



**MANAGEMENT'S REPORT ON BUSINESS OPERATIONS  
OF THE ASSECO SOUTH EASTERN EUROPE GROUP  
FOR THE PERIOD OF 6 MONTHS  
ENDED 30 JUNE 2011**

**Rzeszów, 24 August 2011**

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## **I. GENERAL INFORMATION ON THE ISSUER**

The Asseco South Eastern Europe Group ("Group") is comprised of Asseco South Eastern Europe S.A. ("Parent Company", "Company", "Issuer") and its subsidiaries.

The parent Asseco South Eastern Europe S.A. seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007 as a joint stock company called Asseco Adria S.A. On 11 July 2007, the Company was entered in the register of entrepreneurs maintained by the District Court in Rzeszów, XII Commercial Department of the National Court Register, under the number 0000284571. The Parent Company has been assigned the statistical number REGON 180248803. On 11 February 2008, the Parent Company's corporate name was changed from Asseco Adria S.A. to Asseco South Eastern Europe S.A.

## **II. BUSINESS PROFILE OF THE ISSUER AND ITS CAPITAL GROUP**

Asseco South Eastern Europe S.A. is engaged in holding operations which involve making investments in new IT companies from South Eastern Europe as well as management of the companies already incorporated into the Asseco South Eastern Europe Group in that region.

On 28 October 2009, Asseco South Eastern Europe S.A. made its debut on the Warsaw Stock Exchange.

Asseco South Eastern Europe S.A. is the parent of the international Asseco South Eastern Europe Group established and operating in the region of South Eastern Europe.

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

- Banking Solutions [*BAN - CORE + BAN - MASS*],
- Card Business [*BAN - CARD + PG*],
- Systems Integration [*SI*].

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

### *Banking Solutions [BAN - CORE + BAN - MASS]<sup>1</sup>*

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

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

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

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<sup>1</sup> The segments of Banking Solutions and Card Business constitute the Group's total banking business.

*Card Business [BAN – CARD + PG] <sup>1</sup>*

This segment is engaged in the sale and maintenance of ATMs and POS terminals as well as in provision of the related support services. Furthermore, this segment provides 'top-up' services, i.e. distribution of services offered by third-party vendors based on proprietary IT solutions, using the network of ATMs and POS terminals (e.g. phone card recharging, bill payments). This operating segment also provides systems for settlement of internet payments made with credit cards as well as for fast and direct internet money transfers. The Asseco South Eastern Europe Group offers systems based on its proprietary IT solutions, both in the form of outsourcing or implementation of software within the client's infrastructure.

*Systems Integration [SI]*

This segment is engaged in the provision of services of development of customized IT systems, especially for the needs of integration of third-party software and elements of infrastructure, as well as in the sale and installation of hardware.

### **III. COMPOSITION OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES**

As at publication of this report, i.e. on 24 August 2011, the Company's Management Board and Supervisory Board were composed of the following persons:

<b>Supervisory Board</b>	<b>Management Board</b>
Adam Góral	Piotr Jeleński
Jacek Duch	Rafał Kozłowski
Jan Dauman	Hatice Ayas
Andrzej Mauberg	Calin Barseti
Mihail Petreski	Miljan Mališ
Przemysław Sęczkowski	Miodrag Mirčetić
Gabriela Żukowicz	Dražen Peħar

In the period reported the compositions of both the Management Board and the Supervisory Board remained unchanged.

In the period from 30 June 2011 till the publication of this report, the Management Board composition remained unchanged; however, there was a change in the composition of the Company's Supervisory Board. On 11 July 2011, the Company received a statement from the European Bank for Reconstruction and Development (EBRD) regarding the appointment of Mr. Jan Dauman as Member of the Supervisory Board on the basis of § 13 sect. 3 item 2) of the Company's Articles of Association.

On 17 May 2010, the Supervisory Board of Asseco South Eastern Europe S.A., in order to fulfil the obligation under art. 86 sect. 3 and 7 of the Law of 7 May 2009 on certified auditors, their self-government, entities authorized to audit financial statements and on public supervision (the "Law") established an Audit Committee from among its members.

During the period reported and as at the date of publication of this report, this is on 24 August 2011, the Audit Committee was composed of the following persons:

Andrzej Mauberg – Chairman of the Audit Committee,  
Przemysław Sęczkowski – Member of the Audit Committee,  
Gabriela Żukowicz – Member of the Audit Committee.

Andrzej Mauberg is the Audit Committee Member who is qualified in accounting and financial auditing and satisfies the independence criteria as specified in the Law.

