



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

Rzeszów, 19 February 2014



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

Rzeszów, 19 February 2014

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

Piotr Jeleński

President of the Management Board

Asseco South Eastern Europe S.A.



**MANAGEMENT REPORT ON BUSINESS OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED
31 DECEMBER 2013**

Rzeszów, 19 February 2014

**MANAGEMENT REPORT ON BUSINESS OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2013**

Table of contents	Page
1. GENERAL INFORMATION ON THE ISSUER	6
2. BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP	6
3. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES	6
4. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP.....	7
5. EFFECTS OF CHANGES IN THE ORGANIZATIONAL STRUCTURE.....	7
6. GROUP'S DEVELOPMENT POLICY	8
7. KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES.....	11
8. SELLING MARKETS	14
9. SIGNIFICANT AGREEMENTS CONCLUDED BY THE GROUP	15
10. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS	16
11. KEY ECONOMIC AND FINANCIAL FIGURES AND SIGNIFICANT EVENTS WITH IMPACT ON BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE	17
12. EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE GROUP'S DEVELOPMENT.....	26
13. SIGNIFICANT RISK FACTORS AND THREATS	27
14. KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS	30
15. MAJOR CAPITAL INVESTMENTS	31
16. ORGANIZATIONAL AND EQUITY RELATIONSHIPS OF THE ISSUER.....	31
17. RELATED PARTY TRANSACTIONS	32
18. AGREEMENTS FOR BANK LOANS AND BORROWINGS	32
19. LOANS GRANTED DURING THE FINANCIAL YEAR	32
20. SURETIES AND GUARANTIES	32
21. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES.....	32
22. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUS FINANCIAL FORECASTS FOR THE YEAR.....	32
23. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT.....	32
24. FEASIBILITY OF INVESTMENT PLANS	32
25. CHANGES IN THE POLICIES OF COMPANY AND GROUP MANAGEMENT.....	32
26. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND ITS MANAGEMENT AND SUPERVISORY PERSONNEL	32
27. REMUNERATION DUE TO THE ISSUER'S MANAGEMENT AND SUPERVISORY PERSONNEL	33
28. SHAREHOLDERS STRUCTURE	33
29. SHARES HELD BY MANAGEMENT AND SUPERVISORY PERSONNEL	33
30. AGREEMENTS WHICH MAY RESULT IN CHANGES OF THE EQUITY INTERESTS HELD.....	33
31. AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS.....	33
32. REMUNERATION PAID OR PAYABLE TO THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS.....	34
33. SIGNIFICANT OFF-BALANCE-SHEET ITEMS	34
34. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASSECO SOUTH EASTERN EUROPE S.A. OR ITS SUBSIDIARY COMPANIES	34
35. INFORMATION ON THE ISSUER	34
36. DECLARATIONS MADE BY THE MANAGEMENT BOARD OF ASEE S.A.....	36

1. GENERAL INFORMATION ON THE ISSUER

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 Parent Company has been assigned the statistical number REGON 180248803. The Company has been listed on the Warsaw Stock Exchange since 28 October 2009.

2. BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP

Asseco South Eastern Europe S.A. is engaged in holding operations which involve investments in new IT sector companies in South Eastern Europe and Turkey, as well as management of companies that have been already incorporated into ASEE Group in that region. ASEE S.A. is also a provider of services and software for voice automation solutions, payment systems and mobile communication systems.

ASEE 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.

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

- Banking Solutions,
- Payment Solutions,
- Systems Integration.

These reportable segments correspond to the Group's operating segments.

The Banking Solutions segment deals with integrated banking systems (including primarily *core banking systems*), systems enabling secure authentication of bank clients or IT system users, mobile banking systems, as well as solutions for leasing companies.

The Payment Solutions segment provides IT systems for the settlement of internet credit card payments as well as for fast and direct internet money transfers. This operating segment is also engaged in the sale and maintenance of ATMs and POS terminals as well as in the provision of related support services.

The Systems Integration 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.

3. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

As at the date of publication of this report, this is 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 Žukowicz
Andrzej Mauberg	Miodrag Mirčetić	
Mihail Petreski	Marcin Rulnicki	
Przemysław Sęczkowski		
Gabriela Žukowicz		

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.

4. ORGANIZATIONAL STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP

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 subsidiary companies as at 31 December 2013:

Full name of entity	Short name as used in this report	Country of registration	Equity / Voting interest	
			31 Dec. 2013	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.S. (İstanbul)	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. (İstanbul)	Sigma Turkey	Turkey	n/a	12.00%
Sigma Danışmanlık ve Uygulama Merkezi A.Ş. (İstanbul)	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.

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.

5. EFFECTS OF CHANGES IN THE ORGANIZATIONAL STRUCTURE

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.

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.

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 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.

During the year ended 31 December 2013, the Issuer's organizational structure did not undergo any significant changes.

6. GROUP'S DEVELOPMENT POLICY

In 2014, the Company intends to focus on:

- intensified offering of the portfolio of proprietary products for the existing customers of ASEE;
- preparation of selected products for international expansion;
- entering into new markets, in terms of new geographic locations (preparatory phase) as well as offering our products in new business areas in the existing territory of ASEE's operations.

Three-dimensional management of the Group

ASEE Group was created through the acquisition and integration of IT companies operating in the markets of South-Eastern Europe and Turkey.

As a consequence of such history of the Group's creation, the geographical dimension of management was implemented as the first. In practice, this meant obtaining 100 percent control over subsidiaries and total integration of business operations within each country – one company and one management board in each country. We have successfully achieved this goal in all the countries where ASEE is present. Next companies taken over by ASEE are combined into our organizational structures already operating in a given country.

Regardless of its geographical structure, the Group has identified operating segments (Business Units), which are distinguished by different groups of products as described in detail in item 2 of this report. ASEE Group's product portfolio has been divided into: (i) software solutions offered for the banking sector (including core banking systems, mobile solutions and security systems), (ii) payment solutions (including the supply and maintenance of ATMs and POS terminals, as well as provision of online payment solutions), and (iii) integration of IT systems (including the provision of proprietary and third-party solutions, services, as well as supply of IT hardware). Product development and sales strategies are formulated within individual operating segments. Chief officers of our operating segments are concurrently Members of the Management Board of the Parent Company, i.e. Asseco South Eastern Europe S.A.

In recent years, the Management of ASEE has intensified efforts to implement the third, function-based dimension of managing the Group, which shall be independent of our geographical structure or operating segments as described above. Functional management involves the centralization and implementation of uniform standards in performing certain key functions within the organization. The process of implementation of functional management is most advanced in the area of finance and accounting. During the year 2013, the Group accomplished much progress by introducing function-based management into the areas of sales, HR, marketing, and PR. We have also started work on centralization and unification of standards within business operations. The changes relate primarily to project management and product development activities.

Sales-oriented organization

As part of implementing the functional dimension of management, in 2012 ASEE began a strategic reorganization of the Group's sales process. These activities were continued in 2013 and involved mainly strengthening of our Sales organization which works independently from the Group's geographical structure, as well as improving the efficiency of

procedures used for control and management of the sales process.

In addition, in 2013 we have introduced a new motivation scheme for our Sales team employees, which to a greater extent promotes sales of selected products and services, or sales outside the market of origin of a given solution. In 2014, we want to place additional emphasis on sales to new customers as well as on sales of new solutions to the existing clients of ASEE.

The above-mentioned activities are aimed at improving the efficiency of our sales processes, creating a more cohesive sales strategy within our operating segments, ensuring better coordination of the Group's key customers service and, above all, at increasing our sales revenues in New Markets. Just to remind, the term New Markets means new geographic locations of the Group's business operations as well as newly marketed products in the existing locations.

Improving the efficiency of Operations

In 2013, the management team of ASEE has been joined by Chief Operating Officer (COO), who began the process of unification of standards applied in project management and new product development within the Group.

In the first place, the new COO focused on the implementation of new and unification of already existing tools used for managing projects, as well as on measuring the efficiency of our resources.

Furthermore, a new system for verification of expenditures on product development has been introduced in cooperation with the Sales team. As a result, in 2014 the budget for software development will be more focused on products of strategic importance for the Group.

Function-based management of Operations should ultimately enable a uniform and fully professional project management, as well as contribute to improving the efficiency of our resources.

Focusing on strategic products and services

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

The Management Board plans to build a comprehensive and consistent portfolio of IT solutions in each of the Group's existing operating segments. This will require, among others, determining which solutions should be offered locally and which ones have an international potential.

In the longer term, intellectual property rights to software solutions with international sales potential are meant to be transferred from companies that developed such products to one central entity. Ultimately, the Group will focus on the development and global offering of several key solutions, in the areas where ASEE's know-how and expertise allow us to compete with the biggest suppliers in the market.

Irrespective of the planned concentration on our key products, which the Group wants to offer on a global scale, the Management Board intends to leverage on ASEE's strong position in the region, expertise and good customer relations, in order to build the competence of professional advisors and service providers for important clients of the Group.

Strategic directions of development

The Management Board of ASEE believes that by reorganizing its sales processes and focusing on the development of strategic products the Group will be able to achieve higher growth in revenues from proprietary solutions than in recent years. This is a strategic priority of the Group.

Achievement of higher growth in sales of proprietary solutions will, in the Management's opinion, require increasing the share of revenues generated in markets outside the current area of ASEE Group's operations (New Markets). In the long run, our Company plans to expand its sales beyond South Eastern Europe and Turkey, in particular by creating a network of partners to collaborate with ASEE. The Group intends to focus on offering its products mainly in the emerging markets.

From among the markets in which the Group is currently present, the largest potential for growth is seen in Turkey and that where ASEE should develop most dynamically in the coming years.

Concurrently, the Management Board intends to continue its work on improving the quality of project management and increasing the efficiency of resources by strengthening the function-based management of the Group's Operations.

The strategic goal of ASEE is to become one of the three largest and most recognizable players in each of the markets where the Group conducts its business.

