



**ANNUAL REPORT
OF ASSECO SOUTH EASTERN EUROPE S.A.
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 S.A.
FOR THE YEAR ENDED
31 DECEMBER 2014**

Rzeszów, 18 February 2015

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

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1. GENERAL INFORMATION ON THE ISSUER

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

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

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

2. BUSINESS PROFILE OF THE ISSUER

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

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

Company	Short name	Seat	Business profile	Equity interest held	
				31 Dec. 2014	31 Dec. 2013
Asseco SEE d.o.o., Beograd	ASEE Serbia	Serbia	Development of applications and provision of comprehensive IT systems for financial institutions. Payment solutions. Integration services.	100%	100%
Asseco SEE d.o.o., (Zagreb) ¹⁾	ASEE Croatia	Croatia	Mobile and authentication solutions for financial institutions. Payment solutions.	100%	100%
EŽ Računalstvo 2013 d.o.o., (Zagreb) ¹⁾	EŽR Croatia	Croatia	Sale and maintenance of payment terminals.	-	100%
Asseco SEE d.o.o. Podgorica ²⁾	ASEE Podgorica	Montenegro	Payment solutions. Integration services and IT solutions for the financial, industrial, and public administration sectors.	100%	-
Asseco SEE s.r.l., (Bucharest)	ASEE Romania	Romania	Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions.	100%	100%
Asseco SEE Sh.p.k., (Pristina)	ASEE Kosovo	Kosovo	Integration of IT systems as well as development and implementation of proprietary software for the banking sector and public administration. Payment solutions.	100%	100%
Asseco SEE Teknoloji A.Ş., (Istanbul)	ASEE Turkey	Turkey	Development of applications and provision of IT systems for the execution and settlement of on-line payments, detection and prevention of bank frauds, management of dispersed assets, lease management.	100%	100%
Asseco SEE d.o.o., (Ljubljana)	ASEE Slovenia	Slovenia	Payment solutions.	100%	100%
Asseco SEE o.o.d., Sofia	ASEE Bulgaria	Bulgaria	Provision of IT systems for financial institutions. Payment solutions.	100%	100%
Asseco SEE d. o.o., (Sarajevo)	ASEE B&H	Bosnia & Herzegovina	Provision of IT systems for financial institutions. Payment solutions.	100%	100%
Asseco SEE DOOEL, Skopje	ASEE Macedonia	Macedonia	Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions. Payment solutions.	100%	100%

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

2) On 18 June 2014, ASEE S.A. acquired 1% of shares in ASEE Montenegro from its subsidiary 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.

3. SHAREHOLDERS STRUCTURE

According to the best knowledge of the Management Board of Asseco South Eastern Europe S.A. as at the date of publication of this report, i.e. 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.

4. SHARES HELD BY MANAGEMENT AND SUPERVISORY PERSONNEL

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

Supervisory Board Members	Number of shares held as at			
	18 Feb. 2015	31 Dec. 2014	20 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	20 Oct. 2014	31 Dec. 2013
Piotr Jeleński	550	550	550	550
Călin Bârseti ⁴⁾	n/a	n/a	-	-
Miljan Mališ ⁵⁾	-	-	-	-
Miodrag Mirčetić ⁶⁾	-	-	-	-
Marcin Rulnicki	-	-	-	-

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

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

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

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

6. ISSUER'S DEVELOPMENT POLICY

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

Because ASEE S.A. is primarily engaged in holding operations, directions of the Company's development need to be examined taking into account the development and operations of the entire ASEE Group, as described in the Management Report on the Group's Operations for the year 2014, which has been published on 18 February 2015.

7. KEY PRODUCTS, GOODS FOR RESALE, AND SERVICES

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

8. SELLING MARKETS

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

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

9. SIGNIFICANT AGREEMENTS CONCLUDED BY THE COMPANY

The Company's operations were significantly influenced by the acquisition of shares in ASEE Montenegro. The above-mentioned transaction has been described in explanatory note 10 to the annual financial statements of Asseco South Eastern Europe S.A. for 2014.