#### **IV. ORGANIZATIONAL STRUCTURE OF THE ASSECO SOUTH EASTERN EUROPE GROUP**

*Presentation of the organizational structure of the Issuer's capital group, with indication of entities subject to consolidation.*

The table below presents the Asseco South Eastern Europe Group structure along with equity interests and voting interests at the general meetings of shareholders/partners as at 30 June 2011:

	Country of registration	Voting interest		Equity interest	
		30 June 2011	31 Dec. 2010	30 June 2011	31 Dec. 2010
<b>Asseco South Eastern Europe S.A.</b>	Poland				
<b>Asseco SEE s.r.l., (Bucharest)</b>	Romania	100.00%	100.00%	100.00%	100.00%
Asseco s.r.l. MOLDOVA	Moldova	100.00%	100.00%	100.00%	100.00%
<b>Asseco SEE d.o.o., Beograd</b>	Serbia	100.00%	100.00%	100.00%	100.00%
E-Mon d.o.o., Podgorica	Montenegro	50.00%	50.00%	50.00%	50.00%
eMS d.o.o., Beograd	Serbia	100.00%	100.00%	100.00%	100.00%
Asseco SEE d.o.o., Podgorica	Montenegro	100.00%	100.00%	100.00%	100.00%
SIMT Cardinfo d.o.o. (Grosuplje)	Slovenia	50.00%	50.00%	50.00%	50.00%
Multicard d o.o., Beograd	Serbia	45.00%	45.00%	45.00%	45.00%
<b>Asseco SEE d.o.o. (Zagreb) <sup>1)</sup></b>	Croatia	100.00%	100.00%	100.00%	100.00%
BDS-Platus d.o.o.	Croatia	100.00%	100.00%	100.00%	100.00%
<b>Asseco SEE Sh.p.k. (Pristina)</b>	Kosovo	100.00%	100.00%	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	Albania	100.00%	100.00%	100.00%	100.00%
	Bosnia & Herzegovina				
<b>Asseco SEE d o.o. (Sarajevo) <sup>2)</sup></b>	Herzegovina	50.00%	50.00%	50.00%	50.00%
<b>Asseco SEE Teknoloji A.Ş. (Istanbul) <sup>3)</sup></b>	Turkey	100.00%	99.66%	100.00%	99.66%
SC I.T.D Romania s.r.l.	Romania	95.38%	95.38%	95.38%	95.38%
<b>EST Elektronik Sanal Ticaret ve Bilisim Hizmetleri A.Ş. (Istanbul)</b>	Turkey	n/a	100.00%	n/a	100.00%
<b>Asseco SEE o.o.d. , Sofia</b>	Bulgaria	49.00%	49.00%	49.00%	49.00%
<b>ITD Polska Sp. z o.o. (Warsaw)</b>	Poland	100.00%	50.00%	100.00%	50.00%
IPSA BHM INVESTMENTS d.o.o., Beograd	Serbia	100.00%	100.00%	100.00%	100.00%
Asseco SEE DOOEL, Skopje	Macedonia	100.00%	100.00%	100.00%	100.00%
Asseco SEE o.o.d. , Sofia	Bulgaria	51.00%	51.00%	51.00%	51.00%
	Bosnia & Herzegovina				
Asseco SEE d o.o. (Sarajevo) <sup>2)</sup>	Herzegovina	50.00%	50.00%	50.00%	50.00%
	Bosnia & Herzegovina				
Ibis a.d., Banja Luka	Herzegovina	100.00%	100.00%	100.00%	100.00%
	Bosnia & Herzegovina				
Pexim Solutions d.o.o., Banja Luka	Herzegovina	100.00%	100.00%	100.00%	100.00%

1) On 3 January 2011, there was registered a merger of Asseco SEE d.o.o. (Zagreb) (the taking-over company) with Biro Data Servis d.o.o. (the acquired company);

2) On 15 April 2011, the company of Cardinfo BDS d.o.o. (Sarajevo) was renamed as Asseco SEE d.o.o. (Sarajevo);

