



**MANAGEMENT'S REPORT ON BUSINESS OPERATIONS  
OF THE ASSECO SOUTH EASTERN EUROPE GROUP  
FOR THE PERIOD OF 6 MONTHS  
ENDED 30 JUNE 2012**

**Rzeszów, 10 August 2012**

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

The Asseco South Eastern Europe Group (the "Group") is comprised of Asseco South Eastern Europe S.A. (the "Parent Company", "Company", "Issuer", "ASEE S.A.") 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 investments in new IT companies of South Eastern Europe and Turkey, as well as management of companies that have been already incorporated into the Asseco South Eastern Europe Group in that region.

ASEE S.A. made its debut on the Warsaw Stock Exchange on 28 October 2009.

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

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

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

### *Banking Solutions*

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 provides IT systems enabling secure authentication of bank clients and system users, as well as e-banking solutions available on mobile phones. These solutions are marketed as an integral part of the core and multi-channel banking systems offered by the 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 that make 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.

### *Payment Solutions*

This segment is engaged in the sale and maintenance of ATMs and POS terminals as well as in the provision of related support services. Furthermore, the 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

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 10 August 2012, the Company's Management Board and Supervisory Board were composed of the following persons:

Supervisory Board	Management Board
Adam Góral	Piotr Jeleński
Jacek Duch	Hatice Ayas
Jan Dauman	Calin Barseti
Andrzej Mauberg	Miljan Mališ
Mihail Petreski	Miodrag Mirčetić
Przemysław Sęczkowski	Dražen Pehar
Gabriela Żukowicz	Marcin Rulnicki

In the period reported the composition of the Company's Management Board changed as follows:

- on 14 May 2012, the Company received a letter of resignation from Rafał Kozłowski resigning, for personal reasons, from the position of Vice President of the Management Board of Asseco South Eastern Europe S.A. with effect from 1 June 2012;
- on 24 May 2012, the Company's Supervisory Board appointed Marcin Rulnicki as Member of the Management Board to serve during the ongoing term of office as of 1 June 2012 as well as during the next joint term of office of the Management Board running from 11 July 2012 till 11 July 2017.

In the period reported the composition of the Supervisory Board remained unchanged.

In the period from 30 June 2012 till the publication of this report, the compositions of both the Company's Management Board and Supervisory Board remained unchanged.

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 Act 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 10 August 2012, 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 structure of the Asseco South Eastern Europe Group along with equity interests and voting interests at the general meetings of shareholders/partners as at 30 June 2012:

Full name of entity	Short name as used in this report	Country of registration	Equity / Voting interest	
			30 June 2012	31 December 2011
<b>Asseco South Eastern Europe S.A.</b>	<b>ASEE S.A.</b>	Poland		
<b>Asseco SEE s.r.l. (Bucharest)</b>	<b>ASEE Romania</b>	Romania	100.00%	100.00%
Asseco s.r.l. MOLDOVA	ASEE Moldova	Moldova	100.00%	100.00%
<b>Asseco SEE d.o.o., Beograd</b>	<b>ASEE Serbia</b>	Serbia	100.00%	100.00%
E-Mon d.o.o., Podgorica	E-Mon, Montenegro	Montenegro	50.00%	50.00%
eMS d.o.o., Beograd	eMS, Serbia	Serbia	100.00%	100.00%
Asseco SEE d.o.o., Podgorica	ASEE Montenegro	Montenegro	100.00%	100.00%
Asseco SEE d.o.o. (Grosuplje) <sup>1)</sup>	ASEE Slovenia	Slovenia	-	50.00%
Multicard d.o.o., Beograd	Multicard, Serbia	Serbia	45.00%	45.00%
<b>Asseco SEE d.o.o. (Zagreb)</b>	<b>ASEE Croatia</b>	Croatia	100.00%	100.00%
BDS-Platus d.o.o.	BDS-Platus, Croatia	Croatia	100.00%	100.00%
<b>Asseco SEE Sh.p.k. (Pristina)</b>	<b>ASEE Kosovo</b>	Kosovo	100.00%	100.00%
Asseco SEE Sh.p.k., Tirana	ASEE Albania	Albania	100.00%	100.00%
<b>Asseco SEE Teknoloji A.Ş. (Istanbul)</b>	<b>ASEE Turkey</b>	Turkey	100.00%	100.00%
SC I.T.D Romania s.r.l.	SC I.T.D Romania	Romania	95.38%	95.38%
<b>Asseco SEE d.o.o. (Grosuplje) <sup>1)</sup></b>	<b>ASEE Slovenia</b>	Slovenia	100.00%	50.00%
<b>Asseco SEE DOOEL, Skopje <sup>4)</sup></b>	<b>ASEE Macedonia</b>	Macedonia	100.00%	-
<b>Asseco SEE d.o.o. (Sarajevo) <sup>4)</sup></b>	<b>ASEE B&amp;H (Sarajevo)</b>	Bosnia and Herzegovina	100.00%	50.00%
<b>Asseco SEE d.o.o., Banja Luka <sup>4)</sup></b>	<b>ASEE B&amp;H (Banja Luka)</b>	Bosnia and Herzegovina	100.00%	-
<b>Asseco SEE o.o.d., Sofia <sup>2)</sup></b>	<b>ASEE Bulgaria</b>	Bulgaria	100.00%	100.00%
<b>Altius Bulgaria EOOD, (Sofia) <sup>2)</sup></b>	<b>Altius, Bulgaria</b>	Bulgaria	-	100.00%
<b>ITD Polska Sp. z o.o. (Warsaw) <sup>3)</sup></b>	<b>ITD Poland</b>	Poland	-	100.00%
Asseco SEE DOOEL, Skopje	ASEE Macedonia	Macedonia	-	100.00%
Asseco SEE d.o.o. (Sarajevo)	ASEE B&H (Sarajevo)	Bosnia and Herzegovina	-	50.00%
Asseco SEE d.o.o., Banja Luka	ASEE B&H (Banja Luka)	Bosnia and Herzegovina	-	100.00%