10. KEY ECONOMIC AND FINANCIAL FIGURES

Financial results for 2014

	Year ended	Year ended
	31 Dec. 2014	31 Dec. 2013
	PLN'000	PLN'000
Dividend income	20,666	36,794
Revenues from sales of services	17,023	18,404
Cost of sales (-)	(11,614)	(12,544)
Selling costs (-)	(2,652)	(2,249)
General and administrative expenses (-)	(77)	(67)
Operating profit	23,364	40,354
Net profit for the reporting period	18,761	40,312

Asseco South Eastern Europe S.A. is primarily engaged in holding operations, which substantially determines the structure of its income statement. Most revenues recognized by ASEE S.A. represent dividend income which amounted to PLN 20,666 thousand in 2014, as compared with PLN 36,794 thousand in 2013.

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

Structure of assets	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	PLN'000	PLN'000	%	%
Non-current assets	601,402	603,691	97%	98%
Property, plant and equipment, and intangible assets	5,242	5,218	1%	1%
Investments in subsidiaries	588,566	592,677	95%	96%
Other	7,594	5,796	1%	1%
Current assets	16,716	15,027	3%	2%
Trade receivables and prepayments	3,149	7,119	1%	1%
Cash and cash deposits	7,907	2,950	1%	0%
Short-term financial assets	3,862	1,100	1%	0%
Other	1,798	3,858	0%	1%
TOTAL ASSETS	618,118	618,718	100%	100%

The structure of assets of ASEE S.A. is dominated by investments in subsidiaries. Over the period from 31 December 2013 to 31 December 2014, the total value of such investments declined by PLN 4,111 thousand.

Our investments in subsidiaries decreased by PLN 4,111 thousand as a result of:

- acquisition of 100% of shares in the company ASEE Montenegro. The value of investment recognized on this transaction currently amounts to PLN 1,009 thousand;
- creation of a write-down of PLN 5,120 thousand on the value of our investment in ASEE Kosovo due to the expected weaker financial performance of this company.

Structure of equity and liabilities	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	PLN'000	PLN'000	%	%
Equity	612,630	610,475	99%	99%
Non-current liabilities	11	292	0%	0%
Current liabilities	5,477	7,951	1%	1%
TOTAL EQUITY AND LIABILITIES	618,118	618,718	100%	100%

In line with the adopted strategy, the operations of ASEE S.A. are financed primarily with equity. In 2014, the structure of equity and liabilities remained unchanged.

Structure of the statement of cash flows

	Year ended	Year ended
	31 Dec. 2014	31 Dec. 2013
	PLN'000	PLN'000
Net cash provided by (used in) operating activities	24,435	30,432
Net cash provided by (used in) investing activities	(2,851)	11,909
Net cash provided by (used in) financing activities	(16,645)	(42,034)
Net change in cash and cash equivalents	4,939	307
Cash and cash equivalents at the end of period	7,907	2,950

In 2014, operating activities cash flows comprised primarily dividends received from subsidiaries in the amount of PLN 20,038 thousand, proceeds from the sale of shares in Sigma Turkey amounting to PLN 634 thousand, as well as expenditures for the acquisition of shares in ASEE Montenegro amounting to PLN 1,009 thousand (presented under operating activities because ASEE S.A. operates as a holding company).

Cash flows from our investing activities were related primarily to proceeds and expenditures under loans granted to ASEE Montenegro and ASEE Bulgaria (PLN 3,741 thousand) as well as investments in cash deposits with maturities of more than 3 months (PLN 1,000 thousand). Whereas, financing activities cash flows reflect basically the dividend payment to the shareholders of ASEE S.A. (PLN 16,606 thousand).

Analysis of financial ratios

Profitability ratios

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	%	%
Return on equity (ROE)	3.07%	6.60%
Return on assets (ROA)	3.03%	6.53%

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

Both return on equity and return on assets metrics dropped in 2014 as compared to those reported for 2013 as a result of a lower amount of dividends received from subsidiaries, which led to a decrease in net profit for the reporting period.

Liquidity ratios

	31 December 2014	31 December 2013
Working capital	11,239	7,076
Current liquidity ratio	3.05	1.89
Quick liquidity ratio	2.79	1.63
Absolute liquidity ratio	2.15	0.51

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 = (bonds and securities held to maturity + cash and short-term bank deposits) / current liabilities

The increase in working capital as at 31 December 2014 in comparison to the end of the previous year resulted from several factors. On the assets side, it was caused by an increase in the value of short-term financial assets (cash deposits and loans granted). Whereas, on the liabilities side, working capital increased as trade payables recognized as at 31 December 2014 were lower than those reported as at the end of 2013. Liquidity ratios improved as a result of both the above-mentioned factors, i.e. the increase in current assets and the decrease in liabilities.

