Solutions for Demanding Business

CONSOLIDATED ANNUAL REPORT 2013

CHAIRMAN´S LETTER
MANAGEMENT REPORT
SELECTED CONSOLIDATED FINANCIAL DATA
CORPORATE GOVERNANCE
CONSOLIDATED FINANCIAL STATEMENTS

4 March 2014

CONTENTS

I. CHAIRMAN´S LETTER

Dear Shareholders and Investors, Customers, Colleagues and Readers,

I take this opportunity to express sincere satisfaction with the 2013 results. I and the members of the Board of Directors are really pleased what Asseco Central Europe together with its subsidiaries managed to achieve last year. All new customers, each new project and every successfully performed delivery of services make us happy.

Although we did not manage to achieve all planned economic objectives, despite that we are pleased by the results specified in this Annual Report. I address my gratitude to my colleagues from the Board of Directors, key persons in the Company, namely the directors of the divisions, and particularly to all our employees.

In the period from 2008 to 2009 we achieved our results thanks to the projects implemented in Slovakia, in the period from 2011 to 2012 we benefited from the projects in the Czech Republic. In 2013 we again started to benefit more from the projects in Slovakia. Such mutual complementarity between the countries helps us eliminate any shortfalls in individual countries, which are caused mainly by the unstable situation in the segment of the state administration. I would like to express my hope that the 2014 projects in the both countries will contribute to the common results by the same and particularly the above-average share.

Which key factors affected the economic results in 2013? The negative phenomenon is decreasing project profitability. Last year we fully recorded the intensive pressure of the customers to reduce their own costs, which was negatively reflected in the reduction of our hourly rates, dropped revenues and change in the structure of revenues to the detriment of the lump sum payments. We had to deal with this reduction more intensively than in the past and focus rather on new customers and new projects of the existing customers. At present the income from the new projects amounts to 35-45% from the annual revenues when compared to 15-20% in the period from 2008 to 2011. New customers and new projects must be or had to be won in the tenders, while the main or even the only relevant criterion is the price (even with the commercial customers). It is extremely difficult to win such tenders and deliver the work for such low invoiced income and to avoid loss; this becomes even more difficult every year. For the reasons above our EBIT decreased when compared to 2012, i.e. our economic results dropped by almost 15%, a decrease of EUR 15 per invoiced EUR 100. It's a trend that we will have to face in the future. To achieve the same economic result in the absolute amount means to try to increase annual revenues compared to the past with lower profitability. And that means winning more and more new projects every year.

Let me specify several selected new customers and a few selected new projects for the existing customers that we won in 2013:

- **The Czech Statistical Office** in the Czech Republic – it concerns a project for supply of the software and comprehensive service support for the Office's information system. In the public procurement procedure we succeeded due to fulfilment of the qualification criteria and, as I have stated several times, due to the *lowest price*.
- **The Czech-Moravian Building Society** in the Czech Republic – *we won the tender particularly thanks to our competencies in building savings, but again thanks to the lower cost compared to our competitors*. This significant project for the period of 30 months covers all processes of the building savings company, including exchange of the core system and system integration.
- **SKUP** in Poland – together with our young subsidiary DanubePay we struggled in the tender declared by mBank (a member of Commerzbank Group) for the provider

of processing and settlement services for the project in Silesia concerning the segment transport services. We won *again thanks to the best price*.

- **Supreme Audit Office SR** – in 2012 we finished implementation of the project for this customer financed from the EU funds as a part of OPIS. In 2013 SAO decided to expand the requirements for the audit IS delivered by us and declared the tender for the connected project, in which we succeeded again. Thus with this "new old" customer we continue implementing the new project funded again from OPIS.

In 2013 Asseco Central Europe Group provided its software and consulting services in six segments, which we internally call business units and categorise according to their shares in the annual revenues as follows:

▪ Telco (Slovanet)	26%
▪ Public & Utilities (Asseco CE)	20%
▪ Enterprise Resource Planning (Asseco Solutions)	19%
▪ Finance (Asseco CE, Statlogics)	15%
▪ Healthcare & Insurance (Asseco CE, GlobeNet)	11%
▪ IT Infrastructure & Integration (Asseco CE)	9%

Dear readers, allow me to thank all our customers for their loyalty and trust. Many thanks also to all my colleagues for their hard work and efforts for the benefit of our Company. Without them we would not be able to implement our projects.

I address my cordial gratitude to Mr Adam Goral and colleagues from Asseco Poland who helped us create a common platform for the international cooperation. In 2013 we also thanks to the size and position of the Asseco Group succeeded with selected customers. Strong background of the Asseco Group, references, products and solutions are a good prerequisite for the successful future of our Company and the entire Asseco Group.

Jozef Klein

CEO and Chairman of the Board of Directors

II. MANAGEMENT REPORT

1 GENERAL INFORMATION

1.1 Organizational structure and nature of business operations

Asseco Central Europe, a. s. (the "Company", "Parent Company", "Issuer", Asseco Central Europe, a. s. (SK)) is a member of the international Asseco Group, one of the leading software houses in Europe. Asseco Central Europe, a. s. with the registered seat at Trenčianska street 56/A, 821 09 Bratislava, Slovakia, is the parent company of the Asseco Central Europe Group (the "Group").

Company is listed on the Warsaw Stock Exchange since 10 October 2006. At that time it was the first Slovak company directly listed on a foreign stock exchange.

Asseco Central Europe is one of the leading software houses in Central and Eastern Europe. It is active in Slovakia, the Czech Republic, Hungary, Germany, Switzerland and Austria. Members of the Asseco Central Europe Group are also other IT and telecommunication oriented companies and the Company thus employs more than 1,400 people (115 employees from Logistics division were transferred as a part of sale of logistics projects since 1 October 2013).

The business profile of Asseco Central Europe, a. s. (SK) includes software and computer hardware consultancy, production of software as well as the supply of software and hardware. According to the classification adopted by the Warsaw Stock Exchange, the Company�much business activity is classified as "information technology". Other undertakings of the Group conduct similar operations.

In addition to comprehensive IT services, the Group also sells goods including computer hardware. The sale of goods performed is to a large extent connected with the provision of software implementation services.

Companies of Asseco Central Europe Group implement challenging projects for commercial sector, as well as for public sector, central and local governments, industry, trade and services. Majority of them are built on the long-time experience in extensive projects of tailor made solutions, where it heavily emphasizes the support to the strategic intentions of its clients. Broad customer base of Asseco Central Europe Group includes large financial and insurance companies, public administration, international corporations, central healthcare institutions, healthcare providers and private companies.

1.2 General information

Company’s name:	Asseco Central Europe, a. s.
Registered seat:	Trenčianska 56/A, 821 09 Bratislava
ID number:	35 760 419
VAT ID:	SK7020000691
Established:	12 February 1999
Legal form:	joint stock company
Share capital:	EUR 709,023.84
Number of shares:	21,360,000
Type of shares:	bearers shares
Nominal value of share:	EUR 0.033194
Registered:	Commercial Register maintained by the District Court of Bratislava I., Section: Sa, File No.:2024/B

2 SELECTED FINANCIAL DATA OF CONSOLIDATED FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	In thousand of zł		In thousand of EUR	
	4 quarters cumulative	4 quarters cumulative	4 quarters cumulative	4 quarters cumulative
	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Sales revenues	553,031	561,099	131,330	134,440
Operating profit (loss)	61,169	73,547	14,526	17,622
Pre-tax profit (loss)	62,390	73,222	14,816	17,544
Net profit for the period reported attributable to Shareholders of the Parent Company	47,525	59,319	11,286	14,213
Net cash provided by (used in) operating activities	61,203	72,157	14,534	17,289
Net cash provided by (used in) investing activities	26,841	(61,961)	6,374	(14,846)
Net cash provided by (used in) financing activities	(49,559)	(73,827)	(11,769)	(17,689)
Increase (decrease) in cash and cash equivalents	38,485	(63,631)	9,139	(15,246)
Assets total	653,263	654,586	157,519	160,116
Non-current liabilities	33,737	35,109	8,135	8,588
Current liabilities	181,412	176,958	43,743	43,285
Shareholders' equity attributable to Shareholders of the Parent Company	421,446	425,929	101,622	104,185
Share capital	2,940	2,899	709	709
Number of shares (pcs.)	21,360,000	21,360,000	21,360,000	21,360,000
Earnings per share (in ZŁ/EUR)	2.22	2.78	0.53	0.67
Book value per share (in ZŁ/EUR)	19.73	19.94	4.76	4.88
Declared or paid dividends per share (in ZŁ/EUR)	1.98	2.70	0.47	0.66

Selected items of Statement of financial position are recalculated at the average exchange rate announced by the Polish National Bank prevailing on the balance sheet date. Selected items in the Profit and loss account and Cash flows statement for the period are converted by the arithmetic average of exchange rates announced by the Polish National Bank at the last day of each month of the period.

Exchange rates

The following exchange rates between ZŁ and EUR were used to recalculate financial information:

- Selected items of Statement of financial position as of 31 December 2013 were recalculated at exchange rate announced by National Bank of Poland on the balance sheet date (EUR 1 = ZŁ 4.1472).
- Selected items of Statement of financial position as at 31 December 2012 were recalculated at exchange rate announced by National Bank of Poland on the balance sheet date (EUR 1 = ZŁ 4.0882).
- Selected items of Profit and loss account and Statement of cash flows for the period from 1 January 2013 to 31 December 2013 were recalculated at average exchange

rate calculated from exchange rates announced by National Bank of Poland on the last day of each month in the reported period (EUR 1 = ZŁ 4.2110).

- Selected items of Profit and loss account and Statement of cash flows for the period from 1 January 2012 to 31 December 2012 were recalculated at average exchange rate calculated from exchange rates announced by National Bank of Poland on the last day of each month in the reported period (EUR 1 = ZŁ 4.1736).
- The highest and the lowest exchange rate for the reported periods are as follow:

		1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
max	ZŁ -> EUR	4.3432	4.5135
min	ZŁ -> EUR	4.0671	4.0465

3 COMPANY VALUES

3.1 Mission

The mission of Asseco CE comprises binding values which form an integral part of the business environment and also apply internationally. These binding values are represented in particular by the high and stable quality of the offered solutions and services, continuous care for customers, flexible response to the needs of the market and providing the customers professional IT services and information systems on the basis of modern information technologies which support their business activities and success. Last, but not least, it includes the assurance of the long-term prosperity of Asseco Central Europe.

3.2 Visions

Asseco Central Europe's vision

"Solutions for Demanding Business" – the credo of Asseco CE represents a key and stable IT service-provider that is at the same time building its position of a strong, reputable and reliable company on the domestic, and international ICT market.

Asseco Group's vision

Asseco Group wants to build a reliable and profitable global information technology company providing high quality software and services. Asseco Group's strategy is based on two pillars. The first is organic growth which is achieved through proprietary software and services, whereas the second one involves expansion through acquisitions.

Organic growth

Asseco strategy relies on sector-specific business expertise, which is supported by technological competence. The company builds long-term trust-based relationships with customers, becoming their strategic business partner. Asseco leverages on the vast experience of its international affiliated companies to create a comprehensive portfolio of products satisfying the needs of thousands of its customers. The company wants to be perceived as a 'one-stop shop' and therefore, in addition to its own IT solutions and services, it also delivers infrastructure necessary for the proper operation of business applications.

Expansion through acquisitions

Asseco is interested in taking over companies that will either enhance its competence in individual sectors or provide an opportunity to enter new geographical markets. Asseco Poland has successfully implemented its acquisitions policy for many years, and nowadays is one of the most experienced market consolidators in Poland.

3.3 The Company's strategic goals

- To be a stable partner of the customer and to support its development and competitiveness by deliveries of modern information systems with high added value to the customer.
- To continue to increase customer satisfaction by increasing the quality of services and by application of the latest trends in the development of information systems.
- Strengthen its position in the Central European market and to penetrate international markets using mutual synergies within the Asseco Group.
- Promote a strong, technically and morally savvy and customer-oriented employee base.
- Build a corporate culture that supports cooperation, innovative and dynamic development of the Company.
- Develop and promote scientific research in the field of IT.

3.4 Characteristics of factors relevant to development of the Group

Constant Organic Growth

Asseco CE wants to improve constantly, keep up with the times and bring advanced technologies and "Solutions for Demanding Business" to the market, thus meeting the needs of the clients. Acquisitions that the Company realized over the years not only expanded its competencies, but also made it possible to penetrate into new segments and markets.

Trust of Investors and Shareholders

With its listing on a Stock Exchange market Asseco Central Europe was transformed from a privately-owned joint-stock company to a publicly traded one. Its presence on the Stock Exchange means particularly the necessity of a new approach to process management and the implementation of key decisions, while considering the interests of investors, fulfilment of their expectations and building their trust.

Satisfied Customers

The only reliable way how to win and keep customers is to provide them with quality services and solutions with a high added value to reach their strategic goals. Their satisfaction and loyalty resulting from it are the basis of success of each company.

Proprietary software

In an effort to meet customers´ and business partners´ expectations, Asseco CE focuses particularly on continuous improvement of the quality of provided services and products. This is closely related to the stable, enhanced attention and devoted management, coordination and improvement of the processes in the Company. Asseco Central Europe implemented and certified Quality Management System according the norm ISO 9001 in 2002 for the first time. The system is constantly being improved and maintained in accordance with the requirements of applicable standards.

Employee Satisfaction

The Company is aware of the fact that its employees represent a key factor in the provision of quality services. It considers their motivation and loyalty an integral part of the Company's success. Its aim is to create a stimulating working environment that develops the creativity of employees and supports their personal growth.

Social Responsibility

Asseco Central Europe strives to contribute to increasing the quality of life of society not only by developing of modern information technologies, but also by supporting scientific institutions committed to this goal.

3.5 Company management code

Asseco CE is fully aware of the importance of having Corporate Governance standards in place and complying with them. In accordance with standards valid in the market, the above corporate management principles and methodology - "Best Practices" – were incorporated into the Company's documents and procedures.

The Company Management Code was approved by the Company´s Board of Directors and published in the Current Report, i.e. in the Stock Exchange report, on 13 March 2008. This report is accessible on the Company's official web site under the "Investors" Section. It contains complete information about the management methods utilized in the Company as well as all information about deviations from the Management Code and the reasons why the decision deviating from the Code was made.

3.6 Code of conduct

The Company's Code of Conduct represents a set of principles that are focused inside the Company – towards the employees, as well as towards its surrounding environment. It primarily recognizes principles of ethical behaviour while conducting business and upholds principles of objectivity, transparency, accountability and openness in its activities. Asseco Central Europe declares that it nowadays, as well as in the future, wants to be a reliable partner for its customers, shareholders, business partners, employees and also for the public in all the countries and regions where it operates. Based on conditions for an open and transparent corporate culture that are created by the Company, the staff members are able to distinguish between reasonable and contentious actions.

Asseco CE regards as its core values, above all, to be:

- **Relations within the Company, especially:**
    - respect for people – a basis for interpersonal relationships
    - honest, conscientious and efficient work
    - communication ethics
    - Company loyalty
    - upholding the Company's reputation and safeguarding its assets
    - ethics in conflict resolution

- **Relations with customers and suppliers**, meaning respect for customers and correctness toward business partners. Local or international legal frameworks apply to all entrepreneurial conduct. Once the Company was listed on the Warsaw Stock Exchange, the impact of these frameworks on Company's conduct is even more significant.

Asseco CE encourages any expression of opinions and suggestions staff members make. If necessary, staff members can even make any non-public expressions of opinion, complaints or communications by means of anonymous post box located in unmonitored spaces in the Company's headquarters or via intranet. The Company will handle each opinion, suggestion or recommendation it receives.

4 COMPANY´S AUTHORITIES

There were following members of the Board of Directors and Supervisory Board of Asseco Central Europe, a. s. as at 31 December 2013:

Board of Directors	Period	Supervisory Board	Period
Jozef Klein	1.1.2013-31.12.2013	Adam Tadeusz Góral	1.1.2013-31.12.2013
Radek Levíček	1.1.2013-31.12.2013	Andrej Košári	1.1.2013-31.12.2013
Tomáš Osuský	1.1.2013-31.12.2013	Ján Handlovský	1.1.2013-31.12.2013
Marek Grác	1.1.2013-31.12.2013	Marek Paweł Panek	1.1.2013-31.12.2013
David Stoppani	1.1.2013-31.12.2013	Przemysław Sęczkowski	1.1.2013-11.2.2013 21.3.2013 – 10.4.2013 (substitute member) 10.4.2013 – 31.12.2013

There were following members of the Board of Directors and Supervisory Board of Asseco Central Europe, a. s. as at 4 March 2014:

Board of Directors	Period	Supervisory Board	Period
Jozef Klein	1.1.2014-present	Adam Tadeusz Góral	1.1.2014-present
Radek Levíček	1.1.2014-present	Andrej Košári	1.1.2014-present
Marek Grác	1.1.2014-present	Ján Handlovský	1.1.2014-present
David Stoppani	1.1.2014-present	Marek Paweł Panek	1.1.2014-present
		Przemysław Sęczkowski	1.1.2014-present

Mr. Tomáš Osuský has resigned from his position in the Board of Directors of Asseco Central Europe, a. s. According to Article 27.7 of the Statuses of the Company, the resignation came into effect on the date when the Board of Directors discussed the resignation, i.e. 28 February 2014.

4.1 Changes in the number of Asseco Central Europe shares owned by the members of the Board of Directors (BoD) and Supervisory Board (SB)

Members of the Board of Directors and the Supervisory Board of the Company do not hold any shares of the Company.

5 THE ASSECO CENTRAL EUROPE GROUP

The Asseco Central Europe Group operates either directly or by means of its affiliated companies in six European countries, namely in Slovakia, the Czech Republic, Hungary, Germany, Austria and Switzerland.

In particular, parent company Asseco Central Europe headquartered in the Slovak Republic, is a majority owner of three companies in Slovakia (Asseco Solutions – 100%, Slovanet – 51%, DanubePay – 55%), one in the Czech Republic (Asseco Central Europe – 100%), three in Hungary (Statlogics – 100%, GlobeNet – 100%, Asseco Hungary – 51%) and one in Germany (Asseco Solutions – 100%).

Moreover, by means of Asseco Central Europe (CZ), the Parent Company controls Asseco Solutions (100%) in the Czech Republic, Asseco BERIT GmbH (100%) in Germany and Asseco BERIT AG (100%) in Switzerland. A minority block of shares at První certifikační autorita, a. s. (23.25%) is also owned by Asseco Central Europe (CZ). By means of Asseco Solutions AG (D), the Parent Company controls further Asseco Solutions GmbH (75%) in Austria and Asseco Solutions AG (100%) in Switzerland. Complete shareholders' structure is stated in the Consolidated Financial Statements.

On 20 September 2013, the Central Depositary of Securities of the Slovak Republic registered the transfer of 11,249 DanubePay share. Asseco Central Europe currently holds 13,750 DanubePay shares. Company´s equity interest decreased from 100% to 55%.

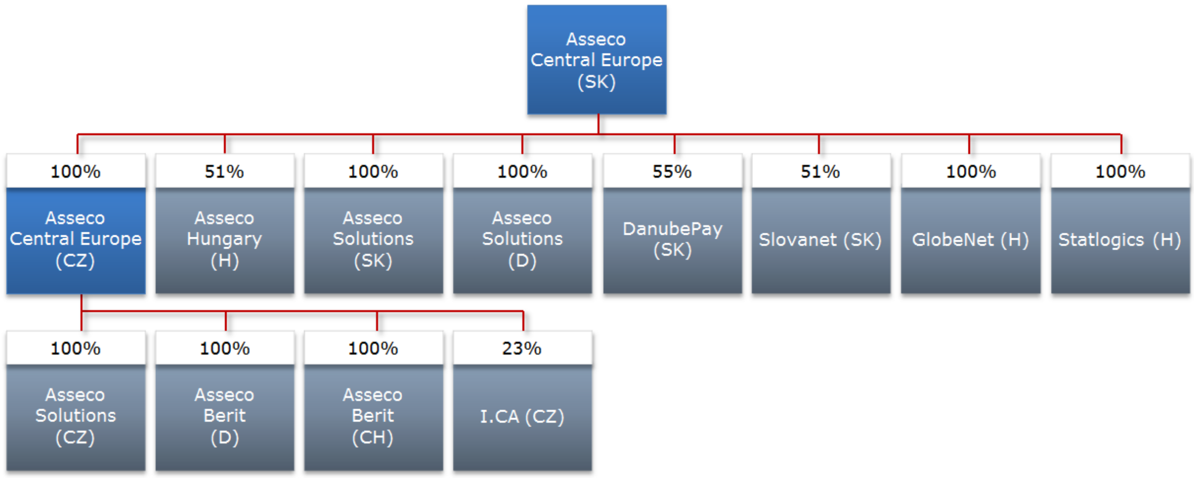
On 30 September 2013, the Company signed an agreement with Arvato services k.s. on sale of part of the business. Subject of the agreement are logistics projects for T-Mobile and Vodafone including contractual relations with customers and suppliers. Both mentioned projects excepted from the IT orientation of the Company. In Company´s logistics centres mobile phones were completed and transported to resellers and customers of T-Mobile and Vodafone within the entire Czech Republic. Before the Company decided to take this step, it has analyzed its possibilities for long-term development of no-IT activities in Asseco Central Europe. The aim of the Company is to apply mainly to IT core business in the future.

Asseco Solutions, a. s. (SK), subsidiary of the Company in Slovakia, sold back 50% equity interest in Axera, s. r. o. to original owner. Transaction was approved by the sole shareholder on 25 September 2013. This change entered into force on the date of its registration in Business Register, which was 18 October 2013. Asseco Solutions, a. s. (SK) currently owns 50% of shares in Axera, s. r. o.

On 2 January 2014, the Board of Directors of Asseco Central Europe signed an agreement for acquisition of 100% shares in Asseco Solutions AG headquartered in Germany. Asseco Solutions AG is a recognized expert in the area of technologically leading ERP software for manufacturing companies within Germany, Austria and Switzerland. It has been supervised by Asseco Central Europe since June 2013, beside ERP business represented by Asseco Solutions companies in Slovakia and the Czech Republic with the aim to harmonize the ERP strategy and products within all companies. With over 700 employees in five countries, Asseco Solutions became the Asseco Group´s centre of ERP expertise in Central Europe. Aim of the transaction is to utilize the synergic effects of combining the forces in ERP business. Cross-border collaboration – particularly in implementing new trends – can shorten development cycles and allow innovative concepts to be turned into reality more quickly. Moreover, it creates a solid foundation for preparing and making strategic acquisitions in the future.

On 28 November 2013, Asseco Central Europe established a new company Asseco Hungary Zrt. which will carry out its activities mainly in Hungary. The company was inserted in the Hungarian Business Register on 8 January 2014. Asseco Central Europe possesses 51% share in this new company. Aim of forming Asseco Hungary is to introduce Asseco´s innovative, value added IT solutions and services to the Hungarian market participants and implement IT solutions which can help to improve the business operations and development.

Structure of the capital of Asseco Central Europe Group as at the date of publication of this report i.e. 4 March 2014:



Asseco Central Europe (CZ)

Asseco Central Europe, a. s. (CZ) became a member of the Asseco Group in January 2007. The company belongs to the most significant providers of comprehensive solutions and services in the information technology field within the Czech Republic. It has undertaken challenging projects in both the commercial sector and for national and regional governments, for example information systems for regional administrative units and specialized information systems for the Ministries of Finance, Interior, Transportation and Justice in the Czech Republic. The company has many years of experience in integrating and outsourcing projects, where it has been placing strong emphasis on security. It is a stable partner for its clients, helping them resolve all processes connected with information technologies, starting with IT infrastructure, backup systems, server and desktop virtualization, and specialized applications, such as geo-information systems, or ECM and BI tailored solutions to support control and decision processes. For financial institutions and capital market the company provides, for example, outsourcing of operating systems, delivers portals, direct banking systems optical card systems, and others.

Asseco Solutions (SK, CZ, D, A, CH)

Asseco Solutions is the largest producer of the ERP systems on the Slovak, Czech and German speaking markets. Software applications developed by Asseco Solutions are distributed also to other markets within Central Europe. ERP systems HELIOS cover the needs of companies of all sizes in a variety of business areas. The company is involved in development, implementation and support of tailored systems for companies of various sizes, in different fields of their business activities.

The product portfolio ranges from information systems for a broad spectrum of enterprises involved in production, trade or services over products for public administration up to, for example, products covering specialized needs of companies providing accommodation and catering services.

Moreover, the product portfolio is complemented by a wide offer of services and partners programs. Besides the basic modules and functionalities, they also provide tailored solutions. Asseco Solutions has obtained the Quality Certificate ISO 9001:2000.

Asseco Solutions group represents at the moment five countries. Beside Slovakia and Czech Republic also Austria, Switzerland and Germany. In whole group there are currently more than 700 employees in total.

Slovanet (SK)

Slovanet, a. s. is one of the most important and one of the longest-serving entities in the Slovak telecommunications market. It offers Internet access, phone service and digital TV separately but also as Triple Play Packages to households. It also provides complex telecommunications solutions in the corporate segment. It provides integrated communications and voice services, virtual private networks and security solutions to a number of small and medium-sized businesses as well as large organizations and government entities. It develops business activities in this area also in the form of wholesale cooperation with smaller operators.

Slovanet focuses on building its own optical and hybrid infrastructure, particularly through acquisitions of local operators. Parallel to the integration of acquired networks, the company has continuously carried out the modernization thereof together with investments into expansion. Using its project SPAMIA, Slovanet has continued its own research activities in the field of Internet security, infrastructure upgrades and expanding the provision of services to all customer segments. Many of its residential customers - even from smaller towns - benefited from acceleration of the Internet, convenient service packages and modernization and digitization of local cable television networks last year. The company won the National Champion prize in the pan-European business competition European Business Awards in 2013.

DanubePay (SK)

DanubePay, a. s. is a processing center with headquarters in Bratislava. The company was established on 27 July 2012 by parent company Asseco Central Europe in line with its growth strategy. The company is focused mainly on services connected with card and transaction business and providing "Software as a Service" solutions. The strongest assumption of company´s success is stemming from offer of innovative products for suitable prices and flexibility of product portfolio. It provides its clients with cutting-edge know-how and the team of quality and experienced professional in the field of transaction processing and card and devices administration. DanubePay is able to deliver quality solutions for both Slovak and foreign markets. It has proved during its short existence that the financial market in Central Europe requires the services of this nature and the company has gradually worked in the domestic and foreign markets and has gained new customers. Asseco Central Europe owns 55% of the shares of DanubePay.

Statlogics (HU)

Statlogics Zrt. based in Budapest, has been a prominent company serving banking institutions mainly in Central and Eastern Europe since 1998. The company currently employs 70 IT specialists and experts in risk management and consumer finance business. The company belongs to the leading providers that can deliver a combination of strong expertise in risk management and innovative software applications for retail loan management. Through comprehensive range of innovative products, the company is able to tailor different applications and services to the specific needs of retail banks and consumer finance specialists.

Statlogics solutions manage more than 5 million credit applications per year for an amount exceeding 3 billion EUR, while assisting lenders increase their approval rates, lower their credit losses and reduce their processing expenses. The core business activities can be divided into following division: System conception, Project Management, System development, System test, System support and maintenance, System delivery, Business consulting, Credit Scoring, Risk management and Basel II experts.

GlobeNet (HU)

GlobeNet Zrt. is one of the leading companies in the Hungarian healthcare IT market. The medical information solutions offered by GlobeNet are used in more than 60 healthcare institutions every day – clinics, hospitals and with general practitioners. MedWorkS is a modular, integrated system; it can be flexibly adjusted according to the clients' needs. MedWorkS covers all hospital processes, from ambulatory care and outpatients through diagnosis and treatment to the administrative obligations by supporting all kinds of management, organizational and healthcare processes. It is unique in terms of functionality in the Hungarian market which continued to expand over the past year. GlobeNet builds upon its Partners; MedWorkS closely cooperates not only with other professional systems like speech recognition, chemotherapy – CATO and patient queue management systems but with complex EPR systems as well. GlobeNet has been 100% owned by Asseco Central Europe since August 2012.

Asseco Hungary (HU)

Asseco Hungary Zrt. is the newest addition to the Asseco Central Europe Group. Its product and service portfolio is able to meet the various needs of its clients in the areas of manufacturing, administration and communication. The company is able to implement complex large-scale IT projects with the help of wide range of experience in international system integration.

As a Hungarian company, Asseco Hungary employs Hungarian workers in its activities in Hungary. It builds local competence to complete the projects and to support domestic customers. The company cooperates with domestic partners in the process of project implementation.

Asseco Hungary's main goal is to participate in selected national E-Health projects, and build long term relationship with its customers. Asseco Hungary further aims to build business opportunities in other sectors for Asseco´s innovative products in Hungary.