Plans for individual operating segments

In the **Banking Solutions segment**, the nearest plans assume strengthening of ASEE's position in the Serbian market, where the Group's financial results were considerably undermined by the bankruptcies of our three major clients in the past two years, as well as restoring our weakened position in the Romanian banking sector. The value of contracts signed for 2014 justifies the belief that the Company will be able to accomplish its goals in these two markets, which are most crucial for this segment. The Management also anticipates a steady growth of the Banking Solutions segment in Macedonia and better performance of the segment in Turkey, where sales of our leasing management solution, LeaseFlex, are expected to be higher than in 2013. We will also continue to expand the operations of our Banking Solutions segment in Bosnia and Herzegovina, Croatia and Bulgaria. In these countries, we build competence centers in order to provide IT support services for local customers.

The Banking Solutions segment also includes the results of operations within mobile banking solutions and authentication systems. These products are marketed in the whole territory of ASEE Group operations. Apart from Croatia, mobile solutions and authentication systems are pretty successful in Bosnia and Herzegovina, and to a lesser extent in Serbia and Poland. Whereas in countries outside the region of ASEE's operations, this division is seeking local business partners in order to offer our software solutions through their distribution networks. At all times the technical support as well as production facilities for mobile solutions and security systems are located in Croatia.

The **Payment Solutions segment** comprises two main business lines: systems for the settlement of online payments, as well as sales and maintenance of ATMs and POS terminals.

The vertical that offers systems for the settlement of online payments focuses on the Turkish NestPay®

solution, no wonder Turkey is still the largest market for these products. Our Internet payment systems are also sold outside of Turkey; in 2014 we plan to carry out implementations of NestPay® and complementary products among others in Bosnia and Herzegovina. The sales strategy adopted for the group of payment gateway products concentrates on offering such solutions in the outsourcing model.

In the area of maintenance and sales of automatic teller machines and point-of-sale terminals, our most important markets are Serbia, Croatia, Bosnia and Herzegovina, Macedonia, Slovenia, and Montenegro. Apart from that ASEE is consistently building its position in the markets of Bulgaria, Romania, Albania, and Kosovo. In 2013, the Group has been strengthened by the acquisition of EŽR Croatia, which provides services for POS terminals in Croatia, as well as by taking over a contract for the maintenance of POS terminals in Slovenia along with a team of over a dozen professionals. In addition, the vertical of ATMs and POS terminals continues to test new products and solutions in an effort to enhance its value-added services, and consistently transfers its sales into the outsourcing model, which contributes to greater security and predictability of its business.

Development of the Systems Integration segment will primarily involve strengthening our presence in the proprietary solutions market of individual countries in the region. Currently, the **Systems Integration segment** promotes its proprietary solutions with high revenue potential, such as ASEBA BPS (content management solution), Fidelity (asset lifecycle management solution), CRM ASEBA LIVE system, and SKAI (billing system for small and medium-sized utilities). Moreover, the Group continues to develop its competence in the implementation of projects co-financed by the European Union, both in the area of accession programs and structural funds.

7. KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES

BANKING SOLUTIONS

Core Banking Systems

The Banking Solutions segment of ASEE offers four different core banking systems. Two of them are based on the **Oracle platform** (**ASEBA Banking Intranet** and **ASEBA abSolut**), and the other two on the **Microsoft platform** (**ASEBA PUB2000** and **Experience**). Our key product line among core banking systems is called **Experience**.

On Microsoft platform:

- **ASEBA PUB2000**
- **Experience**

ASEBA PUB2000 is an integrated application for retail and corporate banking. Owing to its integrated Product Factory function it is quite a unique product in the market, which enables our clients to generate new banking products and services, and to define or modify process workflows without altering the application.

Experience (*Experience Platform*, *Experience Branch* and *Experience Customer Insight*) is state-of-the-art banking software featuring distribution channels, core banking systems, as well as payment and Business Intelligence solutions. The currently available modules support full functionality for customer service (front office). These new generation products are developed with an eye to gain competitive advantage in new markets where the Group is still not represented. The new solutions also serve as a platform for the strategic unification of our current banking software lines, which is intended to enable cost savings, bring higher efficiency, and foster the exchange of know-how and resources among our teams. Introduction of a new product line that could be implemented internationally is one of the key priorities in the Group's long-term business strategy. These solutions were launched into the market in 2011.

On Oracle platform:

- **ASEBA Banking Intranet**
- **ASEBA abSolut**

ASEBA Banking Intranet is an integrated core banking system offering numerous front-end functions, optimized for retail and commercial banks conducting operations in Southern and Eastern Europe.

ASEBA abSolut is a suite of applications designed to support finance and banking operations. The system consists of the core module and several additional modules, such as Internet banking, management information system, cards management system, insurance management system. It also includes the *ASEBA abSolut leasing* application which effectively supports operations of leasing companies.

Distribution Channels

e-banking and m-banking systems:

- **ASEBA iBank**
- **ASEBA JiMBA (m-banking)**

Distribution systems (including e-banking, m-banking, etc.) are offered together with core banking systems or separately to be integrated with the bank's legacy solutions. Our offer includes a multi-channel e-banking system **ASEBA iBank** and a specialized m-banking system **ASEBA JiMBA**, constituting a mobile banking platform designed for both retail and corporate banking customers. This solution supports all popular mobile platforms.

Other solutions:

- **ASEBA Product Delivery System**
- **ASEBA PFM**

ASEBA Product Delivery System is an ideal solution for agents wishing to offer retail loans to their customers without the need of a personal visit to a bank.

ASEBA PFM is an advanced online personal finance management solution that enables bank's online banking clients to manage their finances by keeping track and making analysis about personal incomes, through automatic categorization of all transactions, by making plans about spending and incomes and through receiving financial help and recommendations.

Risk management

InACT

InACT presents an all-in-one solution to internal auditors, security departments for alternative distribution channels and compliance officers. **InACT** addresses four different needs:

- Transactional fraud monitoring and prevention
- Internal fraud monitoring and prevention
- Monitoring and prevention of money laundering activities
- Flexible reporting

InACT has a flexible data structure in order to accept data from different sources.

Business Intelligence

- **reporting systems** (data warehouse and reporting module REPOBNR)
- **ASEBA Tezauri™**

Data warehouse and reporting module performs the following functions: reporting to the Central Bank, reporting to Credit Bureaus, reporting to the Financial Intelligence Office, reporting to tax authorities and preparation of data for reporting according to the new capital accord standards (Basel II).

ASEBA Tezauri™ is an integrated Business Intelligence solution for banks, which enables risk management, credit assessment through an integrated scoring system and profitability analysis, monitoring of regulatory compliance as well as implementation related solutions.

Solutions for leasing companies

<ul style="list-style-type: none"> - Lease product and asset management solution LeaseFlex 	<p>LeaseFlex is a web-based Lease and Asset Management software for equipment and consumer finance. It enables financial service companies to maximize their operational efficiency in business administration and monitoring with a centralized management platform for operational processes and end-to-end management of the lease and asset lifecycle.</p>
---	---

Authentication and e-commerce solutions

- **Strong authentication solution: ASEBA S&S**
- Solutions for digital signature and encryption based on PKI SmartCard technology:
ASEBA PKI VAS, ASEBA PKI CMS
- **E-commerce security solution:**
ASEBA Trides

ASEBA S&S is a two-factor authentication server specifically designed to meet the business and regulatory requirements of multi-channel organizations. ASEBA S&S enables simultaneous use of different types of end-user devices and OTP standards.

ASEBA PKI VAS (Public Key Infrastructure / smartcards): electronic signature solution.

ASEBA PKI CMS (Credential Management System) is a flexible solution which has been designed to manage all aspects of the lifecycles of certificates that are stored on the hardware devices (e.g. smart cards or tokens) or in files (software certificate issuance).

ASEBA Trides is a complete 3D Secure solution certified according to Verified by VisaTM, MasterCard SecureCodeTM, American Express SafeKeySM, and Diners Club ProtectBuySM programs.

PAYMENT SOLUTIONS

Online Payment Gateway

NestPay®

ASEE provides turn-key e-payment services, solutions and products as well as after sale support to the leading banks in 13 different countries, in addition to providing 7x24 operational/technical support to more than 24,000 merchants.

NestPay® solution is a B2B online card payment platform that handles payments between headquarters and a network of dealers. **NestPay®** is designed to enable banks to offer card acquiring services to their web merchants. Financial institutions offering online payment services can get benefit from **NestPay® Payment Gateway** as a service provided by ASEE, using its PCI-DSS certified environment. **NestPay®** technology empowers the banks to enter "Card-Not-Present" (CNP) payment market with full confidence.

MerchantSafe®

MerchantSafe® enables merchants to avoid storing credit/debit card data within their software environment and significantly reduces the scope of their PCI-DSS compliance. **MerchantSafe®** offers mass card loading, online card loading, card updating / card cancellation, card group definition (all cards connected to the agent number) functions.

MerchantSafe® Mobile

MerchantSafe® Mobile provides merchants with a simple, manageable and cost effective way of taking mobile payments for an almost limitless range of goods and services.

MerchantSafe® Unipay

Merchants will be able to collect payments remotely from various banks by using our **MerchantSafe® Unipay** which is an online payment solution offering a secure, easy and convenient checkout experience for both buyers and merchants, from multiple access points i.e. web, ERP systems, CRM systems and e-mail.

MassPay®

MassPay® is developed to enable merchants to realize high volume and scheduled collections from customer credit cards periodically. **MassPay®** ensures that collections are made automatically, fast and free of mistakes. It helps preventing risks caused by manual processing of credit card information, and reducing the workload.

NestCollect

NestCollect is an online card payment platform to handle payments between headquarters and their dealers. It helps companies to minimize operational costs and market risk related to commercial papers. On the other hand, banks promoting NestCollect can enjoy higher corporate card penetration rate and facilitate cross-selling opportunities for dealers.

ATMs and POS terminals

- **installation**
- **maintenance**
- **replacement**

ASEE provides complete payment industry solutions, for non-financial and financial institutions, supporting card and card-less transactions. We deliver self-service equipment, software, solutions, providing highest maintenance level and support. ATMs and POS terminals are also offered in the 'outsourcing model', which allows customers to just rent the equipment and take advantage of our maintenance and infrastructure management services.