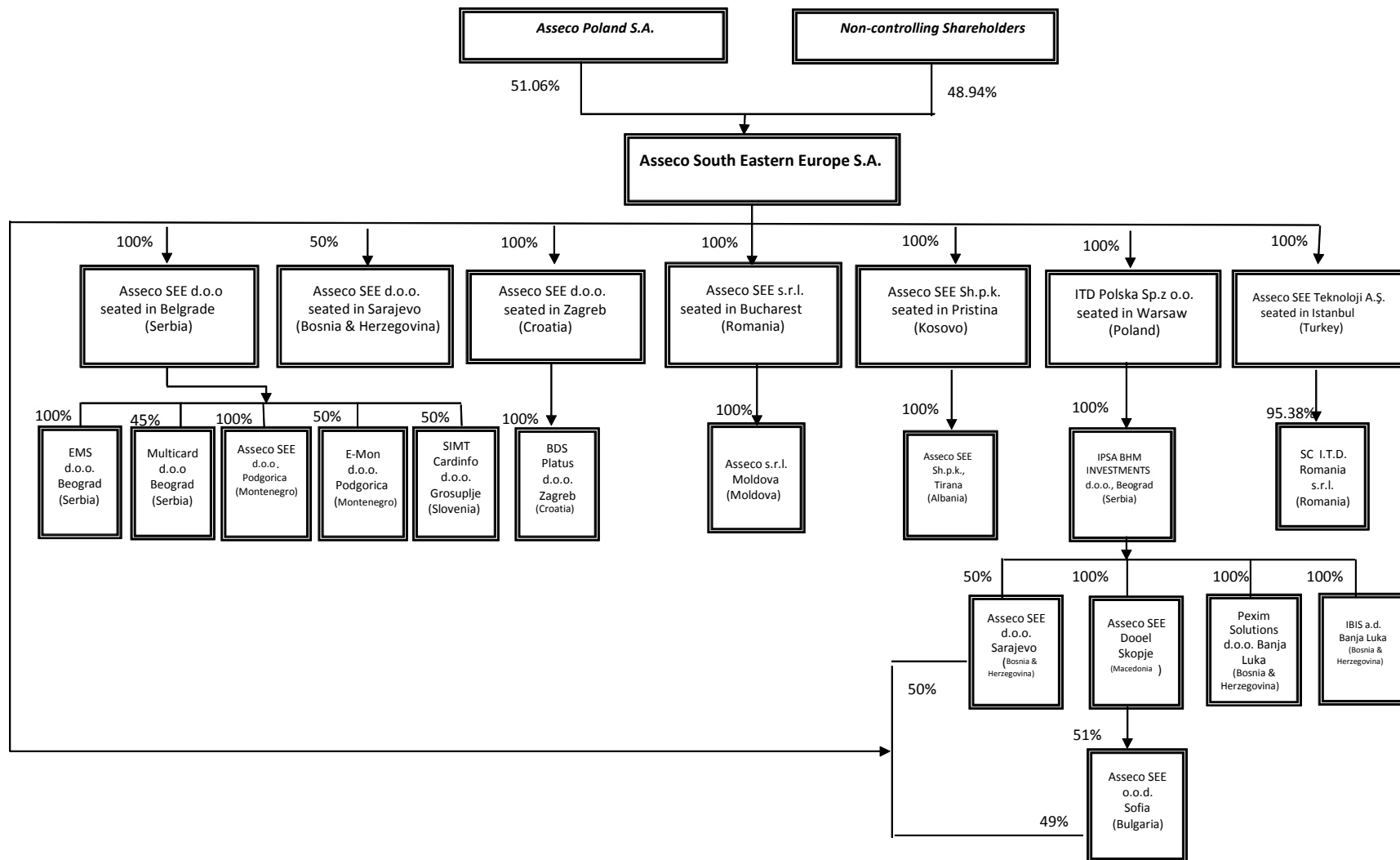
3) On 6 June 2011, there was registered a merger of ITD A.Ş. (Istanbul) (the taking-over company) with EST A.Ş. (Istanbul) (the acquired company). On 18 July 2011, the company of ITD A.Ş. (Istanbul) was renamed as Asseco SEE Teknoloji A.Ş. (Istanbul).

Within the Group's organizational structure the companies of E-Mon d.o.o. (Podgorica) and SIMT Cardinfo d.o.o. (Grosuplje) are treated as co-subsidiaries and therefore are consolidated under the proportionate method. The remaining companies incorporated within the Group are treated as subsidiaries and are subject to full consolidation.

With regard to the call options embedded in the agreement for the acquisition of Multicard d.o.o., under which Asseco SEE d.o.o., Beograd is entitled to buy out the remaining non-controlling interests, the company of Multicard d.o.o. is treated as a subsidiary and is subject to full consolidation.

Both as at 30 June 2011 and 31 December 2010, voting interests the Group was entitled to exercise in its subsidiary companies were proportional to the Group's equity interests in these entities.

**COMPOSITION OF THE ASSECO SOUTH EASTERN EUROPE GROUP AS AT 30 JUNE 2011**



## **V. EFFECTS OF CHANGES IN THE ORGANIZATIONAL STRUCTURE**

*Description of the effects of changes in the Group's organizational structure, including those resulting from business combinations, acquisition or disposal of companies, long-term investments, division or restructuring of entities, or discontinuation of business activities.*

In the period of 6 months ended 30 June 2011, the structure of Asseco South Eastern Europe Group remained unchanged.

