



**ANNUAL REPORT
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED
31 DECEMBER 2014**

Rzeszów, 18 February 2015



PRESIDENT'S LETTER
ASSECO SOUTH EASTERN EUROPE S.A.

Rzeszów, 18 February 2015

Dear Shareholders,

2014 was a successful year for AssecO South Eastern Europe Group. After a period of some slowdown, we managed to achieve growth in all key areas of our business. Total sales revenues presented in EUR increased by 7% year on year, while operating profit and net profit improved by 10% and 9%, respectively. The greatest progress was recorded in the Turkish market. We also maintained solid financial performance in Croatia, Macedonia, and Serbia. Among the major operations of ASEE, the largest revenue growth was generated by the Payment Solutions segment, whereas the profit margin improved most in the Systems Integration segment. Our last year's results were also reinforced by a successful consolidation of EŽR Croatia that was taken over by ASEE in October 2013.

Such favourable results were achieved despite the still challenging economic situation in the region and weakness of the local financial market. This was possible as ASEE Group consistently executed its business strategy by increasing the share of proprietary solutions and services in the Group's revenue structure, as well as by offering the outsourcing of complete payment processes as an alternative for the traditional model of supply and maintenance of ATMs and POS terminals.

We also benefited from the organizational changes that have been recently introduced by ASEE, including the reorganization of sales force and improving the efficiency of business operations. Focusing on our strategic products and services as well as expansion into new markets brought measurable effects as well.

Another element of our successfully implemented strategy is to boost our revenues from international banking groups, which have already tripled over the last five years to reach EUR 45.5 million in 2014.

It is worth noting that the segment of banking and financial services in the region of South Eastern Europe attracts more and more new market players, including financial institutions that have not yet been present in the Balkans as well as companies operating in other sectors.

They are looking for advanced IT solutions, which provide various access channels, including through mobile devices. By taking advantage of this trend, ASEE will be able to diversify the portfolio of its existing clients and gain new interesting contracts. A good example of such an innovative project is our last year's implementation of a comprehensive front-office system integrated with a multichannel access system for Telenor in Serbia, which resulted in opening the first direct bank in the region.

In 2015, we will continue our strategy of increasing the share of own products and services in the revenue structure. Moreover, we will further boost our sales by entering into new markets, understood as new geographical locations and new business areas in the existing territory of ASEE's operations, as well as by focusing on the implementation of projects for international banking groups. From among the markets in which the Group is currently present, the largest potential for growth is seen in Turkey and that is where ASEE should develop most dynamically in the coming years. The Group will also strive to strengthen its position in Romania and Bulgaria.

Recognizing the positive effects of the introduced organizational changes, we will continue our efforts to enhance the efficiency of our operations through better project management and greater utilization of available resources.

Finally, I would like to emphasize that everything we accomplished during the past year was possible thanks to our employees, business partners and customers. Therefore, I want to thank you all for your ongoing commitment and contribution into the very good results of ASEE in 2014, as well as to our shareholders for placing their trust with us.

Piotr Jeleński

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



**MANAGEMENT REPORT ON OPERATIONS
OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED
31 DECEMBER 2014**

Rzeszów, 18 February 2015

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OF ASSECO SOUTH EASTERN EUROPE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2014**

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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 company was founded 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 18 February 2015, 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	Miljan Mališ	Jacek Duch
Jan Dauman	Miodrag Mirčetić	Gabriela Żukowicz
Andrzej Mauberg	Marcin Rułnicki	
Mihail Petreski		
Przemysław Sęczkowski		
Gabriela Żukowicz		

In the reporting period, the Management Board composition changed as follows:

On 30 December 2014, the Company received from Mr. Călin Bârseti a letter of resignation from the position of Member of the Management Board effective from 31 December 2014.

In the period from 31 December 2014 till the publication of this report, this is till 18 February 2015, the compositions of the Company's Management Board, 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 rights at the general meetings of

shareholders/partners of subsidiaries as at 31 December 2014 and 31 December 2013.

Full name of entity	Short name as used in this report	Country of registration	Equity interest / Voting rights	
			31 Dec. 2014	31 Dec. 2013
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%
Uni4Gold d.o.o., Nis	Uni4Gold, Serbia	Serbia	70.00%	70.00%
Multicard d.o.o., Beograd	Multicard, Serbia	Serbia	45.00%	45.00%
Asseco SEE d.o.o., Podgorica	ASEE Montenegro	Montenegro	-	100.00%
Asseco SEE d.o.o. (Zagreb)	ASEE Croatia	Croatia	100.00%	100.00%
BDS-Platus d.o.o.	BDS-Platus, Croatia	Croatia	-	100.00%
EŽ Računalstvo 2013 d.o.o., (Zagreb)	EŽR Croatia	Croatia	-	100.00%
Asseco SEE Sh.p.k. (Pristina)	ASEE Kosovo	Kosovo	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	ASEE Albania	Albania	100.00%	100.00%
Asseco SEE Teknoloji A.Ş. (Istanbul)	ASEE Turkey	Turkey	100.00%	100.00%
Nestpay Odeme Hizmetleri A.S.	ASEE Nestpay	Turkey	100.00%	-
SC I.T.D Romania s.r.l.	SC I.T.D Romania	Romania	-	95.38%
Asseco SEE d.o.o., (Ljubljana)	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%
Asseco SEE d.o.o., Podgorica	ASEE Montenegro	Montenegro	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 2014, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

Within the Group's organizational structure, E-Mon Montenegro is treated as a jointly controlled company and therefore consolidated under the equity method in line with IFRS 11.

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 2014 and 31 December 2013, voting rights held by the Group 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 2014, the organizational structure of ASEE Group changed as follows:

On 2 January 2014, a merger of our two Croatian subsidiaries, namely ASEE Croatia (the taking-over

company) and EŽR Croatia (the acquired company) was registered.

On 18 June 2014, the Company acquired 1% of shares in ASEE Montenegro from ASEE Serbia, and the remaining 99% of shares on 19 August 2014. As a result of these transactions, ASEE Montenegro has become a direct subsidiary of ASEE S.A.

In the period of 12 months ended 31 December 2014, the company Platus d.o.o. (a subsidiary of ASEE Croatia) has been liquidated.

Moreover, in 2014, ASEE Turkey established a new subsidiary company NestPay that is going to offer the NestPay family products directly to retailers operating over the Internet.

The process of liquidation of SC I.T.D Romania seated in Bucharest (a subsidiary of ASEE Turkey) was completed on 3 November 2014. Shares in this company were acquired in 2010, as part of the acquisition of ITD. Turkey (presently ASEE Turkey). The above-mentioned company has been liquidated because the Group's business operations in Romania are conducted by ASEE Romania.

During the period of 12 months ended 31 December 2014, there were no other changes in the organizational structure of ASEE Group and the Issuer.

6. GROUP'S DEVELOPMENT POLICY

In 2015, the Company intends to focus on:

- further increasing the share of our own products and services in the structure of revenues;
- boosting sales by entering into new markets, understood as new geographical locations as well as offering of our products in new business areas in the existing territory of ASEE's operations;
- improving the efficiency of our operations through better project management and greater utilization of available resources.