ASEE is implementing world latest technology standards in payment industry and actively participating in innovations in our region, creating new, proprietary solutions which are tailored for our client's and our market specific needs.

24/7 Service Support

Center

Multivendor solutions for ATMs and POS terminals

Our well positioned service network, counting over 100 service centers, lets us provide best SLA possible. In South Eastern Europe, we are successfully maintaining over 6,500 ATM, ATS and KIOSK terminals as well as 120,000 POS terminals. We are constantly updating and improving functionalities on installed self-service base in this region of Europe, by tracking the latest world trends and significantly investing in R&D (bill payment, recycling, automatic exchange office, top up, mCash, etc.). Outsourcing is one of our priorities, because at ASEE we above all aspire to have long-term agreements with our clients, cutting their operational costs at the same time.

NFC (near-field communication) and mobile payments are also in ASEE's solutions portfolio, together with loyalty, m-banking, e-commerce solutions. The Group has a successful cooperation with over 100 banks and 9 mobile operators in the SEE region, and it is implementing many projects for the public and industrial production sectors.

SYSTEMS INTEGRATION

Full range of integration services

Asseco South Eastern Europe Group is a top player in the market of integration services in Kosovo, Macedonia, Romania and Serbia. The Group serves the financial, industry and public administration sectors with the following **business lines**: development of IT infrastructure, implementations and support, ensuring continuity of business processes, automation of operations, and software development. The Systems Integration segment also presents a group of proprietary solutions of ASEE which, due to their profile, have not been classified to our banking or payment solutions.

One of our brand new content management solutions is **ASEBA Business Process Suite (BPS)** which delivers sophisticated, end-to-end automated business procedures that centralize, accelerate, and greatly increase the accuracy of finance content management.

IVN® (Interactive Voice Notification) is a web based technology solution that performs external call campaigns without customer representative for call / contact centers. Business and marketing departments can easily perform their multiple campaigns with predefined rules with IVN® without support of the IT department.

ASEBA Business Process Suite

IVN® (Interactive Voice Notification)

ASEBA LIVE

ASEBA LIVE is advanced CRM platform supporting multiple communication channels and business processes. It integrates various technologies and modules that are part of a standard Contact Center solution. ASEBA LIVE is a powerful tool for improvement of customer relations and efficient allocation and organization of support resources.

Fidelity

Fidelity is a full-fledged solution for asset lifecycle management, dedicated primarily to large organizations with dispersed organizational structure. It is a unique solution on the market owing to the comprehensiveness of its modules addressing the full set of requirements of Asset and Spend Management, covering the functionalities of Budget Control, Procurement and Spend Analysis, as well as traditional ERP functions such as Inventory Management.

Billing systems

SKAI is a **billing system for utility companies**. This solution enables enterprises to easily handle all of their operations, provide the required level of comprehensive services, and manage their customer relationships efficiently. This system greatly facilitates the management of real estate, distribution network, customer information, and billing processes. Our clients who use these solutions are water supply companies, namely "Hidrodrini" - Prizren and "Hidroregjini Jugor" - Peje, both located in Kosovo.

Invoicing and reporting systems

Additional systems for telecommunications sold separately from the billing system (including bespoke systems). Systems for invoicing and reporting cooperating with the Geneva billing system: (i) **Invoicing** – preparation of batches ready for printing or dispatch by electronic or traditional mail; (ii) **Reporting** – production of all the required reports (facilitating the functions of controlling and monitoring of payments, presentation of bills and billed items on web pages, etc.)

8. SELLING MARKETS

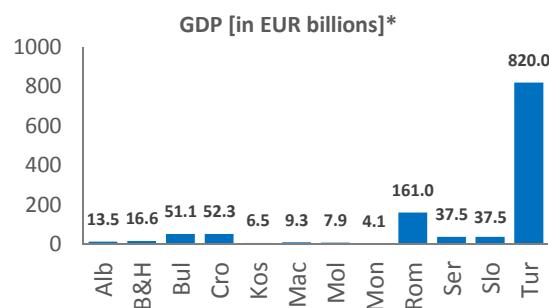
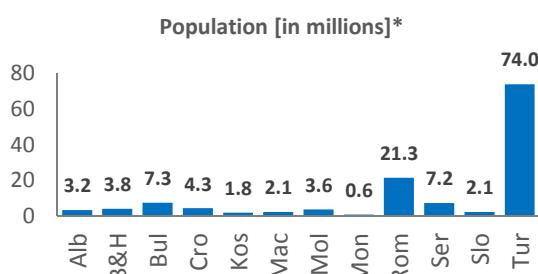
ASEE operates in the region of South Eastern Europe, which includes 11 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Kosovo, Macedonia, Moldova, Romania, Serbia, and Slovenia, as well as in Turkey and Poland.

Four of the region's republics, namely Slovenia, Romania, Bulgaria and Croatia are member states of the European Union. Other countries are currently at different stages of the integration process.

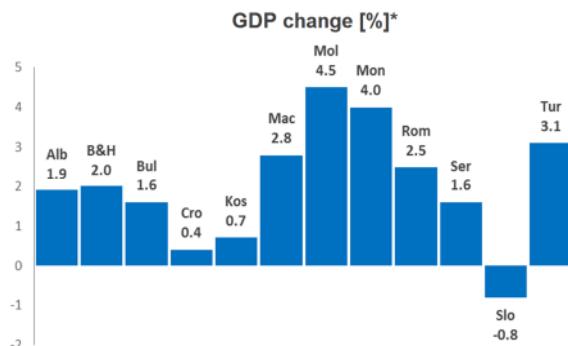
The Group's operations are conducted primarily in the markets of Serbia, Romania, Macedonia, Croatia, and Turkey. We have also managed to develop a significant amount of business in Kosovo and Bosnia and Herzegovina. As far as other markets are concerned, the scale of our operations will be gradually expanded by launching comprehensive offerings of products from all of our operating segments.

Apart from the Group's development in South Eastern Europe and Turkey, we continue on efforts to increase sales of our products and services outside that region.

The following charts display the size of the markets in which ASEE operates, measured by population and GDP of each country. *



The analysis of the population and gross domestic product (GDP) data shows that most of the countries in which ASEE operates are small markets, with a relatively low purchasing power. A positive exception is Turkey, where both the number of inhabitants and GDP are higher than in all other countries of ASEE operations taken together.



The region's GDP changes forecasted for 2014 do not indicate a significant improvement in the economic situation in the near future. The expected GDP growth of 1 to 2.5% will not, in the opinion of ASEE's Management, translate into a considerable increase in the demand for products offered by the Group. The economy of Turkey is seen to grow somewhat more dynamically, but unfortunately still slower than in recent years. The most robust growth in 2014 is predicted for Moldova and Montenegro, where the scale of our operations is still small.

* Sources: United States Census Bureau, Eastern Europe Consensus Forecast, www.tradingeconomics.com

As mentioned above, the Group operates in the markets of South Eastern Europe and Turkey, and that is where it generated most of its revenues during the year ended 31 December 2013. The breakdown of sales revenues by client location is as follows: 27% - Serbia, 22% - Romania, 17% - Croatia, 11% - Macedonia, 10% - Turkey, and 13% in other South Eastern European countries and markets outside that region. During the year ended 31 December 2013, sales to any individual client of the Group did not exceed 10% of its total sales revenues.

The Group subsidiaries operating in particular countries have their own suppliers; therefore, the Group is not substantially dependent upon any single supplier.

Given the weak economic situation, which has prevailed in the region for several years, and the lack of positive outlook for the near future, the Group's Management sees business development opportunities in the intensification of cross-selling activities, expansion into New Markets, and offering of our products outside the region of South Eastern Europe in collaboration with local partners. From among the markets in which the Group currently operates, Turkey appears the most attractive and that is primarily where the Management of ASEE intends to concentrate its efforts and expand business operations through further organic growth and new company acquisitions.

9. SIGNIFICANT AGREEMENTS CONCLUDED BY THE GROUP

The agreement that was significant for the Group's business operations was to acquire our subsidiary EŽR Croatia, which was announced by the Management Board of ASEE S.A. in the current report no. 29/2013. The EŽR acquisition transaction has been described in explanatory note 29 to the Group's consolidated financial statements for the year ended 31 December 2013.

10. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the year ended 31 December 2013 in PLN thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	2,159	14,441	3,901	51,181	7,639	17,308	79,387	8,200	104,280	128,037	9,238	45,921	471,692
Cost of goods and third-party services sold (-)	(679)	(5,934)	(1,288)	(15,497)	(2,227)	(9,193)	(54,352)	(4,878)	(65,023)	(32,966)	(3,998)	(7,886)	(203,921)
Surplus of revenues over third-party costs	1,480	8,507	2,613	35,684	5,412	8,115	25,035	3,322	39,257	95,071	5,240	38,035	267,771
Production costs (-)	(508)	(3,157)	(1,905)	(21,448)	(2,917)	(4,577)	(10,088)	(331)	(20,047)	(61,816)	(2,525)	(20,970)	(150,289)
Distribution costs (-)	(235)	(1,293)	(467)	(5,939)	(336)	(839)	(3,506)	(1,496)	(8,098)	(11,294)	(512)	(4,729)	(38,744)
General administrative expenses (-)	(332)	(1,670)	(529)	(5,341)	(463)	(1,118)	(3,599)	(761)	(5,596)	(9,065)	(916)	(7,480)	(36,870)
Net profit (loss) on sales	405	2,387	(288)	2,956	1,696	1,581	7,842	734	5,516	12,896	1,287	4,856	41,868
Other operating income	23	102	29	671	29	86	338	16	166	27	-	104	1,591
Other operating expenses (-)	-	(166)	(28)	(238)	(20)	(50)	(104)	(3)	(271)	(84)	(34)	(346)	(1,344)
Operating profit (loss)	428	2,323	(287)	3,389	1,705	1,617	8,076	747	5,411	12,839	1,253	4,614	42,115
For the year ended 31 December 2013 in EUR thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	513	3,429	926	12,154	1,814	4,110	18,852	1,947	24,764	30,406	2,194	10,905	112,014
Cost of goods and third-party services sold (-)	(161)	(1,409)	(306)	(3,680)	(529)	(2,183)	(12,907)	(1,158)	(15,441)	(7,828)	(949)	(1,873)	(48,424)
Surplus of revenues over third-party costs	352	2,020	620	8,474	1,285	1,927	5,945	789	9,323	22,578	1,245	9,032	63,590
Production costs (-)	(121)	(750)	(452)	(5,093)	(693)	(1,087)	(2,396)	(79)	(4,761)	(14,678)	(600)	(4,980)	(35,690)
Distribution costs (-)	(56)	(307)	(111)	(1,410)	(80)	(199)	(833)	(355)	(1,923)	(2,682)	(122)	(1,123)	(9,201)
General administrative expenses (-)	(79)	(397)	(126)	(1,268)	(110)	(265)	(855)	(181)	(1,329)	(2,152)	(218)	(1,776)	(8,756)
Net profit (loss) on sales	96	566	(69)	703	402	376	1,861	174	1,310	3,066	305	1,153	9,943
Other operating income	6	24	7	159	7	20	80	4	39	7	-	25	378
Other operating expenses (-)	-	(39)	(7)	(57)	(5)	(12)	(25)	(1)	(64)	(20)	(8)	(82)	(320)
Operating profit (loss)	102	551	(69)	805	404	384	1,916	177	1,285	3,053	297	1,096	10,001