During the period of 6 months ended 30 June 2011, the following changes in the Group composition were observed:

### **▣ Merger of Asseco SEE d.o.o. (Zagreb) with Biro Data Servis d.o.o. (Zagreb)**

In accordance with the merger agreement signed on 1 December 2010, the process of merger of two companies being under common control of Asseco South Eastern Europe S.A., namely Asseco SEE d.o.o. (Zagreb) (the taking-over company) and Biro Data Servis d.o.o. (Zagreb) (the acquired company) was finalized on 1 January 2011. The merger was registered by the District Court in Zagreb on 3 January 2011.

As a result of the court registration, the following resolutions passed by the General Meeting of Shareholders on 1 December 2010 became effective:

- The share capital of Asseco SEE d.o.o. (Zagreb) was increased by the amount of HRK 2,054 thousand up to the total of HRK 4,500 thousand;
- Compositions of the Management Board and Supervisory Board have been changed.

### **▣ Disposal of a 23.1% stake in EST A.Ş. (Istanbul) by Asseco South Eastern Europe S.A. to its subsidiary ITD A.Ş. (Istanbul)**

On 29 March 2011, the Management Board of ITD A.Ş. (Istanbul) passed a resolution to acquire a 23.1% stake of shares in EST A.Ş. (Istanbul) from Asseco South Eastern Europe S.A., for USD 2,000 thousand. Following that transaction, the direct shareholding of Asseco South Eastern Europe S.A. in EST A.Ş. (Istanbul) dropped from 100% to 76.9%. However, the shares held Asseco South Eastern Europe both indirectly and directly represent the same equity interest as before the transaction. The said transaction had no impact on the consolidated financial statements of the Asseco South Eastern Europe Group.

### **▣ Acquisition of a 0.33% stake in ITD A.Ş.**

Asseco South Eastern Europe S.A. purchased a 0.33% stake of shares in ITD A.Ş. (Istanbul) from an individual person, for the amount of USD 37 thousand. Following that transaction, the shareholding of Asseco South Eastern Europe S.A. in ITD A.Ş. (Istanbul) increased from 99.66% to 99.99%.

## **VI. DESCRIPTION OF MAJOR RISK FACTORS AND THREATS**

*Description of the main threats and risk factors related to the remaining months of the current financial year.*

Whereas Asseco South Eastern Europe S.A. is engaged in holding operations, any directions of the Company's development need to be examined with respect to development and business performance of the entire group of Asseco South Eastern Europe.

In the opinion of the Management Board of Asseco South Eastern Europe S.A., the Group's current financial standing, its production potential and market position pose no threats to continued operations and growth throughout 2011. However, there are numerous factors, both internal and external, which may directly or indirectly affect the Group's financial performance in the next quarters.

The external factors with a bearing on the future performance of the Asseco South Eastern Europe Group include:

- economic growth in the region of Southeastern Europe, primarily with a view to possible recession, overcoming the crisis, achieving stabilization and reasonable growth;
- condition of the IT market in the SEE region; this part of Europe remains still way underinvested in terms of information technology as compared with the West European countries;
- consolidation and development of the banking sector in the SEE countries;
- prospects for expansion of the Group's foreign operations and its product portfolio in connection with the planned acquisitions;
- ability to capture the market niches;
- availability of the EU structural funds in Romania and Bulgaria as well as pre-accession funds in Croatia, Macedonia, and Kosovo;
- implementation of the public administration informatization processes in order to upgrade the quality and functionality of their services to international standards and especially to the European Union requirements;
- inflation and fluctuations in the foreign exchange rates (primarily of euro, but also the currencies of the countries where the Group operates);
- more and more severe competition both from the local players and international IT corporations, which is observed especially when it comes to execution of large and prestigious contracts;
- changes in the credit standing, financial liquidity, and availability of credit financing for clients;
- opportunities and risks resulting from relatively rapid technological changes and innovations in the IT market.

The internal factors with a bearing on the future performance of the Asseco South Eastern Europe Group include:

- high quality and comprehensive offering of the Asseco South Eastern Europe Group;
- research and development expenditures;
- stability and experience of the managerial staff;
- streamlining and transparency of the Group's structure;
- plenty of experience in the execution of complex IT projects involving provision of diversified services in broad geographical regions;
- effective activities of the sales and marketing force;
- opportunities for the execution of complex information technology projects carried out under long-term agreements;
- implementation of the Group's business strategy involving expansion into new foreign markets;
- successful finalization of the intended company acquisitions.

## **VII. OPINION OF THE MANAGEMENT BOARD ON FEASIBILITY OF MEETING THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS**

*Standpoint of the Management Board on feasibility of meeting the previously published financial forecasts for the year in view of the actual results presented in the semi-annual report and their comparison to the forecasted results.*

The Management Board of Asseco South Eastern Europe S.A. did not publish any financial forecasts for 2011.