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 product segments (Business Units), which are distinguished by different groups of our proprietary solutions as described in detail in item 2 of this report. The product portfolio of ASEE Group has been divided into: (i) own software solutions offered for the banking sector (including core banking systems, mobile solutions and security systems), (ii) payment solutions (including the provision of internet payment systems, as well as the sale and maintenance of ATMs and POS terminals), and (iii) integration of IT systems (including the sale of proprietary and third-party solutions, services, as well as the supply of IT hardware). Product development and sales strategies are formulated within our individual product segments.

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 is based on the adoption of uniform standards in performing certain key functions within the organization. The implementation of functional management is most advanced in the areas of finance, sales, human resources, marketing, and public relations. The effects of these actions translate into better coordination and planning in each of our key functional areas, and thus improve the operating efficiency of ASEE Group. In 2013, we also started

working on the unification of standards followed in our business operations. During 2014, modifications introduced to our operating procedures affected primarily the areas of project management and utilization of resources.

Sales-oriented organization

As part of implementing the functional dimension of management, in 2012, ASEE began to reorganize its sales processes. These activities were continued in both in 2013 and 2014 and involved mainly strengthening of our Sales force who work independently from the Group's geographical structure, providing more incentives for international sales regardless of the country of product origin, as well as improving the efficiency of procedures used for control and management of the sales process.

In addition, since 2013 we have introduced a new motivation scheme for our Sales 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 addition, in 2014 we have placed an extra emphasis on sales to new customers as well as on selling new solutions to the existing clients of ASEE.

Moreover, our Sales team is committed to strengthening and establishing new relationships with large customers, leaders in their industries and markets, as well as increasing the share of medium-sized and large projects in the Group's order backlog.

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 managing our projects and implementation resources.

During 2014, 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. In cooperation with the Sales team and heads of our product segments, we managed to verify our product development expenditures which helped us

rationalize the Group's budget more towards the development of strategically important products.

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

Focusing on strategic products and services

In the process of further development of ASEE, the Management intends to focus on continuing expansion and enhancement 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 intends to carry on building a comprehensive and consistent portfolio of IT solutions in each of the Group's operating segments. We are currently in the process of dividing the ASEE solutions into regional products that will be marketed only locally, and solutions with international distribution potential.

In a longer term, the Group plans to go global with several of its key software solutions, in the areas where ASEE's know-how and expertise allow us to compete with the major vendors in the market.

Irrespective of the planned concentration on our key products, the Management 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

By reorganizing its sales processes and focusing on the development of strategic products the Group will be able to achieve higher revenue growth and boost the sales of its proprietary solutions. This is one of the strategic objectives pursued by the Group and it seems that 2014 brought the first signs of improvement in these areas. Total sales of ASEE increased by 7% as compared to 2013 while revenues from proprietary solutions reached EUR 61 million, improving by 14% in comparison to the previous year.

In the Management's opinion, in order to achieve higher growth in sales of proprietary solutions, ASEE Group will need to generate more revenues in markets outside the current area of its business 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 Romania, and that is where ASEE should develop most dynamically in the coming years. The Group will also strive to strengthen its position in Bulgaria.

During 2015 and the next years, the Management intends to continue its efforts to improve the quality of project management and to increase the efficiency of available resources, among others, by strengthening the function-based management of the Group's Operations. The Management believes that these measures should contribute to improved profitability in all segments of the Group's operations, especially in the Banking Solutions segment as well as in that section of the Systems Integration segment which offers proprietary solutions of ASEE.

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 primarily regaining our position in the banking sector in Romania, as well as continued development of this segment in Bulgaria, Bosnia and Herzegovina, and Croatia. After a thorough reorganization of our Romanian team, it seems that 2015 should bring a breakthrough and improvement in the segment's financial performance. Among the countries where we just started to develop our banking sector competence, Bulgaria seems to be the most promising. In that market, in 2014, ASEE Group gained two new references for the implementation of IT systems at Bulgarian branches of international banking groups. The Management also expects further development of the banking segment in Serbia, which significantly improved its financial performance in 2014, and is currently engaged in the implementation of several new interesting projects, including a fully mobile bank for Telenor. The above-mentioned initiatives, aiming at high-quality project management and effective use of resources, should contribute to achieving higher margins of profit across the entire segment of banking solutions.

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, yet they are most successful in Croatia.

Mobile banking solutions and authentication systems can be offered separately, but also as complementary products for larger projects, such as core banking systems or multi-channel banking solutions. 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 the sale and maintenance of ATMs and POS terminals.

The division of online payment systems focuses on offering the Turkish NestPay® solution, hence Turkey is still the largest market for these products. We adopted a strategy to provide our online payment gateways in the outsourcing model. Hence, our sales revenues depend on the number of retailers who are supported by banks, acting as the clients of ASEE, as well as the volume of generated transactions. According to the Management's estimates, the number of merchants supported through banks will grow less dynamically, which was already experienced by ASEE in 2014. In response to this trend, the Management is planning to offer our online payment settlement services directly to retailers, which is one of the segment's objectives for 2015.

In the area of maintenance and sale 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 Romania, Albania and Kosovo, and strives to regain its status in Bulgaria. The year of 2014 was particularly successful for our internet payment operations in Romania, where, after two years of investments, we managed to earn the first profits from outsourcing of POS terminals. The division of physical payments handling is consistently transforming its business model from the traditional supply and maintenance of equipment into the complete process outsourcing. These actions translate into greater security and predictability of our business, as well as give ASEE Group a competitive advantage over local firms. The physical payments handling division goes on testing new products and solutions in an effort to add more value to its services.

Development of the Systems Integration segment will primarily involve strengthening the presence of our proprietary solutions on individual markets of the region. Currently, the Systems Integration segment promotes its proprietary solutions with high revenue potential, which are ready for distribution in the whole region of ASEE operations, also outside the country of product origination. The Group is also planning to increase its market share in IT solutions developed for individual large customers, mainly in the public administration sector, leveraging on experience gained in this field in Macedonia and Serbia. ASEE 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 bApO and ASEBA abSolut)**, and the other two on the **Microsoft platform (ASEBA PUB2000 and ASEBA Experience)**.

On Microsoft platform:

- ASEBA PUB2000
- ASEBA 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.

ASEBA Experience Unified Front End (*Experience Platform, Experience Branch, Customer Insight, Customer Analytics, Relationship Manager, Experience Multichannel*) is a state-of-the-art, highly-flexible and fully integrated retail banking solution platform combining the best of traditional branch service functions with an omni-channel environment, sales and services (product origination), operational and analytical CRM, workflow and process management features, thus providing an unrivalled return on investment. 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 bApO
- ASEBA abSolut

ASEBA bApO 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.

Multichannel portfolio

ASEBA Multichannel portfolio is an integrated solution for electronic banking, designed to distribute banking services over new, alternative distribution channels as well as to improve business relations and communication with customers.

This multi-channel solution transfers a more traditional business into low-cost delivery channels which not only saves money, but can also help in the process of converting a branch-based business strategy into a transaction-oriented branchless organization.

ASEBA Multichannel Solution contains a **Multichannel Hub** and a set of online channels, including Mobile/Table, Web, ATM, Facebook, and Bank Branch.