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

Because ASEE S.A. is primarily engaged in holding operations, financial performance of the Company and the Group is mostly influenced by the same events. A detailed description of events with a significant impact on the financial results achieved by ASEE Group in 2014 is provided in item 11 of the Management Report on the Group's Operations.

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

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

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

Because Asseco South Eastern Europe 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

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 is 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 rights 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.

a. 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 miscalculate 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

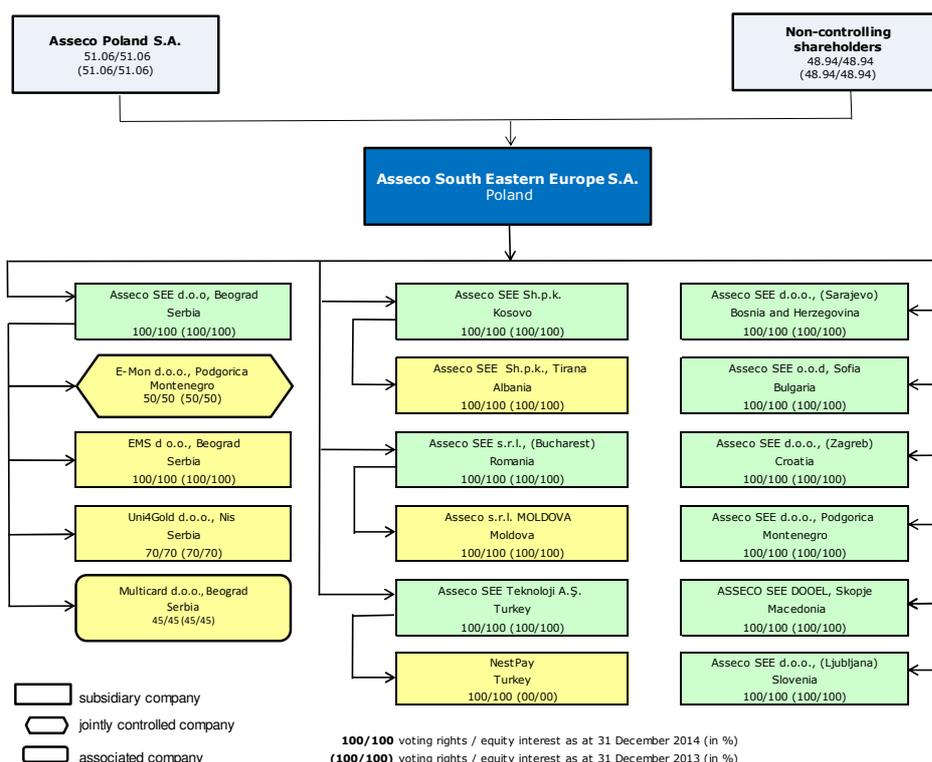
Our potential investors should be aware of the fact that distribution of any dividends will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. It is the Management Board intention to allocate a portion of 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. ORGANIZATIONAL AND EQUITY RELATIONSHIPS OF THE ISSUER

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



15. RELATED PARTY TRANSACTIONS

In the period of 12 months ended 31 December 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 22 to the annual financial statements of ASEE S.A. for the year 2014.

16. BANK LOAN AGREEMENTS

On 18 December 2014, ASEE S.A. signed a loan agreement with ING Bank Śląski S.A. The Bank will provide ASEE with a line of credit up to the amount of EUR 9 million in order to enable financing of loans to be granted by the Company to its subsidiaries for the implementation of outsourcing contracts. The amount of EUR 2 million out of the above-mentioned limit may be alternatively used for company acquisitions. Interest will be payable on the amount of loan actually drawn and shall be based on the 1M EURIBOR rate plus margin. Repayment of the loan to the Bank shall be secured by providing sureties from our subsidiaries as well as by transferring the amounts receivable under loans granted to our subsidiaries, in accordance with the assignment agreement. The line of credit has been opened for the period of 2 years. The loan repayment deadline

has been determined for 4 years after closing the line of credit. As at 31 December 2014, we had no liabilities under this loan facility.