## VIII. MAJOR SHAREHOLDERS

*Indication of shareholders who, directly or indirectly through their subsidiaries, hold at least a 5% voting interest in the Issuer's General Meeting of Shareholders as at publication of this semi-annual report, 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, as well as presentation of changes in significant shareholdings in the Issuer's equity since the time of publication of the previous quarterly report.*

According to the best knowledge of the Management Board of Asseco South Eastern Europe S.A., the Shareholders who as at 30 June 2011, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

<b>Name of shareholder</b>	<b>Number of shares held and votes at GMS</b>	<b>Equity interest and voting interest at GMS</b>
Asseco Poland S.A.	26,494,676	51.06%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,838,683	7.40%
Other shareholders	16,750,012	32.27%
	<b>51,894,251</b>	<b>100.00%</b>

As at 30 June 2011 the share capital of Asseco South Eastern Europe S.A. amounted to PLN 518,942,510 and it was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled in total to 51,894,251 votes at the Company's General Meeting of Shareholders.

In the period of 6 months ended 30 June 2011, Asseco Poland S.A. reduced its equity and voting interest in Asseco South Eastern Europe S.A. from 51.96% to 51.06%, EBRD decreased its equity and voting interest in Asseco South Eastern Europe S.A. from 9.43% to 9.27%, whereas, Liatris d.o.o. reduced its equity and voting interest in Asseco South Eastern Europe S.A. from 7.43% to 7.40%, in each case as a result of the share capital increase through the issuance of series T shares that was registered by the District Court in Rzeszów on 28 June 2011.

To the best knowledge of the Company's Management Board, as at the publication date of this report, i.e. on 24 August 2011, the Shareholders who, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

<b>Name of shareholder</b>	<b>Number of shares held and votes at GMS</b>	<b>Equity interest and voting interest at GMS</b>
Asseco Poland S.A.	26,494,676	51.06%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,838,683	7.40%
Other shareholders	16,750,012	32.27%
	<b>51,894,251</b>	<b>100.00%</b>

## **IX. COMPANY'S SHARES AND RIGHTS TO SHARES HELD BY ITS MANAGEMENT AND SUPERVISORY STAFF**

*Numbers of shares and rights to shares in the Company held by its management and supervisory staff as at the publication date of this semi-annual report, inclusive of indication of any changes in such shareholdings since the time of publication of the previous quarterly report, separately for each person.*

<b>Supervisory Board Members</b>	<b>Number of shares held as at</b>			
	<b>24 August 2011</b>	<b>30 June 2011</b>	<b>11 May 2011</b>	<b>31 Dec. 2010</b>
Adam Góral <sup>1)</sup>	-	-	-	-
Jacek Duch	-	-	-	-
Jan Dauman	-	n/a	n/a	n/a
Andrzej Mauberg	-	-	-	n/a
Mihail Petreski <sup>2)</sup>	-	-	-	-
Przemysław Sęczkowski	-	-	-	2,500
Gabriela Żukowicz	150	150	150	150

<b>Management Board Members</b>	<b>Number of shares held as at</b>			
	<b>25 August 2011</b>	<b>30 June 2011</b>	<b>11 May 2011</b>	<b>31 Dec. 2010</b>
Piotr Jeleński	550	550	550	550
Rafał Kozłowski	150	150	150	150
Hatice Ayas	21,364	21,364	21,364	21,364
Calin Barseti	-	-	-	-
Miljan Mališ <sup>3)</sup>	-	-	-	-
Miodrag Mirčetić <sup>4)</sup>	-	-	-	-
Dražen Pehar	949,900	949,900	949,900	949,900

<sup>1)</sup> Adam Góral, Member of the Supervisory Board of Asseco South Eastern Europe S.A., a shareholder in Asseco Poland S.A. which in turn is a shareholder in Asseco South Eastern Europe S.A.; as at 31 June 2011 Asseco Poland S.A. held 26,494,676 shares in Asseco South Eastern Europe S.A.

<sup>2)</sup> Mihail Petreski, Member of the Supervisory Board of Asseco South Eastern Europe S.A., a shareholder in the company Liatris d o.o. which in turn is a shareholder in Asseco South Eastern Europe S.A.; as at 30 June 2011 Liatris d o.o. held 3,838,683 shares in Asseco South Eastern Europe S.A.

<sup>3)</sup> Miljan Mališ, Member of the Management Board of Asseco South Eastern Europe S.A., a shareholder in the company of Mini Invest d o.o. which in turn is a shareholder in Asseco South Eastern Europe S.A.; as at 30 June 2011 Mini Invest d o.o. held 839,597 shares in Asseco South Eastern Europe S.A.