Digital 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 Experience POS
- ASEBA PFM

ASEBA Experience POS is an ideal solution for agents wishing to offer retail loans to their customers without having to visit the bank personally. It can be used in remote locations (merchants, car dealers, etc.) Being equipped with Experience POS, the bank is able to extend its distribution channels with a network of external points of sale.

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)

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™**

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.

Authentication and e-commerce solutions

- **Strong authentication solution: ASEBA SxS**

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

- Solutions for digital signature and encryption based on PKI SmartCard technology:
ASEBA PKI VAS, ASEBA PKI CMS

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).

- **E-commerce security solution: ASEBA Trides**

ASEBA Trides is a complete 3D Secure solution certified according to Verified by Visa™, MasterCard SecureCode™, American Express SafeKey™, and Diners Club ProtectBuy™ programs.

PAYMENT SOLUTIONS

Online Payment Gateway

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 24/7 operational/technical support to more than 24,000 merchants.

NestPay®

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® 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 the network of 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 the 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.

Moreover, the product portfolio of ASEE includes mobile payment solutions, HCE (Hosted Card Emulation) and M POS, 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

Asesco 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.

OTHER SOFTWARE

ASEBA Business Process Suite

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)

IVN® 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 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 public 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.

Solutions for leasing companies

- **Lease and asset management solution LeaseFlex**

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.

8. SELLING MARKETS

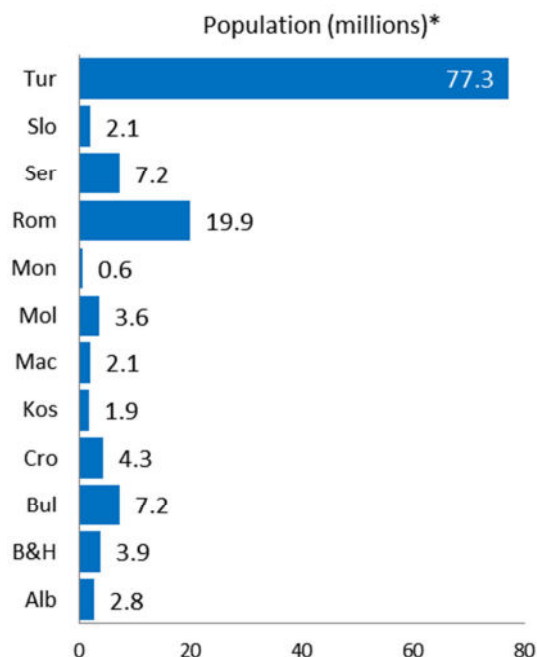
ASEE operates in the region of South Eastern Europe, which includes 11 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Kosovo, Macedonia, Moldova, Romania, Serbia, and Slovenia, as well as in Turkey and Poland.

Four of the region's countries, namely Slovenia, Romania, Bulgaria and Croatia are member states of the European Union.

The Group's biggest operations are conducted 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 business segments.

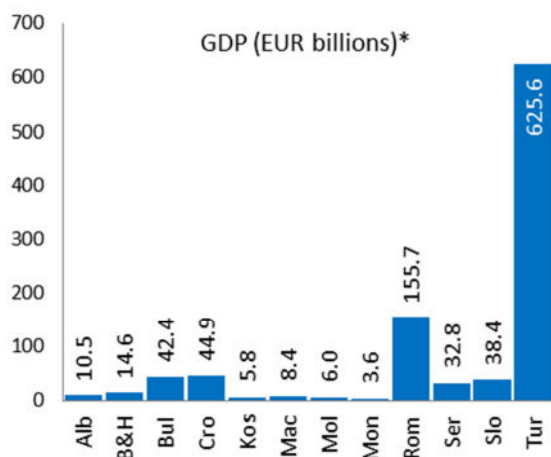
Apart from the Group's development in South Eastern Europe and Turkey, we continue efforts to increase sales of our products and services outside that region.

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

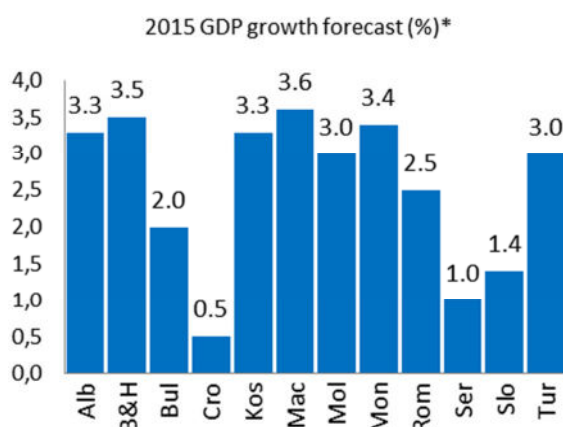


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¹ Sources: for Kosovo population: indexmundi.com, estimation of July 2014; for Moldova GDP change: The World Bank Economic Update, forecast of 2 October 2014; other data: International Monetary Fund, World Economic Outlook, October 2014;



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 forecasts for 2015 indicate the possibility of a slight economic upturn in comparison to recent years. Regrettably, the GDP of Serbia, which is the most important market for ASEE, is expected to grow by 1% only, whereas the GDP of Croatia, where 14% of the Group's revenues were generated in 2014, is seen to expand just 0.5%. Whereas, in the next three markets of the Group's largest operations (Macedonia, Turkey, and Romania) the GDP is seen to grow somewhat more dynamically, by 2.5% to 3.6%. In the Management's opinion, the projected GDP growth may translate into just a slight increase in the demand for products offered by the Group.

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 2014. The breakdown of sales revenues by client location is as follows: 23% - Romania, 23% - Serbia, 14% - Croatia, 12% - Macedonia, 9% - Turkey, and 19% in other South Eastern European countries and markets outside that region. During the year ended 31 December 2014, 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 export sales of selected solutions, expansion into New Markets, and offering of our products outside the region of South Eastern Europe in collaboration with local partners.

Having analyzed the size and purchasing power of individual markets in which the Group currently operates as well as our competitive position in particular countries, the Management of ASEE intends to concentrate its efforts on expansion of ASEE's business primarily in Turkey, but also in Romania and Bulgaria. Concurrently, the Group plans to defend its strong position in Serbia, Macedonia, Croatia, Slovenia, and Montenegro.

9. SIGNIFICANT AGREEMENTS CONCLUDED BY THE GROUP

Agreements significant for the Group's operations that were signed during 2014 are presented below in a breakdown to individual operating segments:

Banking Solutions:

- contract for implementation of ASEBA Experience and ASEBA Multichannel at Telenor Banka in Serbia,
- contract for implementation of a core banking system at Makedonska Banka in Macedonia,
- contract for implementation of a core banking system at a branch of a large regional bank in Bosnia and Herzegovina,
- contract for implementation of Experience Customer Insight and Collateral Management system at Raiffeisen Bank in Bulgaria,
- contract for implementation of a core banking system at Lovcen Banka in Montenegro,
- contract for implementation of Tezauri and a mandatory reporting system at AIK Bank in Serbia.