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 in PLN thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	3,205	15,338	7,433	58,606	6,592	16,315	64,292	7,214	100,255	128,258	10,374	44,572	462,454
Cost of goods and third-party services sold (-)	(1,804)	(6,138)	(4,145)	(20,325)	(2,179)	(9,045)	(40,929)	(3,409)	(60,985)	(40,153)	(6,310)	(9,507)	(204,929)
Surplus of revenues over third-party costs	1,401	9,200	3,288	38,281	4,413	7,270	23,363	3,805	39,270	88,105	4,064	35,065	257,525
Production costs (-)	(556)	(3,836)	(2,265)	(20,816)	(2,408)	(4,387)	(8,841)	(1,743)	(18,220)	(53,015)	(1,775)	(15,106)	(132,968)
Distribution costs (-)	(194)	(859)	(165)	(8,173)	(424)	(895)	(3,188)	(1,254)	(9,075)	(10,205)	(380)	(4,365)	(39,177)
General administrative expenses (-)	(399)	(1,398)	(371)	(4,989)	(292)	(1,189)	(3,728)	(238)	(5,644)	(9,167)	(844)	(5,195)	(33,454)
Net profit on sales	251	3,107	487	4,303	1,290	800	7,606	570	6,331	15,717	1,065	10,399	51,926
Other operating income	9	274	55	278	23	100	270	1,271	12	22	-	83	2,397
Other operating expenses (-)	(11)	(235)	(7)	(104)	(38)	(89)	(93)	(62)	(302)	(523)	(42)	(223)	(1,729)
Operating profit	249	3,146	535	4,477	1,275	811	7,783	1,779	6,041	15,216	1,023	10,259	52,594
For the year ended 31 December 2012 in EUR thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	768	3,675	1,781	14,042	1,579	3,909	15,404	1,728	24,021	30,732	2,486	10,680	110,805
Cost of goods and third-party services sold (-)	(432)	(1,471)	(993)	(4,870)	(522)	(2,167)	(9,807)	(816)	(14,612)	(9,622)	(1,512)	(2,278)	(49,102)
Surplus of revenues over third-party costs	336	2,204	788	9,172	1,057	1,742	5,597	912	9,409	21,110	974	8,402	61,703
Production costs (-)	(133)	(919)	(543)	(4,987)	(577)	(1,051)	(2,118)	(418)	(4,366)	(12,703)	(425)	(3,619)	(31,859)
Distribution costs (-)	(47)	(206)	(40)	(1,958)	(102)	(214)	(764)	(300)	(2,174)	(2,445)	(91)	(1,046)	(9,387)
General administrative expenses (-)	(96)	(335)	(89)	(1,195)	(70)	(285)	(893)	(57)	(1,352)	(2,196)	(202)	(1,245)	(8,015)
Net profit on sales	60	744	116	1,032	308	192	1,822	137	1,517	3,766	256	2,492	12,442
Other operating income	2	66	13	67	6	24	65	305	3	3	-	20	574
Other operating expenses (-)	(3)	(56)	(2)	(25)	(9)	(21)	(22)	(15)	(72)	(126)	(10)	(53)	(414)
Operating profit	59	754	127	1,074	305	195	1,865	427	1,448	3,643	246	2,459	12,602

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

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

PLN '000	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Change %	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Change %
Sales revenues	150,481	137,311	10%	471,692	462,454	2%
Surplus of revenues over third-party costs	79,595	72,734	9%	267,771	257,525	4%
Net profit on sales	13,977	16,624	(16%)	41,868	51,926	(19%)
Operating profit	13,456	16,271	(17%)	42,115	52,594	(20%)
Net profit for the reporting period	12,173	14,979	(19%)	35,967	49,587	(27%)
Net profit attributable to Shareholders of the Parent Company	12,154	14,957	(19%)	35,949	49,626	(28%)
Normalized profit for the reporting period*	13,055	12,679	3%	36,849	46,895	(21%)

EUR '000	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Change %	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Change %
Sales revenues	35,954	33,294	8%	112,014	110,805	1%
Surplus of revenues over third-party costs	19,032	17,651	8%	63,590	61,703	3%
Net profit on sales	3,339	4,026	(17%)	9,943	12,442	(20%)
Operating profit	3,215	3,943	(18%)	10,001	12,602	(21%)
Net profit for the reporting period	2,907	3,631	(20%)	8,541	11,881	(28%)
Net profit attributable to Shareholders of the Parent Company	2,903	3,625	(20%)	8,537	11,890	(28%)
Normalized profit for the reporting period*	3,108	3,080	1%	8,750	11,236	(22%)

*Normalized profit for the reporting period is calculated as "Net profit for the reporting period" adjusted for gains on non-recurring transactions recognized in financial income and income tax.

Normalized profit for 2013 was adjusted for the effect of utilizing deferred tax assets arising from tax losses in the amount of PLN 828 thousand. Recognition of such assets was eliminated in 2012.

In 2012, one-off transactions resulted from a revaluation of deferred payments for the acquisition of shares in the companies of EST, ASEE Bulgaria, and Altius, Bulgaria, adding up to a total income of EUR 0.09 million, as well as from recognition of a deferred tax asset arising from tax losses in the amount of EUR 0.55 million. In addition, operating profit for 2012 includes income recognized on reversal of a provision for potential tax liabilities of the holding company.

In 2013, total sales revenues increased by 2% if presented in PLN or by 1% if presented in EUR, both in comparison to 2012. Such increase is partially an effect of company acquisitions that were made in 2012 (Turkish Sigma consolidated since September 2012) as well as in 2013 (EZR Croatia consolidated since November 2013). Excluding the effect of acquisitions, the Group recorded a 1% organic growth of revenues denominated in EUR.

The surplus of revenues over third-party costs increased by 4% in PLN or 3% in EUR, improving by 2 percentage points more than sales revenues. This confirms the long-observed trend of a growing share of higher added value solutions in the structure of the Group's sales. Also in this case, the achieved improvement is partially due to new acquisitions – both Sigma Turkey and EZR Croatia are mostly engaged in the sale of their own services and solutions. Whereas in organic terms, the surplus of revenues over third-party costs denominated in PLN rose by 3%.

Sales revenues by segments

PLN '000	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Change %
Banking Solutions	38,276	32,713	124,842	117,127	7%
Payment Solutions	32,949	31,384	112,001	112,236	0%
Systems Integration	79,256	73,214	234,849	233,091	1%
150,481	137,311	471,692	462,454	2%	

Surplus of revenues over third-party costs by segments

PLN '000	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Change %
Banking Solutions	33,812	27,932	113,755	103,986	9%
Payment Solutions	21,355	19,152	79,340	73,048	9%
Systems Integration	24,428	25,650	74,676	80,491	(7%)
79,595	72,734	267,771	257,525		4%

A 4% increase in the surplus of revenues over third-party costs has been accomplished especially owing to the segments of Banking Solutions and Payment Solutions, where the Group recorded a 9% growth.

In the Banking Solutions segment, the surplus of revenues over third-party costs increased mostly due to the change in presentation of the Turkish anti-fraud solution InAct which used to be included in the Systems Integration segment in 2012 (it contributed EUR 860 thousand into the surplus of revenues over costs in 2013). In 2013, organic growth of the surplus of revenues over third-party costs (excluding the InAct transfer) reached 4%, with the largest contribution from: Serbia (growth by 3% or EUR 399 thousand), Romania (growth by 9% or EUR 362 thousand), Croatia (growth by 2% or EUR 108 thousand), and Montenegro (growth by 26% or EUR 97 thousand).

In the Payment Solutions segment, the surplus of revenues over third-party costs increased by 2 pp partially due to the acquisition of EŽR Croatia which deals with the maintenance of POS terminals. Financial results of that company have been consolidated for two months of the last quarter of 2013. The remaining growth has been basically achieved on the back of the implemented strategy of development of POS terminal and ATM outsourcing services (higher sales and an increase in the surplus of revenues over third-party costs by EUR 948 thousand), as well as owing to higher revenues from NestPay® online payment gateway services (higher sales and an increase in the surplus of revenues over third-party costs by 15%). Furthermore, the surplus of revenues over third-party costs generated from maintenance services increased by 5% which, in combination with the above-mentioned factors, enabled the Payment Solutions segment to improve its overall surplus of revenues over third-party costs by 9%, despite a 5% decrease in the surplus realized on the sale of hardware and resale of third-party services and software.

In the case of the Systems Integration segment, the surplus of revenues over third-party costs dropped by 7%.

In this segment, the amount of the surplus decreased primarily as a result of the above-described change in the presentation of revenues from the Turkish solution InAct. Such an unfavourable change was compensated by the surplus of revenues over third-party costs achieved on solutions offered by Sigma Turkey (including mainly their Fidelity asset management solution), reducing the organic decline in the surplus of revenues over third-party costs in the Systems Integration segment to 7%. The worst declines of the Systems Integration surplus of revenues over third-party costs were observed in Romania, Croatia, and Poland. However, these were largely (in 57%) compensated by significant increases achieved by this segment in Macedonia and Kosovo.