<sup>4)</sup> Miodrag Mirčetić, Member of the Management Board of Asseco South Eastern Europe S.A., a shareholder in the company 14-INVENTION d o.o. which in turn is a shareholder in Asseco South Eastern Europe S.A.; as at 30 June 2010 14-INVENTION d o.o. held 1,776,971 shares in Asseco South Eastern Europe S.A.

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

*Indication of legal proceedings pending before any court, arbitration authority or public administration authority, including information on:*

- legal proceeding related to liabilities or receivables of the issuer or its subsidiary amounting to at least 10% of the issuer's equity, including a specification of the subject of such proceeding, value in dispute, date when the proceeding was initiated, parties to the proceeding, and the issuer's standpoint on the matter,*
- two or more legal proceedings related to liabilities and receivables amounting in aggregate to at least 10% of the issuer's equity, including a specification of the total value in dispute separately in the group of liabilities and receivables, and the issuer's standpoint on the matter; and in relation to the largest proceedings in the group of liabilities and in the group of receivables - a specification of the subject of such proceeding, value in dispute, date when the proceeding was initiated, and parties to the proceeding.*

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

## **XI. TRANSACTIONS WITH RELATED COMPANIES**

*Information on one or more transactions concluded by the issuer or its subsidiary with related companies if they are, separately or jointly, deemed significant and were carried out not on an arm's length basis, including a specification of their value; however, information on individual transactions may be grouped by type except where information on individual transactions is essential to understand their impact on the property and financial position as well as on financial results of the issuer, including a presentation of:*

- a) information on the entity with whom such transaction was concluded,*
- b) information on the relationships between the issuer or its subsidiary and the transaction party,*
- c) information on the subject of the transaction,*
- d) material terms and conditions of the transaction, with special regard to financial conditions, and including any specific conditions provided for in the contract in particular when they diverge from the conditions commonly applied in this type of contracts,*
- e) other information on the transaction, if they are essential to understand the impact on the property and financial position as well as on financial results of the issuer,*
- f) any changes in the transactions with related companies which were described in the last annual report, which might have a significant impact on the issuer's property, financial position, and financial results.*

In the period of 6 months ended 30 June 2011, Asseco South Eastern Europe S.A. or its subsidiaries did not conduct any transactions with their related parties other than on an arm's length basis.

Information on transactions with related companies carried out during the first half of 2011 has been presented in note 18 to the interim condensed consolidated financial statements of the Asseco South Eastern Europe Group.

## **XII. INFORMATION ON BANK LOAN SURETIES OR GUARANTEES EXTENDED BY THE ISSUER**

*Information on bank loan sureties or guarantees extended by the issuer or its subsidiary in total to any single entity or its subsidiary, where the aggregate value of all the existing sureties or guarantees extended in favour of such entity would equal at least 10% of the issuer's equity, including:*

- a) corporate name of the entity to which such sureties or guarantees were extended,*
- b) total amount of loans and borrowings which were, in whole or in specified part, duly secured by a surety or guarantee,*
- c) term for which such sureties or guarantees were extended,*
- d) financial conditions under which such sureties or guarantees were extended, including the remuneration payable to the issuer or its subsidiary for granting such sureties or guarantees,*
- e) type of relationship between the issuer and the entity which took out the related bank loans or borrowings.*

During the 6 months ended 30 June 2011, neither the Issuer nor any of its subsidiaries granted any sureties to secure loans and borrowings or any payment guarantees to any single entity or its subsidiary, where the aggregate value of all the existing sureties or guarantees extended in favour of such entity would equal at least 10 % of the Issuer's equity.

## **XIII. OTHER FACTORS SIGNIFICANT FOR ASSESSMENT OF THE HUMAN RESOURCES, ASSETS, AND FINANCIAL POSITION**

*Other information which, in the issuer's opinion, are essential for assessing its human resources, assets, financial position and financial results and changes thereof, as well as for evaluation of the issuer's ability to pay off its liabilities.*

### **1. Issuer's development policy**

The Asseco South Eastern Europe Group develops in two major areas. The first is based on organic growth in the existing geographical and product markets; whereas, the second assumes the expansion or supplementation of such markets by way of company acquisitions. The Group's development directions are shaped primarily by the strategic assumptions adopted for its individual business units.