Payment Solutions:

- contract for outsourcing of payment processes as well as POS terminals for Banca Intesa in Serbia,
- contract for outsourcing of payment processes as well as POS terminals for Croatia Banka in Croatia,
- contract for outsourcing of payment processes as well as ATMs for Privredna Banka (Intesa Sanpaolo Group) in Croatia,
- contract for outsourcing of payment processes as well as ATMs and POS terminals for NKBM in Slovenia,
- agreement for supply and maintenance of near-field communication POS terminals for BRD Bank (Societe Generale Group) in Romania,
- contract for outsourcing of payment processes as well as ATMs including the related software for Podravska Banka in Croatia,
- contract for implementation of MerchantSafe Unipay system for the largest auction portal in Turkey.

Systems Integration:

- contract for development and implementation of a HR management solution for the Ministry of Information Society and Administration in Macedonia,
- contract for implementation of ASEBA CMS for the Electronic Health Card System in Croatia,
- contract with the Electoral Commission in Romania for supply and integration of computer hardware to support the elections process,
- three contracts for implementation of LeaseFlex system for two clients in Turkey and one in Saudi Arabia,
- contract for implementation of ASEBA LIVE for NLB Tutunska Banka in Macedonia,
- contract for development and implementation of an Application Performance Management System based on Compuware solution for a large bank in Turkey,
- contract for implementation of ASEBA BPS at a Bulgarian branch of a large international bank,
- contract for the implementation of ASEBA BPS at Komercijalna Banka in Serbia.

10. INFORMATION ON GEOGRAPHICAL STRUCTURE OF FINANCIAL RESULTS

For the year ended 31 December 2014 in PLN thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	2,431	13,250	3,948	70,270	8,257	17,531	63,631	6,774	116,665	137,036	11,110	50,027	500,930
Cost of sales (-)	(1,550)	(9,069)	(4,037)	(53,213)	(5,745)	(15,398)	(49,142)	(4,953)	(99,237)	(103,032)	(8,618)	(29,343)	(383,337)
Gross profit on sales	881	4,181	(89)	17,057	2,512	2,133	14,489	1,821	17,428	34,004	2,492	20,684	117,593
Selling costs (-)	(127)	(1,306)	(524)	(4,991)	(418)	(717)	(3,133)	(1,451)	(7,127)	(10,937)	(271)	(5,458)	(36,460)
General and administrative expenses (-)	(399)	(1,567)	(858)	(6,082)	(633)	(1,140)	(2,941)	(49)	(5,397)	(8,126)	(926)	(7,038)	(35,156)
Net profit (loss) on sales	355	1,308	(1,471)	5,984	1,461	276	8,415	321	4,904	14,941	1,295	8,188	45,977
Other operating income	2	26	87	200	41	87	695	49	106	198	16	169	1,676
Other operating expenses	-	(254)	(4)	(337)	-	(67)	(441)	(31)	(90)	(452)	-	(19)	(1,695)
Share of profits of associates	-	-	-	-	493	-	-	-	-	(219)	-	-	274
Operating profit (loss)	357	1,080	(1,388)	5,847	1,995	296	8,669	339	4,920	14,468	1,311	8,338	46,232

For the year ended 31 December 2014 in EUR thousands	Albania	Bosnia	Bulgaria	Croatia	Montenegro	Kosovo	Macedonia	Poland	Romania	Serbia	Slovenia	Turkey	Total
Sales revenues	581	3,163	942	16,774	1,971	4,185	15,189	1,617	27,849	32,712	2,652	11,942	119,577
Cost of sales (-)	(370)	(2,165)	(964)	(12,702)	(1,371)	(3,676)	(11,731)	(1,182)	(23,689)	(24,595)	(2,057)	(7,004)	(91,506)
Gross profit on sales	211	998	(22)	4,072	600	509	3,458	435	4,160	8,117	595	4,938	28,071
Selling costs (-)	(30)	(312)	(125)	(1,191)	(100)	(171)	(748)	(346)	(1,701)	(2,611)	(65)	(1,303)	(8,703)
General and administrative expenses (-)	(95)	(374)	(205)	(1,452)	(151)	(272)	(702)	(12)	(1,288)	(1,940)	(221)	(1,680)	(8,392)
Net profit (loss) on sales	86	312	(352)	1,429	349	66	2,008	77	1,171	3,566	309	1,955	10,976
Other operating income	-	6	21	48	10	21	166	12	25	47	4	40	400
Other operating expenses	-	(61)	(1)	(80)	-	(16)	(105)	(7)	(22)	(108)	-	(5)	(405)
Share of profits of associates	-	-	-	-	118	-	-	-	-	(53)	-	-	65
Operating profit (loss)	86	257	(332)	1,397	477	71	2,069	82	1,174	3,452	313	1,990	11,036

The above figures have been converted at the average exchange rate for the period from 1 January 2014 to 31 December 2014: EUR 1 = PLN 4.1892

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	6,348	17,308	79,387	8,200	104,280	128,037	9,238	45,921	470,401
Cost of sales (-)	(1,187)	(9,345)	(3,193)	(37,085)	(4,357)	(13,607)	(65,035)	(5,370)	(86,434)	(96,723)	(6,523)	(29,388)	(358,247)
Gross profit on sales	972	5,096	708	14,096	1,991	3,701	14,352	2,830	17,846	31,314	2,715	16,533	112,154
Selling costs (-)	(235)	(1,039)	(467)	(5,799)	(335)	(1,002)	(2,911)	(1,335)	(7,489)	(10,199)	(512)	(4,197)	(35,520)
General and administrative expenses (-)	(332)	(1,670)	(529)	(5,341)	(465)	(1,118)	(3,599)	(761)	(4,841)	(8,219)	(916)	(7,480)	(35,271)
Net profit (loss) on sales	405	2,387	(288)	2,956	1,191	1,581	7,842	734	5,516	12,896	1,287	4,856	41,363
Other operating income	24	102	29	671	29	85	338	16	166	27	-	104	1,591
Other operating expenses	-	(166)	(28)	(238)	(20)	(50)	(104)	(3)	(271)	(84)	(34)	(346)	(1,344)
Share of profits of associates	-	-	-	-	505	-	-	-	-	-	-	-	505
Operating profit (loss)	429	2,323	(287)	3,389	1,705	1,616	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	1,507	4,110	18,852	1,947	24,764	30,407	2,194	10,905	111,708
Cost of sales (-)	(282)	(2,219)	(758)	(8,807)	(1,035)	(3,231)	(15,444)	(1,275)	(20,526)	(22,969)	(1,549)	(6,979)	(85,074)
Gross profit on sales	231	1,210	168	3,347	472	879	3,408	672	4,238	7,438	645	3,926	26,634
Selling costs (-)	(56)	(247)	(111)	(1,377)	(80)	(238)	(691)	(317)	(1,778)	(2,421)	(122)	(997)	(8,435)
General and administrative expenses (-)	(79)	(397)	(126)	(1,268)	(110)	(265)	(855)	(181)	(1,150)	(1,951)	(218)	(1,776)	(8,376)
Net profit (loss) on sales	96	566	(69)	702	282	376	1,862	174	1,310	3,066	305	1,153	9,823
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)
Share of profits of associates	-	-	-	-	120	-	-	-	-	-	-	-	120
Operating profit (loss)	102	551	(69)	804	404	384	1,917	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

