
| *Shares in companies listed on regulated markets* | 110 | 110 | - | - | 110 | 110 | - | - |
| *Shares in companies not listed on regulated markets* | 19 | - | 19 | - | 19 | - | 19 | - |
| **Financial assets held to maturity** | **1,487** | **-** | **1,487** | **-** | **21,071** | **-** | **21,071** | **-** |
| *Treasury bonds* | - | - | - | - | 3,207 | - | 3,207 | - |
| *Bank deposits (3 to 12 months long)* | 1,487 | - | 1,487 | - | 17,864 | - | 17,864 | - |
| **Borrowings** | **435** | - | **435** | - | **356** | - | **356** | - |
| *Loans granted to related entities* | 369 | - | 369 | - | 126 | - | 126 | - |
| *Loans granted to employees* | 66 | - | 66 | - | 77 | - | 77 | - |
| *Loans granted to other entities* | - | - | - | - | 153 | - | 153 | - |

*i. fair value determined on the basis of quoted prices offered in active markets for identical assets;*
*ii. fair value determined using calculation models based on inputs that are, either directly or indirectly, observable in active markets;*
*iii. fair value determined using calculation models based on inputs that are not, directly or indirectly, observable in active markets.*

### 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** | | | | | | |
| Cash deposits | OFLaAC | 551 | - | - | - | **551** |
| Financial assets carried at fair value | FVtPL | - | - | - | 26 | **26** |
| Loans granted and receivables | L&R | - | 284 | (2,827) | - | **(2,543)** |
| Receivables from dividends and disposed shares | | - | 281 | - | - | **281** |
| Cash and cash equivalents | FVtPL | 1,473 | 734 | - | - | **2,207** |
| **Financial liabilities** | | | | | | |
| **Interest-bearing bank loans and borrowings** | **OFLaAC** | **(300)** | **(7)** | **-** | **-** | **(307)** |
| **Other liabilities, of which:** | **OFLaAC** | **(46)** | **(1,916)** | **-** | **76** | **(1,886)** |
| Finance lease liabilities | OFLaAC | (16) | - | - | - | **(16)** |
| Liabilities due to unpaid shares | | - | (1,583) | - | - | **(1,583)** |
| Forward contracts / futures | FVtPL | - | 21 | - | 76 | **97** |
| Trade payables | OFLaAC | (30) | (354) | - | - | **(384)** |
| **Total** | | **1,678** | **(624)** | **(2,827)** | **102** | **(1,671)** |

| **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** | | | | | | |
| Receivables from dividends and disposed shares | | - | (883) | - | 1 | **(882)** |
| Financial assets available for sale | AFS | - | - | - | 1 | **1** |
| Financial assets held to maturity | OFLaAC | 260 | - | - | - | **260** |
| Other financial assets carried at fair value | FVtPL | | | | 128 | **128** |
| Loans granted and receivables | L&R | 79 | 469 | (1,365) | - | **(817)** |
| Cash and cash equivalents | FVtPL | 2,635 | (289) | - | - | **2,346** |
| **Financial liabilities** | | | | | | |
| **Interest-bearing bank loans and borrowings** | **OFLaAC** | **(9)** | **(167)** | **-** | **-** | **(176)** |
| **Other liabilities, of which:** | **OFLaAC** | **(53)** | **(579)** | **-** | **989** | **357** |
| Finance lease liabilities | OFLaAC | (53) | **-** | **-** | **-** | **(53)** |
| Liabilities due to unpaid shares | | **-** | 204 | - | 494 | **698** |
| Currency forward contracts | FVtPL | **-** | (46) | - | 495 | **449** |
| Trade payables | OFLaAC | - | (737) | - | - | **(737)** |
| **Total** | | **2,912** | **(1,449)** | **(1,365)** | **1,119** | **1,217** |

All figures in thousands of PLN, unless stated otherwise

## 36. 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). The above-mentioned transaction will have no impact on the consolidated financial statements of the Group.

In the period from 31 December 2013 till the date of approval of these consolidated 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 Group.

## 37. Significant events related to prior years

Until the date of preparing these consolidated 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.