The Banking Solutions unit strives to expand its business in the markets of Albania, Bosnia and Herzegovina, Croatia, and Kosovo. The objective is to launch the offering of core banking systems and solutions supporting the bank distribution channels. As part of its development in Bosnia and Herzegovina, the Group plans to reinforce its market position as a provider of software solutions for banking. Following such plans, the Group establishes in miscellaneous countries its "competence centres" that will serve as the base for provision of customer support services in the future. The Banking Solutions segment also includes the results of operations within mobile banking and authentication systems. In this area, sales revenues are increased pursuing a different strategy. First of all, the corresponding products are marketed in the whole territory of operations of the Asseco Group. This business unit focuses on setting up sales channels in all the promising markets. In South Eastern Europe, the unit is engaged in building a sales network drawing on the resources of all the Asseco South Eastern Europe Group subsidiaries. Whereas in countries outside this region, the unit strives to enter into cooperation with local business partners in order to sell its proprietary solutions through their distribution networks. At all times the technical support and production facilities of this business unit are located in Croatia.

The Cards Business unit seeks opportunities for development in broadening its geographical coverage and product portfolio. The unit is engaged in building support centres in four countries including Bulgaria, Kosovo, Slovenia, and Albania with the objective to enhance its presence on these markets. Additionally, this business unit continues to look for and test new products and solutions that would match its operating profile.

The Systems Integration unit envisages its development basically by boosting its presence in various countries of the region. Growth shall be achieved through continued delivery of the latest solutions of the world's leading producers as well as through the promotion of integration services featuring proprietary solutions. Moreover, the Group makes strong endeavours to acquire competence in the implementation of the EU co-financed projects, both in the area of accession programs and structural funds.

## **2. Factors influencing the Group's financial results**

- consistently implemented market strategy of individual operating segments;
- cost reduction programs implemented in individual companies of the Group;
- average exchange rates of the functional currencies of the Group subsidiaries applied in translation to the Group's presentation currency, i.e. Polish zloty;
- foreign currency positions exposed to exchange rate risk: dividends received and receivable;
- settlement of liabilities due to the purchase of shares in EST A.Ş. (Istanbul) as a result of which the Company recognized a financial income of PLN 3,448 thousand.

## **3. Single-time events affecting the achieved financial results**

During the 6-month period ended 30 June 2011, apart from the information provided in this report, there occurred no extraordinary events which would affect the financial results achieved for that period.

## **4. Significant events during the period reported**

Except for information provided in this report, the Asseco South Eastern Europe Group is not aware of any facts, the disclosure of which might significantly affect the assessment of human resources, assets, and financial position of the Group.

## **5. Significant agreements concluded by the Group**

In the first half of 2011, the Group signed the following contracts significant for its business operations:

- in the Banking Solutions segment with: Credit Agricole Banka for delivery of PUB2000 banking system, NLB Tutunska Banka for provision of outsourcing services, Zagrebačka Banka d.d. for supply of software licenses, Bosna Bank International for delivery of ASEBA banking system, Volksbank for delivery of ASEBA BI and Experience systems, Komercijalna Banka for delivery of Business Intelligence Data Warehouse software, UniCredit in Bosnia and Herzegovina for delivery of ATS, Univerzal Banka for supply of Data Warehouse and Basel II software, Agrobanka Banja Luka for supply of hardware and implementation of ASEBA PUB2000 system, Halkbank Turkey for implementation of anti-money laundering and anti-fraud systems;

- in the Card Business segment with: NKBM for delivery of POS terminals, Privredna Banka for supply of ATMs, Hrvatska Postanska Banka for supply of ATMs, ISP CARD for delivery of POS terminals, Erste Bank Croatia for delivery of POS terminals;

- in the Systems Integration segment with: Republic Agency for Electronic Communications for provision of software and hardware for their central database, Hestia Kontakt for supply of Contact Center software, Ministry of the Interior for delivery of hardware, Telekom Macedonia for supply of set-top boxes for IP television, Call Aktif for delivery of Call Center software, National Post and Ministry of Labour of Macedonia for supply of hardware, National Statistical Institute of Romania for supply of hardware, HSBC for upgrading the Voice portal license.

## **XIV. FACTORS WHICH IN THE MANAGEMENT'S OPINION WILL AFFECT THE GROUP'S FINANCIAL PERFORMANCE AT LEAST TILL THE END OF THIS FINANCIAL YEAR**

*Indication of factors which, in the issuer's opinion, will affect its financial performance at least in the current financial year.*

### **1. Material risk factors involved in the Group's business environment**

#### **Risk related to general macroeconomic situation in South Eastern Europe**

The Group runs operations in the countries of South Eastern Europe. The Group's strategy anticipates further expansion in this region as well as in other emerging markets. As a consequence of the planned growth, the Group's business operations may be influenced by factors depending on the economic and political stability of the region. As part of our expansion we will need to cope with new competitors, new markets and new legal regulations. Development of the IT services sector is closely correlated to the overall economic situation of South-Eastern European countries where our Group operates. Our financial results are to a large extent driven by the pace of GDP growth, level of capital expenditures made by enterprises, and the inflation rate.