Asseco BERIT Group (CZ, D, CH)

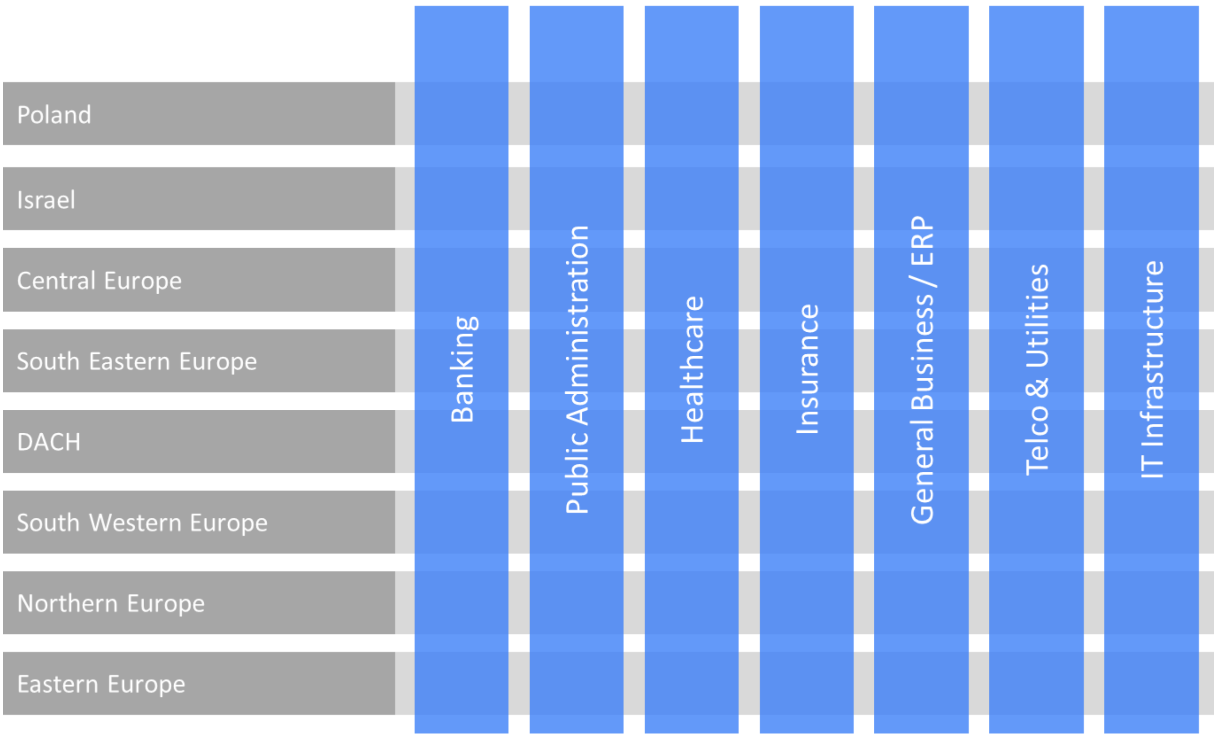
The Asseco BERIT Group is a bearer of competences in the field of geographic information systems, the assets administration system and systems supporting processes in utility administration within Asseco Central Europe. The group consists of the Geographic & Network Systems Divisions of the affiliated Asseco BERIT GmbH, seated in Mannheim, Germany and Asseco BERIT AG, seated in Sissach, Switzerland. The group currently employs 80 people – analytics, developers, consultants and project managers. The supplied solutions are based on their own development (LIDS, TOMS, AMES, AG Portal Technology), which has continued over the twenty-year-long history of BERIT, a. s. and which has been incorporated in Asseco CE since 2008. Thanks to their own business-implementation network, the products developed in Asseco CE are used by customers in Germany, Switzerland, the Czech Republic, the Slovak Republic, Austria and Poland. Developers of the Asseco BERIT Group utilize extensive experiences also within the work on further projects in the field of public administration (basic registers, transport agendas and applications, Czech Social Security Administration, Czech Statistical Office).

6 PRODUCT PORTFOLIO

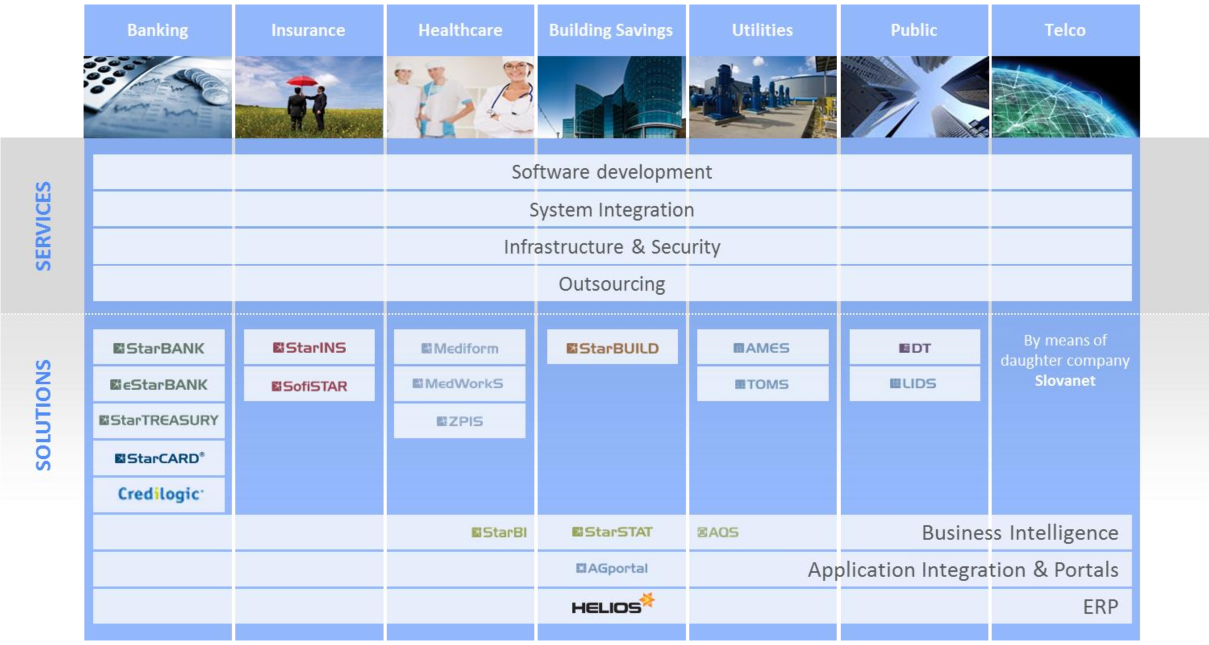
The main strategic role of the Sales Department of Asseco CE is to identify new business opportunities. The aim is to bring about reasonable projects for the Company and professional work for our specialists.

Asseco Group operates throughout the entire Europe. We had managed operations in Slovakia, Czech Republic and Hungary until the end of the year 2013 as part of Asseco Central Europe. The three Asseco Solutions operations in Germany, Austria and Switzerland were added into our ownership structure in January 2014. Our presence in several countries is a huge advantage as we can diversify our efforts over a larger geographic area with a bigger customer base. Our plan for the coming period is to continue the development of solutions and products which we provide our clients with. We will continue unifying and simplifying our product portfolio and we will further closely cooperate with our clients to be able to provide them with the necessary solutions for their business.

In order to benefit from synergies arising from mergers and acquisitions, the products and services provided by individual companies within the Asseco Group are divided into transparently defined organizational units called Business Units. Business Units include Banking, Insurance, Healthcare, Public Administration, Telco & Utilities, IT Infrastructure and ERP (Enterprise Resource Planning). This matrix-oriented organizational structure combines the hierarchic management line of individual regions and entities in regions with a segment-oriented organizational structure, which is strictly focused on creating business opportunities in the given segment. This organizational arrangement makes it possible to consolidate products and services within Business Units and at the same time to simplify the offer of the whole group.



The offer of products and services is also within every regional grouping arranged to segment-oriented groups/ areas which are autonomously managed. Within Asseco Central Europe, they include the following areas: Finance, Healthcare & Insurance, Public, IT Infrastructure & Integration, Telco and ERP. Specific divisions of Asseco CE SK/ CZ or entities belonging to Asseco CE at the regional level are allocated to individual Business Units. Products or product groups are divided in the same way. Asseco CE builds its offer on key products which represent the basis of its competences and experience. One of the basic goals of the Company is to create efficient and easily accessible solutions which fully respect the differences and specifics of individual customers and thus help them achieve their competitive advantage. This goal has been fulfilled by a suitable combination of offered products and present solutions and by the development of customized solutions.



Segment oriented groups with overview of Company´s portfolio of solutions and services.

The product offer is complemented by key services and competences which spread across the product portfolio. They include two basic services: software development and outsourcing.

Software development is the strongest competence of Asseco CE, covering all activities associated with software development – from detailed analysis of customer requirements through the consultation of possible solutions, development, design of optimal technology architecture, technology and development tools, up to testing, documentation, implementation, training or support in the solution of operational problems. The Company has technical expertise as for commercial entities – banks and insurance companies, and also for health care facilities or public organizations.

In the area of **outsourcing** Asseco CE offers a wide spectrum of services. It provides assistance to both external and internal customers, and not just with service-related activities. It handles queries regarding repairing of different types of ICT equipment (computers, notebooks and servers) and peripherals (printers, scanners and UPS), provides HW and SW procurement consulting, HW equipment upgrade, realize equipment installation and consequent preventive checks, installation and maintenance of operating systems – all of that by means of remote, as well as local service support in the entire territory of Slovak Republic.

Company supplies and installs POS terminals, provides training, service, maintenance and support for networks of POS terminals. Terminals are managed centrally by a specialized department consisting of a team of qualified experts with appropriate technical facilities, and expertise in the field. The Company uses special web application for service management a remote support, designed for management, monitoring and evaluation of the state of service processes/ services. Local support is provided by the service team covering (similar to IT Service) the entire territory of the Slovak Republic.

Company further provides personalization of smart cards.

Business Unit Finance

Asseco Central Europe has more than fifteen years of experience in the financial segment. It has implemented a number of projects and developed several unique solutions for banks. One of them is the information system **StarBANK** which automates all retail and wholesale operations and provides a comprehensive set of reports, controlling and intra dealing. **eStarBANK** is a portal solution that enables the use of electronic distribution channels ensuring all basic retail functions for remote clients (Internet banking, home banking, mail banking and GSM banking). The Company's portfolio further includes solutions designed to support the administration of available funds and trading on financial and capital markets. That is the **StarTREASURY** solution which provides automation of such activities from the implementation of transactions up to the outcome in the general ledger. It is a tool which is not only suitable for investment companies, but also for companies which just need to manage their own funds and investments.

The offer of Asseco Central Europe in the financial segment is complemented by the **Credilogic®** family of software applications developed by the Company's subsidiary Statlogics. These solutions serve some of the most demanding financial institutions in the world. Credilogic® applications cover the entire workflow of credit lifetime from origination to loan account management and collection of bad debt.

StarCARD® enjoys a unique position in the Company's product portfolio. It is a full information system supporting pay card transactions for banks and processing centers. It includes authorization support, clearing and transaction settlement and dealer administration. An integral part of the system is application software for end devices, ATMs, and POS terminals. Based on the success of the StarCARD® solution, the processing center DanubePay (a new subsidiary) was founded within the Asseco Central Europe Group in 2012.

The Company has developed the **StarBUILD** solution for the needs of building savings banks. This complex banking information system fully covers the individual business processes of the building savings bank. Apart from the core banking system, it also contains a wide portfolio of additional modules which are well integrated into one unit. The maximum integration of individual modules in a single complex solution brings a significant reduction in the costs of HW, standard SW licensing (operating systems, databases) and the maintenance thereof.

Asseco CE´s proprietary solutions for financial segment can be found in international banks as well as smaller local financial institutions like Slovenská sporiteľňa (member of ERSTE Group), Poštová banka, EXIMBANKA SR, Wüstenrot hypoteční banka, Wincor Nixdorf, GE Money Bank, Českomoravská hypoteční banka, Českomoravská záruční a rozvojová banka, J & T Banka, UniCredit Bank Slovakia, OTP Banka Slovakia and Analytik Finanční trhy. The Company has achieved a dominant position on the market of building societies in the Czech Republic. Its StarBUILD solution is implemented in four out of five building societies (Wüstenrot stavební spořitelna, Českomoravská stavební spořitelna, Modrá pyramida stavební spořitelna and Stavební spořitelna České spořitelny).

Business unit Healthcare & Insurance

Asseco Central Europe offers a wide range of solutions for the healthcare segment, both standardized software products and complex solutions developed according to the specific needs of the customers. Mediform and ZPIS are among the solutions targeted at health insurance companies. **Mediform** covers the most important processes in an insurance company, e.g. IS administration, dials and catalogues, client registers, receipt and claiming of insurance premium, annual accounting, payment processing of healthcare costs, medical revision of costs and refunding of costs of insured persons from the EU. Accounting is a part of the system. **ZPIS** is a centralized multi-tier information system (IS) for health insurance companies (HIC). It includes complete application program facilities for the administration and support of activities of a health insurance company. It is built on the extensive experience in developing and improving systems for health insurance and contains the latest modern technologies. It is a universal modifiable system based on relational database technology. The IS is integrated with an Internet portal and electronic registry for contact between the customer and their clients and partners. The IS can be connected to other support systems (ERP, MIS, call centre, etc.).

The healthcare offering is complemented by the solutions of the Company's Hungarian subsidiary GlobeNet which supplies **MedWorks**, a complex hospital information system. This solution provides assistance and support to the communities within healthcare institutions in every single aspect of their daily jobs. The regular activities of physicians, patients, nurses, hospital management and other employees are intensively supported by

MedWorks' unique capability of tracking, administration and optimization of healthcare processes. MedWorks is a unified hospital IT system engineered for operating across the institution and the entire local and remote infrastructure; appropriate user interfaces were generated and implemented for different profession-specific work areas with differing functionally.

The portfolio of Asseco Central Europe also includes information systems for commercial insurance companies. Its comprehensive information system **StarINS** automates all front-office and backoffice operations including personal, property and liability insurance as well as life, health and pension insurance. The system operates as an independent product for electronic distribution channels. **SofiSTAR** is a production information system for management of pension funds. The system provides for front-office and back-office activities with a high degree of process automation and Internet access of clients to their personal pension accounts and automatic processing of electronic documents related to pension savings.

The third and last area under Business Unit Healthcare & Insurance is business intelligence. During software development, the Company developed in this field from initial reporting tasks via dashboards and ad-hoc analysis to advanced methods of datamining and predictive decision-making. Our product **StarBI** is either provided as a turnkey solution or by customizing modules prepared in advance. The solution uses standard BI platform and databases (IBM, Microsoft, Oracle and SAS). Asseco Central Europe offers a wide range of solutions for monitoring and evaluating profitability (of products, customers, sales channels), automating reporting for internal or external environment (regular reporting, ad hoc outputs), in-depth analysis of data through data mining tools and dealing with tasks such as for instance detection of fraud (insurance, government revenue - taxes), cross-selling, subsequent sales, customer segmentation and other types of tasks. The **AQS** (Asseco Quality Services) solution is used to consolidate data and transfers thereof among heterogeneous systems by combining a software product, methodology and related services designed to implement migrations, consolidations and data cleansing. A part of the business intelligence offer is the solution **StarSTAT** which is suitable for all types of companies whose employees are engaged on a regular basis in acquiring, editing, processing and creation of generated data. It is a versatile reporting tool but it also offers pre-loaded functionality to comply with reporting obligations to financial market regulators of banks, insurance companies, leasing companies and other financial institutions.

The most important clients of the Healthcare & Insurance Business Unit include ministries (Ministry of Health of the Slovak Republic), specialized health institutions (National Health Information Center (SK), Institute of Health Information and Statistics of the Czech Republic), owners and operators of regional healthcare networks (Svet zdravia (SK)), health insurance companies (Česká průmyslová zdravotní pojišťovna, Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví, Revírní bratrská pokladna, zdravotní pojišťovna, Union zdravotná poisťovňa, Všeobecná zdravotná pojisťovňa, Vojenská zdravotní pojišťovna České republiky, Zaměstnanecká pojišťovna Škoda), commercial insurance companies and pension funds management companies (Allianz – Slovenská poisťovňa, Pojišťovna Všeobecné zdravotní pojišťovny, STABILITA d.d.s., VÚB Generali dôchodková správcovská spoločnosť, Wüstenrot neživotní pojišťovna, Wüstenrot životní pojišťovna, ČSOB Penzijní společnost) and banks (Českomoravská hypoteční banka, Českomoravská záruční a rozvojová banka, J&T Banka, UniCredit Bank Slovakia, OTP Banka Slovakia, Wüstenrot Hypoteční banka), Fakultná nemocnica s poliklinikou F.D.Roosevelta, ambulances and general practitioners).

Business Unit Public

Systems for public administration developed and implemented by the Business Unit Public are the major fields of interest of the Company in addition to solutions for commercial entities. In the area of solutions to central public administration, Asseco CE specializes in the creation and delivery of such solutions which cannot be carried out by conventional means and instruments without a large amount of creative work. A significant advantage of the Company is the ability to design and implement systems for processing large volumes of data with sophisticated transactional logic as well as special portal solutions with form interface intended for public administration that are implemented with cross-linking to key components of eGovernment. A specific offer to public administration is the design and delivery of complex systems for government that includes hardware, network infrastructure and specialized heavy duty applications with guaranteed high availability for the specific needs of government-type central registers, business registers, supervisory systems for the distribution of government benefits and subsidies or budgetary information systems for processing and publishing of large data files on platforms Informix or Oracle using WebLogic application servers and Geocluster RAC topology and Java development environment.

The largest projects undertaken in this area include delivery of solutions for ministries (Czech Ministry of Transport, Slovak Ministry of Transport, Construction and Regional Development, Czech Ministry of Finance, Czech Ministry of Interior, Czech Ministry of Justice, Czech Ministry of Health), but we also cooperate with the Slovak Supreme Audit Office, Czech and Slovak Central Statistical Offices and many other authorities or institutions such as the Central Securities Depository of the Czech Republic, Central Securities Depository of the Slovak Republic, the Czech Social Security Administration, Financial Administration of the SR, the Czech Surveying Office, the Senate, Road and Motorway Directorate of the Czech Republic, EXIMBANKA SR, Česmad Slovakia and Slovak Tourism Agency.

We provide solutions to self-government entities based on our own software (via Asseco Solutions, a. s.) which is defined by a high degree of customization and focus on processes that are specific and key to local self-government. One of our advantages is the fact that these systems can be adequately complemented for example by solutions for geographic and spatial data and systems for metropolitan area networks. Our main clients are regions (Vysočina Region, Hradec Králové Region, Moravian-Silesian Region, Regions Olomouc and Pilsen), cities (Capital City of Prague), large municipalities and organizations constituted by the State.

Wide range of offerings by Asseco CE allows to appropriately complement the solutions by other products and services. These include solutions in the field of Geographic & Network Systems (GNS) provided based on the experience acquired by the Company over the past twenty years in the development and implementation of geographic information systems (GIS), administrative systems for operation of technical equipment (Facility Management), web and portal solutions (Web) and integration based on service-oriented architecture (SOA). Asseco CE has solutions for utility companies, industrial companies and also state and local government businesses. The core products in this area are based on the latest technologies and standards and include the geographic information system **LIDS**, solution for creating communications and publishing portals **AG Portal**, a tool for record-keeping and asset management **AMES** and a solution for process support in the distribution of manufacturing enterprises **TOMS**.

A special area of competence of Asseco CE is Transport Telematics which includes mainly **Intelligent Transportation Systems** (ITS). This solution allows a more efficient use of existing transport infrastructure, improving traffic flow that enables savings in time and fuel. The result of the introduction thereof is also a decrease of negative environmental impacts.

The Company's portfolio for the public segment contains the solution **StarBI*G** in the area of business intelligence which is an extension of the data from production systems and other reference data sources (record-keeping DB, etc.). It allows to generate statistical analysis and forecasting, data analysis by OLAP technologies and to prepare data as a basis for support of decision-making. The solution is pre-packaged for the field of economy, transport, education, subsidies and so forth. Another product of this group is **StarECM** – a modular information system that allows management of all the aspects of record-keeping the flows of documents, quick search, procedural processing and archiving of documents and information.

Business Unit IT Infrastructure & Integration

Business Unit IT Infrastructure & Integration provides a wide range of services and solutions for internal and external customers. It focuses on the comprehensive support necessary for the application of projects of other Business Units in the following areas:

- Supply of hardware, software licenses, network infrastructure, installation and support of customer environment (one of the largest clients in this area is the Czech Social Security Administration),
- Technical design of the application solution,
- Design, implementation and support of technical solution through all layers of infrastructure - servers, disk arrays, networks, operating systems, database systems, middleware and application servers, the presentation layer (the most important references in this area include the Czech-Moravian Building Society, the Czech Statistical Office and the Supreme Audit Office of the Slovak Republic),
- Design, setup and operation of development and test environments,
- Comprehensive outsourcing of services for external customers (Škoda Praha Invest, a member of the ČEZ group) - servers, disk arrays, firewalls, backup, operating systems, databases, workstations, application management,
- Complex operation of system solutions for basic registers for RPP and ROS registers supplied by us,
- Comprehensive operation of solutions of the information and communications interfaces of the Czech Social Security Administration/ e-Portal,
- Comprehensive operation of solutions of Emergency Information Management System of the capital city of Prague,
- Call Centre (Helpdesk) for external customers.

Business Unit IT Infrastructure & Integration also operates internal information systems of Asseco Central Europe.

Business Unit ERP

Business Information Systems from the portfolio of our subsidiaries – Asseco Solutions - cover the needs of businesses of all sizes in various fields of business and public administration. Systems complement a wide range of services and partner programs. They are highly valued for their technological advancement and the other properties that result from perfect knowledge of the domestic market. Thanks to the geographical closeness of Asseco Solutions companies to local customers, the product portfolio can be better tailored to the specific requirements across sectors and countries and to offer a better service at a professional level. The selected proven local solution can also be introduced into commercial offer in other countries in the longer term.

Within the composition of Asseco CE, the competence in the field of corporate information systems known also under the HELIOS name is supplemented with SAP consulting services. The main focus is the provision of consulting services in the field of implementation of the complex economic information system SAP ERP and introducing and selling SAP ERP and software solutions such as SAPCRM, SAP SRM, etc.

Business Unit Telco

Organizationally, BU Telco includes Slovanet, a subsidiary which is one of the biggest alternative telecommunication operators on the Slovak market. It provides a wide spectrum of telecommunication services and complex solutions thanks to which it actively operates in various customer segments – from households and smaller enterprises to large corporations. It offers complete solutions to Internet communication, data services, calling and entertainment.

7 SHAREHOLDER´ STRUCTURE OF ASSECO CENTRAL EUROPE, A. S.

According the information available to the Board of Directors following shareholders exceeded the 5% share as at 31 December 2013 and 4 March 2014:

Shareholder	Number of shares	Number of votes	% share
Asseco Poland, S. A.	19,973,096	19,973,096	93.51

The share capital of the Company as at 31 December 2013 was equal to EUR 709,023.84 and was divided into 21,360,000 bearer's shares with a nominal value of EUR 0.033194 each.

8 PERSONNEL INFORMATION AND POLICY

Asseco CE is one of the major employers in the IT field in Slovakia and the Czech Republic. The personnel policy of this Company is based on the principles of honesty, transparency, respect, integrity, personal responsibility and trust. In practice this means the daily integration of these principles into the running of the Company, its behaviour and communication towards external and internal environment.

Given the focus of the Company, the highest percentage of employees are developers. Software engineers, analysts, system and database specialists, testers, project experts and consultants represent more than 90% of the total number of employees. The model based on the transfer of experts - business consultants directly into production divisions to connect developers and consultants to support the preparation and delivery of solutions to our customers has been successful.

The age structure of employees has traditionally been balanced. Almost a quarter of employees in Slovakia are under 30 years of age, more than 60% of employees are among 20 to 40 years of age. However, the Company also employs employees over 50.

In the area of cooperation with universities, Asseco CE works both directly with academia and with student organizations. In 2013, Company became a partner of the educational student organization AIESEC Bratislava. In addition, it is an active contributor in the contest Global Consulting Program carried out by the University of Economics in Bratislava and prepares expert lectures for FIIT, FEI STU and the Pan-European University.

8.1 Employment structure in the Asseco Central Europe Group

Number of employees	31 Dec 2013	31 Dec 2012
Management Board of the Parent Company	5	5
Management Board of the Group companies	18	27
Production departments	1,150	1,280
Sales departments	135	143
Administration departments	134	142
TOTAL	**1,442**	**1,597**

Number of employees	31 Dec 2013	31 Dec 2012
Asseco Central Europe, a.s. (SK)	347	372
DanubePay, a. s. (SK)	21	5
Slovanet Group	215	195
Asseco Solutions Group (SK)	166	170
Asseco Solutions Group (CZ)	306	322
Asseco Central Europe, a.s. (CZ) + Asseco BERIT	278	411
Statlogics Zrt	61	70
GlobeNet Zrt	48	52
TOTAL	**1,442**	**1,597**

9 MARKET POSITION

9.1 Information technology market and future outlook

European and local market

The European IT market has remained clearly behind expectations in 2013. And 2014 will certainly bring no major acceleration. However, a progressive recovery will start during the year, earlier or later depending on the country," said Christophe Châlons, chief analyst at Pierre Audoin Consultants (PAC).

IT spending expected to accelerate this year, after emerging markets slowdown in 2013. PAC revealed that 36% of European businesses will spend more on digital transformation in 2014 than in 2013. It also revealed that 48% will spend more on mobile devices and apps, and 37% will spend more on business intelligence software.

Market conditions are gradually improving in Western Europe, where overall IT spending is on course for growth of 2% this year (1% excluding phones), and where economic momentum has taken a turn for the better in many countries. PAC assumes that this gradual recovery will continue next year, translating into IT spending growth of 3% driven mainly by strengthening sales of commercial software.

Momentum in developed economies has been broadly positive since the start of 2013. The gradual turnaround in Europe is restoring business confidence, leading to a strengthening of PAC´s assumption that next year will be better than this year for most IT vendors.

Forrester Research expects Europe to grow just 1.5-3% in 2014. Growth will be strongest in Scandinavia, the UK, Ireland and Poland, with estimated increases of around 3%. Markets such as Germany, France, Belgium, Switzerland and Austria will grow a more modest 1.5-2.5%.

Forrester also predicts strong growth in Latin America, Eastern Europe, the Middle East and Africa, while growth will slow in the BRIC countries. By market segment, the researcher expects strength in SaaS, mobile, big data and smart apps to streamline business processes.

According to IDC, the Czech market can be expected to increase spending on hardware, software and services until at least 2017. Predictions are on the growth of almost all segments, but some, such as regular phones and printers, will continue to decline. Increase significantly the example segment of smartphones and tablets, and across all vertical markets. This segment in 2013 contributed most to the growth of the IT market in the Czech Republic. This is related to the growth of the consumer market, which is a 17% share of the expenses of the second largest IT segment in the country. According to analysts, will go also the fastest growing market in 2017.

The field of servers will also thrive. Virtualization, data center development and pressure to consolidate server hardware increases the demand for a higher grade of low-end servers and midrange servers.

According to analysts, mobility and online shopping has been changing the retail market in the Czech Republic and retailers are fighting to get the attention of increasingly cautious customers. They are, therefore, trying to gain a competitive advantage by new investments in IT. Economic recovery in Europe will also increase demand for domestic exports and there is a push to improve production efficiency which often leads to investments in information technology.

As of the end of the last year, financial resources from EU structural funds were drawn in Slovakia to the tune of EUR 5.8 billion which represents nearly 51% of the allocation for the years 2007 - 2013. Almost EUR 10.5 billion of the funds had got under contract during the seven years, i.e. more than 91% of allocated funds. A significant event was approval of an exemption for Slovakia in November last year based on which the period during which the country can draw money from the EU commitments for 2011 and 2012 got extended by a year, i.e. to three years instead of two years (until 2015). The result of this was virtual elimination of the risk of under-execution of EU funds in 2013.

Members of the Slovak government also agreed to accelerate the implementation of lagging operational programs (OPs) Research and Development, Education, Information Society, Transport and Environment. They approved a modification of the form and content of action plans to accelerate spending and implementation of the OPs as well as a modification of the frequency of submission of indicative plans of contracting and of drawing funds from the EU.

Not just Slovakia but also Romania obtained an extension of the deadline for drawing of EU money but the Czech Republic and Bulgaria that applied for it later failed to obtain such an extension. The Czech government is currently preparing an emergency plan.

The new Minister of Regional Development of the Czech Republic Věra Jourová presented an analysis of spending EU funds in the period 2007 to 2013. She subsequently said at a press conference that Czechs managed the funds in a way that was "absolutely the worst of all European countries." The balance of refunds or under-execution of funds in the Czech Republic last year was at ten billion crowns (about 363 thousand EUR), while the volume of unspent funds throughout the EU amounted to 16 billion crowns. According to Jourová, the country risks losing up to 24 billion crowns this year, mainly in the OP Environment and OP Research and Development for Innovation. The Minister of Regional Development stated that the causes of the situation included poor financial planning, inadequate inspection system and also problems connected to award of public contracts. The Czech government has therefore instructed the individual ministries to prepare emergency plans which should prevent further losses.

9.2 Position of the Company in the IT sector

Asseco Central Europe and its subsidiaries won several major awards in 2013. The Company has ranked high in the Trend TOP in ICT ranking compiled by the weekly Trend each year. It scored again in 2013 and remained No. 1 in two categories (IT Service Providers in Slovakia, Top IT Suppliers to Private Financial Sector). For several years in the row, the Company has also dominated the category of IT Service Provides in Slovakia. A more detailed overview of the Company's ranking is presented in the table below.

Category	Ranking
IT Service Providers in Slovakia	1.
TOP IT Suppliers to Private Financial Sector	1.
TOP IT Suppliers to Public Sector	2.
TOP IT Suppliers to Utility Companies	5.
TOP IT Suppliers to Services Providers	5.
Software Houses in Slovakia	3.
ICT Companies with the Highest EBITDA	2.
Suppliers of Information Technologies in Slovakia Ranked by Added Value	2.
Suppliers of Information Technologies in Slovakia Ranked by Sales	5.
The Fastest Growing Slovak IT Companies	3.

Source: Trend TOP in IT, the weekly Trend, May 2013

Last year, the Company placed well also in the rankings of TOP companies and organizations operating in Slovakia in various fields of business and non-profit sector. The most important ranking - **Trend TOP 200** – saw Asseco Central Europe at the 108th position. Only two IT companies – Eset and HP Slovakia – enjoyed better rankings than that.

Here is a summary of some additional successes of Asseco CE:

- **1st place** in the ranking **"IT Service Providers in Slovakia"**,
- **5th place** in the ranking **"The Largest Supplier of Information Technology in Slovakia"**,
- **5th place** in the ranking **"The Fastest Growing IT Companies in Slovakia"**,
- **19th highest return on sales** among all companies doing business in Slovakia,
- Asseco CE was the **31st** among **largest companies according to added value**. The Company thus ranks among companies that significantly contribute to the national GDP.