Although the entire Group managed to achieve a higher surplus of revenues over third-party costs as compared to the year 2012, our operating profit for 2013 dropped by 20%. This resulted mainly from the fact that lower sales, accompanied by a decreasing surplus of revenues over third-party costs, in the countries struggling with major operational problems were not offset with a sufficient reduction of our own operating costs. Other unfavourable factors included the bankruptcy of Privredna Banka, an important client of the Group in Serbia, and the withdrawal of two clients from our large projects in Turkey. Furthermore, operating profit remained under the pressure of our continued investments in the development of new products and group functions, as well as weaker than expected results of Sigma Turkey.

One of the areas of the Group's operations where the surplus of revenues over third-party costs decreased faster than operating costs was the Systems Integration segment in Turkey. Weaker sales of most IT solutions accompanied by an increase in the cost base following the consolidation of Sigma's Fidelity solution caused a decrease in operating profit by EUR 137 thousand. The Banking Solutions segment in Turkey also reported weaker results, its operating profit declined by EUR 650 thousand as compared to the prior year, mainly due to the lower sales of LeaseFlex leasing solution.

Another country where operating performance deteriorated in 2013 is ASEE Romania (operating profit fell by EUR 163 thousand). Operational problems that we faced in Romania in 2013 caused a decrease in the surplus of revenues over third-party costs by almost EUR 80 thousand, which we were not able to fully compensate by cutting our operating costs and other expenses (they increased by nearly EUR 120 thousand as compared to 2012). Although our Romanian operating costs have been restructured in 2013, the Group decided to reorganize the management structure of the local company, which offset the achieved cost savings.

In 2013, operating profit declined also in Croatia, by EUR 269 thousand. Such deterioration was caused primarily by weaker results of the Payment Solutions segment on a noticeably lower volume of sales of POS terminals and ATMs (a decrease by EUR 231 thousand as compared to 2012). This change resulted from the transition towards the outsourcing business model, where POS and ATM equipment remains the property of ASEE.

Serbia also suffered a decrease in operating profit for the year 2013. This was caused primarily by a weaker performance of the Banking Solutions segment. Operating profit decreased due to a loss incurred on our first implementation of a core banking system in Croatia and the bankruptcy of Privredna Banka, as a result of which we had to

write off previously recognized revenues and create an allowance for all uncollected receivables. In addition, as compared to 2012, our non-capitalized expenditures for the development of new products increased by EUR 260 thousand.

Furthermore, lower operating profitability was also an effect of investment processes continued by the Group. Development of the Group management functions, expansion into New Markets, as well as non-capitalized product development expenditures resulted in a total increase of our operating costs by nearly EUR 350 thousand.

The Group's net profit decreased more in percentage terms than its operating profit, among others, due to one-off transactions recognized in financial income and in the line of income tax charges, which improved the net profit for the comparable period last year by EUR 650 thousand. This was also caused by higher current and deferred income tax charges on the Group's profits resulting chiefly from the following factors: reversal of deferred tax assets arising from tax losses in ASEE S.A., higher income tax rate enforced in Serbia since the beginning of 2013, and lower share of Turkey in the structure of taxable profit. Our Turkish subsidiaries are to a large extent eligible for tax benefits because of being located in the special economic zones, and therefore enjoy one of the lowest effective tax rates in the Group.

Net profit on sales by segments

PLN '000	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)	Change
					%
Banking Solutions	4,108	6,165	15,599	18,796	(17%)
Payment Solutions	4,574	4,787	18,192	19,356	(6%)
Systems Integration	5,295	5,672	8,077	13,774	(41%)
	13,977	16,624	41,868	51,926	(19%)

Net profit on sales for 2013 fell in all of our operating segments as compared with 2012, whereas the largest decline was suffered by the Systems Integration segment (by PLN 5.7 million, accounting for 56% of the total decrease in the Group's net profit on sales). In the Banking Solutions segment, net profit on sales declined by PLN 3.2 million (or 32% of the Group's total decrease), whereas in the Payment Solutions segment the decline amounted to PLN 1.1 million (or 12% of the Group's total decrease).

In the case of the Systems Integration segment such deterioration resulted primarily from a loss incurred on the sale of Fidelity asset management solution in Turkey as well as worse operating results achieved in Romania.

Net profit on sales of the Banking Solutions segment declined mainly due to a loss on the sale of leasing software in Turkey, bankruptcy of Privredna Banka in Serbia, as well as expenditures related to our first implementation of a core banking system in Croatia. Additionally, the segment's results were reduced by non-capitalized software development expenditures, which increased by EUR 260 thousand as compared to 2012.

The lowest decline of net profit on sales was recorded in the Payment Solutions segment. The main causes of a deterioration in this segment included the above-mentioned reorganization of our business in Croatia, a loss incurred on payment solutions in Bulgaria (where we lost our most

important customer in 2013 as a result of which net profit on sales declined by EUR 200 thousand), and a decrease in the surplus of revenues over

third-party costs in Bosnia and Herzegovina by EUR 180 thousand.

Analysis of financial ratios

	3 months ended 31 Dec. 2013 (unaudited)	3 months ended 31 Dec. 2012 (unaudited)	Year ended 31 Dec. 2013 (audited)	Year ended 31 Dec. 2012 (audited)
Margin 1	53%	53%	57%	56%
EBITDA margin	11%	14%	12%	14%
Operating profit margin	9%	12%	9%	11%
Net profit margin	8%	11%	8%	11%
Return on equity (ROE)			5%	7%
Return on assets (ROA)			5%	6%

The above ratios have been computed using the following formulas:

Margin 1 = surplus of revenues over third-party costs / sales

EBITDA margin = (operating profit + depreciation and amortization) / sales

Operating profit margin = operating profit / sales

Net profit margin = net profit for the reporting period attributable to Shareholders of the Parent Company / sales

Return on equity (ROE) = net profit for the reporting period attributable to Shareholders of the Parent Company / average annual equity attributable to Shareholders of the Parent Company

Return on assets (ROA) = net profit for the reporting period attributable to Shareholders of the Parent Company / average annual assets

Margin 1, representing the relation of the surplus of revenues over third-party costs to sales revenues, improved by 1 percentage point in 2013 and reached 57% due the growing share of higher added value products in the structure of the Group's sales.

Both EBITDA margin and operating profit margin for the reporting period fell by 2 pp in comparison to 2012.

Net profit margin for the reporting period dropped by 3 pp, a bit more than our operating margin. This was mainly a consequence of one-off transactions conducted in 2012 as well as different structure of our current and deferred income tax charges, as earlier described.

The decline in our profit margins resulted in lower rates of return on equity and assets. In 2013, our return on equity and return on assets both equalled 5%, falling by 2 pp and 1 pp, respectively, in comparison to the levels achieved in 2012.

	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Working capital (in PLN thousands)	97,909	129,568
Current liquidity ratio	1.84	2.45
Quick liquidity ratio	1.63	2.2
Absolute liquidity ratio	0.53	1.07

The above ratios have been computed using the following formulas:

Working capital = current assets - current liabilities

Current liquidity ratio = current assets / current liabilities

Quick liquidity ratio = (current assets - Inventories - prepayments) / current liabilities

Absolute liquidity ratio = (short-term financial assets + cash and short-term bank deposits) / current liabilities

Our liquidity ratios dropped slightly as compared to the end of 2012, but they still remain at safe levels. Working capital decreased, in comparison to 31 December 2012, chiefly due to the payment of dividend in July 2013 (EUR 10.1 million) and the acquisition of EŽR Croatia carried out in the second half of 2013 (EUR 2.5 million).

Key indicators analyzed by the Management Board

This section presents an analysis of the consolidated financial results of ASEE Group for the recent years, in the layout used by the Management Board.

In particular, we have disclosed the key figures that are monitored and analyzed by the Management Board in order to set the Group's future goals and assess the degree of their completion.

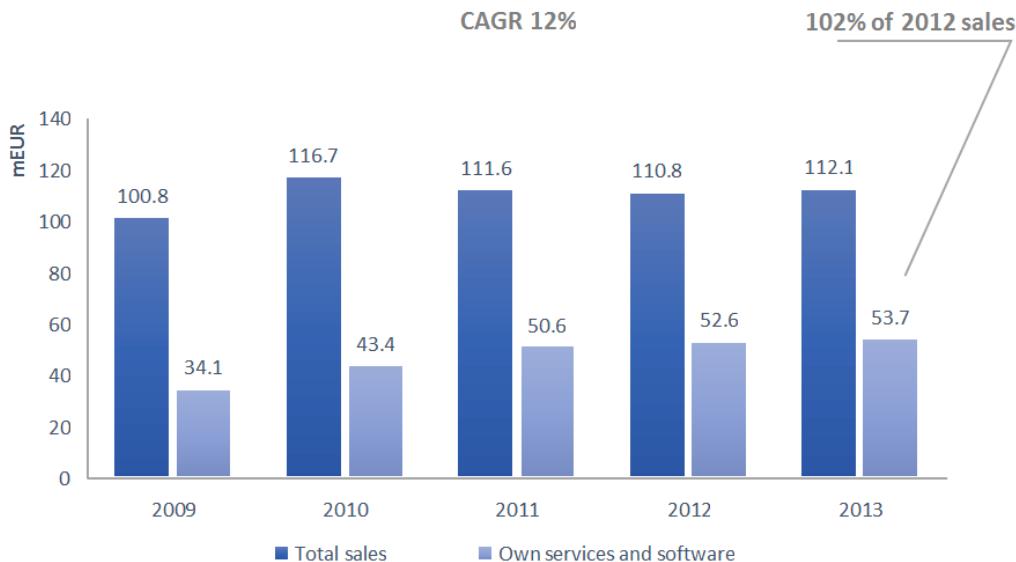
Revenues generated in New Markets



Due to the weak economic situation in the markets where ASEE Group operates, we have limited opportunities to expand the scale of our operations on the back of economic recovery. In response to such circumstances, the Management Board of ASEE is looking for factors that might stimulate the Group's development in spite of the unfavourable macroeconomic situation. Our Management believes that one of the strategic ways to achieve this goal is to increase the value of our sales in New Markets. Revenues generated in New Markets are understood as sales in new geographic locations, as well as sales of newly marketed products in the existing locations. The structure of sales as at the beginning of 2009 was adopted as a starting point for the analysis of New Markets.