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

	3 months ended 31 Dec. 2014 (unaudited)	3 months ended 31 Dec. 2013 (unaudited)	Change %	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2013 (restated)	Change %
PLN'000						
Sales revenues	165,473	150,141	10%	500,930	470,401	6%
Gross profit on sales	36,451	33,826	8%	117,593	112,154	5%
Net profit on sales	16,112	13,858	16%	45,977	41,363	11%
Operating profit	15,766	13,456	17%	46,232	42,115	10%
EBITDA	22,281	17,165	30%	69,244	56,051	24%
Net profit for the reporting period	13,719	12,173	13%	39,040	35,967	9%
Net profit attributable to Shareholders of the Parent Company	13,672	12,154	12%	39,035	35,949	9%

	3 months ended 31 Dec. 2014 (unaudited)	3 months ended 31 Dec. 2013 (unaudited)	Change %	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2013 (audited)	Change %
EUR'000						
Sales revenues	39,328	35,873	10%	119,575	111,708	7%
Gross profit on sales	8,660	8,086	7%	28,070	26,634	5%
Net profit on sales	3,831	3,310	16%	10,975	9,823	12%
Operating profit	3,748	3,215	17%	11,036	10,001	10%
EBITDA	5,319	4,076	30%	16,529	13,311	24%
Net profit for the reporting period	3,261	2,907	12%	9,318	8,541	9%
Net profit attributable to Shareholders of the Parent Company	3,251	2,903	12%	9,318	8,537	9%

The financial results achieved by ASEE Group in the fourth quarter and in the whole year of 2014 were significantly better than in the previous year. Our financial performance improved primarily due to higher sales generated by the Payment Solutions

segment as well as greater profitability of the Systems Integration segment. The most important events that affected the financial results reported by ASEE Group are presented below.

Sales revenues by segments

	3 months ended 31 Dec. 2014 (unaudited)	3 months ended 31 Dec. 2013 (unaudited)	Change %	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2013 (restated)	Change %
PLN'000						
Banking Solutions	40,691	37,936	7%	125,499	123,551	2%
Payment Solutions	36,900	32,949	12%	135,352	112,001	21%
Systems Integration	87,882	79,256	11%	240,079	234,849	2%
	165,473	150,141	10%	500,930	470,401	6%

In 2014, sales revenues presented in PLN and EUR increased by 6% and 7%, respectively. This represents an increase by EUR 7.8 million in comparison to the year 2013.

Higher revenues were generated primarily by the Payment Solutions segment whose 2014 sales increased by EUR 5.7 million or over 21% year on year. This was accomplished largely (approx. EUR 2.3 million) due to the consolidation of EŽR Croatia, which was taken over by ASEE S.A. on 23 October 2013. Apart from the above-mentioned acquisition, revenues of the Payment Solutions segment in Croatia increased also as a result of organic growth (by more than PLN 1.8 million). If compared with 2013, sales revenues increased

also in Romania (by EUR 0.5 million), Slovenia (by EUR 0.4 million), Serbia (by EUR 0.3 million), as well as in Turkey (by EUR 0.5 million) on the back of growing volume of online payment transactions being settled with the help of NestPay® solution.

In 2014, sales revenues generated by the Banking Solutions segment reached EUR 29.9 million, increasing by EUR 0.6 million or over 2% as compared with the previous year. This resulted mainly from higher revenues generated by this segment in Serbia (an increase by EUR 1.1 million) which is engaged in the execution of significant banking projects both on the local market (e.g. Telenor) and in the region (e.g. Raiffeisen in Bulgaria), as well as in Turkey (an increase by

EUR 0.5 million) thanks to higher sales of the LeaseFlex system. Whereas, the largest deterioration in the sales of banking solutions was observed in Romania (a decrease by EUR 1.4 million). During the year 2014, ASEE did not carry out any significant banking project in Romania, hence the segment's revenues were substantially weaker than a year ago when we implemented a core banking system for Intesa Sanpaolo.

Sales revenues generated by the Systems Integration segment in 2014 reached EUR 57.3 million, increasing by EUR 1.5 million or nearly 3% as compared to the last year. The largest improvement in ASEE Group's revenues from systems integration was achieved in Romania (an increase by EUR 3.9 million or almost 20%) where we completed several significant projects in 2014, including the supply of IT hardware used for the European Parliament and presidential elections. Whereas, the largest revenue deterioration was suffered in Macedonia (by EUR 3.1 million), where sales of infrastructure were much stronger in 2013 than in 2014. In the same period, the Systems Integration segment generated higher revenues also in Serbia (by EUR 0.4 million) and in Montenegro (by EUR 0.5 million), which is a New Market within this operating segment of ASEE Group.

Net profit on sales by segments

PLN'000	3 months ended 31 Dec. 2014 (unaudited)	3 months ended 31 Dec. 2013 (unaudited)	Change %	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2013 (restated)	Change %
Banking Solutions	5,953	3,602	65%	12,966	15,093	-14%
Payment Solutions	5,516	4,574	21%	21,474	18,192	18%
Systems Integration	4,643	5,296	-12%	11,537	8,078	43%
Net profit on sales	16,112	13,472	20%	45,977	41,363	11%

Consolidated net profit on sales for 2014 improved owing to stronger results achieved by our Systems Integration segment and Payment Solutions segment, which were partially offset by a weaker performance from the Banking Solutions segment. The reasons behind such changes have been described in more detail in the above section on sales revenues as well as in the below section discussing our operating profit.

Operating profit and EBITDA

Operating profit of ASEE Group for the fourth quarter of 2014 amounted to EUR 3.75 million, increasing by EUR 533 thousand or as much as 16% if compared with the fourth quarter of 2013. Consequently, our operating profit for the full year 2014 reached EUR 11.04 million, improving by more than EUR 1 million or 10% year on year.

Gross profit on sales

An increase in sales revenues by nearly EUR 7.8 million was accompanied by an increase in the cost of sales by slightly more than EUR 6.3 million as a result of which our gross profit on sales improved by EUR 1.4 million or 5.4% if compared with 2013.

The cost of sales was higher basically due to an increase in production costs by EUR 6.4 million, of which EUR 2.1 million represented additional depreciation charges on equipment provided to our clients under the outsourcing of payment solutions. In the same period, the cost of goods, materials and third-party services sold (COGS) equalled EUR 49 million, remaining at a similar level as a year ago.

Changes in the cost of sales reflect a greater share of our own services and solutions in the Group's revenues.

Net profit on sales

In 2014, our consolidated net profit on sales improved by EUR 1.15 million, as a cumulative effect of an increase in gross profit on sales by EUR 1.43 million, increase in selling expenses by EUR 250 thousand, and a similar level of general and administrative expenses.

Such an improvement in operating profit was achieved primarily due to higher margins of profit in the Systems Integration segment as well as expanded scale of operations of the Payment Solutions segment. These positive changes were partially offset by weaker operating results of our Banking Solutions segment.