#### **Risk associated with political instability in the region of South Eastern Europe**

Potential changes in the governments of South-Eastern European countries may initiate periods of political instability, which may result in a reduction of public spending. In 2011, parliamentary elections are scheduled to be held in five countries in the region of Southeastern Europe: Turkey, Macedonia, Slovenia, Bulgaria, and Croatia.

The budget spending restrictions imposed by the European Union on Romania and Bulgaria may also force their governments to allocate available funds to the ongoing projects and cut their spending in other segments of economy, inclusive of the IT industry.

### **Risk related to intensified competition in South Eastern Europe**

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

### **Risk of potential legal disputes concerning copyrights**

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

### **Foreign currency exposure risk**

The Group runs operations in many South Eastern European markets. Contracts concluded by the Group companies are denominated in miscellaneous currencies, also in currencies that are foreign to the countries where the Group operates, including euro, American dollar, Romanian leu, Croatian kuna, Serbian dinar, Macedonian denar, and Turkish lira. Temporary fluctuations in the currency exchange rates as well as long-term trends in the currency market may impact the financial results of both the Company and the Group.

## **2. Material risk factors involved in the Group's business operations**

### **Risk of fluctuations in revenues and expenditures**

Due to the project-driven nature of the IT business, sales revenues generated by the Group may be subject to considerable fluctuations from period to period. It is possible that in the future our operating results will fall short of the market expectations because of the impact of unfavourable factors. Moreover, due to technological changes, the Group's existing technology and products may become obsolete and will require making sizeable new investments.

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

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

### **Risk associated with fixed-price contracts**

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

### **Risk associated with gaining new IT contracts**

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

### **Risk of becoming dependent on the key customers**

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

### **Risk of becoming dependent on the key suppliers**

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

### **Risk related to the banking sector**

The provision of IT solutions and services to banks and other financial institutions is one of our core businesses. The lack of stability observed in the financial sector may prompt financial institutions to decrease their investments and implement cost reductions, which may have an adverse impact on the Group's operations. Due to our particular emphasis on the financial sector, any reduction in spending on new information solutions and IT services, or limitation of promotional activities for the existing products and services on the part of our key clients would be certainly unfavourable for the Group's business. The banking sector around the world, and especially in the South Eastern European countries, undergoes intensive processes of consolidation with much attention paid to the standardization of solutions and optimization of costs at the corporate level. If headquarters of a bank group choose other global participants of the IT market as their preferred suppliers of IT technologies, this may have adverse effects for the Group's operations.

### **Risk related to the provision of integration services**

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

### **Risk related to insolvency or misconduct of our subcontractors**

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

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

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

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

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

**Risk of becoming dependent on the key management staff**

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

**Risk related to dividends**

Our potential investors should be aware of the fact that distribution of any dividends will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. It is the Management's intention to allocate a portion of our net earnings to future dividends. Furthermore, under the Shareholders Agreement concluded on 28 August 2008 between Asseco South Eastern Europe S.A., Asseco Poland S.A. and Minority Shareholders in subsidiary companies, Asseco South Eastern Europe S.A. made a commitment to distribute at least 30% of the net profit in the form of dividends.

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

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

**Signatures of all Members of the Management Board of Asseco South Eastern Europe S.A. under the Management's Report on Business Operations of the Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2011**

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

Piotr Jeleński	President of the Management Board
Rafał Kozłowski	Vice President of the Management Board
Hatice Ayas	Member of the Management Board
Calin Barseti	Member of the Management Board
Miljan Mališ	Member of the Management Board
Miodrag Mirčetić	Member of the Management Board
Dražen Pehar	Member of the Management Board

Rzeszów, 24 August 2011

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

- to the best of its knowledge, the interim condensed consolidated financial statements of the Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2011, and the comparative data contained therein, were prepared in compliance with the International Financial Reporting Standards adopted by the European Union, issued and effective as at the date of preparation of these financial statements, and furthermore that the presented data give a true, reliable and fair view of the assets, financial position and financial results of the Asseco South Eastern Europe Group. The report on business operations of the Asseco South Eastern Europe Group provides a fair description of the development, achievements and economic position of the Asseco South Eastern Europe Group, inclusive of the major risks and threats to its operations.

- Ernst & Young Audit Sp. z o.o., the entity authorized to review the interim condensed consolidated financial statements of the Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2011, was chosen in accordance with the provisions of the law in force, and furthermore that this entity and certified auditors, who performed the said review, both satisfied the conditions for expressing an impartial and independent opinion on such review, in line with applicable regulations.

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

Piotr Jeleński	President of the Management Board
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Rzeszów, 24 August 2011