A subsidiary of Asseco Central Europe, the telecommunications operator Slovanet, represents Slovakia in major European business competition European Business Awards. It won the title National Champion in its category in the main selection round and will seek to obtain the Ruban d'Honneur prize in the final round of the competition. The competition focuses on assessment of business success over the past 18 months with an emphasis on innovative strategies selected and the steps taken to achieve them, distinguishing a company in a competitive environment and also the activities in the area of corporate social responsibility.

A consortium of independent accounting and consulting firms organizes the European Business Awards competition annually. Its aim is to recognize excellent results, best practices and innovation by companies across the European Union in accordance with its strategic objectives. 527 national champions out of a number of registered companies from 31 European countries were selected in 11 categories in the current round of European Business Awards. The final results of the competition will be announced in April 2014.

10 NEW PROJECTS, PRODUCTS AND SERVICES

Asseco in the role of core system supplier and system integrator of the central banking system of the Czech-Moravian Building Society (ČMSS)

In June 2013, Asseco CE extended its contract for supply of a comprehensive information system StarBUILD including data migration from the old IBP system for the Czech-Moravian Building Society by implementation of CRM, ODS and systems integration assuance. The original contract for the supply of StarBUILD was signed in July 2012 after a successfully executed Proof of Concept at the end of 2011 and beginning of 2012. The new project is planned for 30 months. Czech-Moravian Building Society (ČMSS) is the largest building society in the Czech Republic and the second largest building society in Europe. By signing this contract, the Company obtained as a client the fourth of the five building societies in the Czech Republic. This strengthened the dominant position of the product StarBUILD on the market of building societies in the Czech Republic.

Czech Statistical Office - Delivery of key elements of the statistical information system (SIS)

The contract is for the analysis, design and delivery of detailed architecture of SIS, development, delivery and implementation of the various functional blocks and the integration thereof into the existing customer environments. The work includes the training of the SIS users, providing testing and pilot operation of the system and the optimization of its routine deployment where the project completion is scheduled for 31 May 2014. A contract for comprehensive service support, maintenance and user support of the various components of the SIS was signed at the same time for a period of 36 months.

The CSO expects that the deployment of the new information system will provide an environment promoting the integration of processes, tools and technologies used in the assessment of user requirements, preparation and processing of statistical tasks, analyzes and publishing of statistical information and the use thereof in a parameterized digital environment of digital information of eGovernment of the CR.

External Analytical Portal for the Vysočina Region

In February 2013, the Company launched an external analytical portal which is part of the successful completion of the project "Extending the Data Warehouse of the Vysočina Region" designed for the needs of citizens and other organizations. The site https://analytika.kr-vysocina.cz allows dynamic creation of reports and analyzes using data from the Regional Office of the Vysočina Region: Economy, EU Subsidies, Subsidized

Organizations, Statistics, Safety and Registries. The portal is a "public gateway" into the data warehouse of the Vysočina Region which has been built for several years. As the Vysočina Region has long been a technology leader in the modernization of public administration at the regional level, this project serves as a pilot project for other regional offices.

Card for Public Services in Silesia in Poland

mBank (formerly BRE Bank) Poland chose the company DanubePay as a provider of transaction, authorization and settlement services in the project Cards for Public Services in Silesia. It is a long-term 5-year innovative project financed by EU structural funds. It is unique in Poland and allows the use of various paid services for people across the region such as urban and regional transport, culture, sport and recreation, library services and paid parking. It will be used by 120 institutions in 21 cities and towns.

e-Portal of the Czech Social Security Administration (ČSSZ)

This is a project of building an Information and Communication Interface (ICI) of the ČSSA which Asseco Central Europe has been preparing for about 15 months. As the prime contractor, Asseco CE has been responsible for the architecture of the entire solution and delivery of its main components. The main objective of the project was to expand the possibilities of electronic communication of the ČSSA with clients through a new e-Portal into which it is possible to easily implement other services. The portal should also facilitate the work of staff of the ČSSA as it offers a new user interface and electronic filing. When designing the ICI, the Company based it on the experience from the project of developing a system of basic registers, especially the Register of Rights and Obligations and the Register of Persons. Its proposal of ICI is fully in line with the trend of eGovernment and is built on modern technologies of service-oriented architecture (SOA).

mHOSP to Support Hospital Care

In early 2013, an international team was formed, composed of representatives of the companies GlobeNet, Asseco Poland and Asseco Central Europe to carry out the design, development and implementation of a mobile application to support hospital rounds and running hospital wards as a whole. At first, the functionality and the logical operation of the whole application was specified, followed by development. Currently, the application is ready for iOS, Android and Windows 8. While the development of the first two mentioned platforms was primarily done in Poland, the third phase was moved to Slovakia, namely to Banská Bystrica and Košice. Testing the application in practice and its first implementation took place in a hospital in Hungarian Miskolc, in the department of vascular surgery. Initial discussions are currently underway on the pilot implementation in Slovakia and the Czech Republic and several implementations in Poland. We believe that in the near future it will be possible to meet doctors in our hospitals who do not carry piles of paper to the rounds but only use a tablet which runs the mHOSP application whose functionality significantly facilitates and improves the transparency of the work of health professionals.

The Slovak Supreme Audit Office - Development of the Audit Information System (AIS)

The project Development of SAO SR AIS introduces new electronic services within the SAO SR AIS system, ensuring better interaction between the SAO SR and the public, better public awareness of the activities of SAO SR and in addition the effectiveness of audit of the audited entity will increase. It also extends the functionality of existing modules of the information system. The project has as an ambition to increase the level of disclosure of the results of inspection activities, improve efficiency and availability of supervisory processes and increase transparency in the functioning of the Office so that it is in accordance with international auditing standard as much as possible.

The contract covers the analysis, design, development, testing, implementation and training for the various information systems and their integration into existing customer environment. Part of the contract is project management and procurement and deployment of hardware and software licenses. Project completion is scheduled for 31 October 2015.

Implementation of SEPA Payment Standards for Poštová banka Slovensko

Poštová banka Slovensko implemented in cooperation with the banking division of Asseco CE the SEPA payment standards in its core banking information system and the payment processes of the bank. As one of only a few banks in Slovakia, Poštová banka did not in any way restrict their clients by shutdown of the systems in the transition to SEPA payment standards.

11 ANALYSIS OF FINANCIAL RESULTS OF THE ASSECO CENTRAL EUROPE GROUP

In the last three financial years ended 31 December 2013, 31 December 2012 and 31 December 2011, the Asseco Central Europe Group (the "Group") reported the following consolidated financial results:

EUR thousand	2011	Margin	2012	Margin	2013	Margin
Sales revenues	133,485	*N/A*	134,440	*N/A*	131,330	*N/A*
Operating profit	18,001	*13.5%*	17,622	*13.1%*	14,526	*11.1%*
Pre-tax profit	18,817	*14.1%*	17,544	*13.0%*	14,472	*11.0%*
Net profit for the period	15,742	*11.8%*	14,401	*10.7%*	11,151	*8.5%*

The Group's revenues decreased by 2.3% in 2013 y/y mainly due to drop in sales of proprietary software and IT services (EUR -7.4 million) primarily as a result of frozen Czech public administration sector, which used to be one of the most traditional pillars of the Group's revenues base in the previous years. Parliamentary elections in October 2013 resulted in the change of ruling parties in Czech Republic and significant personal changes indicate potentially longer restart of the IT projects in the public sector.

Financial institutions as well as other enterprises in the Central European region kept their general cost saving approach from previous years and few new projects couldn't fully compensate high pressure on man-day rates and decreasing volume of change requests resulting in continuous decrease of revenues from the sale of own services.

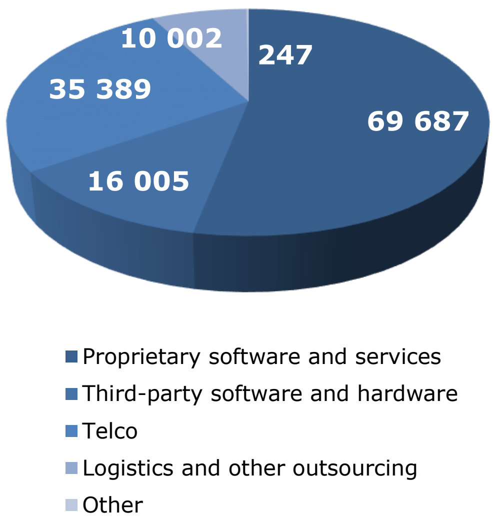
Sales of Telco services and logistics and other outsourcing services recorded on the other hand extraordinary positive growth by more than EUR 4.7 million in 2013 y/y.

The significant drop in sales of own IT services had a major impact on gross margin on sales which dropped by more than EUR 4 million in 2013 y/y in spite of many cost savings activities. Lower positive impact from grants in 2013 (EUR -0.4 million) and higher costs in Slovanet due to higher volume of services provided in 2013 y/y (EUR -1.2 million) resulted in the total decrease of gross profit on sales by EUR 5.8 million in 2013 y/y (-14%).

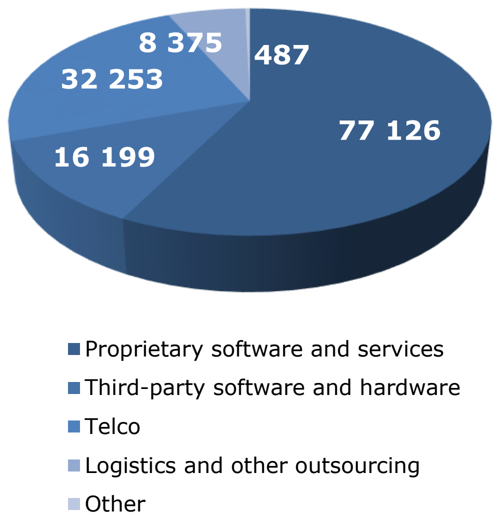
Further cost savings in S&GA activities in the total amount of EUR 1.3 million y/y smoothed the drop of net profit on sales by EUR 4.5 million in 2013.

Other operating activities were influenced mainly by the sale of two logistics non-IT projects in Czech Republic (generating the net profit EUR 1.7 million) and contributed to the operating profit in 2013 by net amount of EUR 1.9 million. The higher income tax rate in Slovak Republic (increased from 19% to 23% since 2013) lowered the net profit margin to 8.5% in 2013.

Structure by type of revenues in 2013



Structure by type of revenues in 2012



All figures in thousands of EUR.

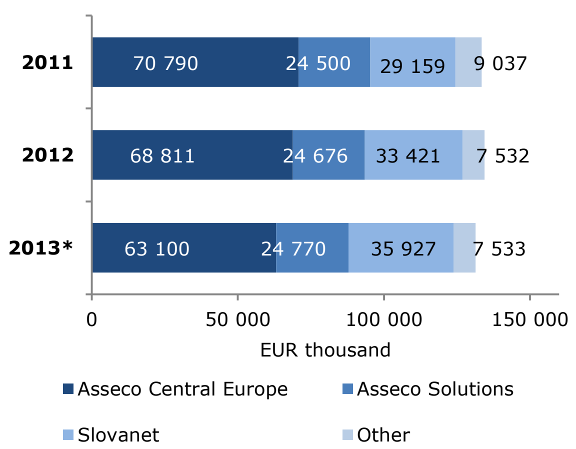
Financial performance of the Group

Asseco Central Europe, Asseco Solutions and Slovanet are the three main business entities which are presented as operating segment since 2013. The "Other" segment includes Hungarian companies Statlogics and GlobeNet as at 31 December 2013.

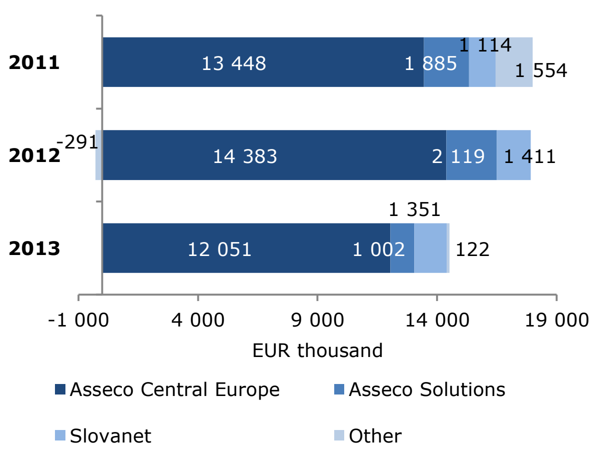
Asseco Central Europe segment reported 6% decline in sales in 2013 y/y, even though this figure includes also the sale of StarCARD license in amount of EUR 1.6 million (developed by Asseco Central Europe, a. s. /SK/ for DanubePay, a. s., treated as activation of own software from the Group perspective).

Asseco Solution presented flat revenues in 2013 y/y driven mainly by the own services provided. Slovanet recorded a significant revenues increase by EUR 2.5 million due to both organic growth and new acquisition of the Slovak local provider MadNet in December 2012.

Revenues by segments



Operating profit by segments



** Data include revenues from sale of StarCARD license presented in Asseco CE in amount of EUR 1.6 million.*

Segment Asseco Central Europe was most significantly hit by the combined impact of slowdown of the public administration sector and low courage of private sector to approach new investments. The drop of revenues from sale of own software and IT services by EUR 6 million in 2013 y/y was partially offset by EUR 1.6 million extra revenues from outsourcing services. Due to overall cost savings in both production and S&GA areas the net profit on sales declined by EUR 2.3 million in 2013 y/y. Additional net profit from other operating activities in amount of EUR 1.5 million including mainly the sale of two logistics non-IT projects (EUR 1.7 million) contributed to moderate decrease of operating profit by 5.6% in 2013 y/y.

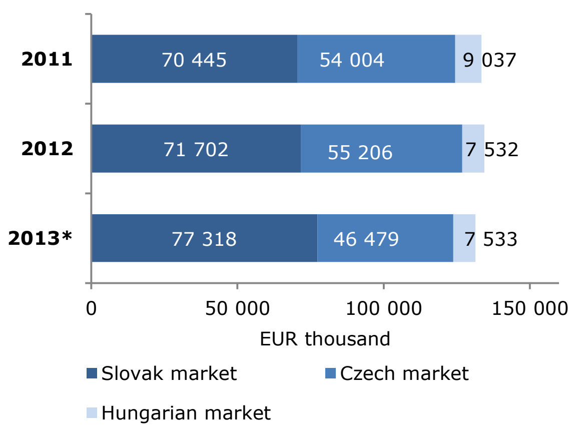
Although segment Asseco Solutions reported slightly higher revenues from sale of both own and 3rd party products in the total amount of EUR 0.1 million in 2013 y/y, lower positive impact from grants in 2013 y/y and at the same time higher costs related to restructuring of the segment (mainly in Slovakia) led to drop in operating profit in 2013 y/y by EUR 1.1 million.

Slovanet segment acting in the telecommunication services achieved almost 10% growth of own telco revenues in 2013 y/y (EUR + 3.1 million) due to both organic effort and acquisition of subsidiary MadNet in December 2012. Higher depreciation expenses related to newly acquired assets (by EUR 0.7 million) and higher marketing and selling costs (by EUR 0.7 million) almost completely flattened the operating profit in y/y comparison.

The opposite result is presented by Other segment consisting from Hungarian companies - having the same revenues it generated doubled operating profit in 2013 y/y (growth by EUR + 0.7 million) excluding amortization of the PPA assets.

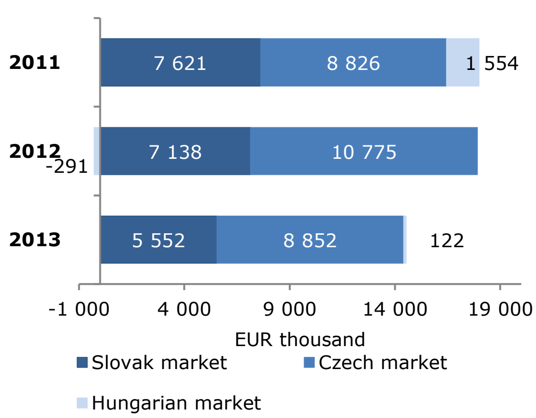
The geographical segments represent the three major markets where the Group companies operate: Slovak segment (Asseco Central Europe SK, DanubePay, Asseco Solutions SK), Czech segment (Asseco Central Europe CZ, Asseco Berit (DE, CH), Asseco Solutions CZ) and Hungarian segment (Statlogics and GlobeNet). Contribution of individual sectors to the Group's revenues and operating income is provided in the charts below.

Revenues by countries



** Data include revenues from sale of StarCARD license presented in Asseco CE in amount of EUR 1.6 million.*

Operating profit by countries



There are no customers exceeding 10% share in total revenues of the Group.

There are no suppliers exceeding 10% share in total revenues of the Group.

Financial position of the Group

EUR thousand	As at 31 Dec 2011	Share on total	As at 31 Dec 2012	Share on total	As at 31 Dec 2013	Share on total
Goodwill and intangibles	65,337	*37.20%*	63,143	*39.44%*	56,393	*35.80%*
Other non-current assets	22,248	*12.67%*	25,965	*16.22%*	26,292	*16.69%*
Current assets, excluding cash	47,010	*26.77%*	44,607	*27.86%*	39,977	*25.38%*
Cash and cash equivalents	41,024	*23.36%*	26,401	*16.49%*	34,857	*22.13%*
Total Assets	**175,619**	*100.00%*	**160,116**	*100.00%*	**157,519**	*100.00%*
Equity	106,957	*60.90%*	108,243	*67.60%*	105,641	*67.07%*
Interest-bearing debt[1]	9,428	*5.37%*	10,390	*6.49%*	10,117	*6.42%*
Other non-interest bearing liabilities[1]	59,234	*33.73%*	41,483	*25.91%*	41,761	*26.51%*
Total Equity and Liabilities	**175,619**	*100.00%*	**160,116**	*100.00%*	**157,519**	*100.00%*

Note 1: the figure includes both current and non-current portion of liabilities.

Financial indicators

Net debt	(31,596)		(16,011)		(24,740)	
Net liabilities	27,638		25,472		17,021	
Net liabilities to Equity	26%		24%		16%	

The balance sheet of the Group reflects that of a typical software group with a high proportion of assets allocated in goodwill and intangibles and relatively low leverage. In 2012, the property and equipment net value increased by more than EUR 3.5 million mainly due to new investments carried out in Slovanet. Goodwill and intangible assets dropped by more than EUR 2 million as result of amortization and impairment of goodwill allocated to GlobeNet by EUR 1.45 million. Cash position shrunk significantly due to extraordinarily high portion of dividends paid out to shareholders.

In 2013, the goodwill dropped by EUR 2.5 million mainly due to foreign exchange rate changes. Other intangible assets decreased by EUR 4.2 million mainly due to regular amortization (EUR 5.3 million). Cash position increase was achieved mostly due to collection of short term bills in amount of EUR 9.2 million in 2013.

The Group’s net working capital position (current assets less current liabilities) remained very solid in the analysed period.

The Group maintained strong balance sheet with high balances of cash and stable debt. Majority of the debt was drawn by Slovanet to finance its infrastructure projects and acquisitions. Net debt and leverage ratios show that the Group’s leverage is very low and the capital structure is still healthy with a significant debt capacity.

Cash-flow analysis

EUR thousand	2011	2012	2013
Cash-flow from operating activities and FX differences	30,534	17,912	14,534
Cash-flow from investing activities	(4,573)	(14,846)	6,374
Cash-flow from financial activities	(7,294)	(17,689)	(11,769)
Change in cash for the period	**18,667**	**(14,623)**	**8,456**
Cash and cash equivalents, beginning of period	22,357	41,024	26,401
Cash and cash equivalents, end of period	41,024	26,401	**34,857**

Cash-flow from operating activities reflected the drop of operating profit in 2013 y/y but still remained the main source of financing for investments together with the collected short term bills in amount of EUR 9 million used as an equivalent of bank deposits.

Group acquired property, plant and equipment and intangible assets in the total amount (net of proceeds from disposals) of EUR 7.3 million in 2013.

Proceeds from sale of logistics projects and sale of shares in Uniquare in amount of EUR 4 million represented additional significant inflow in 2013.

In the financing activities, dividends were paid out in the significant amount exceeding EUR 10 million in 2013 (EUR 14 million in 2012). Apart from dividend the payments of finance lease commitments (EUR 0.8 million in 2013) and net loans payment (EUR 0.4 million in 2013) contributed to the total cash used in the financing activities.

11.1 Information on subsidiaries

The table below shows the basic financial data for individual companies belonging to the Group[1].

EUR thousand	Sales revenues of the Group companies in the period of		Profits/(losses) attributable to the Group companies in the period of	
	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
	(audited)	(audited)	(audited)	(audited)
Asseco Central Europe SK *	35,315	31,009	13,994	12,463
Asseco Solutions SK **	10,084	9,635	42	384
Slovanet	36,208	33,652	823	969
DanubePay *	1,715	102	(1,165)	(69)
Asseco BERIT GmbH *	3,101	3,562	109	111
Asseco BERIT AG *	977	1,183	9	5
Asseco Solutions CZ **	16,230	15,595	839	1,263
Asseco Central Europe CZ *	30,599	38,369	7,002	7,920
Statlogics	4,678	4,885	1,062	1,215
GlobeNet	2,869	2,647	35	(646)
Total	**141,776**	**140,639**	**22,750**	**23,615**

[1] Data exclude consolidation adjustments and net profit attributable to non-controlling interest

* constitutes the business entity Asseco Central Europe (or Asseco CE)
** creates the business entity Asseco Solution

12 DESCRIPTION OF SIGNIFICANT RISKS AND THREATS

Market risks

Risks associated with the macroeconomic situation in the markets where the Group operates

Unpredictable development of the markets, mainly because of still appreciable effects of the global financial crisis, uncertain economic growth, decline in business investments in the previous periods which may repeat in future, decline in public procurement due to budgetary restrictions or increase in inflation can have a negative impact on the activities and financial situation of the Group, its financial results and prospects of development. In the same way can the Group effect changes in the way of adoption, interpretation and application of legislation - any changes in legislation, especially in the field of taxation, labour and social security. Especially adoption of legislation, when some of the activities provided by the private institutions will be eliminated and moved to the State responsibility (health insurance, social security and pension insurance and selected banking activities) may lead to adverse changes of our Capital Group business.

Adverse changes in exchange rates, but clearly slowed by the introduction of euro in the Slovak Republic, especially in the case of Group companies that operate in the euro area and mostly invoice in euro could affect the actual amount of revenues from the projects.

Risks related to the increased competition in the IT market

The IT market in Slovakia, as well as in other Central and Eastern European countries, is rapidly evolving and becoming increasingly competitive. Competition is generally based on products' functionality, range of service offerings, customer service and price. Increasing competition on the IT market can have a negative impact on the ability of the companies of the Group to obtain new projects, which can result in reduction of profit margins and lead to a reduction in market share.

Risks linked with the development in the financial sector

Most of the Group's customers are customers from the financial sector, development in this sector will have an impact on the results of the Group.

Risks connected with the geographical inclusion of companies in the Group

The activities of companies in the Group are focused on one region, so the development in the region (positive or negative) may have a direct impact on the Group regardless of product diversification.

Risk of becoming dependent on the key customers

Our business is highly dependent on new projects acquisitions from existing as well as new clients. With the growth of our services, including new segments and regions, our dependence on main projects is decreasing, however it remains significant. Dependence on major customers, few big projects and any difficulties in obtaining new projects may have an adverse impact on the Group's activities - each loss of an important project, which is not offset by revenue from new or existing projects may affect adversely the operation activities, forecasts, financial results and situation of the Group.

Risk associated with the failure in successful development and introduction of new products and services

The market for our products and services is characterized by rapid technological advances, changes in customer requirements and evolving industry standards. Thus, in order to remain competitive and increase our operating revenues, we must successfully introduce new products and services, or develop enhancements to and new features for our existing services, in a timely manner. Otherwise, our product and service offerings may become obsolete, less marketable and less competitive and our business will suffer. Failure in the successful development and introduction of new products and services may adversely affect the business, prospects, results of operations and financial condition of our Company and our Capital Group.

Regulatory and legal risks

Risk of changes in regulations and their interpretation

Asseco Central Europe SK was founded and operates in accordance with Slovak legislation. The Company is listed on the Warsaw Stock Exchange and is subject to the relevant legislation valid in Poland, which is available in Polish or English language. Furthermore, there is a risk of non-compliance of Polish or Slovak legislation with the legislation of the country where subsidiaries operate. There is an additional risk from not assessing the current situation of a subsidiary correctly from the public point of view. Interpretation of laws of a foreign legal system, with the inaccuracy of interpretation gives rise to the regulatory risk occurring in the environment in which Company operates.

Operating risks

Risk of losing the customers' trust

Most of the projects realised by the Company involve creating and providing to our clients' complex IT solutions. The complexity of these projects results in the risk of not meeting the contractual deadlines. There is also a potential risk that we will not be able to achieve all the targets set by our client in a given project. We are only partially able to manage this risk, since the development of solutions and thus the ability to provide them within the agreed milestones and business targets depend to a large extent on our clients and sometimes also on third parties, like state authorities in the case of some legal framework changes which influence our solutions. There are some typical contractual penalties or indemnification clauses involved in most of our agreements.

There is also a risk that not meeting certain deadlines or business or other targets set by our clients may result in worsening our relations with a particular client even if it will not result in any contractual penalties.

There is also a risk of undue performance of our solutions provided to our clients, even some time after the project is successfully closed. We try to manage this risk by implementing several testing procedures, both our own and those of our clients; however we are not able to manage fully this risk, and in particular we are not able to insure this risk.

Possible payment of contractual penalties, worsening our relations with a particular client or undue performance of our solutions may, to a certain extent, adversely influence the business, prospects, and results of operations or financial condition of our Company and our Capital Group.

Risk related to adjusting our products to changes in law which may cause significant costs

The solutions we and our Capital Group members implement for our clients have to be in compliance with existing laws. As changes of law occur quite frequently in Slovakia and other CEE countries, we may be obliged to implement certain amendments to our solutions. On the basis of some agreements concluded with our clients, we are usually obliged to adjust our solutions in a very limited scope to the changing laws within the maintenance fee. More complex adjustments are made on a remuneration basis. In the process of budgeting we assume the potential consequences of changes in law. We cannot definitely exclude the risk that we may be subject to some financial losses in future due to the performance of these adjustments.

Risk related to limitation of cooperation with us by our main suppliers

Relationships with worldwide, well-known suppliers provide us access to the best technology supporting our competitive position on the market. As with all IT solutions providers, we may face the risk that one of our big suppliers, e.g. Microsoft or Oracle, may stop supporting a particular technology used in some of our projects. In our opinion, such steps are untypical for our business environment and, if they do happen, are always announced several years ahead and therefore there is a sufficient period to adapt. However, in the event that our main suppliers stop providing us their technologies and we would not be able to substitute them with other alternatives, we may face negative consequences on the business, prospects, and results of operations or financial condition of our Company and our Capital Group.

Risk related to difficulties on the side of our sub-contractors

In some cases we, and our Capital Group, provide our clients with solutions developed by our sub-contractors. The sub-contractors are in general obliged to service the solutions delivered by them. Our sub-contractors, in common with businesses generally, may face business and financial difficulties resulting in their becoming unable to fulfil their service obligations. This may negatively impact our credibility among our clients and adversely affect our business, prospects, and results of operations or financial condition.

In some particular projects having a role of integrator for the whole solution, we are not only responsible for our sub-contractors, but also for all other parties involved in the project, provided their solutions were chosen or recommended by us. In such cases any undue performance of the third-party solutions may also influence negatively our projects. This may adversely affect the business, prospects, and results of operations or financial condition of our Company and our Capital Group. We protect ourselves from these adverse effects to some extent by implementing similar contractual penalties to agreements with our subcontractors as are contained in our agreement with the client. We also try to take part in key development works, may it prove to be ensuring the successful execution of the integration project.

General risks of acquisition of companies

We closed several acquisition transactions. There is a risk that the post-merger integration process will not be successful and some of the targets will not perfectly fit into our Group strategy.

Risk related to carrying out of public tenders

Our Capital Group plans also in the future to participate in projects of the public sector, some of them co-financed from Operational programs of EU. Delay or restrictions of any kind of these projects could have an adverse effect on our business, prospects, and results of operations or financial condition.

<u>Risks associated with the management of Asseco Central Europe</u>

Our controlling shareholder has the ability to take actions that may conflict with the interests of other holders of our Shares.

The number of members of the Supervisory Board, which elect employees according to relevant provisions of the Statute, may not be consistent with the law.

Insurance policy may not cover all risks.

Rapid growth and development can lead to difficulties in obtaining adequate managerial and operational resources.

Company is dependent on key personnel, and their loss could have an adverse effect on the execution of IT contracts conducted by the Group companies, as wel as on ensuring the required quality and range of services provided. At the same time, Company also faces the risk of persistence of difficult availability of IT professionals in the labour market.

Board of Directors members may take actions that may conflict with the interests of Supervisory Board members. Board members who resign, may require compensation.

Group may not be able to maintain the existing corporate culture in relation with activities development.

Integration of management processes in the Group may be incorrectly interpreted and cause divergent decisions.

Polish courts issued rulings against the Company may be more difficult to apply in Slovakia than it would be if the Company and its management were in Poland.

Shareholders from Poland may have difficulty with the exercise of rights under the Slovak legislative.

Investors may not be able to sell shares of the Company at the expected price or the expected date due to the lack of an active or liquid market.

Excess supply of the Company shares on the stock market may have an adverse impact on their price.

13 SIGNIFICANT EVENTS AND ACHIEVEMENTS OF THE ASSECO CENTRAL EUROPE GROUP

General Shareholders Meeting

The Ordinary General Meeting of Shareholders of the Company held on 10 April 2013 passed a resolution on the appointment of Mr. Przemysław Piotr Sęczkowski as member of the Supervisory Board of the Company.

Ordinary general shareholders meeting held on 10 April 2013 further approved consolidated and standalone financial statements of Asseco Central Europe, a. s. (SK) and a distribution of net profit for financial year 2012. The dividends were paid out in the total amount of EUR 10,039,200 which represents EUR 0.47 per share.