17. LOANS GRANTED DURING THE FINANCIAL YEAR

In the period of 12 months ended 31 December 2014, ASEE S.A. granted loans to its associated companies, namely ASEE Bulgaria (PLN 835 thousand) and ASEE Montenegro (PLN 3,329 thousand, of which PLN 423 thousand has been already repaid).

As at 31 December 2014, our receivables arising from loans granted to ASEE Bulgaria and ASEE Montenegro amounted respectively to PLN 860 thousand and PLN 3002 thousand (including accrued interest and foreign exchange differences). During the period of 12 months ended 31 December 2014, ASEE S.A. did not take any loans.

18. SURETIES AND GUARANTIES

During the period of 12 months ended 31 December 2014, Asseco South Eastern Europe S.A. granted guarantees/sureties for the repayment of bank loans by:

1. ASEE Croatia – in the amount of PLN 10,130 thousand as at 31 December 2014 vs. PLN 9,908 thousand as at 31 December 2013. The granted guarantee shall be effective till 31 May 2017.

2. ASEE Slovenia – in the amount of PLN 2,813 thousand as at 31 December 2014. The granted guarantees shall be effective till 31 July 2017 (amount of PLN 1,705 thousand), till 4 April 2015 (amount of PLN 852 thousand), and till 31 January 2020 (amount of PLN 256 thousand). As at 31 December 2013, the above-mentioned guarantees did not exit.
3. ASSE Kosovo – in the amount of PLN 2,984 thousand PLN as at 31 December 2014. The granted guarantees shall be effective till 20 August 2015 (amount of PLN 1,705 thousand), and till 20 August 2017 (amount of PLN 1,279 thousand). As at 31 December 2013, the above-mentioned guarantees did not exit.

The granted guarantees amounted in total to PLN 15,927 thousand as at 31 December 2014 as compared with PLN 9,908 thousand as at 31 December 2013. All of the granted guarantees constitute off-balance-sheet items. As at 31 December 2014, the Company had no other contingent or off-balance-sheet liabilities.

19. UTILIZATION OF PROCEEDS FROM ISSUANCE OF SHARES

In the period of 12 months ended 31 December 2014, Asseco South Eastern Europe S.A. did not issue any new shares.

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

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

21. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT

During the year ended 31 December 2014, Asseco South Eastern Europe S.A. had no problems with timely settlement of its trade payables, payment of regulatory state charges, or with fulfilling its investment commitments.

22. FEASIBILITY OF INVESTMENT PLANS

As at 31 December 2014, Asseco South Eastern Europe S.A. held PLN 7.9 million of spare cash, which may be appropriated for potential company acquisitions in the region of South Eastern Europe and Turkey. Our future acquisitions will be financed partially or entirely from the Company's own funds, but it is also possible that the Company will seek

external sources of financing. Furthermore, the Company may choose to finance its investment plans through the issuance of new shares.

23. CHANGES IN THE POLICIES OF COMPANY AND GROUP MANAGEMENT

In 2014 the policies applied for managing the company of ASEE S.A. remained unchanged; whereas, changes in the Group's management policies have been described in the Management Report on the Group's Operations for the year 2014.

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

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

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

Information on remuneration due to the Issuer's management and supervisory personnel has been disclosed in explanatory note 24 to the annual financial statements of Asseco South Eastern Europe S.A. for the year 2014.

26. MONITORING OF EMPLOYEE STOCK OPTION PLANS

The Company does not run any employee stock option plans.

27. AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The agreement with the entity authorized to audit financial statements, namely Ernst & Young 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 period of 12 months ended 31 December 2014 was signed on 23 July 2014.

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

Information on remuneration due to the entity authorized to audit financial statements has been presented in explanatory note 25 to the annual financial statements of Asseco South Eastern Europe S.A. for the year 2014.

29. SIGNIFICANT OFF-BALANCE-SHEET ITEMS

As at 31 December 2014 and the date of publication of this report, the Company had no significant off-balance-sheet items apart from contingent liabilities which have been described in explanatory note 20 to the annual financial statements of Asseco South Eastern Europe S.A. for the year 2014.

30. INFORMATION ON PENDING LEGAL PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF ASEE 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.

31. INFORMATION ON THE ISSUER

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