It should be mentioned that operating profit for 2013 was boosted by a one-off transaction of selling our team that worked for the telecommunications sector clients in Croatia (an increase by EUR 119 thousand). On the other hand, in the fourth quarter of 2013, the Group had to write down its revenues and receivables following the bankruptcy of Privredna Banka, which reduced its operating profit by EUR 615 thousand.

Operating profit achieved by the Systems Integration segment surged to EUR 2.8 million,

from EUR 1.9 million reported for 2013. This reflects an increase by more than EUR 880 thousand or almost 50%. Such an improvement was accomplished largely thanks to our Romanian operations (an increase by EUR 540 thousand), where in 2014 our Systems Integration segment executed a number of significant contracts, including for the needs of conducting the local parliamentary and presidential elections. Another significant factor was the reversal of an allowance for receivables under the e-Romania project, which contributed EUR 170 thousand to the segment's results in Romania in the first quarter of 2014. Higher operating profit was achieved also in Croatia (an increase by EUR 520 thousand), where the Systems Integration segment underwent a major restructuring process in 2013. The segment's operating performance improved also in Macedonia, although to a slightly lesser extent (EBIT increased by EUR 170 thousand despite weaker sales). On the other hand, 2014 was a considerably worse year for our Systems Integration segment in Kosovo, where operating profit declined by EUR 310 thousand year on year.

Operating profit generated by the Payment Solutions segment for 2014 reached EUR 5.19 million, improving by nearly EUR 870 thousand or 20% year on year. Stronger results were achieved both in the area of handling of physical payments and processing of online payments.

The growth in EBIT from physical payments handling was delivered mainly by Croatia (an increase by EUR 510 thousand). Despite the dynamic development of our outsourcing of payment solutions in Croatia, a significant portion of the increase in operating profit was earned on equipment provided in the traditional model of delivery and maintenance of payment infrastructure. The Payment Solutions segment recorded stronger results also in Romania (an increase by EUR 140 thousand), which is a New Market for our physical payments handling. Nonetheless, we failed to enhance the segment's financial performance in Bulgaria, where operating profit declined by EUR 280 thousand year on year.

In 2014, our operating performance improved also in the area of online payments processing. The NestPay family solutions contributed nearly EUR 1.9 million to the Group's operating profit, this is EUR 430 thousand or 19% more than last year. These operations are conducted by ASEE Group mainly in Turkey.

Operating profit of our Banking Solutions segment deteriorated from EUR 3.59 million reported for 2013 to EUR 3.01 million, suffering a decrease by EUR 0.57 million or almost 16%. Lower EBIT generated by the Banking Solutions segment was a consequence of weaker sales primarily in Romania. In 2014, the segment's revenues in Romania amounted to EUR 3.4 million only, decreasing by EUR 1.39 million in comparison to 2013 and weighing on the segment's operating profit which declined by EUR 730 thousand over the same period. This resulted mainly from the lack of large projects, including implementations of core banking systems, which generated a substantial portion of last year's profits. Operating profit of the Banking Solutions segment dropped also in Croatia (a decrease by EUR 440 thousand), where we invested in the development of our mobile solutions team, as well as in Bosnia (a decrease by EUR 220 thousand) and Macedonia (a decrease by EUR 110 thousand). These decreases were partially compensated by stronger operating results achieved in Serbia (an increase by EUR 680 thousand), where in 2014 we did not recognize any write-downs comparable to those resulting from the bankruptcy Privredna Banka in 2013, as well as in Turkey (an increase by EUR 280 thousand) primarily owing to higher sales of the LeaseFlex leasing management solution.

Our consolidated EBITDA for 2014 reached EUR 16.5 million, improving by EUR 3.2 million or 24% in comparison to the previous year. The most significant growth of EBITDA (by over EUR 2.6 million or 47%) was recorded in the Payment Solutions segment, where EBITDA increased faster than operating profit as a result of higher depreciation of equipment provided to our clients in the outsourcing model. In 2014, EBITDA generated by the Systems Integration segment increased by EUR 940 thousand or 34%, whereas in the Banking Solutions segment it declined by EUR 240 thousand. The Banking Solutions EBITDA decreased less than EBIT as the segment started to amortize the capitalized costs of its development projects in Serbia and Croatia.

Net profit

Net profit achieved by ASEE Group for 2014 amounted to EUR 9.3 million and increased by EUR 777 thousand or 9% year on year.

Our net profit improved slightly less dynamically than operating profit, primarily due to the result from financial operations that was close to zero in 2014, whereas in 2013 the Group earned a net financial income of nearly EUR 300 thousand. The result from financial operations deteriorated as a consequence of financial expenses on bank loans that have been taken to finance purchases of equipment for the outsourcing of our payment solutions. In 2014, we incurred approx. EUR 370 thousand of such expenses as compared with only EUR 30 thousand in 2013. Furthermore, we obtained less interest income due to the lower balances of cash deposits held by the Group companies as well as lower interest rates.

In 2014, the Group's effective tax rate equalled 15.53% as compared with 17.07% in 2013. The effective tax rate decreased as the Group's pre-tax profit for 2014 was higher than for 2013, while our income tax expense remained at a similar level.

The similar level of income tax expense was maintained despite higher current income tax incurred primarily in Serbia (on stronger profits).

The above-mentioned increase in current tax expense was offset by the origination or reversal of temporary differences with a positive impact on financial results primarily in ASEE S.A. (establishing of deferred tax assets related to an increase in provisions in 2014), as well as in ASEE Serbia (establishing of deferred tax assets related to higher write-downs on inventories).

Analysis of financial ratios

	3 months ended 31 Dec. 2014 (unaudited)	3 months ended 31 Dec. 2013 (unaudited)	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2013 (restated)
Gross profit margin	22.0%	22.5%	23.5%	23.8%
EBITDA margin	13.5%	11.4%	13.8%	11.9%
Operating profit margin	9.5%	9.0%	9.2%	9.0%
Net profit margin	8.3%	8.1%	7.8%	7.6%
Return on equity (ROE)			5.9%	5.5%
Return on assets (ROA)			4.8%	4.7%

The above ratios have been computed using the following formulas:

Gross profit margin = gross profit on sales / 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

In the fourth quarter of 2014, our gross profit margin equalled 22.0% as compared with 22.5% reported for the corresponding period last year. Whereas, in the whole 2014, gross profit margin equalled 23.5%, showing a slight decline by 0.3 pp year on year.

EBITDA margin for the fourth quarter of 2014 was 2.1 percentage points higher than in the comparable period last year and reached 13.5%. EBITDA margin for the period of 12 months of 2013 equalled 11.9% and in 2014 it improved to 13.8%. This increase, by nearly 2 percentage points, resulted primarily from higher depreciation charges recognized by the Payment Solutions segment on its equipment purchased for the provision of outsourcing of payment processes, which becomes more and more popular in the region.

Our operating profit margin equalled 9.5% in the fourth quarter and 9.2% in the whole year of 2014, recording a slight increase from 9% reported both for the fourth quarter and the whole year of 2013.

Our net profit margin improved a little both in the fourth quarter and the whole year of 2014 in comparison with the previous year, reaching 7.8% for the last twelve months.

Stronger financial results achieved for 2014 contributed to a slight increase in the rate of return metrics. Over the period of last 12 months, our return on equity (ROE) increased by 0.4 pp to 5.9%, while return on assets (ROA) improved by 0.1 pp to 4.8%.