Important business contracts realized by the Company

- Contract with Českomoravská stavební spořitelna (Czech-Moravian Building Society) – implementation of core banking system StarBUILD including data migration from the old system, CRM implementation, ODS and system integration assurance (contracts signed in reporting period)
- Contracts with Slovenská sporiteľňa (Slovak Saving Bank) – development and new change requests in Electronic Banking (contracts signed in reporting period)
- Contracts with Poštová banka (Postal Bank) – new change requests in core system StarBANK (contracts signed in reporting period)
- Contract with J&T, a. s. – licence and StarSTAT supply for reporting automation towards Slovak National Bank (SNB) for 2013. Design of data bases, mapping of bank source systems to data bases and data parameterisation for defined SNB records (contract signed in reporting period)
- Contract with Český statistický úřad (Czech Statistical Office) – re-design of information system of statistical office & service to the re-design of information system of statistical office (contracts signed in reporting period)
- Contract with F. D. Roosevelt Faculty Hospital with Polyclinic in Banská Bystrica – virtualization of IT infrastructure (contract signed in reporting period)

Important business contracts terminated

Kapsch Telematic Services terminated the contract for operation and maintenance of contact and sales points within the e-toll project for Ministry of Transportation in Czech Republic since July 2013. The estimated value of revenue drop for 2013 is EUR 850 thousand. Asseco Central Europe, a. s. (CZ) currently conducts, as the plaintiff, two arbitration disputes with the Kapsch Group member companies in the Czech Republic. Disputes concern an unjust unilateral termination of Company's participation on the provision of services for the electronic highway toll system of the Czech Republic, which should continue until 2016. Being a member of general contractor consortium Asseco Central Europe, a. s. claims damages and the continuation of performance of the respective contracts.

Important business contracts realized by the Company's subsidiaries

Company	Significant events during the reporting period
Asseco Central Europe, a. s. (CZ)	▪ Contract with Česká správa sociálního zabezpečení (The Czech Social Security Administration) – extension of related infrastructure (hardware, networks) for the 159 project (contract signed in reporting period) ▪ Contract with Atos IT Solutions and Services, s. r. o. – sub-delivery for the 159 project of Česká správa sociálního zabezpečení (The Czech Social Security Administration) – extension of professional applications with services published through information and communication interface of 159 project & extension of IN/ OUT subsystems for 159 project (contract signed in reporting period) ▪ Contract with Česká správa sociálního zabezpečení (The Czech Social Security Administration; CSSZ) – extension of VZ001 project – implementation of information and communication interface of CSSZ based on the conclusions of Phase 1 (contract signed in reporting period) ▪ Contract with CSOB – service of POS terminals; 3 years contract (contract signed in reporting period) ▪ Contract with ČEZ ICT a. s. – preparation of data for LV distribution network SCADA in system TE GIS ČEZ Distribuce a. s. (contract signed in reporting period)
Slovanet, a.s.	▪ Contract with Union poisťovňa a. s. –VPN (contract signed in reporting period) ▪ Contract with Ministry of Defence SK (Stationary communication and information systems base) – VPN (contract signed in reporting period) ▪ Contracts with Central Securities Depository of the Slovak Republic– VPN (contract signed in reporting period) ▪ Contract with DISIG – VPN (contract signed in reporting period) ▪ Contract with COOP Jednota Žilina – VPN + VoIP (contract signed in reporting period)
Asseco Solutions, a.s. (SK)	▪ Contract with Českomoravská stavební spořitelna (Czech-Moravian Building Society) – SPIN (contract signed in reporting period) ▪ Contract with Trenčín Self-Governing Region – SPIN (contract signed in reporting period) ▪ Contract with Ministry of Finance/Hewlett-Packard/MIM, s. r. o. (Integration of Self-Governing Regions to State Treasury information system) – SPIN/iSPIN (contract signed in reporting period) ▪ Contract with Bratislava Self-Governing Region – upgrade to SPIN2/iSPIN2 (contract signed in reporting period)
Asseco Solutions, a.s. (CZ)	▪ Contract with SECURITAS ČR s. r. o. – licence and implementation of HELIOS Green (contract signed in reporting period) ▪ Contract with Autocentrum ESA a. s. – licence and implementation of HELIOS Green (contract signed in reporting period)

	▪ Contract with Dřevo Trust, a. s. – licence and implementation of HELIOS Green (contract signed in reporting period) ▪ Contract with Rozhlas a televízia Slovenska - licence and implementation of HELIOS Green (contract being realized in reporting period) ▪ Contract with United Energy, a. s. - licence and implementation of HELIOS Green (contract finished in reporting period) ▪ Contract with G4S Cash Solutions (CZ), a. s. – licence and implementation of HELIOS Green (contract signed in reporting period) ▪ Contract with Simac technik (CZ), a. s. – licence and implementation of HELIOS Green (contract signed in reporting period)
GlobeNet, Zrt.	▪ Contract with Delta Systems Kft.– Csillagpont project (MobiWorkS, Luxinfo – Patient call implementation) (contract being realized in reporting period) ▪ Contract with HM EI Zrt. – SAP implementation (contract being realized in reporting period) ▪ Contract with Getronics Magyarország Kft. – Oracle delivery (contract being realized in reporting period) ▪ Contract with Szent Margit Kórház – MedWorkS license and implementation (contract being realized in reporting period) ▪ Contract with Albert Schweitzer Kórház-RI – EFI module delivery and implementation (contract being realized in reporting period)
Statlogics, Zrt.	▪ Contract with Unicredit Personal Finance, Bucharest (Romania) – migration of data from newly acquired financial company to Unicredit Personal Finance (contract finished in reporting period) ▪ Contract with Agos-Ducato, Milan (Italy) – risk management expertise (scorecard development), (contract signed in reporting period) ▪ Contract with Eurasian Bank, Almaty (Kazakhstan) – Go live of credit card solution (contract being realized in reporting period) ▪ Contract with UniCredit Romania – Credit Card extension of full version of Credilogic (contract signed in reporting period) ▪ Dan-Aktiv Groupe Crédit Agricole (Denmark) – risk management expertise (scorecard development), (contract finished in reporting period) ▪ Contract with Raiffeisen International, Vienna (Austria) – risk management expertise (training of Croatian and Belarus risk experts on behavioural scorecard development), (contract finished in reporting period)
DanubePay, a.s.	▪ Contract with mBANK (BRE Banka SA) (Poland) – clearing and settlement centre services (contract signed in reporting period) ▪ Contract with OREDO (IDS Hradec Králové, Pardubice) – cards delivery (contract signed in reporting period)

14 ADDITIONAL INFORMATION

14.1 Indication of proceedings pending before courts and public administration

Currently there are no ongoing proceedings before the courts, the authority responsible for arbitration proceedings or public administration bodies, in which the party would be Asseco Central Europe, or any company of the Group, which would be subject to claims or liabilities of at least 10% of the equity of the Company.

14.2 Information about seasonality

Production of the Group is subject to the usual seasonality observed across the IT industry. According to past experience most of the Group revenues are generated in the fourth quarter, when investments budgets are realized by the customers of the Group.

14.3 Information on dividends paid or declared

According to information published in the Prospectus, the Company has not declared a dividend policy.

Ordinary general shareholders meeting which was held on 10 April 2013 approved consolidated and standalone financial statements of Asseco Central Europe, a. s. and the distribution of net profit for 2012. The dividends were paid out in the total amount of EUR 10,039,200.00 which represents EUR 0.47 per 1 share.

14.4 Information on changes in contingent liabilities or contingent assets

Information on changes in contingent liabilities or contingent assets are presented in the Note 28 of the Group's consolidated financial statements.

14.5 Related party transactions

For details, refer to the Note 26 of the consolidated financial statement of the Group.

14.6 Loans, loan agreements, sureties, guarantees and commitments

Loans, loan agreements, guarantees and commitments are presented in the Note 23 of the Group's consolidated financial statements.

14.7 Opinion on feasibility of the Management´s financial forecast for 2013

The Board of Directors of the Parent Company did not publish any forecast for 2013.

14.8 Management of financial resources

The financial resources of the Group consist of revenues from operations.

The Group keeps surplus funds in licensed banking institutions, in form of term deposits with a minimal risk. The Group does not invest in securities for short-term appreciation of resources.

The Group has exposure to various creditors based on interest bearing loan and credit agreements. All loan and credit commitments are paid in line with the agreed repayment schedules.

The Group generally fulfils its obligations on time. If necessary, the Group is able to react to short-term lack of liquidity in individual companies using intercompany loans.

14.9 Evaluation of feasibility of investment projects

In 2013, the Group invested in mainly property, plant and equipment mostly in relation with building and maintaining network and infrastructure in its telco subsidiary Slovanet.

All of the transactions were planned in a way that they should not limit or threaten the ongoing character of operating activities of the Group and financial liquidity of individual companies. Moreover, the Group plans to continue reinvesting in the assets, which are used for further operating activities.

14.10 Factors and events, particularly of unusual character, having an impact on financial results

There were the following one-off transactions having significant impact on financial results of the Group in 2013:

- Sale of non-IT logistics projects in September 2013 with the impact on the net other operation income in the amount of EUR 1.7 million. The projects generated annual revenues in the amount of EUR 3.8 million and represented 115 employed persons in Czech Republic.

14.11 Changes in principles of the Company and group management

In the reporting period, there were no changes in the basic principles of management of Group and its Parent Company.

14.12 All agreements between Asseco Central Europe, a. s. and its management, providing compensation in case of their resignation or dismissal

Asseco Central Europe, a. s. has not entered into agreements with its management, providing for compensation in case of their resignation or dismissal.

14.13 Information on salaries, bonuses or benefits for managers and supervisors

Information on salaries, bonuses or benefits for managers and supervisors are presented in the Note 33 of the Group’s consolidated financial statements.

14.14 Information about existing agreements that may result in future changes of the proportions of shares held by existing shareholders

Asseco Central Europe, a. s. is not aware of any agreement which could result in changes in the proportion of shares held by existing shareholders.

14.15 Information about share based payment transactions

The Group does not conduct employee share schemes.

14.16 Agreement with the entity authorized to audit financial statements

The General Shareholders Meeting of Asseco Central Europe, a. s. approved the selection of Ernst & Young Slovakia, spol. s r. o. with registered seat at Hodžovo námestie 1/A Bratislava, SKAU Licence No. 257 as independent auditor for standalone and consolidated financial statements of Asseco Central Europe, a. s. for the year 2013.

Detailed information about total audit fees charged to Asseco Central Europe, a. s. is presented in the Note 31 of the Group's consolidated financial statements.

14.17 Significant events after the balance sheet date

On 2 January 2014, the Board of Directors of Asseco Central Europe signed an agreement with Asseco Dach S.A. for acquisition of 100% shares in Asseco Solutions AG headquartered in Germany in value of EUR 13,800 thousand. Asseco Solutions AG is a recognized expert in the area of technologically leading ERP software for manufacturing companies within Germany, Austria and Switzerland.

Signatures of all members of the Board of Directors of Asseco Central Europe, a. s. under the Management report on activities of the Asseco Central Europe Group for the 2013 year

Jozef Klein
Chairman of the Board

Radek Levíček
Vice-chairman of the Board

Marek Grác
Member of the Board

David Stoppani
Member of the Board

4 March 2014, Bratislava

ASSECO CENTRAL EUROPE BOARD OF DIRECTORS STATEMENT

Statement of the Board of Directors of Asseco Central Europe, a. s. on the reliability of the consolidated financial statements of the Group of Asseco Central Europe for the period from 1 January to 31 December 2013.

The Board of Directors of Asseco Central Europe, a. s., according to its best knowledge, declares that the consolidated financial statements for the period from 1 January to 31 December 2013 have been prepared in accordance with the rules under International Financial Reporting Standards, International Accounting Standards and related interpretations published by the European Commission and give a true and fair financial position of the Company and its financial performance and that the report shall include a true picture of the development and achievements and the Company, including a description of the main threats and risks.

Jozef Klein
Chairman of the
Board of Directors

Radek Levíček
Vice-chairman
of the Board

Marek Grác
Member of the
Board of Directors

David Stoppani
Member of the
Board of Directors

Statement of the Board of Directors of Asseco Central Europe, a. s. on the entity authorized to the consolidated financial statements of Central Europe, a. s. for the period from 1 January to 31 December 2013.

This Board of Directors of Asseco Central Europe, a. s. declares that the entity authorized to audit the consolidated financial statements of the Asseco Central Europe, a. s., i.e. Ernst & Young Slovakia, spol. s r. o., with seat in Bratislava was chosen in accordance with the law. Entity and the auditors who audited the report fulfilled the conditions of an impartial and independent opinion about the study, in accordance with applicable law.

Jozef Klein Chairman of the Board of Directors	Radek Levíček Vice-chairman of the Board	Marek Grác Member of the Board of Directors

David Stoppani
Member of the
Board of Directors

4 March 2014, Bratislava

Solutions for Demanding Business

asseco
CENTRAL EUROPE

REPORT ON COMPLIANCE
of Asseco Central Europe, a. s.
with the corporate governance standards

4 March 2014

Declaration of Asseco Central Europe, a. s. on compliance with the Corporate Governance Standards, prepared pursuant to §91 sect. 5 item 4 of the Regulation of the Minister of Finance regarding current and periodic information to be submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state, dated 19 February 2009 (Journal of Laws No. 33, item 259)

I. THE SET OF CORPORATE GOVERNANCE STANDARDS APPLICABLE TO THE ISSUER AND THE PLACE WHERE IT IS PUBLICLY AVAILABLE.

Asseco Central Europe, a. s. („the Company") is bound by the Code of Best Practice for WSE Listed Companies adopted by a resolution of the Supervisory Board of the Warsaw Stock Exchange No. 19/1307/2012 dated 21 november 2012. Full text of the Code of Corporate Governance is available on web page http://www.corp-gov.gpw.pl. The report on corporate governance standards applied by Asseco Central Europe, a. s. was published in the Company's current report No. 15/2008 of 13 March 2008 as well as in the Report on Compliance with the Corporate Governance Standards in 2008, 2009, 2010, 2011 and 2013 prepared pursuant to §91 sec. 5 item 4 of the Regulation of the Minister of Finanace dated 19 February 2009 published for year 2008 on 18 February, for 2009 on 11 March, for 2010 on 15 March, for 2011 on 8 March and for 2012 on 1 March. Furthermore, the Company made a declaration of compliance with the corporate governance standards, which has been published on our corporate website www.asseco.com/ce, in the Investor Relations section.

II. CORPORATE GOVERNANCE STANDARDS WHICH HAVE BEEN PARTIALLY OR ENTIRELY WAIVED BY THE ISSUER AND THE RATIONALE FOR DOING SO.

The Company's Board of Directors decided to abandon application of the following corporate governance rules:

Rule No.	Rule	Our comment
II.1.11.	A company should operate a corporate website and publish information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting.	We apply this rule in a limited scope, i.e., the Company discloses information on shareholders holding not less than 5% of the total number of votes at the general meeting in the form of a current report. Information on stakes held by members of our Board of Directors and Supervisory Board is disclosed in our periodical reports.
II. 3.	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the	We apply this rule in line with our binding Articles of Associations. The powers of the Supervisory Board include *inter alia* granting consent for entering into agreements between the Company and members of its Board of Directors and Supervisory Board, our shareholders or

	operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).	entities linked with the Company or entities having capital or personal connection to members of our Board of Directors, Supervisory Board or our shareholders.
II.7	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	We do not apply this rule. We are registered in Slovakia and our General Meetings take place in Slovakia. The possibility of some of our Polish shareholders to participate in General Meetings may be limited. In order to make this easier for our shareholders, we plan to organize, in Poland, meetings preceding the General Meeting at a convenient time and place. These pre-meetings will allow all shareholders to register and discuss topics intended to be subject matter of the General Meeting. They will be able to grant powers of attorney to persons delegated by us to such meetings.
III.1.1)	In addition to its responsibilities laid down in legal provisions the Supervisory Board should: once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system.	We apply this rule in a limited scope, i.e. annual reports signed by Board of Directors include information regarding evaluation of the Company's situation.
III.4.	A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	We apply this rule in a limited scope, i.e., our major shareholder, Asseco Poland is entitled to designate three out of five members of the Supervisory Board. Asseco Poland has a very similar business activities profile and potentially acceptance of this rule could be impossible or could complicate the activities of our Supervisory Board.
III.6	At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*. Irrespective	We apply this rule in a limited scope, i.e. our major shareholder, Asseco Poland is entitled to designate three out of five members of the Supervisory Board. One Supervisory Board member is appointed by our employees. For these reasons, the Board of Directors is not able to ensure compliance with this rule.

	of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	
III.8	Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors…* should apply to the tasks and the operation of the committees of the Supervisory Board.	We apply this rule in a limited scope, i.e., our Supervisory Board shall act on the basis of the laws of the Slovak Republic.
IV.6	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	The Company acts on the basis of the regulations in force in the Slovak Republic and, as a company listed on the WSE, is obliged to obey the regulations in force in Poland. In the case of dividend payments, the Company must adjust the method of payment to the two systems. For this reason, there might be a slight delay between the day on which a right to a dividend is established and the day the dividend is actually paid.

III. MAIN FEATURES OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS APPLIED BY THE ISSUER IN THE PROCESS OF PREPARING ITS SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS.

The Company's separate and consolidated financial statements are prepared in compliance with the International Accounting Standards ("IAS") as well as the International Financial Reporting Standards ("IFRS"). Both IAS and IFRS include interpretations approved by the International Financial Reporting Interpretations Committee ("IFRIC").

One of the key control mechanisms in the process of preparing the Company's financial statements involves periodical verification of such financial statements by an independent certified auditors, and in particular the review of semi-annual financial statements as well as the preliminary and final audits of annual financial statements.

Certified auditors are selected by the Company in such a way as to ensure that their entrusted tasks are performed impartially. For the sake of such impartiality, the Company changes the entity authorized to audit its financial statements at least once every five years. The change of certified auditors should be also understood as changing the individual carrying out the audit. Certified auditors are each year selected by the Supervisory Board from among reputable auditing firms, which can guarantee high standards of service and independence. Auditing agreements are concluded for one-year periods.

In order to ensure accuracy of the Company's accounting books as well as generation of highly reliable financial data, the Company's Board of Directors adopted the following documents:

1. Company Organizational Regulations,
2. Accounting Policy and Chart of Accounts, both consistent with the International Financial Reporting Standards,
3. Quality Management System ISO 9001:2000,
4. Numerous internal procedures regulating the Company's operations with significant exposure to risk.

Quality of the accounting data, which provide basis for the preparation of financial statements, is additionally guaranteed by the fact that the Company's accounting books are maintained in an integrated ERP system.

The Audit Committee, established from among Members of the Supervisory Board, plays an important role in internal control of the preparation of separate and consolidated financial statements. This committee is entitled to perform financial auditing activities within the company and in particular to:

- monitor the financial reporting process;
- monitor efficiency of the internal control, internal audit and risk management systems;
- monitor performance of the financial audit activities;
- monitor independence of the certified auditor as well as of the entity authorized to audit financial statements.

The internal control and risk management procedures applied in the process of preparing the financial statements of Asseco Central Europe are very effective and enable production of high quality reports, which is best proved by the opinions issued by certified auditors following their audits of the Company's annual financial statements.

IV. SHAREHOLDERS WHO, DIRECTLY OR INDIRECTLY, HOLD SIGNIFICANT STAKES OF SHARES INCLUSIVE OF THE NUMBERS OF SHARES AND EQUITY INTERESTS HELD, AND THE NUMBERS OF VOTES AND VOTING INTERESTS THEY ARE ENTITLED TO AT THE GENERAL MEETING OF SHAREHOLDERS.

To the best knowledge of the Company's Board of Directors, as at the publication date of this report, i.e. at 4 March 2014, the Shareholders who, either directly or through their subsidiaries, held at least 5% of the total votes at the General Meeting of Shareholders were as follows:

Shareholder	Number of shares	Number of votes	% share
Asseco Poland	19,973,096	19,973,096	93.51

V. HOLDERS OF ANY SECURITIES CARRYING SPECIAL RIGHTS WITH REGARD TO CONTROL OF THE COMPANY AND DESCRIPTION OF SUCH RIGHTS.

None

VI. LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATIONS ON VOTING BY HOLDERS OF A CERTAIN PORTION OR NUMBER OF VOTES, TIMING LIMITATIONS ON VOTING, OR OTHER PROVISIONS UNDER WHICH, IN COOPERATION WITH THE COMPANY, OWNERSHIP OF SECURITIES IS DEPRIVED OF SOME RIGHTS INCIDENTAL THERETO.

None

VII. LIMITATIONS ON TRANSFERABILITY OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES.

None

VIII. RULES REGARDING APPOINTMENT AND DISMISSAL OF THE MANAGEMENT MEMBERS AND DETERMINING THEIR AUTHORITY, IN PARTICULAR THE RIGHT TO DECIDE ON ISSUANCE OR REDEMPTION OF SHARES.

The Board of Directors is the statutory body that manages the Company and acts on its behalf. Two members of the Board of Directors acting jointly are entitled to represent the Company. The Board of Directors decides all matters related to the operations of the Company unless the matter lies within the competence of the General Meeting or the Supervisory Board. Any 2 (two) members of the Board of Directors shall act jointly on behalf of the Company in all of the Company’s matters towards third parties.

Members of the Board of Directors are elected for the period of 5 (five) years and recalled by the Supervisory Board of the Company. The Supervisory Board shall at the same time determine which of the members of the Board of Directors shall be the Chairman of the Board of Directors. If in accordance with the Articles of Association the Supervisory Board fails to elect/recall the member(s) of the Board of Directors or to appoint the Chairman of the Board of Directors, the General Meeting shall elect/recall members of the Board of Directors, appoint the Chairman of the Board of Directors in accordance with the Articles of Association. A repeated election is possible.

IX. RULES REGARDING AMENDMENT OF THE ISSUER’S ARTICLES OF ASSOCIATION

Commercial Code (Journal of Laws No. 513/1991) applicable in the Slovak Republic regulates the formal requirements for change of the Articles of Association in joint stock companies under § 173 and 174. Articles of Association of Asseco Central Europe, a. s. does not provide specific provisions governing the amendment of the Articles of Association, i.e. the Company applies the provisions of the Commercial Code in force in the Slovak Republic (Commercial Code), according to which a change of the Company Articles of Association requires a resolution of general meeting and the introduction of new wording to the Registrer of District Court Bratislava I.

If the general meeting agenda includes a change of the Articles of Association, the notice of general meeting must include at least a summary of the proposed changes. The draft amendments to the Articles of Association must be made available to shareholders for inspection at the premises of the company within a general meeting. The resolution of the general assembly to amend the Articles of Association requires a two-thirds of shareholders present at a general meeting and a notarial record must be prepared. After any change to the Articles of Association of the Board shall be obliged to prepare the full text of the Articles of Association and is responsible for its completeness and correctness.

X. THE MANNER OF OPERATION AND ESSENTIAL AUTHORITIES OF THE GENERAL MEETING OF SHAREHOLDERS, DESCRIPTION OF THE SHAREHOLDERS' RIGHTS AND THE EXERCISE THEREOF, AND IN PARTICULAR THE RULES SET FORTH BY THE BYLAWS OF THE GENERAL MEETING OF SHAREHOLDERS PROVIDED SUCH BYLAWS HAVE BEEN ADOPTED, UNLESS SUCH INFORMATION IS DETERMINED DIRECTLY BY THE PROVISIONS OF LAW.

The General Meeting shall be the supreme body of the Company. All shareholders and/or their proxies authorized under power of attorney, as well as other persons/entities shall have the right to participate in the General Meeting in compliance with provisions of the Articles of Association of the Company.

Members of the Board of Directors and the Supervisory Board shall attend the General Meeting. The General Meeting shall be held at least once per year and it shall be convened by the Board of Directors.

The General Meeting shall usually take place in Bratislava in the Company's registered seat. The General Meeting may be also held in another place determined by the Board of Directors during convocation of the General Meeting.

The Extraordinary General Meeting may be convened if the Company's interests require so, or in cases provided for by the generally binding legal regulations and/or the Articles of Association. The General Meeting shall be convened by the Board of Directors by publishing a notice of the General Meeting at least 30 (thirty) days before the date of the General Meeting in nationally circulated periodicals publishing news from the stock exchange.

In respect of difference in laws regulating operation of joint-stock company within two different systems of law, that means difference between Slovak laws, by which is regulated operation of the Company and Polish law regulating rules of trading with shares of the Company at Warszaw Stock Exchange, and for the purpose of explanation of these laws, the Board of Directors can call before each General Meeting an informational meeting of shareholders (further just „informational meeting"), which can happen in Bratislava and/or in Warszawa.

Informational meeting takes place not earlier than 5 and not later than 1 business day before the date of the General Meeting. The right of the shareholder to attend the General Meeting is checked upon an extract of the shareholder's account led by the member of Central Securities Depository in the Slovak Republic or by the member of foreign central depository, which has proprietor's account led in Central Securities Depository in the Slovak Republic, made out on the determining date in accordance with Articles of Association. The original extract from the shareholder's account must be in Slovak or English language in case it will be delivered directly by the depository (bank) to the address of Asseco Central Europe. In the event that the extract is delivered to the Shareholders' Meeting directly by the shareholder within the time specified in the invitation, it must be certified by a notary translation into Slovak language.

The shareholder may exercise its rights at the General Meeting either in person or through a proxy authorized under a written power of attorney. A shareholder's proxy authorized under a power of attorney may not be a member of the Supervisory Board of the Company.

During registration for the General Meeting the shareholders shall present the documents listed further below in order to allow for verification of their right to participate in the General Meeting:

I.

Original or officially authenticated copy from the extract of the shareholder’s account led by the member of the Central Securities Depository in the Slovak Republic or by the member of foreign central depository, which has proprietor’s account led in the Central Securities Depository in the Slovak Republic, made out on the determining date in accordance with the Articles of Association.

and

II.

(a) if the shareholder is an individual:

- a valid ID Card or a valid passport or another document replacing the above documents;

(b) if the shareholder is a legal entity:

- an original or an officially verified copy of the Excerpt from the Commercial Register not older than 3 (three) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting, and
- its statutory body; members of the statutory body authorized to act in the name of the Company who are attending the General Meeting shall submit a valid ID Card or a valid passport or another document replacing the above documents;

(c) a proxy – an individual:

- an original or an officially verified copy of the power of attorney with an officially verified signature of a shareholder, if he/she is an individual, or with an officially verified signature of statutory body or members of a statutory body authorized to act on behalf of the shareholder if it is a legal entity;
- a valid ID Card or a valid passport or another document replacing the above documents; and
- if the proxy represents a shareholder – a legal entity – also an original or an officially verified copy of the Excerpt from the Commercial Register in respect of the shareholder not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting.

(d) a proxy – a legal entity – represented by its statutory body:

- an original or an officially verified copy of the power of attorney with an officially verified signature of a shareholder, if he/she is an individual, or with an officially verified signature of statutory body or members of a statutory body authorized to act on behalf of the shareholder if it is a legal entity;
- an original or an officially verified copy of the Excerpt from the Commercial Register not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting,
- a valid ID Card or a valid passport or another document replacing the above documents of the statutory representative of the proxy; and
- if the proxy represents a shareholder – a legal entity – also an original or an officially verified copy of the Excerpt from the Commercial Register not older than three (3) months, stating the situation of a shareholder - the legal entity valid at the time of the General Meeting.

The official language of the General Meeting is the Slovak. If a shareholder needs a translation into a foreign language, it must be provided by the shareholder at the shareholder’s costs.

The General Meeting decide about all questions by two-thirds vote majority of present shareholders, except cases, when the generally binding legal acts require higher number of votes of shareholders (more).

The number of a shareholder's votes shall depend on the nominal value of shares held by such shareholder. Each share with a nominal value of 0.033194 EUR shall represent one vote.

Minutes must be taken from every General Meeting in respect of its course.

The following issues shall be entrusted in the scope of competence of the General Meeting:

(a) amendments to the Articles of Association of the Company,

(b) deciding on increase and decrease in the registered capital, on authorization of the Board of Directors to increase the registered capital pursuant to Section 210 of the Commercial Code and to issue bond

(c) selection and recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors, provided that the Supervisory Board does not decide on election/recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors pursuant to Article of Associatons,

(d) election and recalling of members of the Supervisory Board, except for the members of the Supervisory Board elected and recalled pursuant to Section 200 of the Commercial Code by employees of the Company,

(e) approval of the Annual and Extraordinary Financial Statements, deciding on distribution of profit or payment for losses and determining the royalties,

(f) deciding on transformation of the nature of securities issued as certificated securities into book-entry securities and vice-versa, if allowed by the generally binding legal regulations,

(g) deciding on winding-up of the Company and on a change in its legal form,

(h) deciding on termination of registration of the Company's shares for trading at the Stock Exchange and deciding on Company's ceasing to exist as a public joint-stock company,

(i) approval of directives applicable to remuneration of members of the Company's bodies,

(j) deciding on approval of an Agreement on transfer of the enterprise or Agreement on transfer of a part of the enterprise,

(k) deciding on change of type of the Company's shares issued as registered shares to bearer shares and vice-versa;

(l) deciding on division (split off) of the Company's shares into shares with lower nominal value;

(m) deciding on further questions that the law or the Articles of Associations put under the scope of competence of the General Meeting or that the General Meeting acquires into its scope of competence by its resolution.

Other provisions of the course and organization of the meetings of the shareholders meeting, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

XI. COMPOSITIONS, LAST YEAR CHANGES IN THE COMPOSITIONS, AND OPERATIONS OF THE ISSUER'S MANAGEMENT, SUPERVISORY AND ADMINISTRATIVE BODIES AND THEIR COMMITTEES.

THE SUPERVISORY BOARD

The Supervisory Board is the inspection body of the Company which supervises how the Board of Directors exercises its range of powers and how the business activity of the Company is conducted. The Supervisory Board shall have 5 (five) members. The term of office of the members of the Supervisory Board shall be five (5) years.