As shown in the chart above, in 2013 ASEE Group managed to generate EUR 15.6 million in revenues from own services and software solutions sold in New Markets, which constitutes 123% of the total New Market sales realized in 2012. Although our sales increased as compared to the previous year, the level of completion of our ambitious annual target budgeted for 2013 was short of expectations. This is mainly due to the lower than anticipated New Market sales generated by the segments of Systems Integration and Payment Solutions. It is worth noticing that, despite the revenue growth was not as strong as expected, we successfully sustained an upward trend of New Market revenues in our total sales, as their share improved from 11% in 2012 to 14% in 2013.

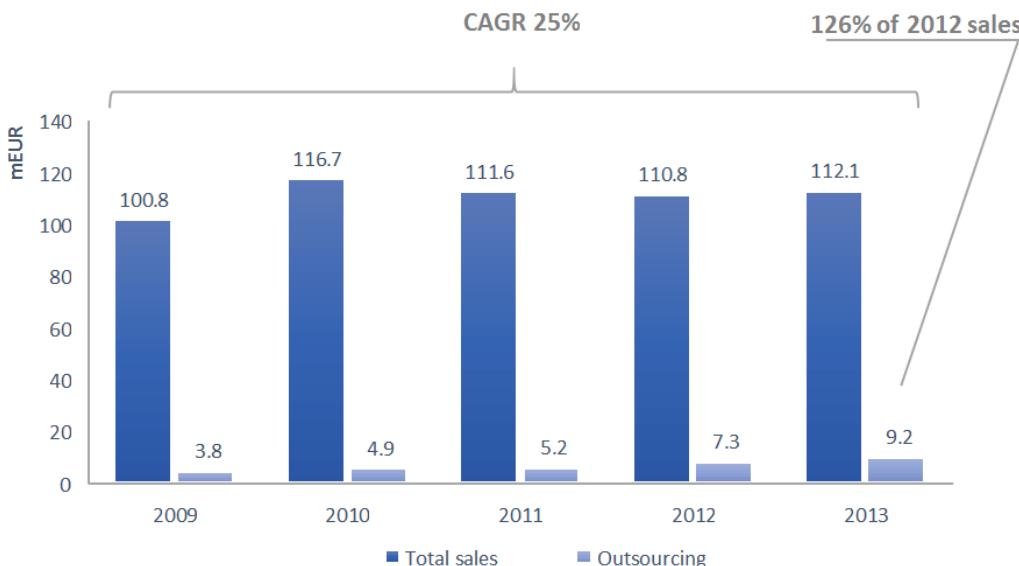
Own services and software



It is the Management's objective to focus on the provision of the Group's own services and software solutions and continually improve revenues generated therefrom. In 2013, the Group managed to generate EUR 53.6 million in revenues from its own services and software, which represents 102% of such sales realized in 2012. It is also important that the share of such revenues in the Group's total sales increased by 1 pp, this is from 47% in 2012

to 48% in 2013. Unfortunately, we were still unable to fully catch up with the ambitious annual target of nearly EUR 62 million that we adopted at the beginning of 2013. We achieved 87% of our goal, which was mainly due to the lower than anticipated revenues from implementation and modification services in the segments of Banking Solutions and Systems Integration.

Outsourcing



In recent years, ASEE Group's revenues from outsourcing services increased on average by 25% annually. Outsourcing services are sold chiefly within two operating segments of the Group, namely the Payment Solutions and the Banking Solutions.

The Payment Solutions segment includes primarily online payment settlement services (NestPay®

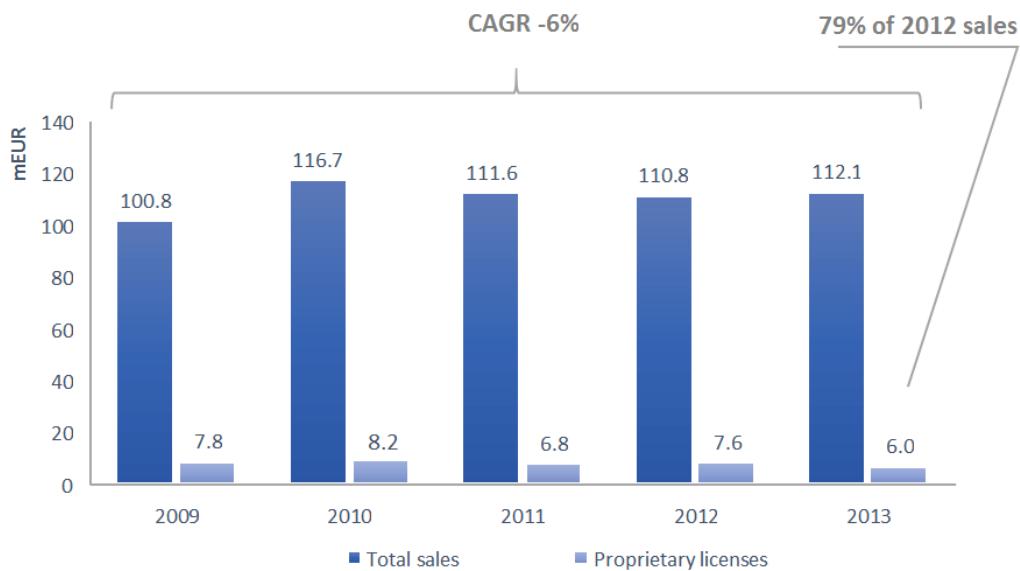
system) as well as rental of POS terminals and ATMs. Outsourcing services are also sold by our Banking Solutions segment, primarily in Serbia and Montenegro, where comprehensive e-banking services are provided both for individual and corporate clients, using a system deployed on hardware owned by the Group.

In 2013, the Group's outsourcing revenues reached 126% of those generated in 2012, which, bearing in mind the recurring nature of such revenues provides some optimistic outlook for our sales of outsourcing services throughout 2014 and in the coming years. The increase of more than EUR 1.9 million was achieved from the leasing of POS terminals (EUR 0.4 million in Croatia, EUR 0.3

million in Serbia) as well as from the provision of online payment settlement services (EUR 0.6 million).

Outsourcing revenues are also growing as portion of the Group's total sales. In 2013, their contribution reached 8.2%, growing by 1.6 percentage points as compared to 2012.

Proprietary licenses

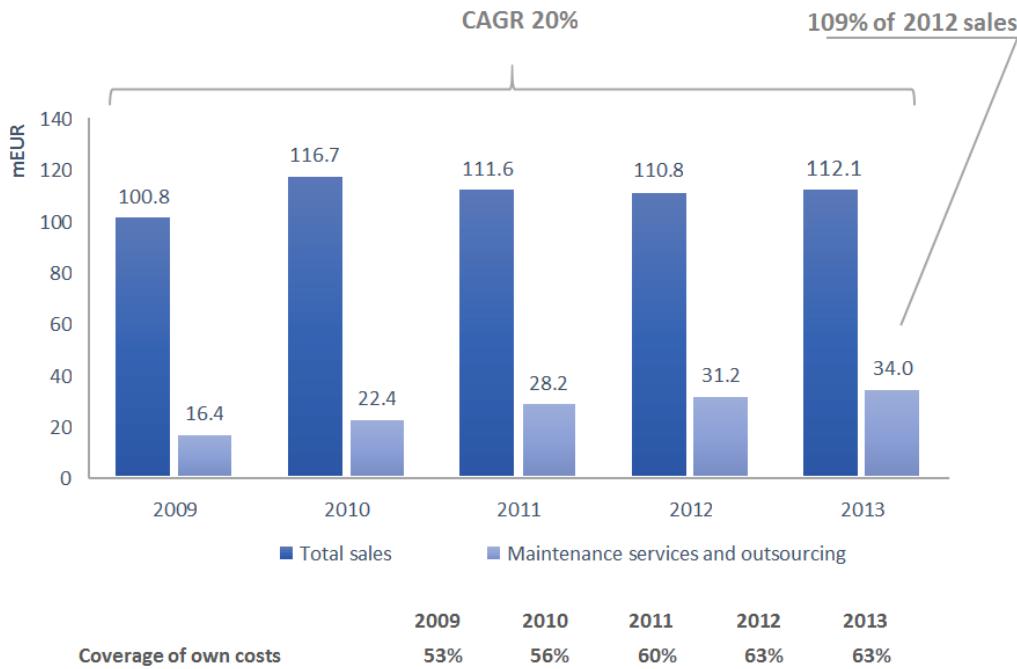


In 2013, the Group generated EUR 6 million in revenues from its proprietary licenses, which represents 79% of such sales realized in 2012. As a result, the share of licensing revenues in the Group's total sales decreased from 6.9% in 2012 to 5.4% in 2013. The deterioration in licensing revenues is mainly due to the lower sales of software licenses in the Banking Solutions segment, where we managed to achieve only 78% of our annual target for 2013. This resulted primarily from the delays or cancellations of projects for the implementation of mobile solutions executed by our subsidiaries in Croatia and Bosnia and Herzegovina, as well as weaker than expected sales of leasing and anti-

fraud solutions in Turkey. Actual licensing revenues of the Systems Integration segment were also below the target, primarily as a result of a lower than expected number of new implementations of Fidelity asset management solution.

To some extent, the decline in licensing revenues is a consequence of changes in the model of offering selected products of the Group, as well as higher sales of software offered as a service that are presented under outsourcing. This mainly concerns the NestPay® solution and our electronic banking systems.

Outsourcing and maintenance services



	2009	2010	2011	2012	2013
Coverage of own costs	53%	56%	60%	63%	63%

The above chart shows the cumulative changes in revenues from outsourcing and maintenance services, which are treated together as recurring revenues. Revenues generated from both outsourcing and maintenance services grow year by year and they continue to cover an increasingly higher portion of own operating costs, which

positively affects the stability and security of our business. The ratio of recurring revenues to own costs rose from 53% in 2009 to 63% in 2013. A 10 pp improvement in this metric was achieved primarily on higher revenues from outsourcing (an increase by 61%) and, to a lesser extent, from higher sales of maintenance services.