	31 Dec. 2014 (audited)	31 Dec. 2013 (restated)
Working capital (in PLN thousands)	92,766	96,400
Current liquidity ratio	1.65	1.83
Quick liquidity ratio	1.44	1.61
Absolute liquidity ratio	0.64	0.52

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 working capital decreased by more than PLN 3.6 million in comparison with the end of 2013. Current assets and current liabilities reported by ASEE Group were both higher, however our current liabilities increased more basically due to a considerably larger

amount of loans falling due during 2015. The vast majority of the amount of PLN 21 million, disclosed in the line of current bank loans and borrowings, is represented by investment loans to be repaid in 2015 that were incurred for purchases of POS terminals and ATMs provided to our clients under the outsourcing of payment processes.

The values of our current liquidity and quick liquidity ratios declined slightly as compared to the end of 2013, however the absolute liquidity ratio increased due to a higher balance of cash and cash equivalents at the end of 2014. All of our liquidity ratios remain at safe levels.

Structure of the consolidated statement of financial position

Structure of assets

	31 Dec. 2014 PLN'000	31 Dec. 2013 PLN'000	31 Dec. 2014 %	31 Dec. 2013 %
Non-current assets	612,945	564,377	72%	73%
Property, plant and equipment	69,846	33,897	8%	4%
Intangible assets	38,114	32,772	4%	4%
Goodwill	498,113	491,656	59%	63%
Other	6,872	6,052	1%	1%
Current assets	235,352	212,438	28%	27%
Inventories	16,339	17,669	2%	2%
Trade receivables and prepayments	103,291	114,669	12%	15%
Receivables from valuation of IT contracts	14,632	8,193	2%	1%
Short-term financial assets	2,646	1,438	0%	0%
Cash and cash deposits	88,973	58,353	10%	8%
Other	9,471	12,116	1%	2%
TOTAL ASSETS	848,297	776,815	100%	100%

Goodwill is the main component of ASEE Group's assets. The amounts of goodwill may change following an appreciation or depreciation of the Polish zloty against the foreign currencies in which individual items of goodwill are denominated.

The increase in property, plant and equipment by PLN 35.9 million, and their higher share in the value of total assets, resulted primarily from purchases of infrastructure used in the outsourcing services of payment processes provided by our Payment Solutions segment.

Intangible assets are higher by PLN 5.3 million, mainly due to an increase of PLN 4 million in the value of capitalized development projects. In 2014, such capitalized costs were increased by capitalization of product development costs amounting to PLN 8.2 million, and decreased by

amortization of software that has been already set into use amounting to PLN 5.2 million. Whereas, the impact of foreign currency translation differences amounted to approx. PLN 1 million.

The increase in cash and cash equivalents by PLN 30.6 million resulted primarily from high cash flows from our operating activities, achieved by managing the level of working capital (a decrease in receivables) as well as by financing of a large portion of expenditures for property, plant and equipment (totalling at PLN 52.3 million in 2014) with proceeds from bank loans (totalling at PLN 38.7 million in 2014).

Other components of assets represented a similar portion of the total value of assets both as at 31 December 2014 and 31 December 2013.

Structure of equity and liabilities

	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	PLN'000	PLN'000	%	%
Equity	679,168	648,424	80%	83%
Non-current liabilities	26,543	12,353	3%	2%
Current liabilities	142,586	116,038	17%	15%
Interest-bearing bank loans	22,051	6,314	3%	1%
Trade payables and accruals	75,601	67,902	9%	9%
Deferred income	7,033	7,863	1%	1%
Liabilities arising from provisions and IT contracts	3,997	1,270	0%	0%
Financial liabilities	2,274	2,073	0%	0%
Other current liabilities	31,630	30,616	4%	4%
TOTAL EQUITY AND LIABILITIES	848,297	776,815	100%	100%

As at 31 December 2014, equity accounted for 80% of total equity and liabilities, declining from 83% reported as at 31 December 2013. Whereas, the share of current liabilities increased mainly on higher bank loan liabilities and trade payables. Our bank loan liabilities increased as the Group companies use more and more external capital to finance the outsourcing of payment processing services.

Structure of the consolidated statement of cash flows

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	PLN'000	PLN'000
Net cash provided by (used in) operating activities	72,863	40,538
Net cash provided by (used in) investing activities	(59,049)	(25,574)
Net cash provided by (used in) financing activities	14,760	(29,604)
Net increase (decrease) in cash and cash equivalents	28,574	(14,640)

In 2014, our operating activities provided almost PLN 32.5 million more cash than in the previous year. Such increase resulted primarily from changes in the Group's working capital which depended on the value and phase of implemented projects. The level of working capital was affected mostly by changes in the balance of receivables which was very high at the end of 2013. During 2014, the Group collected receivables from large IT projects executed in Macedonia, Croatia, Kosovo as

well as in Slovenia, which remained outstanding as at 31 December 2013. In 2014, we also incurred higher depreciation charges which amounted to PLN 23 million as compared with PLN 14 million in 2013. The increase in depreciation was a consequence of our investments in POS terminals and ATMs that are used for the outsourcing of payment processes.

Expenditures in investing activities increased as the Group further expanded its outsourcing operations within the Payment Solutions segment. As we continue to shift from the sale of POS terminals and ATMs to the model of complete payment transaction processing, including the provision of infrastructure, we incur higher expenditures for equipment purchases. In 2014, we spent nearly PLN 45 million for this purpose. Other investing outflows were mainly related to our ongoing research and development projects that absorbed PLN 8.2 million in 2014.

Our expenditures for purchases of infrastructure used in the provision of outsourcing of payment processes are to a large extent financed with external capital, resulting in a growing need for financing inflows. The total amount of bank loans obtained in order to finance the above-mentioned expenditures increased by more than PLN 35 million in 2014. Whereas, the largest outflows from financing activities included a partial repayment of our debt as well as PLN 16.6 million of dividends paid out to the shareholders of ASEE in 2014.

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.

The Management Board of ASEE S.A. believes the Group's current financial standing, production potential and market position pose no threats to its ability to continue as a going concern throughout 2015. However, there are numerous factors, of both internal and external nature, 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 local and international IT companies, which is observed especially when it comes to the 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 our managerial staff;
- Transparent and efficient organizational structure of the Group;
- Experience in the execution of complex IT projects involving the provision of diversified services in broad geographical regions;
- Effective activities of our 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

Major 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 are becoming 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 providers 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 a 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.

Major 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 is mission critical for the operations 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 are trying to take over businesses 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 subsidiaries. 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 value, 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 2014 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.