Members of the Supervisory Board shall be elected and recalled by the General Meeting. The principle shall apply at all times that 3 (three) members of the Supervisory Board shall be nominated by Asseco Poland, S.A., with its registered office in Rzeszów, Olchowa 14, 35-322 Rzeszów, the Republic of Poland, registered in the Register of Entrepreneurs of the National Court Register held by the District Court in Rzeszów, XII Commercial Division of the National Court Register under the KRS number 0000104838 and 1 (one) member of the Supervisory Board shall be nominated and elected by employees pursuant to valid legal regulations.

The range of powers and duties of the Supervisory Board shall include, in particular, without limitation:

- review of the Annual and Extraordinary Financial Statements of the Company;
- review and evaluation of the Reports of the Board of Directors on the activity and position of the Company and the companies controlled by it, as well as review and evaluation of proposals of the Board of Directors for distribution of profit and/or covering of losses;
- approval of annual budget of the Company;
- submission of a written report on results of the aforementioned reviews at the General Meeting;
- approval of rules for remuneration of members of the Board of Directors of the Company;
- convocation of General Meetings of the Company in compliance with the conditions set forth by the Commercial Code and these Articles of Association;
- other issues entrusted to the competence of the Supervisory Board by legal regulations and/or other provisions of these Articles of Association;
- election and recalling of members of the Board of Directors, including appointment of the Chairman of the Board of Directors;
- granting approval with procuration granted by the Board of Directors of the Company;
- approval for the Company to take/provide loans and credits, the value of which exceeds the value of the registered capital in one transaction or in whole series of connected transactions or, as the case may be, a corresponding value of this amount in other currencies, which have not been taken into account in the financial budget of the Company, or which have not been approved by a resolution of the General Meeting or of the Supervisory Board;
- approval of a sale and purchase of real estate property by the Company, including co-ownership interests in the real estate property regardless of the value of the title to the real estate property to be acquired or transferred, which have not been taken into account in the financial budget of the Company;
- granting approval with disposition of costs, including investment costs of the Company, in the amount exceeding ten times the value of the registered capital in one transaction or in a series of connected transactions or, as the case may be, the corresponding value of this amount in other currencies, which have not been taken into account in the financial budget of the Company;
- provision of any guarantees, security interests, any out-of-balance sheet obligations, acceptance of liability for damage which have not been taken into account in the financial budget of the Company;

- granting approval with establishment or creation of an easement on any part of the real estate property of the Company, which has not been listed in the financial budget of the Company,

- approval of a purchase or any other acquisition of ownership interests of other companies, shares, with entrance of the Company into other business companies, associations of legal entities, foundations or other investment funds;

- approval of sale of assets of the Company, the value of which exceeds 10% (ten percent) of the book value of the assets of the Company based on the last financial statements verified by an independent auditor, the sale of which has not been taken into account in the financial budget of the Company;

- granting approval with entering into agreements between the Company and members of the Board of Directors of the Company, the Supervisory Board of the Company, shareholders of the Company or, as the case may be, Dependent Entities or entities connected through capital or personally with members of the Board of Directors, members of the Supervisory Board or shareholders;

- granting approval with the acquisition and subsequent use of a specific amount of treasury shares within the total amount of treasury shares that the Company is entitled to acquire based on the prior decision of the General Meeting.

Other provisions of the course and organization of the meetings of the supervisory board, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

There were following members of the Supervisory Board of Asseco Central Europe, a. s. as at 31 December 2013:

Name and Surname	Position	Period
Adam Tadeusz Góral	Chairman	1.1.2013-31.12.2013
Andrej Košári	Vice-Chairman	1.1.2013-31.12.2013
Ján Handlovský	Member (elected by employees)	1.1.2013-31.12.2013
Marek Paweł Panek	Member	1.1.2013-31.12.2013
Przemysław Sęczkowski	Member	1.1.2013-11.2.2013 21.3.2013-10.4.2013 (substitute member) 10.4.2013-31.12.2013

There were following members of the Supervisory Board of Asseco Central Europe, a. s. as at 4 March 2014:

Name and Surname	Position	Period
Adam Tadeusz Góral	Chairman	1.1.2014-present
Andrej Košári	Vice-Chairman	1.1.2014-present
Ján Handlovský	Member (elected by employees)	1.1.2014-present
Marek Paweł Panek	Member	1.1.2014-present
Przemysław Sęczkowski	Member	1.1.2014- present

THE BOARD OF DIRECTORS

The Board of Directors is the statutory body of the Company which manages all the activity of the Company, acts on its behalf and represents it in legal acts. The Board of Directors decides all matters of the Company unless they fall within the powers of the General Meeting or the Supervisory Board pursuant to legal regulations or these Articles of Association.

The Board of Directors adopts a decision by majority of all votes of its present members.

The Board of Directors shall in particular, without limitation, to:

a) ensure proper management of the Company's accounting and submit to the General Meeting for approval the Company's annual or extraordinary financial statements and a proposal for distribution of profit or covering of the Company's losses,

b) together with the annual financial statements, submit to the General Meeting once a year a report on the business activities of the Company and the state of its assets and liabilities; this report shall form an integral part of the annual report prepared according to special regulations,

c) submit to the Supervisory Board once a year information on fundamental intentions of the business management of the Company for the future period as well as the expected development of the state of assets and liabilities, finances and proceeds of the Company,

d) upon request and within the term determined by the Supervisory Board submit a written report on the state of the business activity and assets and liabilities of the Company as compared with the expected development,

e) inform the Supervisory Board without undue delay about all facts which may substantially influence the development of the business activity and the state of assets and liabilities of the Company, in particular its liquidity,

f) upon request of the Supervisory Board, participate in meetings of the Supervisory Board and give its members additional information in the requested scope about submitted written reports,

g) convene an extraordinary General Meeting without undue delay if it finds out that the Company's loss has exceeded one third of its registered capital or if this can be expected, and submit to the General Meeting proposals for measures; the Board of Directors shall also inform the Supervisory Board without undue delay about these facts,

h) exercise its range of powers with due diligence and in accordance with interests of the Company and all its shareholders. In particular, it shall obtain and take into account all accessible information concerning the subject matter of decision-making, not to disclose business secret and confidential information and facts to third parties, if such disclosure might be detrimental to the Company or threaten interests of the Company and its shareholders. The obligation to keep confidential shall apply also after the expiration of the term of office of a member of the Board of Directors until such information becomes generally known,

i) ensure publication of data from financial statements verified by an auditor in accordance with Act on Accounting at the cost of the Company by publishing them in Commercial Bulletin,

j) submit all documents prescribed by law to the collection of deeds maintained by the relevant Commercial Register and submit motions for entry/change of entry of all data to be registered with the Commercial Register, and that within 30 days as of their occurrence,

k) with a prior consent of the Supervisory Board adopt principles for founding of a new company with an interest of the Company or acquisition of an interest in an existing company, as well as establishment of its branch office in the Slovak Republic or abroad,

l) observe provisions of relevant generally binding legal regulations, Articles of Association of the Company and decisions of its bodies;

m) executes budget of the Company, submits it for the approval of the Supervisory Board and after obtaining of an approval is responsible for its fulfillment.

Other provisions of the course and organization of the meetings of the Board of Directors, its activities and the other issues are part of the appropriate provisions of the Commercial Code and Articles of Associations of the Company.

There were following members of the Board of Directors of Asseco Central Europe, a. s. as at 31 December 2013:

Name and Surname	Position	Period
Jozef Klein	Chairman	1.1.2013-31.12.2013
Radek Levíček	Vice-chairman	1.1.2013-31.12.2013
Tomáš Osuský	Member	1.1.2013-31.12.2013
Marek Grác	Member	1.1.2013-31.12.2013
David Stoppani	Member	1.1.2013-31.12.2013

There were following members of the Board of Directors of Asseco Central Europe, a. s. as at 4 March 2014:

Name and Surname	Position	Period
Jozef Klein	Chairman	1.1.2014-present
Radek Levíček	Vice-chairman	1.1.2014-present
Marek Grác	Member	1.1.2014-present
David Stoppani	Member	1.1.2014-present

Mr. Tomáš Osuský has resigned from his position in the Board of Directors of Asseco Central Europe, a.s. According to Article 27.7 of the Statuses of the Company, the resignation came into effect on the date when the Board of Directors discussed the resignation, i.e. 28 February 2014.

PROCURATION

According to Article 14 of Slovak Commercial Code (Journal of Laws No. 513/1991) the Board of Directors of Asseco Central Europe, a. s. pursuant its resolutions decided on granting procuration to following persons:

Branislav Tkáčik
Michal Navrátil

According to Article of 34.2. a) the Supervisory Board of Asseco Central Europe, a. s. by its resolution has approved procuration granted by the Board of Directors of the Company.

Procurist acts on behalf of Company on its own, and when he signs the documents he shall state the commercial name of the Company, his name and in an addendum indicate his procuration, and attach his signature.

Jozef Klein Chairman of the Board of Directors	Radek Levíček Vice-chairman of the Board of Directors	Marek Grác Member of the Board of Directors
David Stoppani Member of the Board of Directors		

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Independent Auditors' Report to the Shareholders of Asseco Central Europe, a.s.

We have audited the accompanying consolidated financial statements of Asseco Central Europe, a.s., and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

4 March 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Peter Hollý
UDVA Licence No.1072

Solutions for Demanding Business

THE ASSECO CENTRAL EUROPE GROUP

CONSOLIDATED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
31 DECEMBER 2013

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY
EUROPEAN UNION

Bratislava, 4 March 2014

CONSOLIDATED FINANCIAL STATEMENTS OF THE ASSECO CENTRAL EUROPE GROUP INCLUDING INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Contents **Page**

CONSOLIDATED FINANCIAL STATEMENTS OF THE ASSECO CENTRAL EUROPE GROUP INCLUDING INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

These consolidated financial statements were prepared on 4 March 2014 and authorized for publication by the Management Board of Asseco Central Europe, a.s. at 4 March 2014.

Board of Directors:

RNDr. Jozef Klein	Chairman of the Board of Directors
Ing. Radek Levíček	Vice-Chairman of the Board of Directors
Ing. David Stoppani	Member of the Board of Directors
Ing. Marek Grác	Member of the Board of Directors

Person responsible for maintaining the accounting books:

Ing. Rastislav Mordavský	Chief Accountant

CONSOLIDATED PROFIT AND LOSS ACCOUNT
THE ASSECO CENTRAL EUROPE GROUP

	Note	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Sales revenues	1	**131,330**	**134,440**
Cost of sales	2	**(96,219)**	**(93,466)**
Gross profit on sales		**35,111**	**40,974**
Selling expenses	2	(10,782)	(11,394)
General and administrative expenses	2	(11,713)	(12,410)
Net profit on sales		**12,616**	**17,170**
Other operating income	3	2,474	1,495
Other operating expenses	3	(564)	(1,043)
Operating profit		**14,526**	**17,622**
Financial income	4	903	2,265
Financial expenses	4	(957)	(2,598)
Share in profits of associated companies	13	344	255
Pre-tax profit		**14,816**	**17,544**
Corporate income tax (current and deferred portions)	5	(3,665)	(3,143)
Net profit for the period reported from continuing operations		**11,151**	**14,401**
Profit / loss after tax for financial year on discontinued operations		-	-
Net profit for reporting period		**11,151**	**14,401**
Attributable to:			
Shareholders of the Parent Company		**11,286**	**14,213**
Non-controlling interest	20	**(135)**	**188**
Consolidated earnings per share attributable to Shareholders of Asseco Central Europe, a.s. (in EUR):			
Basic consolidated earnings per share from continuing operations for reporting period	6	0.53	0.67
Diluted consolidated earnings per share from continuing operations for reporting period	6	0.53	0.67

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME THE ASSECO CENTRAL EUROPE GROUP

	Note	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Net profit for reporting period		**11,151**	**14,401**
Other comprehensive income:			
Foreign currency translation differences on subsidiary companies		(3,552)	2,589
Total other comprehensive income		**(3,552)**	**2,589**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**7,599**	**16,990**
Attributable to:			
Shareholders of Parent Company		*7,482*	*16,644*
Non-controlling interests		*117*	*346*

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE ASSECO CENTRAL EUROPE GROUP

ASSETS	Note	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Non-current assets		**82,685**	**89,108**
Property, plant and equipment	9	23,537	23,511
Intangible assets	10	17,602	21,889
Consolidation goodwill	12	38,791	41,254
Investments in associated companies	13	890	815
Non-current loans	14	3	2
Non-current receivables and prepayments	18	99	262
Restricted cash		4	4
Deferred income tax assets	5	1,759	1,371
Current assets		**74,834**	**71,008**
Inventories	16	319	872
Deferred expenses	15	2,382	2,743
Trade accounts receivable	18	30,502	25,034
Receivables from state budgets	18	787	1,566
Other receivables	18	5,223	4,459
Loans granted	14	764	9,993
Cash and cash equivalents	19	34,857	26,401
TOTAL ASSETS		**157,519**	**160,116**

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF FINANCIAL POSITION THE ASSECO CENTRAL EUROPE GROUP

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Shareholders' equity (attributable to Shareholders of the Parent Company)		**101,622**	**104,185**
Share capital	20	709	709
Share premium		74,901	74,901
Foreign currency translation differences on foreign operations		(6,135)	(2,331)
Retained earnings		32,147	30,906
Non-controlling interests	20	**4,019**	**4,058**
Total shareholders' equity		**105,641**	**108,243**
Non-current liabilities		**8,135**	**8,588**
Interest-bearing bank credits, loans and debt securities	23	5,464	4,469
Deferred income tax provisions	5	877	1,009
Non-current provisions	24	69	1,291
Non-current financial liabilities	21	920	943
Non-current deferred income	25	791	838
Other non-current liabilities	25	14	38
Current liabilities		**43,743**	**43,285**
Interest-bearing bank credits, loans and debt securities	23	3,315	4,757
Trade accounts payable	25	12,946	14,701
Liabilities due to state budget	25	3,623	3,846
Corporate income tax liabilities	25	1,349	25
Financial liabilities	21	1,283	1,506
Other current liabilities	25	5,362	6,401
Provisions	24	4,144	2,861
Current deferred income	25	5,588	5,501
Current accrued expenses	25	6,133	3,687
TOTAL LIABILITIES		**51,878**	**51,873**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**157,519**	**160,116**

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE ASSECO CENTRAL EUROPE GROUP

	Note	Share capital	Share premium	Foreign currency translation differences on foreign operations	Retained earnings	Shareholders' equity of Parent Company	Minority interests	Total shareholders' equity
As at 1 January 2013	20	**709**	**74,901**	**(2,331)**	**30,906**	**104,185**	**4,058**	**108,243**
Net profit for period		-	-	-	11,286	**11,286**	(135)	**11,151**
Total other comprehensive income for reporting period		-	-	(3,804)	-	**(3,804)**	252	**(3,552)**
Dividend for 2012	7	-	-	-	(10,039)	**(10,039)**	(162)	**(10,201)**
Decrease in parent's ownership without a loss of control	20	-	-	-	(6)	**(6)**	6	**-**
As at 31 December 2013 (audited)		**709**	**74,901**	**(6,135)**	**32,147**	**101,622**	**4,019**	**105,641**
As at 1 January 2012	20	**709**	**74,901**	**(4,762)**	**31,121**	**101,969**	**4,988**	**106,957**
Net profit for period		-	-	-	14,213	**14,213**	188	**14,401**
Total other comprehensive income for reporting period		-	-	2,431	-	**2,431**	158	**2,589**
Dividend for 2011	7	-	-	-	(14,098)	**(14,098)**	(196)	**(14,294)**
Excercize of put option on non-controllig interest in Statlogics (14,98%)	20	-	-	-	(121)	**(121)**	(58)	**(179)**
Non-controlling interest of Globenet	20	-	-	-	(209)	**(209)**	(1,022)	**(1,231)**
As at 31 December 2012 (audited)		**709**	**74,901**	**(2,331)**	**30,906**	**104,185**	**4,058**	**108,243**

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF CASH FLOWS
THE ASSECO CENTRAL EUROPE GROUP

	Note	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Cash flows - operating activities			
Pre-tax profit (loss) from continuing and discontinued operations excluding share in profit from associates		14,472	17,289
Total adjustments:		**2,467**	**4,054**
Depreciation and amortization		11,334	10,352
Changes in working capital	27	(8,059)	(6,410)
Interest income and expense		56	(174)
Gain (loss) on foreign exchange differences		106	13
Gain (loss) on investing activities		(2,000)	(21)
Other		1,030	475
Net cash generated from operating activities		**16,975**	**21,343**
Corporate income tax paid		(2,405)	(4,054)
Net cash provided by (used in) operating activities		**14,534**	**17,289**
Cash flows - investing activities			
Disposal of tangible assets and intangible assets		485	278
Acquisition of tangible assets and intangible assets		(7,716)	(7,902)
Acquisition of associated companies		-	(60)
Acquisition of subsidiary companies	12	(10)	(859)
Cash and cash equivalents of subsidiary companies acquired		-	132
Proceeds from disposal of subsidiary companies	3, 18	4,010	2,360
Disposal/settlement of financial assets valued at fair value through profit or loss		32	(35)
Acquisition of other financial assets		-	(9,895)
Loans granted		(8)	502
Loans collected		8,922	(36)
Interest received		470	412
Dividends received		189	257
Net cash used in (provided) by investing activities		**6,374**	**(14,846)**

All figures in thousands of EUR, unless stated otherwise

CONSOLIDATED STATEMENT OF CASH FLOWS THE ASSECO CENTRAL EUROPE GROUP (CONTINUED)

	Note	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Cash flows - financing activities			
Acquisition of non-controlling interests	20	-	(3,769)
Proceeds from bank credits and loans	23	3,657	6,770
Repayment of bank credits and loans	23	(4,104)	(5,328)
Finance lease commitments paid		(806)	(480)
Interest paid		(315)	(238)
Dividends paid to shareholders of Parent entity		(10,039)	(14,098)
Dividends paid to non-controlling interests	20	(162)	(546)
Other		-	-
Net cash used in (provided) financing activities		**(11,769)**	**(17,689)**
Decrease (increase) in cash and cash equivalents		9,139	(15,246)
Net foreign exchange differences		(683)	623
Cash and cash equivalents as at 1 January		26,401	41,024
Cash and cash equivalents as at 31 December		**34,857**	**26,401**

All figures in thousands of EUR, unless stated otherwise

SUPPLEMENTARY INFORMATION AND EXPLANATIONS

I. GENERAL INFORMATION

The parent company of the Asseco Central Europe Group (the "Group") is Asseco Central Europe, a. s. (the "Parent Company", "Company", "Issuer", "Asseco Central Europe, a. s. (SK)) with its seat at Trencianska street 56/A, 821 09 Bratislava, Slovakia.

The Company was established on 16 December 1998. The original name of the company ASSET Soft, a.s. was changed to Asseco Slovakia, a.s. in September 2005. The new Company's name was registered in the Commercial Register on 21 September 2005. On 28 April 2010, the Company changed its name from Asseco Slovakia, a.s. to Asseco Central Europe, a.s. and registered it in the Commercial Register of the Slovak Republic on the same day.

Since 10 October 2006, the Company's shares have been listed on the main market of the Warsaw Stock Exchange.

The parent company of Asseco Central Europe, a. s. is Asseco Poland SA (the higher-level parent company). As at 31 December 2013, Asseco Poland SA held a 93.51% stake in the share capital of Asseco Central Europe, a. s.

The business profile of Asseco Central Europe, a. s. (SK) includes software and computer hardware consultancy, production of software as well as the supply of software and hardware. According to the classification adopted by the Warsaw Stock Exchange, the Company's business activity is classified as "information technology". Other undertakings of the Group conduct similar operations.

In addition to comprehensive IT services, the Group also sells goods including computer hardware. The sale of goods is performed to a large extent in connection with the provision of software implementation services. These consolidated financial statements provide a description of the Group's core business broken down by the relevant segments.

The accompanying Consolidated Financial Statements of Asseco Central Europe Group and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by European Union and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. All standards and interpretations that were effective on and endorsed by the European Union (EU) as at 31 December 2013 have been applied. Asseco Central Europe, a.s. began to apply the IFRS in 2006.

These consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2013 and 31 December 2012, the consolidated profit and loss accounts, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Basis for preparation

The consolidated financial statements of Asseco Central Europe Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The presentation currency of these consolidated financial statements is euro (EUR), and all figures are presented in thousands of euros (EUR ’000), unless stated otherwise.

These consolidated financial statements were prepared on a going-concern basis, on the assumption that the Group will continue its business activities in the foreseeable future.

Up to the date of approval of these financial statements, no circumstances indicating a threat to the Group companies' ability to continue as going concerns have been identified.

2. Compliance statement

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") adopted by the European Union. At the date of authorisation of these financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group’s activities, there is a difference between International Financial Reporting Standards and International Financial Reporting Standards endorsed by the European Union. The Group applied the possibility existing for the companies applying International Financial Reporting Standards endorsed by the EU , to apply IFRS 10, IFRS 11, IFRS 11, restated IAS 27 and IAS 28 for the reporting periods beginning on 1 January 2014.The IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

3. Significant professional judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The estimates and assumptions affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Although the estimates and assumptions have been adopted based on the Group's management’s best knowledge of the current activities and occurrences, the actual results may differ from those anticipated.

In the 12 month period ended 31 December 2013, the Group's approach to making estimates was not subject to any substantial changes compared to previous periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

i Valuation of IT contracts as well as measurement of their completion

The Group executes a number of contracts for construction and implementation of information technology systems. In addition, some of those contracts are denominated in foreign currencies. Valuation of IT contracts requires that future operating cash flows are determined in order to arrive at the fair value of income and expenses and to provide the fair value of the embedded currency derivatives, as well as requiring measurement of the progress of contract execution. The progress of contract execution is measured as a relation of costs already incurred (provided such costs contribute to the progress of the work) to the total costs planned, or as a portion of man-days worked out of the total work-outlay required.

Assumed future operating cash flows are not always consistent with the agreements with customers or suppliers, due to modifications of IT projects implementation schedules. As at 31 December 2013, receivables from the valuation of IT contracts amounted to EUR 2,011 thousand (2012: EUR 564 thousand), while liabilities due to this valuation equalled EUR 1,916 thousand (2012: EUR 1,568 thousand). As at 31 December 2013, no valuation of embedded financial derivatives was recognized in financial liabilities (2012: Nil). In the case of contracts denominated in foreign currencies, embedded financial derivatives are not disclosed separately. Revenues and expenses relating to such contracts are determined on the basis of spot exchange rates.

ii Rates of depreciation and amortization

The level of depreciation and amortization rates is determined on the basis of the anticipated period of useful economic life of the components of tangible and intangible assets. The Group verifies the periods of useful life adopted on an annual basis, taking into account the current estimates.

iii Goodwill – impairment test

As at 31 December 2013, the Board of Directors of the Parent Company performed impairment tests on goodwill which resulted from acquisitions of subsidiary companies. This task required making estimates of the value in use of cash-generating units to which goodwill was allocated. The value in use is estimated by determination of future cash flows expected to be achieved from the cash-generating units and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. As at 31 December 2013, goodwill arising from the acquisition of subsidiary companies amounted to EUR 38,791 thousand (2012: EUR 41,254 thousand).

iv Liabilities to pay for remaining stakes of shares in subsidiary companies

As at 31 December 2013, the Group recognized liabilities by virtue of future payments to non-controlling interests in MadNet, s.r.o. and Amitel, s.r.o. Determination of the amounts payable under such liabilities required making estimates of the companies' financial results. As at 31 December 2013 such liabilities equalled to EUR 853 thousand (2012: EUR 1,272).

v Intangible assets acquired in acquisitions

As at 31 December 2013, net value of intangible assets recognized as part of purchase price allocations related to the Group's acquisitions of subsidiaries amounted to EUR 5,580 thousand (2012: EUR 7,743 thousand). The intangibles comprise various categories of assets including customer contracts and related customer relationships and software and licenses recognized in the acquisitions of Statlogics, GlobeNet as well as the business combination carried out by Slovanet, a. s. ("Slovanet").

The customer contracts and related customer relationships and software and licenses were initially recognized at fair values. The fair values were estimated using valuation methodologies which require making estimates regarding future cash flows generated by the intangible assets, discount rates to convert the projected cash flows to their present values, replacement or reproduction costs of the intangible assets as well as their normalized useful life and remaining useful life.

vi Deferred tax

The Group recognizes deferred tax assets on the assumption that taxable profits will be available against which the deferred tax asset can be utilized. Deterioration of future taxable profits might render this assumption unreasonable.

4. Changes in accounting policy and disclosures

The accounting principles (policy) adopted in preparation of these consolidated financial statements are consistent with those applied for preparation of the Group's consolidated financial statements for the year ended 31 December 2012, except for applying the following amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2013. The Group applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ("EU") that are relevant to the Group's operations.

New and amended standards adopted by the group effective in the current period

The accounting principles (policy) adopted in preparation of these consolidated financial statements are consistent with those applied for preparation of financial statements as at 31 December 2012, except for applying following amendments to standards and new interpretations effective for periods beginning on or after 1 January 2013. The Group applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ("EU") that are relevant to the Company's operations.

- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013
- Amendments to IAS 19 concerning defined benefit plans are connected with i.e.: elimination of corridor approach, implementation of the requirement of immediate recognition of changes in plan assets/liabilities and immediate recognition of past service cost, recognition actuarial gains/losses in other comprehensive income and new disclosures.
- Amendments are also implementing changes in connection with split into short- and long-term employee benefits.
- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income - effective for financial years beginning on or after 1 July 2012,
- Changes in grouping items presented in other comprehensive income. Other comprehensive income to be reclassified to profit or loss are presented separately from items not reclassified to profit or loss.
- Amendments to IAS 12 Income Taxes: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1 January 2012 – in EU effective at the latest for financial years beginning on or after 1 January 2013,
- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters – effective for financial years beginning on or after 1 July 2011 – in EU effective at the latest for financial years beginning on or after 1 January 2013,
- Amendment to IFRS 1 is not applicable for the Group.
- IFRS 13 Fair Value Measurement - effective for financial years beginning on or after 1 January 2013,
- IFRS 13 Establishes a single set of principles on how to determine fair value of financial and non-financial assets and liabilities, when required or permitted under IFRS. IFRS 13 does not influence on the obligation of the situation when the measurement at fair value is required. Regulations of IFRS 13 are applicable both to the initial measurement and after the initial recognition.
- Requires new disclosures on valuation techniques and inputs used to determine fair values and the effect of certain inputs on fair value measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013,
- Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities - effective for financial years beginning on or after 1 January 2013,

  Additional quantitative and qualitative disclosures relating to transfers of financial assets when:

  - Financial assets are derecognised in their entirety, but there is a continuing involvement in them (e.g., options or guarantees on the transferred assets)

- Financial assets are not derecognised in their entirety
- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: Government Loans – effective for financial years beginning on or after 1 January 2013,
- Amendment is not applicable for the Group.
- *Improvements to IFRSs* (issued in May 2012) – effective for financial years beginning on or after 1 January 2013 ,
- IAS 1 - The amendment clarifies the difference between voluntary additional comparative information and the required minimum comparative information,
- IAS 16 –The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory
- IAS 32 – The amendment removes existing income tax requirements from IAS 32 *Financial Instruments: Presentation* and requires entities to apply the IAS 12 requirements to any income taxes arising from distributions to equity holders
- IAS 34 - The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments.* In accordance with the Amendment total assets and liabilities for a particular reportable segment need to be disclosed only when: the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment

The Amendments have no material impact on the Group's financial position, comprehensive income and the scope of information presented in the Group's financial statements.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

5. New standards and interpretations published but not yet adopted

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements.
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013, – in EU effective at the latest for financial years beginning on or after 1 January 2014. The Group decided to apply IFRS for the periods beginning on 1 January 2014. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Given the absolute size of the Group's shareholding in its entities, the Management does not expect any significant impact resulting from changes in the respective standards. All the subsidiaries will continue to be fully consolidated and the associates will be accounted for using the equity method. Refer to Note 11 for the details of the Group's shareholding in its individual subsidiaries and associates.
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. The Group decided to apply IFRS for the periods beginning on 1 January 2014. The Group is not involved in any Joint Ventures as at 31 December 2013 therefore the Management does not expect any impact resulting from the changes in the respective standard.
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. The Group decided to apply IFRS for the periods beginning on 1 January 2014. The standard has been amended to require specific disclosures about

subsidiaries that are not consolidated because they are subsidiaries of an investment entity. This does not apply to Asseco Central Europe Group therefore the Management does not expect any significant impact resulting from this change.,

- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - effective for financial years beginning on or after 1 January 2013 in EU effective at the latest for financial years beginning on or after 1 January 2014,
- IAS 27 *Separate Financial Statements* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. The Group decided to apply IAS for the periods beginning on 1 January 2014.,
- IAS 28 *Investments in Associates and Joint Ventures* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. The Group decided to apply IAS for the periods beginning on 1 January 2014,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities*- effective for financial years beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – effective for financial years beginning on or after 1 January 2014, – not endorsed by EU till the date of approval of these financial statements.
- IFRIC 21 *Levies* – effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements.
- Amendments to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets* (issued on 29 May 2013) – effective for financial years beginning on or after 1 January 2014 - not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013)* – effective for financial years beginning on or after 1 January 2014 – not yet endorsed by EU till the date of approval of these financial statements.

The management of the Parent Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The management of the Parent Company does not expect these standards, revisions and interpretations to have a significant impact on the Group's financial statements.

6. Summary of major accounting principles

i. Basis of consolidation

The consolidated financial statements include the Parent and all subsidiaries. Subsidiaries are all entities over which the Group has control. The annual financial statements of subsidiary companies are prepared for the same reporting period as adopted by the Parent Company, with the use of consistent accounting principles for similar transactions and economic activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest, even if that results in a negative balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combination under common control

A business combination under common control is a business combination in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

In particular, this will include transactions such as the transfer of subsidiaries or businesses between entities within the Group.