Structure of the consolidated statement of financial position

Structure of assets

	31 Dec. 2013 PLN '000	31 Dec. 2012 PLN '000	31 Dec. 2013 %	31 Dec. 2012 %
Non-current assets	563,393	541,123	72%	71%
Property, plant and equipment, intangible assets, and investment property	68,210	47,970	9%	6%
Goodwill	491,656	488,031	63%	64%
Other	3,527	5,122	0%	1%
Current assets	213,958	218,717	28%	29%
Inventories	17,694	16,331	2%	2%
Trade receivables and prepayments	114,902	81,103	15%	11%
Receivables from valuation of IT contracts	8,193	12,480	1%	2%
Short-term financial assets	1,915	21,287	0%	2%
Cash and cash deposits	59,126	74,153	8%	10%
Other	12,128	13,363	2%	2%
TOTAL ASSETS	777,351	759,840	100%	100%

Goodwill is the main component of assets of ASEE Group. In 2013, goodwill increased basically due to the acquisition of EŽR Croatia (an increase by PLN 12 million). The remaining changes are attributable to the appreciation or depreciation of the Polish zloty against foreign currencies in which individual items of goodwill are denominated.

Property, plant and equipment and intangible assets grew by a total of PLN 14.5 million, which

resulted primarily from increases in the value of development work completed during the year (PLN 3 million) and development work in progress (PLN 2.9 million), as well as from purchases of equipment for outsourcing projects executed in the Payment Solutions segment.

The amount of completed development projects increased mostly due to the completion of the following products: ASEBA Experience Treasury,

ASEBA Experience Relationship Manager, ASEBA Mobile Payments, modules of NestPay® and InAct. Whereas, the value of development projects in progress increased chiefly due to the capitalization of expenditures made for the development of: ASEBA Experience family products in Serbia (in the amount of EUR 1.1 million); NestPay NG, InAct NG, Fidelity and LeaseFlex solutions in Turkey (in the amount of EUR 1.4 million); and ASEBA Personal Finance Manager and Mobile Payments software in Croatia (in the amount of EUR 0.4 million).

The decrease in cash and cash deposits as well as in short-term financial assets resulted primarily from the payment of dividend for 2012 (EUR 10.1 million) and expenditures for the acquisition of EŽR Croatia (EUR 2.5 million).

Structure of equity and liabilities

	31 Dec. 2013 PLN '000	31 Dec. 2012 PLN '000	31 Dec. 2013 %	31 Dec. 2012 %
Equity	648,949	664,853	83%	88%
Non-current liabilities	12,353	5,838	2%	1%
Current liabilities	116,049	89,149	15%	11%
Interest-bearing bank loans	6,314	489	1%	0%
Trade payables and accruals	67,913	45,519	9%	6%
Deferred income	7,863	8,502	1%	1%
Liabilities arising from IT contracts	1,270	2,966	0%	0%
Financial liabilities	2,073	1,974	0%	0%
Other current liabilities	30,616	29,699	4%	4%
TOTAL EQUITY AND LIABILITIES	777,351	759,840	100%	100%

As at 31 December 2013, equity accounted for 83% of total equity and liabilities, falling from 87% as at 31 December 2012. Whereas, the share of current liabilities increased mainly on higher bank loan liabilities and trade payables.

Structure of the consolidated statement of cash flows

	Year ended 31 Dec. 2013 PLN '000	Year ended 31 Dec. 2012 PLN '000
Net cash provided by (used in) operating activities	40,538	54,213
Net cash provided by (used in) investing activities	(25,574)	(54,911)
Net cash provided by (used in) financing activities	(29,604)	(19,659)
Net decrease in cash and cash equivalents	(14,640)	(20,357)

In 2013, operating activities provided PLN 40,538 thousand in cash, which is over PLN 13 million less than in the previous year.

Short-term financial assets decreased following a disposal of Treasury bonds and withdrawal of 3 to 12-month bank deposits, both of which are forms of investing spare cash held by the Group.

Trade receivables as well as receivables arising from valuation of IT contracts increased substantially, as a result of changes in the market environment as well as changes in the exchange rates of foreign currencies used for financial reporting by the Group's subsidiaries.

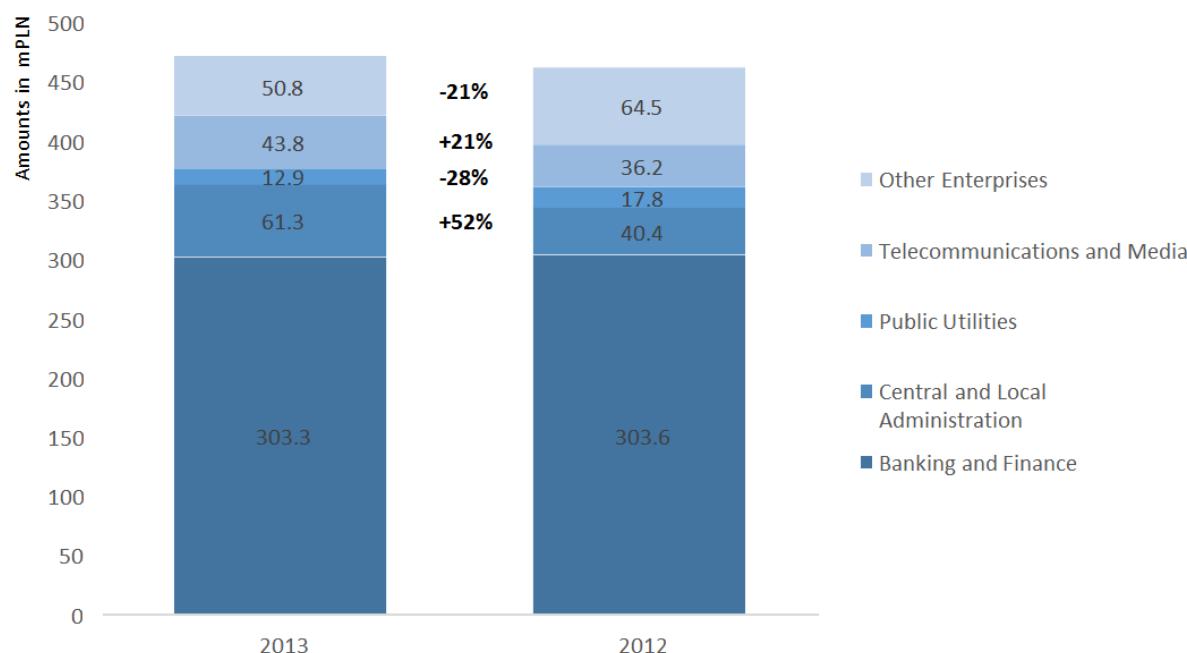
The share of other components of assets in total assets as at 31 December 2013 remained at a comparable level as at 31 December 2012.

This resulted primarily from lower earnings achieved by the Group in 2013 as well as from a higher level of working capital that increased by PLN 7.3 million from the end of 2012.

Investing activity outflows decreased mainly due to lower spending on the acquisition of new companies. In 2012, ASEE spent PLN 29.5 million to acquire Sigma Turkey and Altius Bulgaria, whereas in 2013 our acquisitions of EŽR Croatia and Uni4Gold Serbia cost just PLN 10.4 million. Additionally, in 2012 ASEE Group made higher expenditures for purchases of financial assets, while investing its spare cash.

Outflows from financing activities increased due to a considerably higher dividend paid out to the shareholders of Asseco South Eastern Europe S.A., amounting to PLN 42 million in 2013 as compared with PLN 18.7 million in 2012.

Breakdown of sales by sectors



In 2013, our sales to the sector of Banking and Finance were virtually unchanged from the previous year. This sector remains the Group's key revenue driver that accounted for 64% of our total turnover in 2013, although it was almost 1.5 pp less than a year ago. The fact of maintaining a comparable level of revenues from the Banking and Finance sector may be considered a great result, taking into account the problems faced by Serbian banks as well as lower than expected sales of our Turkish lease management solution LeaseFlex.

Revenues generated from the sector of Central and Local Administration were higher both in terms of money and as a percentage of total sales, especially as a result of big projects executed in Romania and Serbia.

In the case of the Public Utilities sector, we suffered the largest decline in Romania that was partially compensated by a strong revenue growth in Macedonia, which had a very good year in the Systems Integration segment.

Whereas, sales to the sector of Telecommunications and Media increased mostly owing to ASEE Macedonia.

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

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

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

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

- Economic situation in the region of South Eastern Europe and Turkey, especially in the context of continued weak economic conditions that may have an impact on the volume of orders and financial condition of ASEE Group's customers, as well as the future economic situation and eventual return to a sustainable growth path;
- Availability of the EU structural funds in Romania, Bulgaria and Croatia, as well as pre-accession funds in other countries;

- Condition of the IT market in the SEE region and Turkey; this part of Europe remains still way underinvested in terms of information technology as compared with the West European countries;
- Implementation of informatization processes at the region's public administration in order to upgrade the quality and functionality of their services to international standards and especially to the European Union requirements;
- Consolidation and development of the banking sector in SEE countries and Turkey;
- Prospects for expansion of the Group's operations into new markets through cooperation with partners;
- Prospects for expansion of the Group's product portfolio in connection with potential future acquisitions;
- Inflation and fluctuations in the currency exchange rates of the countries where the Group operates;
- More and more severe competition both from the local players and international IT corporations, which is observed especially when it comes to execution of large and prestigious contracts;
- Changes in the credit standing, financial liquidity, and availability of debt financing for customers;
- Opportunities and risks resulting from rapid technological changes and innovations in the IT market.

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

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

13. SIGNIFICANT RISK FACTORS AND THREATS

Material risk factors involved in the Group's business environment

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

ASEE S.A. is the parent company of the Group which runs operations in the countries of South Eastern Europe and Turkey. The Company's and the Group's strategy assumes reinforcement of our position in the region as well as further expansion in the region and in other emerging markets. As a consequence of the planned growth, business operations of ASEE may be influenced by factors depending on the economic and political stability of the region. Development of the IT services sector is closely correlated to the overall economic situation of South Eastern European countries. Our financial results are to a large extent driven by the pace of GDP growth, level of capital expenditures made by enterprises, and the inflation rate.