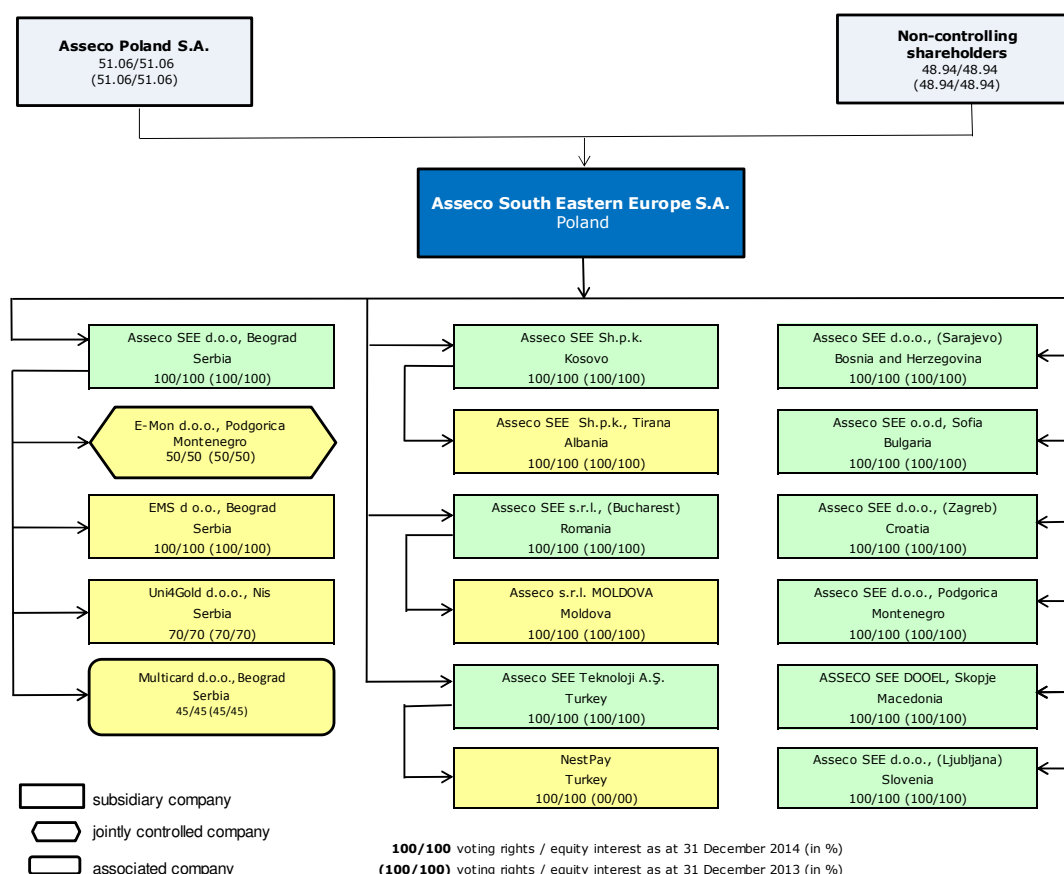
15. MAJOR CAPITAL INVESTMENTS

Our capital investments have been described in items 4 and 5 of this Management Report on Operations of ASEE Group.

16. ORGANIZATIONAL AND EQUITY RELATIONSHIPS OF THE ISSUER

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

Organizational structure of Asseco South Eastern Europe Group



17. RELATED PARTY TRANSACTIONS

During 2014, neither Asseco South Eastern Europe S.A. nor any of its subsidiaries conducted 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 2014 has been presented in explanatory note 28 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 2014 and 31 December 2013 has been presented in explanatory note 21 to the Group's annual consolidated financial statements for the year 2014.

19. LOANS GRANTED DURING THE FINANCIAL YEAR

Information on loans granted during the year ended 31 December 2014 has been presented in explanatory note 13 to the Group's annual consolidated financial statements for the year 2014.

20. SURETIES AND GUARANTIES

Off-balance-sheet liabilities under sureties and guaranties issued within ASEE Group have been described in explanatory note 20 to the separate financial statements of Asseco South Eastern Europe S.A.

21. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES

During the reporting period ended 31 December 2014, 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 2014, 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 2014, 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 30 to the annual consolidated financial statements of ASEE Group for the year 2014.

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. 18 February 2015, and as at 31 December 2014, the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights 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	3,820,000	7.36%
Other shareholders	12,930,012	24.91%
	51,894,251	100.00%

The shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders as at 31 December 2013 were as follows:

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights 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%

Both as at 31 December 2014 and 31 December 2013, the share capital of Asseco South Eastern Europe S.A. amounted to PLN 518,942,510 and was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

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			
	18 Feb. 2015	31 Dec. 2014	24 Oct. 2014	31 Dec. 2013
Adam Góral ¹⁾	-	-	-	-
Jacek Duch ²⁾	-	-	-	-
Jan Dauman	-	-	-	-
Andrzej Mauberg	-	-	-	-
Mihail Petreski ³⁾	-	-	-	-
Przemysław Sęczkowski	-	-	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	18 Feb. 2015	31 Dec. 2014	24 Oct. 2014	31 Dec. 2013
Piotr Jeleński	550	550	550	550
Călin Bârseti ⁴⁾	n/a	-	-	-
Miljan Mališ ⁵⁾	-	-	-	-
Miodrag Mirčetić ⁶⁾	-	-	-	-
Marcin Rułnicki	-	-	-	-

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 2014, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

²⁾ Jacek Duch, 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 2014, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

³⁾ 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 2014, Liatris d.o.o. held 3,838,683 shares in ASEE S.A.

⁴⁾ On 30 December 2014, the Company received from Mr. Călin Bârseti a letter of resignation from the position of Member of the Management Board effective from 31 December 2014.

⁵⁾ 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 2014, Mini Invest d.o.o. held 835,597 shares in ASEE S.A.

⁶⁾ 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 2014, I4 INVENTION d.o.o. held 1,422,973 shares in ASEE S.A. During the year ended 31 December 2014, this company sold 99,998 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 2014 was signed on 23 July 2014.

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 31 to the annual consolidated financial statements of ASEE Group for the year 2014.

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 2014, the related contingent liabilities equalled PLN 29,707 thousand, while as at 31 December 2013 they amounted to PLN 37,321 thousand.

As the Group companies rent office space, both as at 31 December 2014 and 31 December 2013, 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. 2014 (audited)	31 Dec. 2013 (restated)
In the period up to 1 year	12,556	12,486
In the period from 1 to 5 years	29,867	30,651
	42,423	43,137

Liabilities under operating lease of property, plant and equipment	31 Dec. 2014 (audited)	31 Dec. 2013 (restated)
In the period up to 1 year	2,428	1,299
In the period from 1 to 5 years	3,189	2,886
	5,617	4,185

34. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASECO SOUTH EASTERN EUROPE S.A. OR ITS SUBSIDIARIES

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 18 February 2015.

Signatures of all Members of the Management Board of Asseco South Eastern Europe S.A. under the Management Report on Operations of Asseco South Eastern Europe Group for the year ended 31 December 2014

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

Piotr Jeleński	President of the Management Board
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Miljan Mališ	Member of the Management Board
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Miodrag Mirčetić	Member of the Management Board
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Marcin Rulnicki	Member of the Management Board
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Rzeszów, 18 February 2015

DECLARATIONS MADE BY THE MANAGEMENT BOARD OF ASSEE S.A.

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 2014 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 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 Audyt 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 2014, has been 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
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Miljan Mališ	Member of the Management Board
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Miodrag Mirčetić	Member of the Management Board
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Marcin Rulnicki	Member of the Management Board
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Rzeszów, 18 February 2015