In the case of a business combination under common control, entities within the Group should apply the pooling of interest method.

The pooling of interest method is considered to involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts – i.e. no adjustments are made to reflect fair values or to recognize any new assets or liabilities, which would otherwise be done under the acquisition method; the only adjustments that are made are to harmonize accounting policies and eliminate inter-company balances;
- No "new" goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity;

ii. Investments in associated companies

The Group's investments in associated companies are valued under the equity method. Associated companies are entities in which the Group holds between 20 and 50% of votes at the General Meeting of Shareholders and on which the Group exerts a significant influence, but without the ability to control them. This means they are neither subsidiary companies nor joint ventures. Financial statements of associated companies, adjusted for compliance with the IFRS, constitute the basis for the valuation of shares in these companies owned by the Group using the equity valuation method. The balance sheet dates of associated companies correspond to those applied by the Group.

Investments in associated companies are presented in the statement of financial position at purchase price increased by further changes in the Group's share in net assets of these entities, reduced by impairment charges. The profit and loss account reflects the Group's share in the results of associated companies. In the case of changes booked directly in the equity of associated companies, the Group presents its share in each change and, if necessary, discloses this in its statement of changes in equity.

Unrealized profits/losses on transactions carried out between the Group and its associated companies are subject to consolidation eliminations, proportionally to the Group's stakes in individual associated companies. Unrealized losses are also eliminated unless it is obvious from transactions that impairment of transferred assets took place. Investment in an associated company comprises goodwill created at the acquisition date. Should the Group's participation in losses of an associated company equal or exceed the investment value, the Group does not recognize any further losses unless it committed itself to settle the liabilities of, or to make payments to, such an associated company.

iii. Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

iv. Disposal of subsidiary and associated companies

Gain/loss on disposal of a subsidiary and/or associated company is the difference between the selling price and the value of net assets/investments plus goodwill of the entity involved.

v. Participation in a joint venture

The Group's participation in joint ventures is accounted for under the proportional consolidation method, whereby a venturer's share in each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's consolidated financial statements. Before the financial data of a joint venture are entered in the consolidated financial statements, they are subject to appropriate adjustments in order to bring such financial data into compliance with the IFRS as applied by the Group.

vi. Treatment of put options held by non-controlling interests in the consolidated financial statements

A contract that contains an obligation for an entity to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount, even if the obligation to purchase is conditional on the counterparty exercising a right to redeem, for example in situations where the non-controlling interests are entitled to put shares of a subsidiary to be purchased by the Parent Company.

If concluded based on contractual terms that the acquirer does not have a present ownership interest in the shares concerned, the non-controlling interest is still attributed its share of the profits and losses (and other changes in equity) of the acquiree. The impact of the put option is the amount attributable to the non-controlling interest to be reclassified as a financial liability. The reclassification of the non-controlling interest is deemed to be equivalent to a change in the non-controlling interest. Therefore, the accounting at the end of the reporting period should replicate the accounting that would be adopted as if the option had been exercised at that date.

Accordingly, any difference between the liability under the put option at the end of the reporting period and the non-controlling interest reclassified is accounted for as a change in the non-controlling interest. No amount is recognized in the profit or loss for the financial liability or separate accounting for the unwinding of any discount in respect of the liability. It also means that the liability resulting from the put option is not subject to any discount.

While the put option remains unexercised, the accounting at the end of each reporting period is as follows:

- The entity determines the amount that would have been recognized within equity for the non-controlling interest, including an update to reflect its share of profits and losses (and other changes in equity) of the acquiree for the period, and
- The entity accounts for the difference between (1) the amount determined above and (2) the fair value of the liability under the put option, as a change in the non-controlling interest.

If the put option is ultimately exercised, the same treatment will be applied up to the date of exercise. The amount recognized as the financial liability at that date will be extinguished by payment of the exercise price. If the put option expires unexercised, the position will be unwound, so that the non-controlling interest at that date is reclassified back to equity and the financial liability is derecognized.

vii. Translation of items expressed in foreign currencies

The functional currency of the Parent Company as well as the reporting currency used in these consolidated financial statements is the euro (EUR). The functional currencies of the Group's foreign subsidiaries are Euro (EUR), Czech crown (CZK), Hungarian forint (HUF) and Swiss Franc (CHF).

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

The assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at the exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following exchange rates were applied for the purpose of valuation in the statement of financial position:

Currency	As at 31 Dec 2013	As at 31 Dec 2012
CZK	27.427	25.151
CHF	1.228	1.207
HUF	297.040	292.300
PLN	4.154	4.074

Average exchange rates for the specified reporting periods were as follows:

Currency	Period of 12 months ended 31 Dec 2013	Period of 12 months ended 31 Dec 2012
CZK	25.980	25.149
CHF	1.231	1.205
HUF	296.873	289.249
PLN	4.198	4.185

All figures in thousands of EUR, unless stated otherwise

viii. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs. Any costs incurred after a tangible asset has been commissioned into use, such as costs of repairs and technical inspections or operating fees, are expensed in the reporting period in which they were incurred. At the time of purchase, tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses also constitute a component of assets.
Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Buildings and structures	12-20 years
Machinery and technical equipment	4-12 years
Transport vehicles	3-6 years
Computer hardware	4-12 years

The appropriateness of the periods of useful life and residual values applied is subject to annual verification, which results in appropriate adjustments to depreciation charges being made in the subsequent years.

A tangible asset may be derecognized from the statement of financial position after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset is assessed by comparing the proceeds from the disposal against the present book value of such asset, and it is accounted for as an operating income/expense. Any gains or losses resulting from the removal of a given item of property, plant and equipment from the statement of financial position (calculated as a difference between the net cash obtained from sales and the book value of this item) are recognized in the profit and loss account in the period in which the derecognition from the accounting books was made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase price or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.

ix. Intangible assets

Intangible assets purchased in a separate transaction are measured at initial recognition at cost. Intangible assets acquired as a result of a business combination are measured at their fair value as at the date of acquisition.

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

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

Type	Period of useful life
Cost of development work	2-5 years
Computer software	2-9 years
Patents and licences	2-8 years
Customer contracts and related customer relations	2-7 years
Other	2-5 years

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

Except for development work on products (software packages), intangible assets produced by the company on its own are not capitalized, but expenditures on their production are expensed in the profit and loss account for the period in which they were incurred.

Research and development work

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Any gain or loss resulting from removal of an intangible asset from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of the item) is disclosed in the profit and loss account for the period in which the derecognition was effected.

x. Leasing

Finance lease agreements, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, at the commencement of the lease term are recognized as assets and liabilities in the statement of financial position at the amounts equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are charged as expenses directly in the profit and loss account.

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

Leasing agreements whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are treated as operating leases. Lease payments under an operating lease are recognized as expenses in the profit and loss account on a straight-line basis over the leasing period.

xi. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Should there be any indications of impairment, the Group estimates the recoverable value. If the book value of a given asset exceeds its recoverable value, impairment charges are made reducing the book value to the level of its recoverable value. The recoverable value is whichever of the following two values is the lower: fair value of an asset or cash-generating unit less selling expenses, or value in use determined for an asset or a cash-generating unit if the asset or cash generating unit generates cash inflows significantly independent from the cash inflows generated by other assets (other group of assets) or other cash-generating units.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken into other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

Impairment tests are performed every year for intangible assets with an indefinite period of useful life, not yet available for use and those which are no longer used. The remaining intangible assets are tested for impairment if there are indicators of a possible impairment in value. Should the book value exceed the estimated recoverable value (whichever is the higher of the two following values – net sales price or value in use), the value of these assets is reduced to the recoverable value.

xii. Government subsidies

Government subsidies are a form of financial assistance provided to enterprises by the government in exchange for satisfying, in the past or in the future, certain conditions related to their operating activities. Government subsidies do not include any forms of government aid which have no precise value, nor any transactions conducted with the government which cannot be differentiated from ordinary business transactions of an enterprise.

Government subsidies are not recognized in accounts until there is sufficient certainty that a beneficiary company is going to meet the subsidy conditions and that the subsidy is going to be received, while the fact of actually having received a subsidy may not itself be perceived as convincing evidence that the subsidy conditions have been or will be met.

The method of subsidy accounting does not depend upon the manner in which it was granted. Therefore, a subsidy is accounted for using the same approach, irrespective of whether it was received in cash or in the form of a reduction of liabilities towards the government.

If a subsidy corresponds to a specific cost item, then it is recognized as income proportionally to the incurrence of the costs which the subsidy is supposed to compensate.

However, if a subsidy corresponds to a specific asset then its fair value is initially recognized in the deferred income account and amortized in the profit and loss account over the estimated useful life of the related asset.

xiii. Financial instruments

Financial instruments are divided into the following categories:

- Financial assets held to maturity,

- Financial instruments valued at fair value through profit or loss,
- Loans granted and receivables
- Financial assets available for sale, and
- Financial liabilities

All the financial assets are initially recognized at the purchase price equal to fair value of the effected payment, including the costs related to the purchase of a financial asset, except for financial instruments valued at fair value through profit or loss.

Financial assets held to maturity are investments with identified or identifiable payments and with a fixed maturity date which the Group intends and is able to hold up to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as fixed assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits owing to current price fluctuations are classified as financial instruments valued at fair value through profit or loss. Financial instruments valued at fair value through profit and loss are measured at fair value taking into account their market value as at the balance sheet date. Changes in these financial instruments are recognized as financial income or expenses. Financial assets valued at fair value through profit or loss are classified as current assets, provided the Management Board intends to dispose of them within 12 months from the balance sheet date.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as fixed assets.

Any other financial assets constitute financial assets available for sale. Financial assets available for sale are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. Should financial instruments not be quoted on an active market and should it not be possible to reliably determine their fair value using alternative methods, financial assets available for sale are valued at the purchase price adjusted by impairment charges. Provided that financial instruments have a market price determined in a regulated active market or it is possible to determine their fair value in another reliable way, the positive and negative differences between the fair value and the purchase price of such assets available for sale (after deducting any deferred tax liabilities) are disclosed in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, is disclosed as a financial expense in the profit and loss account.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At the initial recognition they are valued at purchase price; this is at fair value plus the transaction-related costs.

Financial liabilities other than financial instruments valued at fair value through profit and loss are measured at amortized cost using the effective interest rate.

A financial instrument is removed from the statement of financial position if the Group no longer controls the contractual rights arising from such an instrument; this usually takes place when the instrument is sold or when all the cash flows to be generated by this instrument are transferred to an independent third party.

xiv. Trade accounts receivable

Trade accounts receivable, usually with payment terms ranging from 14 to 60 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectable receivables. An allowance for doubtful accounts is determined if it is no longer probable that the entire amount receivable will be collected. Doubtful accounts are expensed in the profit and loss account at the time when they are deemed uncollectible.

Where the effect of the value of money in time is material, the value of accounts receivable is measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. Should the discounting method be used, the increase in receivables over time is booked as financial income.

xv. Cash and cash equivalents, restricted cash

Cash and cash equivalents presented in the statement of financial position consist of cash held in banks and in hand by the Company, current cash deposits with a maturity not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of cash and cash equivalents as defined above. For the purposes of the statement of cash flows, the Group decided not to present current account credits (used as an element of financing) and restricted cash in the balance of cash and cash equivalents. Restricted cash is presented in a separate position of the statement of financial position.

xvi. Interest-bearing bank credits and loans

All the bank credits, loans and debt securities are initially recognized at cost; this is at fair value of cash received less the costs related to obtaining a credit or loan, or issuing a debt security.

Subsequently to such initial recognition, bank credits, loans and debt securities are measured at amortized purchase price using the effective interest rate. Determination of the amortized purchase price takes into account the costs related to obtaining a credit or loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

The difference between the cash received (net of costs related to obtaining a credit or loan, or issuing a debt security) and the repayment amount is disclosed in the profit and loss account over the term of the liability involved. Gains and losses are recognized in the profit and loss account after the liability has been removed from the statement of financial position but also when impairment is detected or depreciation charges are made. All expenses relating to bank credits, loans or debt securities issued, are recognized in the profit and loss account for the period to which they relate.

xvii. Trade accounts payable

Trade accounts payable relating to operating activities are recognized and disclosed at the amounts stated on the invoices received, and are recognized in the reporting periods to which they relate. Other liabilities to a significant extent also relate to operating activities although, in contrast to trade accounts payable, they were not invoiced.

xviii. Derivative financial instruments

In order to hedge against the risk of changes in foreign currency exchange rates and in interest rates, the Group utilizes currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

Fair value of currency forward contracts is determined on the basis of the forward exchange rates currently available for contracts with a similar maturity.

Gains and losses on changes in the fair value of derivatives are recognized directly in profit or loss in the current financial reporting period, due to the fact that Group does not use financial instruments which are qualified for hedge accounting.

xix. Impairment of financial assets

At each balance sheet date, the Group determines whether there are any objective indications of impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amounts of such assets are reduced either directly or by establishing an impairment write-down. The amount of the loss is recognized in the profit and loss account.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any such reversal of the impairment write-down is recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date at which the impairment is reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such an asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognized in profit or loss, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the amount of the impairment loss is reversed in the profit and loss account.

xx. Inventories

Inventories are valued at whichever is the lower of the following two values: purchase price/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company measures the cost of consumed inventories by using the specific identification method. Revaluation write-downs of inventories are recognized in operating expenses.

xxi. Deferred expenses

Deferred expenses comprise expenses incurred before the balance sheet date that relate to future periods.

In particular, deferred expenses may include the following items:

- rent paid in advance;
- insurances;
- subscriptions; and
- prepaid third-party services to be provided in future periods; other incurred expenses that relate to future periods.

xxii. Accrued expenses and deferred income

Accrued expenses are recognized in the profit and loss account in the amount of probable obligations related to the current reporting period, in particular resulting from the supplies delivered / services rendered to the entity by its contractors, and the obligation's amount can be reliably valued.

Similarly to the provisions for liabilities, accruals' amounts are estimated. While preparing the estimates, the generally accepted practices in the trade should be considered.

Amortization of accruals may fall according to the time or volumes of supplies / services. The time and manner of the amortization schedule is justified with the nature of the costs amortized, with respect to the prudence principle.

xxiii. Revenues and expenses related to completion of implementation contracts

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

Should it not be possible to reliably estimate the progress of a service execution as at the balance sheet date, sales revenues are recognized in the amount of costs incurred in the reporting period, which should however be limited to the amount of costs that are likely to be paid by the ordering party in the future.

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

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

If the progress of costs incurred reduced by expected losses and increased by profits included in the profit and loss account exceeds the progress of invoiced sales, the amount of non-invoiced sales constituting this difference is presented as other receivables.

On the other hand, if the progress of invoiced sales exceeds the proportion of costs incurred, decreased by expected losses and increased by profits included in the profit and loss account, future-related (unearned) sales income resulting from such a difference is disclosed as other liabilities.

xxiv. Provisions

A provision should be recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such a provision is to be presented in the profit and loss account, net of the amount of any reimbursements.

The Group recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Where the effect of the value of money in time is material, the amount of a provision is determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the liability. Where the discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

xxv. Equity

Equity is composed of shareholders’ equity and non-controlling interest.

Shareholders' equity is disclosed at nominal value. Shareholders' equity comprises the following items:

- share capital, disclosed in the amount of capital contributions made and paid up;
- share premium from the sale of shares over their par value;
- foreign currency translation differences on foreign operations;
- retained earnings, including other capital funds and net profit for the reporting period; and
- non-controlling interest.

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly to the Parent. In the event of a transaction whereby the Group increases its equity interest in a subsidiary (partial or full buy-out of non-controlling interests), such a transaction is deemed not to be a business combination. The assets, liabilities and equity of such a subsidiary are measured at fair value at the date when an additional equity stake is acquired by the Group. The difference between the purchase price of non-controlling interests and the book value of net assets acquired is recognized directly in equity disclosed in the Group's consolidated financial statements.

xxvi. Sales revenue

The accounting principles relating to recognition of sales revenues from the execution of IT contracts are described above. Sales revenue is recognized in the amount reflecting the probable economic benefits associated with the transaction to be obtained by the Group and when the amount of revenue can be reliably measured.

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

Sales revenue

Revenue is recognized if the significant risks and benefits resulting from ownership of the products have been transferred to the buyer and when the amount of revenue can be reliably measured. Sales of computer software services (implementations, modifications, maintenance) are recognized systematically over the term of the relevant contracts, whereas revenues from the sale of implementation services are recognized based on the percentage of their completion. Sales of services executed under a contract which, as at the balance sheet date, are not completed but provided to a considerable extent, are recognized at the balance sheet date proportionally to the percentage of completion of such services, on condition that the amount of revenue can be determined in a reliable way. The progress of contract execution is measured as a percentage of the total estimated contract execution costs incurred from the date of contract conclusion to the date when the related revenues are determined, or as a proportion of the work completed out of the total work effort planned. Should it be impossible to reliably estimate the result of the contract, the revenues are only recognized in the amount of costs incurred which the Group expects to recover. Revenues relating to package solutions (products/licensing fees) are recognized when they occur.

Interest income

Interest income is recognized on a time-proportion basis (taking into account the effective yield - the interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument to the net book value of such financial asset).

Interest income comprises interest on loans granted, investments in securities held to maturity, bank deposits and other items, as well as the discounts of costs (liabilities) according to the method of the effective interest rate.

Dividends

Dividends are recognized when the shareholders' right to receive payment is vested.

xxvii. Operating costs

The Group companies maintain cost accounting both by cost nature and by cost function. Cost of sales comprises the costs resulting directly from purchases of merchandise sold and generation of services sold. Selling expenses include the costs of distribution activities. General administrative expenses include the costs of the Company's management and administration activities.

xxviii. Payroll expenses and costs of social and other insurance

The Group provides current employee benefits (mainly comprising payroll expenses, costs of medical, health and social security as well as the costs of creating the social fund).

Over the course of the year, the Group makes contributions to social and health insurance from the gross wages paid, as well as contributions to the Unemployment Fund as per the statutory rates. The costs of the contributions are posted in the profit and loss account in the same period as the relevant payroll expenses.

In respect of employees who opted to participate in the programme of supplementary pension insurance, the Group contributes an amount of up to 3.0% of the total monthly tariff wage for these purposes.

No pension scheme is currently in operation in the Group.

xxix. Income tax and value added tax

For financial reporting purposes , deferred income tax is calculated applying the statement of financial position liability method to all temporary differences that exist at the balance sheet date between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax provisions are established in relation to all positive temporary differences – except for situations when a deferred tax provision arises from the initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than the combination of companies which, at the time of its conclusion, has no influence on pre–tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures – except for situations when the investor is able to control the timing of the reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized deferred tax assets or unutilized tax losses carried forward to subsequent years, in the amount that it is probable that future taxable income will be sufficient to allow the temporary differences, assets or losses to be utilized. This does not apply to situations when deferred tax assets related to negative temporary differences arise from the initial recognition of an asset or liability on a transaction other than the combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss. Furthermore, in the case of negative temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the statement of financial position in the amount only that it is probable that the temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The book value of an individual deferred tax asset is verified at every balance sheet date and is duly decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize the deferred tax asset partially or entirely.

Deferred tax assets and deferred tax provisions are valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which is the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Income tax relating to items that are directly recognized in equity is disclosed under equity and not in the profit and loss account.

Revenues, expenses and assets are disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of merchandise or services is not recoverable from the tax authorities; in such an event the value added tax paid is recognized as a part of the purchase price of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

The net amount of value added tax which is recoverable from or payable to tax authorities is included in the statement of financial position as a part of receivables or liabilities.

xxx. Net profit (loss) attributable to non-controlling interests

This item represents the Group's net profit for the reporting period, attributable to its non-controlling interests.

Earnings per share (basic and diluted)

Basic earnings per share for each reporting period are computed by dividing the net profit from continuing operations for the reporting period, attributable to shareholders of the Parent Company, by the average weighted number of shares outstanding in the given reporting period.

Diluted earnings per share for each reporting period are calculated by dividing the net profit from continuing operations for the reporting period by the total of the average weighted number of shares outstanding in the given reporting period and all shares of potential new issues.

xxxi. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at whichever is the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

III. INFORMATION ON OPERATING SEGMENTS

An operating segment is a separable component of the Group's business for which separate financial information is available and regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

Since 1 January, as a result of changing the way of internal analyses and daily management of the individual companies of the Group, the Management Board decided to change the structure of segments from geographical segments (Slovak, Czech and Hungarian) to segments based on business entities (Asseco Central Europe, Asseco Solutions, Slovanet and Other).

As a result of the analysis conducted, the Group identified the following four operating segments:

- Asseco Central Europe – this segment includes two major companies: Asseco Central Europe, a. s. /SK/ and Asseco Central Europe, a. s. /CZ/ and their local distribution branches in Germany and Switzerland: Asseco Berit GmbH /DE/ and Asseco Berit AG /CH/. Although being two legal entities, both main companies have the identical Board of Directors and form one homogenuos organisational and business structure with shared backoffice departments. Performance of the segment as well as the Group is analysed on a regular basis by its Board of Directors acting as the chief operating decision-maker. This segment includes also newly created company DanubePay, a. s. /SK/. These companies offer comprehensive IT, outsourcing and processing services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

- Asseco Solutions – this segment includes two ERP companies : Asseco Solutions, a. s. /SK/ and Asseco Solutions, a. s. /CZ/. Although being two separate legal entities, these are governed by a jointly formed Management Board and represent one homogenuos organisational and business structure with shared backoffice departments. Performance of the segment is analysed on a regular basis by its Board of Directors. These companies offer ERP products and related services to a several large, medium and small sized clients operating in the sectors of financial institutions, enterprises and public administration.

- Slovanet – this segment contains only company Slovanet, a. s. /SK/ and its subsidiaries. These companies offer comprehensive telco services to a large scale of retail and corporate clients as well as public institutions and their performance is analyzed by its Board of Directors on a regular basis.

- Other – this segment includes two Hungarian companies: Statlogics Zrt. and GlobeNet Zrt. Performance of these companies is periodically assessed by the Board of Directors of Asseco Central Europe, a. s. /SK/. These companies offer comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

For 12 months ended 31 December 2013 and as at 31 December 2013 (audited)	Asseco Central Europe	Asseco Solutions	Slovanet	Other	Eliminations	Total
Sales revenues:	**71,617**	**26,314**	**36,208**	**7,547**	**(10,356)**	**131,330**
Sales to external customers	63,100	24,770	35,927	7,533	-	**131,330**
Inter/intra segment sales	8,517	1,544	281	14	(10,356)	**-**
Operating profit (loss) of reportable segment	**12,343**	**1,264**	**1,539**	**1,212**	**(1,832)**	**14,526**
Interest income	245	19	-	26	(31)	**259**
Share in profits of associated companies	264	80	-	-	-	**344**
Interest expense	(7)	(15)	(296)	(28)	31	**(315)**
Corporate income tax	**(2,965)**	**(485)**	**(384)**	**(147)**	**316**	**(3,665)**
Non-cash items:						
Depreciation and amortization	(3,339)	(841)	(5,432)	(1,741)	19	**(11,334)**
Impairment write-downs on segment assets	(160)	(164)	(113)	39	38	**(360)**
Net profit (loss) of reportable segment	**19,949**	**881**	**823**	**1,097**	**(11,599)**	**11,151**
Goodwill from consolidation	*12,890*	*14,191*	*1,873*	*9,837*	-	**38,791**
Investments in associated companies	*679*	*211*	-	-	-	**890**
Average workforce in the reporting period	**719**	**478**	**210**	**115**	**-**	**1,522**

The amount of EUR 11,599 thousand in the eliminations column contains elimination of intragroup dividends in amount of EUR 10,113 thousand.
Impairment write-downs consist of creation and release of allowances for receivables, other assets and goodwill impairment charge.

All figures in thousands of EUR, unless stated otherwise

For 12 months ended 31 December 2012 and as at 31 December 2012 (audited)	Asseco Central Europe	Asseco Solutions	Slovanet	Other	Eliminations	Total
Sales revenues:	**74,225**	**25,230**	**33,652**	**7,532**	**(6,199)**	**134,440**
Sales to external customers	68,811	24,676	33,421	7,532		**134,440**
Inter/intra segment sales	5,414	554	231	-	(6,199)	**-**
Operating profit (loss) of reportable segment	**14,331**	**2,083**	**1,437**	**679**	**(908)**	**17,622**
Interest income	451	21	-	29	(51)	**450**
Share in profits of associated companies	215	40	-	-	-	**255**
Interest expense	(1)	(14)	(276)	(35)	50	**(276)**
Corporate income tax	**(2,884)**	**(458)**	**(10)**	**59**	**150**	**(3,143)**
Non-cash items:						
Depreciation and amortization	(3,196)	(757)	(4,696)	(1,775)	72	**(10,352)**
Impairment write-downs on segment assets	(392)	(38)	(104)	(111)	119	**(526)**
Net profit (loss) of reportable segment	**20,630**	**1,702**	**969**	**569**	**(9,469)**	**14,401**
Goodwill from consolidation	*14,602*	*14,783*	*1,873*	*9,997*	-	**41,254**
Investments in associated companies	*671*	*144*	-	-	-	**815**
Average workforce in the reporting period	**774**	**462**	**196**	**124**	**-**	**1,556**

The amount of EUR 9,469 thousand in the elimination column contains elimination of intragroup dividends in amount of EUR 8,506 thousand. Impairment write-downs consist of creation and release of allowances for receivables, other assets and goodwill impairment charge.

All figures in thousands of EUR, unless stated otherwise

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenue

In 2013 and the corresponding comparative period, revenues reported by the Group were as follows:

Sales revenues by type of business	**12 months ended 31 Dec 2013 (audited)**	**12 months ended 31 Dec 2012 (audited)**
Proprietary software and services	69,687	77,126
Third-party software and services	16,005	16,199
Telco	35,389	32,253
Logistic and outsorcing	10,002	8,375
Other sales	247	487
	131,330	**134,440**

Sales revenues by sectors	**12 months ended 31 Dec 2013 (audited)**	**12 months ended 31 Dec 2012 (audited)**
Banking and finance	24,493	24,011
Enterprises	57,019	53,874
Public institutions	49,818	56,555
	131,330	**134,440**

2. Operating costs

	12 months ended 31 Dec 2013 (audited)	**12 months ended 31 Dec 2012 (audited)**
Materials and energy used	(2,427)	(2,484)
Third-party services	(43,898)	(42,375)
Salaries	(33,651)	(34,711)
Employee benefits, of which	(11,597)	(11,135)
social security contributions	(3,521)	(3,569)
Depreciation and amortization	(11,334)	(10,352)
Taxes and charges	(154)	(125)
Business trips	(785)	(768)
Other	(1,017)	(1,062)
Cost of merchandise	(13,851)	(14,258)
	(118,714)	**(117,270)**
Cost of sales:	**(96,219)**	**(93,466)**
production cost (-)	*(82,368)*	*(79,208)*
cost of merchandise, materials and third party work sold (COGS) (-)	*(13,851)*	(14,258)
Selling expenses (-)	**(10,782)**	**(11,394)**
General administrative expenses (-)	**(11,713)**	**(12,410)**

All figures in thousands of EUR, unless stated otherwise

3. Other operating income and expenses

Other operating income	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Gain on disposal of non-current assets	94	66
Release of other provisions	101	788
Subsidies	46	11
Compensations received	341	375
Rental income	4	-
Recharged services	31	-
Other	1,857	255
	2,474	**1,495**

As at 30 September 2013, Asseco Central Europe (CZ) has sold two of its logistics projects to Arvato services k.s. with net gain of EUR 2,000 thousand which has been reflected in 'Other operating income'. The net assets value of the respective projects was EUR 816 thousand as at the date of the transaction.

Going forward, the respective transaction resulted in a decrease of the Company's expected revenues which has been reflected in adjusting the goodwill related to the acquisition of Asseco Central Europe (CZ) of EUR 348 thousand which was posted against the 'Other operating income' (refer to Note 12).

In 2012 Asseco Central Europe, a.s. released a provision created for contractual penalties related to delayed project deliveries in 2011 in amount EUR 635 thousand. The Company concluded negotiation about penalties with the customers without disputes and thus provisions were reversed.

Other operating expenses	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Loss on disposal of non-current assets	(72)	(4)
Liquidation costs of non-current assets and inventories	(1)	-
Other provisions created	(217)	(789)
Charitable contributions to unrelated companies	(26)	(29)
Costs of recharged services	-	(13)
Receivables write-offs	(10)	(5)
Other	(238)	(203)
	(564)	**(1,043)**

In 2012 the Group created a provision to the non-cancellable office lease contract in Asseco Central Europe, a.s. (CZ) of EUR 789 thousand.

The decrease in the respective provision in 2013 mainly reflects the lease payment related to the onerous contract.

All figures in thousands of EUR, unless stated otherwise

4. Financial income and expenses

Financial income	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Interest income on loans granted, debt securities and bank deposits	257	430
Other interest income	2	20
Gain on foreign exchange differences	484	336
Other financial income	128	1,453
Gain on exercise of currency forward contracts	32	26
Total financial income	**903**	**2,265**

Other financial income reported in 2012 referred to release of the contingent consideration recognized on acquisition of GlobeNet, Zrt in 2010. The financial performance of GlobeNet, Zrt was below the target profit in 2012, hence the Company released the contingent consideration. The acquisition of GlobeNet was fully completed by reaching the 100% shareholding as at 31 December 2012. There is no remaining contingent consideration relating to this matter.

Financial expenses	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Interest expense on bank credits, loans, debt securities	(190)	(180)
Interest expense on financial leases	(125)	(96)
Bank fees and charges	(102)	(106)
Loss on foreign exchange differences	(469)	(595)
Loss on disposal of other capital investments	(15)	(1)
Loss on valuation of capital investments	-	(1,450)
Other financial expenses	(56)	(98)
Loss on exercise of financial derivatives	-	(72)
Total financial expenses	**(957)**	**(2,598)**

As a result of annual impairment tests performed as at 31 December 2012, the Group recognized an impairment charge of EUR 1,450 thousand on the investment in GlobeNet, Zrt due to its poor financial performance. In 2013, no impairment has been recognized.