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

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

Risk related to intensified competition in South Eastern Europe and Turkey

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

The risk associated with the condition of the regional banking sector

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

Risk of potential legal disputes concerning copyrights

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

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

Risk of changes in local tax regulations

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

Foreign currency exposure risk

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

Material risk factors involved in the Group's business operations

Risk of fluctuations in revenues and expenditures

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

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

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

Risk associated with fixed-price contracts

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

Risk associated with gaining new IT contracts

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

may hinder our ability to achieve the expected level of growth.

Risk of becoming dependent on the key customers

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

Risk of becoming dependent on the key suppliers

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

Risk related to the profitability of integration projects

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

Risk related to insolvency or misconduct of our subcontractors

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

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

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

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

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

Risk of misfortunate acquisitions

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

Risk involved in integration of the Group

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

Risk of becoming dependent on the key management personnel

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

Risk of impairment of intangible assets

A significant portion of our consolidated balance sheet is represented by intangible assets acquired through the acquisition of companies that currently comprise ASEE Group, and to a smaller extent our proprietary software created with capitalized software development expenditures. These assets are tested for impairment at the end of each year. In the event such test showed that the fair value of an asset was lower than its carrying amount, we would have to recognize a fair value impairment write-down that would weigh on the Group's financial results. Impairment tests conducted as at 31 December 2013 did indicate a necessity to recognize any write-downs on our intangible assets; however, there is a risk that such a situation may arise in the future.

Risk of low liquidity and loss of value of our shares

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

Risk related to dividends

Our potential investors should be aware of the fact that distribution of any dividends will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. It is the Management Board intention to allocate a portion of our net earnings to dividends; however, the Company is not in the position to guarantee that such plans will be actually executed nor to determine the amounts of future dividend payments.

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

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

14. KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

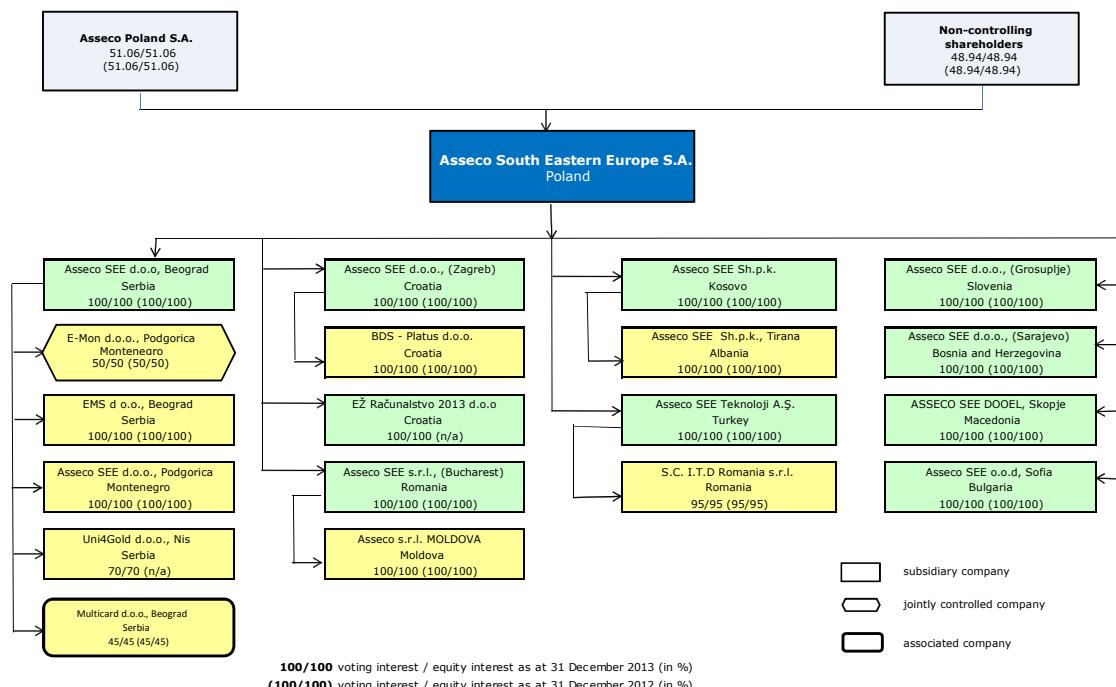
Both separate and consolidated financial statements are prepared in compliance with the International Accounting Standards (IAS) as well as the International Financial Reporting Standards (IFRS). Responsibilities under the internal control and risk management systems, as adopted by ASEE S.A. in the process of preparing its financial statements, are performed by the Management Board, Supervisory Board, Audit Committee and other employees acting in accordance with the applicable internal procedures and regulations (such as dispositions, bylaws, instructions, job descriptions of respective employees) and other regulations. Key personnel is responsible for design, implementation and monitoring of an effective and efficient internal control system as well as for identification and review of any risk exposures. The main elements of the Company's internal control system, whose objective is to eliminate the risks involved in the preparation of financial statements, are as follows:

- ongoing controls undertaken at all the levels and organizational units of the Company as well as in its subsidiaries, which shall ensure compliance with guidelines issued by the Management Board and enable identification and appropriate response to any significant risks;
- efficient and reliable information flow system, which shall enable collection and verification of data provided by the Group companies as well as prompt response in case any deviations from the budget are detected;
- annual and semi-annual audits of separate and consolidated financial statements by an entity authorized to audit financial statements;

- audit of the annual financial statements of the Group companies by the "Big Four" audit firms;
- internal regulations specifying the duties, rights and responsibilities of individual organizational units, with particular emphasis on the staff directly engaged in the preparation of financial statements;
- protection of the Company's important information and prevention against their unauthorized disclosure;
- regular monitoring of financial directors and other staff responsible for the preparation of financial reports at the companies incorporated within ASEE Group, with the aim to maintain control, identify any risks and threats, and to determine the required preventive actions.

Both separate and consolidated financial statements are drawn up by the Head of Group Reporting; whereas, their final content is subject to approval by the Company's Management Board which oversees all the business operations and processes.

Organizational structure of Asseco South Eastern Europe Group



17. RELATED PARTY TRANSACTIONS

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

Information on related party transactions carried out during the period of 12 months ended 31 December 2013 has been presented in explanatory note 29 to the annual consolidated financial statements of ASEE Group.

18. AGREEMENTS FOR BANK LOANS AND BORROWINGS

Information on liabilities of ASEE Group under bank loans and borrowings outstanding as at 31 December 2013 and 31 December 2012 has been presented in explanatory note 22 to the Group's annual consolidated financial statements for the year 2013.

19. LOANS GRANTED DURING THE FINANCIAL YEAR

Information on loans granted during the year ended 31 December 2013 has been presented in explanatory note 14 to the Group's annual consolidated financial statements for the year 2013.

20. SURETIES AND GUARANTIES

In the year ended 31 December 2013, ASEE S.A. extended a guarantee to secure repayment of a bank loan by ASEE Croatia amounting to PLN 9,908 thousand. This guarantee shall be effective till 31 May 2017.

Off-balance-sheet liabilities under sureties and guarantees granted by ASEE Group are described in item 33 of this Management report on business operations of the Group.

21. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES

During the reporting period ended 31 December 2013, we did not issue any new shares.

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

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

23. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT

During the year ended 31 December 2013, ASEE Group had no problems with timely settlement of its trade payables, payment of regulatory state charges, or with fulfilling its investment commitments.

24. FEASIBILITY OF INVESTMENT PLANS

Referring to our business strategy described in item 6, the Group's investment plans include both capital investments in new entities as well as organic growth, this is expenditures for research and development in order to enhance innovation of our product portfolio or expand our operations into new geographic markets.

Investment expenditures are financed from the Group's own funds. It is also probable that the planned company acquisitions will be financed from external sources.

Furthermore, the Group may choose to finance its investment expenditures through the issuance of new shares.

25. CHANGES IN THE POLICIES OF COMPANY AND GROUP MANAGEMENT

Changes in the Group's management policies, which were introduced in 2013, and further plans concerning the direction of such changes have been described in item 6 of this report.

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

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

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

Information on remuneration due to the Issuer's management and supervisory personnel has been disclosed in explanatory note 31 to the annual consolidated financial statements of ASEE Group for the year 2013.

28. SHAREHOLDERS STRUCTURE

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

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

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 Asseco South Eastern Europe S.A. amounted to PLN 518,942,510 and was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

29. SHARES HELD BY MANAGEMENT AND SUPERVISORY PERSONNEL

Changes in the numbers of Asseco South Eastern Europe shares held by the Company's management and supervisory staff:

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

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

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

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

³⁾ On 18 December 2013, the Company received letters of resignation from Hatice Ayas and Dražen Pehar, resigning as Members of the Management Board with effect from 31 December 2013. In the year ended 31 December 2013, Dražen Pehar sold 311,057 shares in ASEE S.A.

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

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

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

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

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

31. AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

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

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

Information on remuneration due to the entity authorized to audit financial statements has been presented in explanatory note 32 to the annual consolidated financial statements of ASEE Group for the year 2013.

33. SIGNIFICANT OFF-BALANCE-SHEET ITEMS

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.

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 (audited)
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 (audited)
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	

34. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASSECO SOUTH EASTERN EUROPE S.A. OR ITS SUBSIDIARY COMPANIES

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

35. INFORMATION ON THE ISSUER

Information on the issuer as required under § 92 sect. 4 of the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (Journal of Laws of 2009 No. 33, item 259) is included in the declaration of compliance with the corporate governance standards which has been published along with the annual report of ASEE S.A. on 19 February 2014.

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

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

Rzeszów, 19 February 2014

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

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

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

MANAGEMENT BOARD OF ASSECO SOUTH EASTERN EUROPE S.A.

Piotr Jeleński President of the Management Board

Calin Barseti Member of the Management Board

Miljan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki Member of the Management Board

Rzeszów, 19 February 2014