5. Corporate income tax

The main charges on pre-tax profit are due to corporate income tax (current and deferred portions):

	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Current portion of corporate income tax and prior years adjustments	(4,025)	(2,562)
Deferred portion of corporate income tax	360	(581)
Related to occurrence or reversal of temporary differences	*360*	*(581)*
Income tax expense as disclosed in the profit and loss account, of which:	**(3,665)**	**(3,143)**
Corporate income tax attributable to continuing operations	*(3,665)*	*(3,143)*

All figures in thousands of EUR, unless stated otherwise

Regulations applicable to the value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent amendments, thereby often depriving the taxpayers of the possibility to refer to well-established regulations or legal precedents. The regulations currently in force include ambiguities which may give rise to different opinions and legal interpretations on the taxation regulations either between companies and public administration, or between the public administration bodies themselves. Taxation and other settlements (for instance, customs duty or currency payments) may be controlled by administration bodies that are entitled to impose considerable fines, and the liabilities so determined must be paid with high interest. In effect, the amounts disclosed in the financial statements may later be changed, after the taxes payable are finally determined by the taxation authorities.

Reconciliation of the corporate income tax payable on pre-tax profit according to the statutory tax rates with the corporate income tax computed at the Group's effective tax rate:

	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Pre-tax profit		
Pre-tax profit from continuing operations	**14,472**	**17,289**
Statutory corporate income tax rate	23%	19%
Corporate income tax computed at the statutory tax rate	**3,329**	**3,285**
Income exempt from taxation	-	(34)
Difference in corporate income tax rates	(527)	27
Non-tax deductible accounting costs	547	504
Tax losses for which no deferred tax asset was recognised	302	(75)
Other non-deductible expenses and non-taxable income	14	(564)
Corporate income tax computed	**3,665**	**3,143**

Non-tax deductible accounting costs relate mainly to marketing and advertising costs that are non-tax deductible. As at 31 December 2013, after assessing the future taxable income, the Group expects to fully recover the deferred income tax assets in amount of EUR 1,759 thousand (2012: EUR 1,371 thousand).

Deferred tax asset / liability	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Deferred income tax assets	1,759	1,371
Deferred income tax liabilities	(877)	(1,009)
Deferred income tax asset/liability, net	**882**	**362**

All figures in thousands of EUR, unless stated otherwise

	Balance Sheet					
	31 Dec 2013 (audited)	Business combination (audited)	31 Dec 2012 (audited)	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)	Foreign currency differences on translation of foreign subsidiaries
Deferred tax liability						
Valuation of Intangible assets (PPA)	(606)	-	(1,268)	648	508	(14)
Receivables from the valuation of long-term IT contracts	(31)	-	(21)	(20)	(21)	(10)
Difference between tax and accounting amortisation	(7)	-	(90)	83	73	-
Difference between tax and accounting depreciation	(674)	-	(919)	237	(77)	(8)
Other	(162)	-	(167)	4	(64)	(1)
Deferred income tax liability, gross	**(1,480)**		**(2,465)**			
Deferred tax assets						
Accrued expenses, provisions and other liabilities	892	-	319	597	(493)	(24)
Provisions for warranty repairs and returns	250	-	390	(130)	127	(10)
Other provisions	513	4	434	114	(232)	(39)
Liabilities related to valuation of IT contracts	117	-	284	(152)	(179)	(15)
Unused tax losses and unused tax credits	53	-	764	(710)	(207)	(1)
Difference between tax and accounting depreciation	8	-	30	(20)	(42)	(2)
Revaluation of intangible assets, including write-offs	233	-	183	57	(26)	(7)
Trade receivables writte-offs	286	-	397	(110)	91	(1)
Other	10	-	26	(11)	(39)	(5)
Deferred tax assets, gross	**2,362**		**2,827**			
Write-down due to impossibility to realize a deferred income tax asset	-	227	-	(227)		
Deferred tax assets, net	**2,362**		**2,827**			
Deferred tax offset by companies						
Deferred income tax assets (+)	1,759		1,371			
/Deferred income tax provision (-)	(877)		(1,009)			
Change in deferred tax in the period reported, of which				**360**	**(581)**	
deferred income tax change recognized directly in other comprehensive income				-	-	
deferred income tax change recognized in profit or loss				360	(581)	

All figures in thousands of EUR, unless stated otherwise

6. Earnings per share

Basic earnings per share are computed by dividing the net profit for the reporting period, attributable to shareholders of the Parent Company, by the average weighted number of ordinary shares outstanding in that financial period.

Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Parent Company, by the adjusted (due to the diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.

The tables below present net profits and numbers of shares used for calculation of basic and diluted earnings per share:

	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Net profit attributable to Shareholders of the Parent Company	**11,286**	**14,213**
Dilution factors	-	-
Adjusted average weighted number of ordinary shares, used for calculation of diluted earnings per share	**21,360,000**	**21,360,000**

In both the reporting period and the prior year's corresponding period no events took place that would cause dilution of earnings per share.

7. Dividends

In 2013 the Parent Company paid out a dividend to its shareholders for 2012. The Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s. (SK) decided on distribution of the profit and payment of dividend for the year 2012 in the amount of EUR 12,463,447.98 as follows:

2,424,247.98 to leave in the Company and transfer this amount to the account of retained earnings,

10,039,200.00 to split between shareholders as dividends; the dividend per share is EUR 0.47.

In 2012 the Parent company paid out to its shareholders a dividend of EUR 0,66 per share in total amount of EUR 14,097,600.

8. Discontinued operations

In 2013, the Group did not recognize any profit or loss from discontinued operations in its profit and loss account (2012: Nil).

All figures in thousands of EUR, unless stated otherwise

9. Property, plant and equipment

For 12 months ended 31 December 2013 (audited)	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
As at 1 January 2013, less depreciation and impairment allowance	**9,047**	**11,368**	**1,657**	**205**	**1,234**	**23,511**
Additions, of which:	1,532	3,432	872	55	4,785	**10,676**
Purchases	*2*	*467*	*480*	*55*	*4,785*	***5,789***
Put in use	*1,505*	*2,236*	*141*	-	-	***3,882***
Finance lease	-	*729*	*251*	-	-	***980***
Other changes	*25*	-	-	-	-	***25***
Reductions, of which:	(1,344)	(4,395)	(758)	(95)	(3,882)	**(10,474)**
Depreciation charge for the reporting period	*(1,070)*	*(4,265)*	*(670)*	*(103)*	-	***(6,108)***
Impairment write-downs	-	-	*29*	*8*	-	***37***
Disposal and liquidation	*(274)*	*(124)*	*(117)*	-	-	***(515)***
Put in use	-	*(6)*	-	-	*(3,882)*	***(3,888)***
Foreign currency differences on translation of foreign subsidiaries (+/-)	*(63)*	*(36)*	*(66)*	*(11)*	-	***(176)***
As at 31 December 2013, less depreciation	**9,172**	**10,369**	**1,705**	**154**	**2,137**	**23,537**
As at 1 January 2013						
Gross value	13 273	42 829	4 645	897	1 234	**62 878**
Depreciation and impairment write-downs	(4 226)	(31 461)	(2 988)	(692)	-	**(39 367)**
Net book value as at 1 January 2013	**9 047**	**11 368**	**1 657**	**205**	**1 234**	**23 511**
As at 31 December 2013						
Gross value	14,393	42,073	4,689	823	2,137	**64,115**
Depreciation and impairment allowance	(5,221)	(31,690)	(2,984)	(683)	-	**(40,578)**
Net book value as at 31 December 2013	**9,172**	**10,383**	**1,705**	**140**	**2,137**	**23,537**

Assets under construction refer to investments into infrastructure carried out by Slovanet. As at 31 December 2013, Hardware and Office equipment of EUR 1,906 thousand has been pledged as collateral for bank credits.

All figures in thousands of EUR, unless stated otherwise

For 12 months ended 31 December 2012 (audited)	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
As at 1 January 2012, less depreciation and impairment allowance	**5,896**	**10,564**	**1,281**	**156**	**1,396**	**19,293**
Additions, of which:	3,892	4,463	947	124	4,347	**13,773**
Purchases	*396*	*1,202*	*808*	*124*	*4,347*	***6,877***
Taking control over subsidiaries	*2,036*	*318*	*44*	-	-	***2,398***
Put in use and other changes	*1,460*	*2,943*	*95*	-	-	***4,498***
Reductions, of which:	(752)	(3,703)	(587)	(81)	(4,511)	**(9,634)**
Depreciation charge for the reporting period	*(756)*	*(3,698)*	*(584)*	*(82)*	-	***(5,120)***
Impairment write-downs	-	-	-	-	-	***0***
Disposal and liquidation	-	*(1)*	*(3)*	*(1)*	*(11)*	***(16)***
Put in use and other changes	*4*	*(4)*	-	*2*	*(4,500)*	***(4,498)***
Foreign currency differences on translation of foreign subsidiaries (+/-)	*11*	*44*	*16*	*6*	*2*	***79***
As at 31 December 2012, less depreciation	**9,047**	**11,368**	**1,657**	**205**	**1,234**	**23,511**
As at 1 January 2012						
Gross value	9,048	37,008	3,935	754	1,396	**52,141**
Depreciation and impairment write-downs	(3,152)	(26,444)	(2,654)	(598)	-	**(32,848)**
Net book value as at 1 January 2012	**5,896**	**10,564**	**1,281**	**156**	**1,396**	**19,293**
As at 31 December 2012						
Gross value	13,273	42,829	4,645	897	1,234	**62,878**
Depreciation and impairment allowance	(4,226)	(31,461)	(2,988)	(692)	-	**(39,367)**
Net book value as at 31 December 2012	**9,047**	**11,368**	**1,657**	**205**	**1,234**	**23,511**

Assets under construction represent investments into infrastructure carried out by Slovanet in 2012. As at 31 December 2012, no property, plant and equipment served as security for bank credits.

All figures in thousands of EUR, unless stated otherwise

10. Intangible assets

For 12 months ended 31 December 2013 (audited)	Internally generated R&D costs	Software, patents and licenses	Intangible assets not put in use	Other	Total
As at 1 January 2013, less amortization and impairment allowance	**1,607**	**12,093**	**446**	**7,743**	**21,889**
Additions, of which:	1,759	551	1,332	-	**3,642**
Purchases	-	*551*	-	-	***551***
Transfer from unfinished R&D and Capitalization of R&D projects	*1,759*	-	*1,332*	-	***3,091***
Reductions, of which:	(847)	(3,087)	(1,759)	(2,086)	**(7,779)**
Amortization charge for the reporting period	*(888)*	*(2,391)*	-	*(2,024)*	***(5,303)***
Impairment, write-downs	*83*	*(696)*	-	*(58)*	***(671)***
Disposal and liquidation	*(42)*	-	-	*(4)*	***(46)***
Transfer from unfinished R&D	-	-	*(1,759)*	-	***(1,759)***
Foreign currency differences on translation of foreign subsidiaries (+/-)	*(21)*	*(51)*	*(1)*	*(77)*	***(150)***
As at 31 December 2013, less amortization	**2,498**	**9,506**	**18**	**5,580**	**17,602**
As at 1 January 2013					
Gross value	3,769	24,947	446	13,561	**42,723**
Amortization and impairment allowance	(2,162)	(12,854)	-	(5,818)	**(20,834)**
Net book value as at 1 January 2013	**1,607**	**12,093**	**446**	**7,743**	**21,889**
As at 31 December 2013					
Gross value	5,442	24,277	18	13,402	**43,139**
Amortization and impairment allowance and foreign currency differences on translation of foreign subsidiaries	(2,944)	(14,771)	-	(7,822)	**(25,537)**
Net book value as at 31 December 2013	**2,498**	**9,506**	**18**	**5,580**	**17,602**

As at 31 December 2013, no intangible assets have been pledged as collateral.

'Intangible assets not put in use' refer to internally developed software with no indicators of impairment. 'Other intangible assets' refer to PPA from acquisitions (customer contracts) in amount of EUR 5,580 thousands (2012: EUR 7,743 thousand).

The write-downs in amount of EUR 696 thousand relate predominantly to specific projects of Asseco Central Europe (CZ) which matured during the 2013 financial year and resulted in lowering the value of the intangible assets respectively.

All figures in thousands of EUR, unless stated otherwise

For 12 months ended 31 December 2012 (audited)	**Internally generated R&D costs**	**Software, patents and licenses**	**Intangible assets not put in use**	**Other**	**Total**
As at 1 January 2012, less amortization and impairment allowance	**2,026**	**14,161**	**-**	**7,833**	**24,020**
Additions, of which:	313	987	548	2,028	**3,876**
Purchases	-	*634*	-	-	***634***
Taking control over subsidiaries	*17*	*72*	-	*1,661*	***1,750***
Change in classification of types of intangible assets					
Other	*296*	*281*	*548*	*367*	***1,492***
Reductions, of which:	(732)	(3,055)	(102)	(2,118)	**(6,007)**
Amortization charge for the reporting period	*(756)*	*(2,569)*	-	*(1,991)*	***(5,316)***
Impairment write-downs	*102*	*(153)*	-	-	***(51)***
Disposal and liquidation	-	*(2)*	-	-	***(2)***
Change in classification of types of intangible assets	-	-	-	-	**-**
Other changes	*(17)*	*(113)*	*(102)*	-	***(232)***
Foreign currency differences on translation of foreign subsidiaries (+/-)	*(61)*	*(218)*	-	*(127)*	***(406)***
As at 31 December 2012, less amortization	**1,607**	**12,093**	**446**	**7,743**	**21,889**
As at 1 January 2012	-	-	-	-	**-**
Gross value	3,456	26,392	-	11,596	**41,444**
Amortization and impairment allowance	(1,430)	(12,231)	-	(3,763)	**(17,424)**
Net book value as at 1 January 2012	**2,026**	**14,161**	**-**	**7,833**	**24,020**
As at 31 December 2012	-	-	-	-	-
Gross value	3,769	24,947	446	13,561	**42,723**
Amortization and impairment allowance and foreign currency differences on translation of foreign subsidiaries	(2,162)	(12,854)	-	(5,818)	**(20,834)**
Net book value as at 31 December 2012	**1,607**	**12,093**	**446**	**7,743**	**21,889**

As at 31 December 2012, intangible assets with net book value of EUR 400 thousand served as security for bank credits. Liabilities under the credits secured with those assets as at 31 December 2012 were EUR 8 thousand.

Intangible assets not put in use represents internally development of software without any impairment indicated. Column Other represents PPA from acquisitions (customer contracts) in amount EUR 7,743 thousands (in 2011 amount EUR 7,833 thousand respectively).

All figures in thousands of EUR, unless stated otherwise

11. Organization and changes in the Asseco Central Europe Group structure, including specification of entities subject to consolidation

Over the 12 months period ended 31 December 2013, the following changes in the Group structure were observed:

- On 20 September 2013, the Central Depositary of Securities of the Slovak Republic registered the transfer of 11,249 shares of DanubePay. The Company´s shareholding decreased from 100% to 55% currently holding 13,750 of DanubePay shares. The Company still has control over DanubePay (Note 12).
- On 30 September 2013, the Company signed an agreement with Arvato services k.s. on sale of part of the business being the logistics projects for T-Mobile and Vodafone including contractual relations with customers and suppliers. The respective transaction did not result in a change of shareholding (Note 12).
- Asseco Solutions, a. s. (SK) sold 50% of its shareholding in Axera, s. r. o. to its original owner. The respective change entered into force on the date of its registration in Business Register, this being on 18 October 2013. Asseco Solutions, a. s. (SK) currently owns 50% of shares in Axera, s. r. o. (Note 13).
- On 28 November 2013, Asseco Central Europe established a new company Asseco Hungary which will carry out its activities mainly in Hungary. The company was registered in the Hungarian commercial register on 8 January 2014. Asseco Central Europe's shareholding represents 51% of the new company's shares (Note 12).

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

	Country of registration	Scope of activities	Relationship with Parent Company	Voting interest		Equity interest	
				31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Subsidiary companies							
Slovanet, a.s.	Slovak Republic	Telco services	Direct subsidiary	51%	51%	51%	51%
AmiTel, s.r.o.	Slovak Republic	Internet provider	Indirect subsidiary	51%	51%	51%	51%
MadNet, a.s.	Slovak Republic	Electronic services provider	Indirect subsidiary	50.06%	50.06%	50.06%	50.06%
Asseco Solutions, a.s. (SK)	Slovak Republic	ERP solutions	Direct subsidiary	100%	100%	100%	100%
Axera, s.r.o.	Slovak Republic	Software solutions	Indirect subsidiary	-	100%	-	100%
DanubePay, a.s.	Slovak Republic	Card and transaction business	Direct subsidiary	55%	100%	55%	100%
Asseco Central Europe, a.s. (CZ)	Czech Republic	Software, integration and outsourcing	Direct subsidiary	100%	100%	100%	100%
Asseco Solutions, a.s. (CZ)	Czech Republic	ERP solutions	Indirect subsidiary	100%	100%	100%	100%
LCS Deutschland GmbH (in liquidation)	Germany	ERP solutions	Indirect subsidiary	100%	100%	100%	100%
NZ Servis s.r.o.	Czech Republic	Software for customs and communication with public administration	Indirect subsidiary	100%	100%-	100%	100%
Asseco BERIT AG	Switzerland	Software, Geospatial and Network Solutions	Indirect subsidiary	100%	100%	100%	100%
Asseco BERIT GmbH	Germany	Software, Geospatial and Network Solutions	Indirect subsidiary	100%	100%	100%	100%
Statlogics Zrt.	Hungary	Banking IS	Direct subsidiary	100%	100%	100%	100%
GlobeNet Zrt.	Hungary	Hospital IS	Direct subsidiary	100%	100%	100%	100%
Associated companies							
Crystal Consulting s.r.o.	Slovak Republic	ERP solutions		50%	50%	50%	50%
Prvni Certifikacni Autorita, a.s. (I.CA)	Czech Republic	IT security		23.25%	23.25%	23.25%	23.25%
Axera, s.r.o.	Slovak Republic	Software solutions		50%	-	50%	-

All figures in thousands of EUR, unless stated otherwise

12. Consolidation goodwill

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Amitel	34	34
Asseco BERIT AG + Asseco BERIT GmbH	559	610
Asseco Central Europe (CZ)	14,156	15,816
Asseco Solutions (CZ)	6,442	7,025
Asseco Solutions (SK)	7,647	7,647
GlobeNet	1,918	1,996
ISZP	533	533
Micronet	144	144
MPI Consulting	542	542
NZ Servis	102	111
Slovanet	1,695	1,695
Statlogics	5,019	5,101
Total carrying amount	**38,791**	**41,254**

The balance of goodwill is in amount of EUR 38,791 thousand as at 31 December 2013 (2012: 41,254). The decrease of EUR 2,463 has been caused mainly by the foreign exchange differences resulting from the translation of the goodwill-carrying amounts of the foreign subsidiaries into the Group's presentation currency which amounted to EUR 2,115 thousand in 2013.

Furthermore, as at 30 September 2013, Asseco Central Europe (CZ) has sold two of its logistics projects to Arvato services k.s. for EUR 2,000 thousand. Going forward, the respective transaction results in a decrease of the Company's expected revenues which has been reflected in adjusting the goodwill related to the acquisition of Asseco central Europe (CZ) respectively. This has been lowered in amount of EUR 348 thousand.

Impairment tests of goodwill related to acquisition of subsidiaries

The Parent Company performs an impairment test of goodwill on an annual basis (as at 31 December) and whenever the indicators of impairment exist. For the purpose of goodwill impairment tests, goodwill was allocated to a cash generating unit or a group of cash generating units ("CGU") which benefit from the acquisitions.

Goodwill resulting from the acquisition of Amitel and Micronet was included in CGU Slovanet. The carrying amount of goodwill from the acquisition of Asseco BERIT GmbH and Asseco BERIT AG was tested at the level of CGU represented by Asseco Central Europe (CZ). Goodwill resulting from the acquisition of NZ Servis was included in CGU Asseco Solutions (CZ). Finally, goodwill related to acquisitions of ISZP and MPI Consulting was tested at the CGU level represented by the Healthcare business unit of Asseco Central Europe and the CGU represented by Asseco Central Europe (SK), respectively.

The impairment test of goodwill was conducted by comparing the carrying amount of goodwill and the related CGU with its recoverable amount, being the CGU's value in use. The value in use was determined on the basis of the net present value of estimated cash flows to be generated by the CGU. The cash flows were projected for a 5-year explicit period and, thereafter, to grow at a nominal rate of 2% into perpetuity. The projected cash flows were discounted at a discount rate reflecting risks of each individual CGU. The weighted average cost of capital method was applied to determine the appropriate discount rates.

Upon assessing all the indicators of potential goodwill impairment and performing the impairment testing itself, the Management did not identify any impairment.

All figures in thousands of EUR, unless stated otherwise

As a result of the impairment tests conducted in 2012 financial year, the Group recognized an impairment charge of EUR 1,450 thousand on goodwill from the acquisition of GlobeNet as at 31 December 2012. The Parent Company's management considered the reason for the impairment to be the lower financial performance of the CGU due to worsened macroeconomic situation in Hungary.

The discount rates and the terminal growth rates, on a pre-tax basis, were as follows as at 31 December 2013:

CGU	Pre-tax discount rate	Nominal growth rate in terminal period
Czech CGUs	7.5 - 9.2%	2.0%
Slovak CGUs	9.3 - 9.85%	2.0%
Hungarian CGUs	11.4%	2.0%

Additionally, the Parent Company carried out a sensitivity analysis for all the CGUs with reference to the goodwill impairment tests conducted. The sensitivity analysis examined the impact of changes on key assumptions of the impairment tests, i.e. (i) the discount rates, (ii) operating margins in the terminal period and (iii) nominal growth rate of cash flows in the terminal period.
The sensitivity analysis revealed that no impairment would be charged even if the assumptions will be changed for all the investments apart from Asseco Solutions, a.s. (SK).

Sensitivity analysis as at 31 December 2013	**Value of the assumption**		
Discount rate	Applied	+ 0.5%	+ 1.0%
Asseco Solutions, a.s. (SK)	-	-	-
Operating profitability	Applied	- 0.5%	- 1.0%
Asseco Solutions, a.s. (SK)	-	-	(376)
Growth rate	Applied	- 0.5%	- 1.0%
Asseco Solutions, a.s. (SK)	-	-	-

Sensitivity analysis as at 31 December 2012	**Value of the assumption**		
Discount rate	Applied	+ 0.5%	+ 1.0%
Asseco Solutions, a.s. (SK)	-	270	687
Globenet	1,450	-	-
Operating profitability	Applied	- 0.5%	- 1.0%
Asseco Solutions, a.s. (SK)	-	-	148
Globenet	1,450	117	235
Growth rate	Applied	- 0.5%	- 1.0%
Asseco Solutions, a.s. (SK)	-	182	519
Globenet	1,450	-	-

All figures in thousands of EUR, unless stated otherwise

Establishement of DanubePay, a. s.

On 27 July 2012 Asseco Central Europe, a. s. /SK/ established a new subsidiary DanubePay, a. s. with 100% share for EUR 25 thousand. From this transaction did not arrised any goodwill.

On 20 September 2013, the Central Depositary of Securities of the Slovak Republic registered the transfer of 11,249 DanubePay share to Mr. Jozef Klein (Chairman of the Board of Directors). Asseco Central Europe currently holds 13,750 of DanubePay shares. Company´s equity interest decreased from 100% to 55%.

Establishement of Asseco Hungary

On 28 November 2013, Asseco Central Europe established a new company named Asseco Hungary which will carry out its activities mainly in Hungary. The company was registered in the Hungarian commercial register on 8 January 2014. Asseco Central Europe's shareholding represents 51% of the new company's shares.

13. Investments in associates

As at 31 December 2013, the Group's associates are Prvni Certifikacni Autorita a. s., Crystal Consulting s. r. o. and Axera, s r.o.

Set out below are summarised the condensed financial information for the respective investments in associates which are accounted for using the equity method.

	As at and for the period ended	
	31 Dec 2013	**31 Dec 2012**
Current assets	1,102	927
Fixed assets	111	120
Non-current liabilities	61	59
Current liabilities	238	223
Net assets	**914**	**765**
Sales revenues	1 817	1,761
Net profit	424	294
Share in profits	344	255
Book value of investments	**890**	**815**

There are no contingent liabilities relating to the Group's interest in the associates as at 31 December 2013 and 2012.

14. Non-current and current loans and other financial assets

Non-current	**31 Dec 2013 (audited)**	**31 Dec 2012 (audited)**
Loans, of which:		
loans granted to employees	3	2
	3	**2**

All figures in thousands of EUR, unless stated otherwise

Current	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Loans, of which:		
loans granted to employees	*19*	*25*
Bills in Asseco Central Europe (SK)	*745*	*4,129*
Bills in Asseco Central Europe (CZ)	*-*	*5,779*
	764	**9,933**

The above loans are valued using the amortized cost method.

15. Current deferred expenses

Current	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Pre-paid maintenance services	1,414	1,505
Pre-paid insurance	62	59
Pre-paid subscriptions	173	169
Pre-paid rents and pre-paid operating lease payments	8	195
Pre-paid consultancy services	-	8
Other pre-paid services	523	530
Other deferred expenses	202	277
	2,382	**2,743**

Other pre-paid services relate to data connection purchased by Slovanet from other telecommunications network operators.

The balance of other deferred expenses consists of losses incurred by Slovanet from sale of equipment to clients as part of service contracts. The losses are deferred over a period of the contract terms.

16. Inventories

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Raw materials and components used in implementations of IT systems (at acquisition cost)	35	92
Computer hardware and software licenses for resale	336	882
Impairment allowance to inventories	(52)	(102)
	319	**872**

As at 31 December 2013 and 2012, inventories did not serve as security for any bank credits agreed by the Group.

17. Implementation contracts

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

All figures in thousands of EUR, unless stated otherwise

The following table includes basic data on the ongoing IT implementation contracts.

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
The amount of revenue recognized during the long-term IT contracts*	**25,145**	**31,189**
Costs incurred due to execution of IT contracts	(7,977)	(14,880)
Profit (loss) on execution of IT contracts	**6,087**	**13,281**
Total revenue attributable to IT contracts	**14,064**	**28,159**
of which		
Progress billing	14,051	29,165
Receivables related to valuation of IT contracts (Note 18)	2,011	564
Liabilities related to valuation of IT contracts (Note 24)	(2,006)	(1,568)
Provision for loss on IT contracts	-	(2)

** for all projects that were implemented during the reporting period (including projects closed)*

18. Non-current and current receivables and prepayments

Non-current receivables	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Trade accounts receivable including		
Receivables from related companies, of which:		
from associated companies	-	-
Receivables from other companies	10	10
Other receivables	89	81
	99	**91**

Non-current trade accounts receivable are not interest-bearing and were valued at the present (discounted) value.

Non-current receivables did not serve as security for any bank guarantees (of due performance of contracts and tender deposits) either at 31 December 2013 or at 31 December 2012.

Non-current prepayments	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Prepaid maintenance and licence fees	-	171
	-	**171**

All figures in thousands of EUR, unless stated otherwise

Current receivables

Trade accounts receivable	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Trade accounts receivable including:	**32,737**	**27,880**
Receivables from related companies, of which:	1,301	172
from associated companies	-	-
Receivables from other companies	31,436	27,708
Revaluation write-down on doubtful accounts receivable	(2,235)	(2,846)
	30,502	**25,034**

Trade accounts receivable are not interest-bearing.

The Group has a relevant policy based on selling its products to reliable clients only. Owing to that, in the Group's management opinion, the credit risk would not exceed the level covered by allowances for doubtful accounts as established by the Group.

Ageing of trade accounts receivable	as at 31 Dec 2013 (audited)		as at 31 Dec 2012 (audited)	
	amount	structure	amount	structure
Receivables not yet due	26,776	88%	21,725	87%
Receivables past-due up to 3 months	2,558	8%	2,551	10%
Receivables past-due over 3 months	1,168	4%	758	3%
	30,502	**100%**	**25,034**	**100%**

As at 31 December 2013, receivables of EUR 3,562 thousand (2012: 3,200 thousand) served as security for credit facilities agreed. Liabilities by virtue of those facilities amounted to EUR 3,615 thousand (2012: 2,422 thousand) as at 31 December 2013.

Transactions with related companies are presented in Note 27 to these consolidated financial statements.

Receivables from state budgets	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Value added tax	213	109
Corporate income tax (CIT)	515	811
Other	59	646
	787	**1,566**

Other receivables	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Receivables from book valuation of IT contracts (Note 17)	2,011	564
Receivables from non-invoiced deliveries	237	82
Advance payments to other suppliers	2,367	474
Receivables from disposal of shares in UNiQUARE	-	2,197
Other receivables	681	1,320
Revaluation write-down on other doubtful receivables	(73)	(78)
	5,223	**4,459**

All figures in thousands of EUR, unless stated otherwise

Receivables from valuation of IT contracts (implementation contracts) result from the surplus of the percentage of completion of implementation contracts over invoices issued.

Receivables relating to non-invoiced deliveries result from the sale of third-party licenses and maintenance services, for which invoices have not yet been issued for the whole period of licensing or provision of maintenance services.

The advance payments to other suppliers relate mainly to advance paid for goods to STIEFEL EUROCART, s.r.o. which will be delivered in 2014 financial year.

As at 31 December 2012, the balance of other receivables included receivables due from the Ministry of Trade and Industry of Czech Republic of EUR 832 thousand related to unpaid subsidies from grant related to employement in Asseco Solutions, a.s. (CZ).

In 2013 and 2012, revaluation write-downs on trade accounts receivable and other receivables were as follows:

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
As at 1 January	**2,924**	**2,512**
Additions due to taking control over companies	-	60
Creation	1,136	1,077
Utilised and Released	(1,702)	(736)
Foreign currency differences on translation of foreign subsidiaries (+/-)	(50)	11
As at 31 December	**2,308**	**2,924**

In 2013, the Group released allowances for receivables in total amount of EUR 1,230 (2012: EUR 474 thousand) thousand as a result of improved payment polices of its customers.

19. Cash and cash equivalents

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Cash in bank	25,878	19,026
Cash in hand	111	233
Current deposits	8,712	6,955
Cash equivalents	156	187
Total cash and cash equivalents	**34,857**	**26,401**
Restricted Cash	4	4
Total cash and cash equivalents in cash flow statement	**34,861**	**26,405**

The interest on cash in bank is calculated with variable interest rates depending on the bank overnight deposit rates. Current deposits are of a varying maturity periods between one day and three months, depending on the immediate cash requirements of the Group, earning interest at the respective current deposit rates.

Current deposits did not serve as security for any bank guarantees (of due performance of contracts and tender deposits) either at 31 December 2013 or at 31 December 2012.

All figures in thousands of EUR, unless stated otherwise 54

20. Share capital, capital reserves and non-controlling interests

Share capital		Par value per share	as at 31 Dec 2013 (audited)	as at 31 Dec 2012 (audited)
Shares	**Series**		**Number of shares**	**Number of shares**
Ordinary shares – series		0.0331939	21,360,000	21,360,000

Par value on shares

All shares issued have the par value of EUR 0.0331939 per share and have been fully paid up.

In 2013 and 2012 there were no changes in the Parent Company's share capital and share premium account.

The parent company of Asseco Central Europe, a. s. is Asseco Poland SA (the higher-level parent company). As at 31 December 2013, Asseco Poland SA held a 93.51% stake in the share capital of Asseco Central Europe, a. s. Asseco Poland SA increased share as a result a public offering based on a prospectus published on 12 November 2012 for a swap of shares of Asseco Central Europe, a. s. for shares of Asseco Poland SA.

Foreign currency translation reserve

The balance of the foreign currency translation reserve is subject to adjustments by foreign currency differences resulting from translation of the financial statements of the Group's foreign subsidiaries and jointly controlled companies.

Non-controlling interest

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
At the beginning of the period	**4,058**	**4,988**
Net profit attributable to non-controlling interests	(135)	188
Foreign exchange differences from translation	252	158
Dividends paid to non-controlling interests	(162)	(196)
Recognition of non-controlling interest	6	-
Put option derecognized at Statlogics in 2012 (-/+)	-	(58)
GlobeNet non-controlling interest	-	(1,022)
At the end of the period	**4,019**	**4,058**

Dividends paid to non-controlling interrests

In 2013, dividends in amount of EUR 162 thousand were paid to non-controlling interest in Slovanet, a.s.

Recognition of non-controlling interest in DanubePay

In 2013, 45% (11,249 shares) of DanubePay's equity interest has been sold to Mr. Jozef Klein (Chairman of the Board of Directors).

The transfer of the shares has been registered within the Central Depositary of Securities of the Slovak Republic on 20 September 2013. Asseco Central Europe currently holds 13,750 of DanubePay shares and its shareholding decreased from 100% to 55%.

All figures in thousands of EUR, unless stated otherwise

21. Non-current and current financial liabilities

Non-current	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Liabilities due to acquisition of shares in MadNet (Slovanet)	319	409
Finance lease commitments	601	534
	920	**943**

Liabilities due to acquisition of shares includes non-current portion of contingent consideration in amount of EUR 319 thousand relating to acquisition of company MadNet by Slovanet a.s., the subsidiary.

Current	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Liability due to dividend payment	12	13
Finance lease commitments	737	630
Liabilities due to acquisition of shares	415	863
Liabilities due to acquisition of shares in MadNet (Slovanet)	119	-
	1,283	**1,506**

22. Financial lease

Leasing of cars and equipment

The aggregate future minimum lease payments and liabilities under finance lease of cars and equipment are as follows:

	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Minimum lease payments		
in the period shorter than 1 year	794	672
in the period from 1 to 5 years	647	552
in the period longer than 5 years	-	-
Future minimum lease payments	**1,441**	**1,224**
Future interest expense	(103)	(60)
Present value of finance lease commitment	**1,338**	**1,164**
in the period shorter than 1 year	737	630
in the period from 1 to 5 years	601	534
in the period longer than 5 years	-	-

As at 31 December 2013, the effective interest rate on the above financial leasing of vehicles equalled to 5.1% (2012: 7.7%) and IT equipment to 9.1% (2012: 11.5%).

All figures in thousands of EUR, unless stated otherwise

23. Interest-bearing bank credits and debt securities issued

Short-term credit facilities	Name of entity	Effective interest rate %	Currency	Date of maturity	31 Dec 2013	31 Dec 2012	Maximum debt as at 31 Dec 2013
Loan	Globenet	BUBOR + 2,5%	HUF	31.3.2013	-	82	-
Overdraft facility	Slovanet	1M Euribor + 1,3% p.a.	EUR	30.12.2014	99	198	200
Overdraft facility	Slovanet	1M Euribor + 1,05%p.a.	EUR	30.09.2014	618	2,970	3,000
					717	**3,250**	

Other credits	Name of entity	Effective interest rate %	Currency	Date of maturity	Current 31 Dec 2013	Current 31 Dec 2012	Non-current 31 Dec 2013	Non-current 31 Dec 2012
Loan	Slovanet	1M Euribor + 1,9%	EUR	30.8.2017	840	840	2,320	3,160
Loan	Slovanet	3M ERIBOR + 3,5% p.a.	EUR	20.10.2016	487	172	-	488
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	30.11.2017	60	-	180	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	31.12.2017	34	-	102	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	28.2.2018	40	-	130	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	31.8.2018	86	-	323	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	30.11.2017	93	-	278	-
Acquisition loan	Slovanet	1M Euribor + 2,8%	EUR	31.01.2018	198	-	644	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	31.05.2018	161	-	562	-
Acquisition loan	Slovanet	1M Euribor + 2,4%	EUR	31.08.2018	136	-	510	-
Loan HP	Slovanet	6,7% p.a.	EUR	15.2.2013	-	8	-	-
Loan HP	Slovanet	4,989% p.a.	EUR	01.2016	56	-	64	-
Unicredit Leasing	Slovanet	4,989% p.a.	EUR	04.2015	135	129	47	182
Unicredit Leasing	Slovanet	4,989% p.a.	EUR	09.2015	128	122	100	228
SGF	Slovanet	4,91% p.a.	EUR	01.2015	144	136	12	156
Loan	Globenet	EURIBOR + 1%	EUR	31.12.2012	-	100	-	-
Loan	Slovanet	0%	EUR	31.12.2016	-	-	192	255
					2,598	**1,507**	**5,464**	**4,469**

In 2012 subsidiary Slovanet restructuralised they bank loans and have paid they loans in Tatra Banka, a. s. by a new refinancing and ovwerdaft loans from Všeobecná Úverová Banka, a. s.

All figures in thousands of EUR, unless stated otherwise

As at 31 December 2013, total funds available to the Group under overdraft facilities were EUR 3,200 thousand (2012: EUR 3,457 thousand). As at the end of the reporting period, the Group had a total credit exposure of EUR 8,779 thousand (2012: EUR 9,226 thousand) due to bank institutions and other creditors.

Acquisition loans in Slovanet were used for financing the acquisition of shares in Slovanet and its subsidiaries. Hewlett-Packard loans in Slovanet were used for financing investments in hardware and software equipment.

Security for credits and loans	**Net book value used as security**		**Loan used**	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Property, plant and equipment	1,906	-	1,139	-
Intangible assets	-	400	-	961
Shares in subsidiary (Slovanet)	3,626	3,645	4,798	4,000
Receivables (current and future)	3,562	3,200	3,615	3,168
	9,094	**7,245**	**9,552**	**8,129**

Slovanet a.s. (subsidiary) was granted a guarantee of EUR 4,000 thousand to back up its liabilities towards Všeobecná úverová banka under a framework crediting agreement.

All figures in thousands of EUR, unless stated otherwise

24. Non-current and current provisions

	Provision for warranty repairs	Costs related to ongoing court proceedings	Other provisions	Total
As at 1 January 2013	**1,938**	**-**	**2,214**	**4,152**
Provisions created in financial year	1,794	58	1,705	**3,557**
Provisions utilised	(2,382)	-	(873)	**(3,255)**
Provisions reversed	-	-	(23)	**(23)**
Foreign currency differences on translation of foreign subsidiaries	(51)	(3)	(164)	**(218)**
As at 31 December 2013 (audited)	**1,299**	**55**	**2,859**	**4,213**
Current as at 31 December 2013	1,299	55	2,790	**4,144**
Non-current as at 31 December 2013	-	-	69	**69**
As at 31 December 2012 (audited)	**1,938**	**-**	**2,214**	**4,152**
Current as at 31 December 2012	1,624	-	1,237	**2,861**
Non-current as at 31 December 2012	314	-	997	**1,291**

Provision for warranty repairs

The provision established for the costs of warranty repairs corresponds to the provision of own software guarantee services as well as to handling of the guarantee maintenance services provided by the producers of hardware that was delivered to the Group's customers.

Other provisions

Other provisions include provisions for penalties and compensations created for contractual penalties, mostly related to delayed projects.

25. Non-current and current trade accounts payable and other liabilities

Current trade accounts payable	**31 Dec 2013 (audited)**	**31 Dec 2012 (audited)**
Accounts payable to related companies	702	465
Accounts payable to other companies	12,244	14,236
	12,946	**14,701**

Trade accounts payable are not interest-bearing.

Liabilities due to taxes, import tariffs, social security and other regulatory benefits payable	**31 Dec 2013 (audited)**	**31 Dec 2012 (audited)**
Social Insurance Institution	920	1,173
Personal income tax (withheld from employees' salary)	415	834
Corporate income tax (CIT)	1,349	25
Value added tax (VAT)	2,103	1,692
Other liabilities	185	147
	4,972	**3,871**

The amount resulting from the difference between VAT payable and VAT recoverable is paid to the relevant tax authorities on a monthly basis.

All figures in thousands of EUR, unless stated otherwise

Other current liabilities	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Liabilities and provisions relating to valuation of IT contracts (Note 18)	2,006	1,570
Liabilities due to non-invoiced deliveries	877	563
Trade prepayments received	149	216
Employee related liabilities	1,886	3,646
Other	444	406
	5,362	**6,401**

In 2012, the bonuses were paid out as part of the December salaries which resulted in extraordinarily high Employee related liabilities. Bonuses for the 2013 financial year will be paid out in the first quarter of the 2014 financial year.

Other non-current liabilities	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Trade liabilities	-	33
Other liabilities	14	5
	14	**38**

Other liabilities are all non-interest-bearing liabilities.

Current accrued expenses	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Accrual for unutilized vacation	1,248	1,302
Accrual for employee bonuses	3,792	1,064
Other accruals	1,027	1,246
Audit	66	75
	6,133	**3,687**

Accrued expenses consist mainly of accrual for unutilized vacation, accrual for salaries and wages of the current period to be disbursed in future periods, which result from the bonus schemes applied by the Group.

Other accruals include accrued payments for energy, rent, dealers commission, telecommunication costs and other payments.

Non-current deferred income	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Maintenance services	13	595
Other	778	243
	791	**838**

Other deferred income includes grants received for the acquisition of assets and other prepayments.

All figures in thousands of EUR, unless stated otherwise

Current deferred income	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Maintenance services	4,062	5,277
Other prepayments received	1,454	141
Grants	72	83
	5,588	**5,501**

The balance of deferred income relates mainly to prepayments for the provision of services such as maintenance and IT support. The subsidies received are related primarily to the software development projects implemented by the Group. Once a development project is completed, the amount of subsidy received will be recognized in the profit and loss account (as a reduction of amortization expense) over the period equivalent to the period of amortization of the development work.
Other prepayments relate predominantly to VPN services prepaid by the clients of Slovanet.

26. Information on the results of related entities

As at 31 December 2013, according to information available to Asseco Central Europe, a.s., the liabilities due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel themselves were of EUR 38 thousand (2012: EUR 462 thousand).

As at 31 December 2013 and 31 December 2012, there were no outstanding receivables due to transactions conducted with companies related to the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel.
In the 12 months period ended 31 December 2013, there were no transactions conducted with companies related through the Key Management Personnel or with the Key Management Personnel other than the sale of DanubePay shares to Mr. Jozef Klein - Chairman of the Board of Directors (Note 11).

Related-party transactions	Related-party Sales in 12 months ended 31 Dec 2013 (audited)	Related-party Purchases in 12 months ended 31 Dec 2013 (audited)	Related-party Receivables as at 12 months ended 31 Dec 2013 (audited)	Related-party Payables as at 12 months ended 31 Dec 2013 (audited)
Transactions with parent company	**37**	**27**	**3**	**24**
Asseco Poland S.A.	37	27	3	24
Transactions with related companies	**438**	**254**	**345**	**229**
Asseco Solutions AG	416	-	330	-
Asseco SEE (Turkey)	-	253	-	229
Asseco SEE (Croatia)	22	1	7	-
Matrix42 AG	-	-	8	-
Transactions with entities related through Group's key management personell	**1,490**	**1,462**	**955**	**677**
SNET	1,490	1,462	955	677
TOTAL	**1,965**	**1,743**	**1,303**	**930**

All figures in thousands of EUR, unless stated otherwise

27. Changes in working capital

The table below presents items comprising changes in working capital as disclosed in the statement of cash flows:

Changes in working capital	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Change in inventories	553	(370)
Change in receivables	(7,968)	12,401
Change in liabilities	(3,723)	(13,642)
Change in deferred and accrued expenses	3,018	(4,085)
Change in provisions	61	(714)
	(8,059)	**(6,410)**

28. Commitments and contingent liabilities

The Parent Company's Board of Directors is not aware of the presence of any commitments or contingent liabilities of the Group as at 31 December 2013, with the exception of the following guarantees:

- Asseco Central Europe (SK) uses a bank guarantee in amount of EUR 1,638 thousand issued by Komerční banka a.s. to secure the Company's obligations towards various procurers of public offerings (the guarantee expires on 30 April 2014).

Within its commercial activities the Group uses bank guarantees, letters of credit, contract performance guarantees as well as tender deposits as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies. As at 31 December 2013, the related contingent liabilities equalled to EUR 893 thousand (2012: EUR 29 thousand) represented mainly by tender deposits offered by Bank to Slovanet.

Additionally, as at 31 December 2013 and 31 December 2012, the Group was party to a number of leasing and tenancy contracts or other contracts of similar nature, resulting in the following future liabilities:

Future lease payments under lease of space	31 Dec 2013 (audited)	31 Dec 2012 (audited)
In the period up to 1 year	3,527	3,856
In the period from 1 to 5 years	8,098	10,978
In the period over 5 years	-	-
	11,625	**14,834**

Future lease payments under operating lease of property, plant and equipment	31 Dec 2013 (audited)	31 Dec 2012 (audited)
In the period up to 1 year	515	878
In the period from 1 to 5 years	294	1,451
In the period over 5 years	-	-
	809	**2,329**

All figures in thousands of EUR, unless stated otherwise

29. Employment

Average Group workforce in the reporting period	**12 months ended 31 Dec 2013 (audited)**	**12 months ended 31 Dec 2012 (audited)**
Management Board of the Parent Company	5	5
Management Boards of the Group companies	18	28
Production departments	1,210	1,241
Direct sales departments	111	127
Indirect sales departments	25	27
Back-office departments	153	128
Total	**1,522**	**1,556**

Group workforce as at	**31 Dec 2013 (audited)**	**31 Dec 2012 (audited)**
Management Board of the Parent Company	5	5
Management Boards of the Group companies	18	27
Production departments	1,150	1,280
Direct sales departments	109	125
Indirect sales departments	26	25
Back-office	134	135
Total	**1,442**	**1,597**

Numbers of employees in Group companies as at	**31 Dec 2013 (audited)**	**31 Dec 2012 (audited)**
Asseco Berit AG	5	5
Asseco Berit GmbH	16	17
Asseco Central Europe, a.s. (CZ)	257	389
Asseco Central Europe, a.s. (SK)	347	372
Asseco Solutions Group (CZ)	306	322
Asseco Solutions Group (SK)	166	170
DanubePay	21	5
GlobeNet	48	52
Slovanet Group	215	195
Statlogics	61	70
	1,442	**1,597**

30. Objectives and principles of financial risk management

The Asseco Central Europe Group is exposed to a number of risks arising either from the macroeconomic situation of the countries the Group companies operate in as well as from the microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Group's financial performance are: (i) fluctuations in foreign currency exchange rates versus the EUR, and (ii) changes in the market interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate. In addition, the internal factors with potential negative bearing on the Group's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

All figures in thousands of EUR, unless stated otherwise

Foreign currency exposure risk

The Group's presentation currency is the Euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Group is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the euro in the period from concluding a contract to invoicing. Furthermore, the functional currencies of foreign subsidiaries of the Asseco Central Europe Group are the currencies of the countries in which these entities are legally registered. Consequently, the assets and financial results of such subsidiaries need to be converted to the euro and their values as presented in the Group financial statements remain under the influence of foreign currency exchange rates.

Identification: According to the Group's procedures pertaining to entering into commercial contracts, each agreement that is concluded or denominated in a foreign currency, different from the functional currency of the Group or its subsidiary, is subject to detailed registration. Owing to this solution, any currency risk involved is detected automatically.

Measurement: The foreign currency risk exposure is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivative instruments concluded in the financial market. All the changes in the value of exposure are closely monitored on a fortnightly basis. The procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as the cash flows generated under such projects.

Objective: The purpose of countering the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

Measures: In order to hedge the contracts settled in foreign currencies, the Company concludes simple currency derivatives such as forward contracts and, in the case of embedded instruments under foreign currency-denominated contracts - non-deliverable forward contracts. In addition, forward contracts with delivery of cash are applied for foreign currency contracts.

Matching the measures to hedge against the foreign currency risk means selecting suitable financial instruments to offset the impact of changes in the risk-causing factor on the Group's financial performance (the changes in embedded instruments and concluded instruments are balanced out). Nevertheless, because the project implementation schedules and cash flows generated thereby are characterized by a high degree of changeability, the Group companies are prone to changes in their exposure to foreign exchange risk. Therefore, the companies dynamically transfer their existing hedging instruments or conclude new ones with the objective to ensure the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with reference to the parameters as at the contract signature date (spot rate and swap points), while transferring or concluding new instruments in the financial market, may only be effected on the basis of the current rates available. Hence, it is possible that the value of financial instruments will not be matched and the Group's financial result will be potentially exposed to the foreign currency risk.

Interest rate risk

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group is exposed to the risk of interest rate changes primarily in two areas of its business activities: (i) change in the value of interest charged on credit facilities granted by external financial institutions to the Group companies, which are based on a variable interest rate, and (ii) change in valuation of the concluded and embedded derivative instruments, which are based on the forward interest rate curve. More information on factor (ii) may be found in the description of the currency risk management.

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

Measurement: The Group companies measure their exposure to the interest rate risk by preparing statements of the total amounts resulting from all the financial instruments based on a variable interest rate.

Objective: The purpose of reducing such risk is to eliminate the incurrence of higher expenses due to concluded financial instruments based on a variable interest rate.

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

Matching: The Group gathers and analyzes the current market information concerning its present exposure to the interest rate risk. For the time being, the Group companies do not hedge against changes in interest rates due to a high degree of unpredictability of their credit repayment schedules.

Credit risk

The Group is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and goodwill of the contractors to whom the Group companies provide their IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded.

Identification: The risk is identified each time when concluding contracts with customers, and afterwards during the settlement of payments.

Measurement: Determination of this type of risk requires knowledge of the complaints or pending judicial proceedings against a client at the time of signing an agreement. Every two weeks the companies are obliged to control the settlement of payments under the concluded contracts, inclusive of the profit and loss analysis for individual projects.

Objective: The Company strives to minimize this risk in order to avoid financial losses resulting from the commencement and partial implementation of IT solutions as well as to sustain the margins adopted for the executed projects.

Measures: As the Group operates primarily in the banking and financial sector, its customers are concerned about their good reputation. Here the engagement risk control is usually limited to monitoring the timely execution of bank transfers and, if needed, to sending a reminder of outstanding payment. However, in the case of smaller clients, it is quite helpful to monitor their industry press as well as to analyze earlier experiences of the Group itself and of its competitors. The Group companies conclude financial transactions with reputable brokerage houses and banks.

Matching: It is difficult to discuss this element of risk management in such cases.

Financial liquidity risk

The Group monitors the risk of funds shortage using the tool for periodic planning of liquidity. This solution takes into account the maturity deadlines of investments and financial assets (e.g. accounts receivable, other financial assets) as well as the anticipated cash flows from operating activities.

The Group's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The following table shows the Group's trade accounts payable as at 31 December 2013 and 31 December 2012, by maturity period, based on the contractual undiscounted payments.

Ageing structure of trade accounts payable	as at 31 Dec 2013 (audited) amount	structure	as at 31 Dec 2012 (audited) amount	Structure
Overdue liabilities	2,350	18%	2,188	15%
Current and future up to 3 months payables	10,596	82%	12,504	85%
Future payables between 3 and 6 months	-	0%	5	0%
Future payables over 6 months	-	0%	4	0%
	12,946	**100%**	**14,701**	**100%**

The tables below present the ageing structure of other financial liabilities as at 31 December 2013 and 31 December 2012.

As at 31 December 2013 (audited)	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
Current account credit facilities	717	-	-	-	**717**
Investment credits	412	1,408	5,364	-	**7,184**
Loans	114	2,673	223	-	**3,010**
Finance lease commitments	184	610	647	-	**1,441**
Total	**1,427**	**4,691**	**6,234**	**-**	**12,352**

As at 31 December 2012 (audited)	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
Current account credit facilities	3,250	-	-	-	**3,250**
Investment credits	210	802	3,648	-	**4,660**
Loans	195	460	1,615	-	**2,270**
Finance lease commitments	171	501	552	-	**1,224**
Total	**3,826**	**1,763**	**5,815**	**-**	**11,404**

Effects of reducing foreign currency risk

The Group tries to conclude contracts with its clients in the primary currencies of the countries in which its subsidiaries and associates operate in order to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates versus their own functional currencies.

As at 31 December 2013, the Group does not hold any financial assets nor liabilities subjected to foreing currency fluctuations.

In 2012, the analysis of sensitivity of valuation and settlement of the embedded and concluded derivatives to fluctuations in foreign currency exchange rates versus EUR (such assets are only significant in the case of the Parent Company) showed a potential positive impact of EUR 20 thousand on the Group's financial results in the event of the assumed 10% appreciation of EUR versus HUF.

All figures in thousands of EUR, unless stated otherwise

On the other hand, in case of a 10% depreciation of EUR against HUF, the Group recognizes an additional loss of EUR 20 thousand.

As at 31 December 2012 (audited) HUF	**Amount exposed to risk**	**Impact on financial results of the Company**	
		-10%	**+10%**
Financial assets			
Current forward contracts for sale of foreign currencies	200	(20)	20
Financial liabilities			
Balance	**200**	**(20)**	**20**

The analysis of sensitivity of trade accounts payable and receivable to fluctuations in the exchange rates of EUR against the functional currencies of the Group companies indicates the following net impact on the Group's financial results:

Trade accounts receivable and payable as at 31 December 2013 (audited)	**Amount exposed to risk**	**Impact on financial results of the Group**	
		-10%	**10%**
CZK:			
Trade accounts receivable	7,915	(792)	792
Trade accounts payable	3,400	340	(340)
Balance		**(452)**	**452**
CHF:			
Trade accounts receivable	493	(49)	49
Trade accounts payable	8	1	(1)
Balance		**(48)**	**48**
HUF:			
Trade accounts receivable	743	(74)	74
Trade accounts payable	12	1	(1)
Balance		**(73)**	**73**

All figures in thousands of EUR, unless stated otherwise

Trade accounts receivable and payable as at 31 December 2012 (audited)	Amount exposed to risk	Impact on financial results of the Group -10%	+10%
CZK:			
Trade accounts receivable	10,979	(1,098)	1,098
Trade accounts payable	4,802	480	(480)
Balance		**(618)**	**618**
CHF:			
Trade accounts receivable	340	(34)	34
Trade accounts payable	28	3	(3)
Balance		**(31)**	**31**
HUF:			
Trade accounts receivable	495	(49)	49
Trade accounts payable	41	4	(4)
Balance		**45**	**45**

Effects of reducing interest rate risk

The analysis of sensitivity related to fluctuations in interest rates charged on bank credits drawn by the Group companies indicates the following net impact on the Group's financial results:

Bank credits based on variable interest rates as at 31 December 2013 (audited)	Amount exposed to risk	Impact on financial results of the Group -15%	+15%
Bank credits based on EURIBOR variable interest rate	7,901	(1)	1
Bank credits based on BUBOR variable interest rate	-	-	-
	7,901	**(1)**	**1**

Bank credits based on variable interest rates as at 31 December 2012 (audited)	Amount exposed to risk	Impact on financial results of the Group -15%	+15%
Bank credits based on EURIBOR variable interest rate	7,928	1	(1)
Bank credits based on BUBOR variable interest rate	82	1	(1)
	8,010	**2**	**(2)**

Other types of risk

Other risks are not analyzed for sensitivity, due to their nature and the impossibility of absolute classification.

Methods adopted for conducting the sensitivity analysis

The analysis of sensitivity to fluctuations in foreign exchange rates, with potential impact on the Group's financial results, was conducted using the percentage deviations of +/-10%

All figures in thousands of EUR, unless stated otherwise

by which the reference exchange rates, effective as at the balance sheet date, were increased or decreased. The sensitivity of interest rate exposure was analyzed using the percentage deviations of +/- 15%.

Fair value

As at 31 December 2013, the Group does not hold any financial assets measured at fair value.

31. Remuneration due to auditors or the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, namely Ernst & Young, spol. s r. o. paid or payable for the years ended 31 December 2013 and 31 December 2012, in breakdown by type of service:

Type of service	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Obligatory audit of the annual financial statements	34	35
Total	**34**	**35**

32. Equity management

The main objective of the Group's equity management is to maintain a favourable credit rating and safe level of equity ratios so as to support the Group's operating activities and increase the value for our shareholders.

The Group manages its equity structure which is altered in response to changing economic conditions. In order to maintain or adjust its equity structure, the Group may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2013, as in the year ended 31 December 2012, the Group did not introduce any changes to its objectives, principles and processes adopted in this area.

The Group consistently monitors the balances of its capital funds using the leverage ratio, which is calculated as a relation of net liabilities to total capital (sum of equity and net liabilities). It is the Group's policy to keep this ratio below 35%. Net liabilities include interest-bearing credits and loans, trade accounts payable and other liabilities, decreased by cash and cash equivalents. The equity comprises convertible preferred shares, own equity attributable to shareholders of the Parent Company, decreased by capital reserves from unrealized net profits.

Equity management	31 Dec 2013 (audited)	31 Dec 2012 (audited)
Interest-bearing credits and loans	8,779	9,226
Trade accounts payable and other liabilities	43,099	42,641
Cash and cash equivalents	(34,857)	(26,401)
Net liabilities	**17,021**	**25,466**
Shareholders' equity	101,622	104,188
Equity plus net liabilities	**118,643**	**129,654**
Leverage ratio	**14%**	**20%**

All figures in thousands of EUR, unless stated otherwise

33. Remuneration of Members of the Board of Directors and Supervisory Board of the Parent Company

Remuneration in EUR for the period of	12 months ended 31 Dec 2013 (audited)	12 months ended 31 Dec 2012 (audited)
Board of Directors	**423,123**	**1,746,284**
Klein Jozef – Chairman of the Board of Directors	223,760	923,654
Levíček Radek – Vice-chairman of the Board of Directors (since 13 December 2012)	4,800	-
Moravek Martin –Board of Directors Member (till 13 December 2012)	-	366,673
Navrátil Michal (till 13 December 2012)	-	114,872
Osuský Tomáš (till 28 February 2014)	94,840	168,240
Grác Marek	94,923	172,845
Stoppani David (since 13 December 2012)	4,800	-
Supervisory Board	**25,800**	**25,800**
Góral Adam	7,800	7,800
Handlovský Ján	6,000	6,000
Seczkowski Piotr	6,000	6,000
Marek Panek	6,000	6,000
Total	**448,923**	**1,772,084**

The tables above presents the remuneration payable to Members of the Board of Directors and the Supervisory Board of Asseco Central Europe, a.s. (SK) in EUR for acting as Members of the Board of Directors/ Supervisory Boards in subsidiary companies of Asseco Central Europe, a.s. (SK) in 2013 and 2012.
Remuneration for the period 2013 does not include yearly bonuses, which were not allocated with December salaries in comparison to prior year. Company presented as at 31 December 2013 current accrual in amount of EUR 850 thousand for this purpose.

34. Seasonal and cyclical nature of business

The Group's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because the bulk of sales revenues are generated from the IT services contracts executed for large companies and public institutions, the fourth quarter turnovers tend to be higher than in the remaining periods. This phenomenon occurs for the reason that the above-mentioned entities close their annual budgets for the implementation of IT projects and usually perform investment purchases of hardware and licences in the last quarter.

35. Capital expenditures

In 2013, the Group incurred capital expenditures of EUR 8,588 thousand (2012: EUR 7,902 thousand), of which EUR 6,705 thousand (2012: 6,466) was spent on property, plant and equipment investments.

All figures in thousands of EUR, unless stated otherwise

36. Significant events after the balance sheet date

On 2 January 2014, the Board of Directors of Asseco Central Europe signed an agreement with Asseco Dach S.A. for acquisition of 100% shares in Asseco Solutions AG headquartered in Germany in value of EUR 13,800 thousand. Asseco Solutions AG is a recognized expert in the area of technologically leading ERP software for manufacturing companies within Germany, Austria and Switzerland. Based on the preliminary assessment of the transaction, the acquisition will be treated as business combination under common control (IFRS 3).

37. Significant events related to prior years

Up to the date of preparing these consolidated financial statements, being 4 March 2014, no significant events related to prior years occurred that might have an impact on these financial statements.