- 1) On 18 April 2012, ASEE S.A. acquired a 50% stake in ASEE Slovenia from ASEE Serbia. Following this transaction, ASEE S.A. has become a direct owner of 100% of shares in ASEE Slovenia.
- 2) On 10 February 2012, there was registered a merger of ASEE Bulgaria (the taking-over company) with Altius, Bulgaria (the acquired company).
- 3) On 1 June 2012, there was registered a merger of ASEE S.A. (the taking-over company) with ITD Poland (the acquired company).
- 4) As a result of this merger, ASEE S.A. has become a direct owner of 100% of shares in the following companies: ASEE Macedonia, ASEE B&H (Sarajevo), and ASEE B&H (Banja Luka).

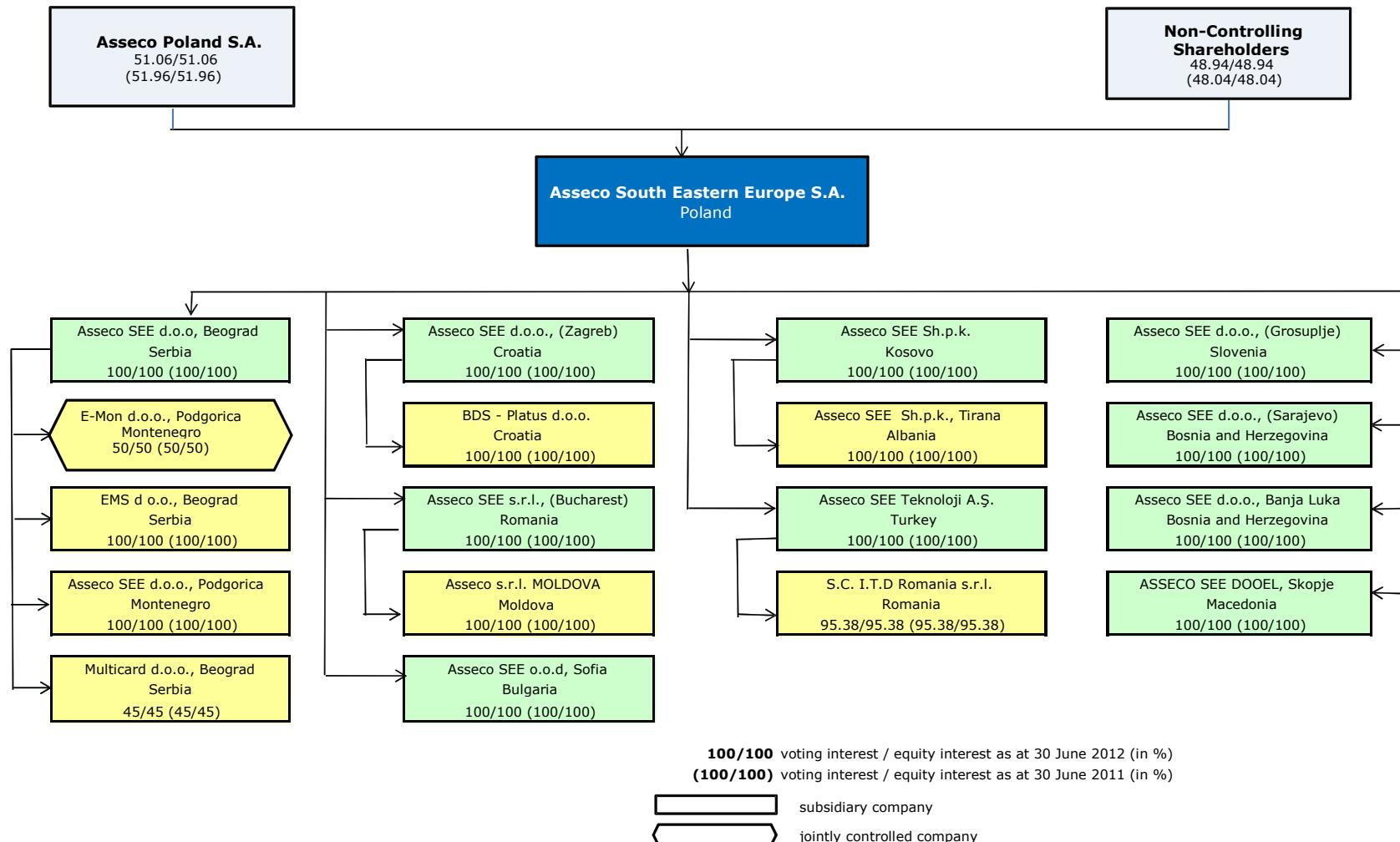
The parent of Asseco South Eastern Europe S.A. is Asseco Poland S.A. (the higher-level parent company). As at 30 June 2012, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

Within the Group's organizational structure, the company of E-Mon, Montenegro is treated as a jointly controlled company and therefore consolidated under the proportionate method. 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, Serbia under which ASEE Serbia is entitled to buy out the remaining non-controlling interests, the company of Multicard, Serbia is treated as a subsidiary and is subject to full consolidation.

Both as at 30 June 2012 and 31 December 2011, 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 2012**



## **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.*

During the period of 6 months ended 30 June 2012 the following changes in the Group composition were observed:

### **□ Merger of the companies of ASEE Bulgaria and Altius, Bulgaria**

On 10 February 2012, there was registered a merger between our two subsidiary companies seated in Bulgaria, namely ASEE Bulgaria and Altius, Bulgaria. The merger was executed by transferring all the assets of Altius, Bulgaria to ASEE Bulgaria. As a consequence of the merger, on 10 February 2012, Altius Bulgaria was deleted from the commercial register and all of its rights and obligations were taken over by ASEE Bulgaria.

### **□ Merger between ASEE S.A. and ITD Poland**

In its current report dated 1 March 2012, our Management Board informed about the Merger Plan that was agreed upon and signed between the companies of ASEE S.A. and ITD Poland on 29 February 2012. On 1 June 2012 the District Court in Rzeszów, XII Commercial Department of the National Court Register, made an entry in the register of entrepreneurs of the Company's merger with ITD Poland. The merger was conducted pursuant to article 492 § 1 item 1 of the Polish Commercial Companies Code, this is by transferring all the assets of ITD Poland (the Acquired Company) to ASEE S.A. (the Taking-over Company). Following the merger, the company of ITD Poland has been dissolved without going into liquidation. Because ASEE S.A., acting as the Taking-over Company, held all the shares in the Acquired Company, thereby being the sole shareholder in ITD Poland, the merger was executed according to art. 515 § 1 of the Polish Commercial Companies Code, this is without increasing the share capital of the Taking-over Company, as well as pursuant to art. 516 § 5-6 of the PCCC regulating the simplified business combination procedure. The merger aims at enhancing the business potential of the merging Companies and improving their ability to effectively compete in the local and European markets. It is also expected that the merger will contribute significantly to the financial stability of business operations and, in a longer run, to the creation of higher value for shareholders of our Company.

### **□ Acquisition of a 50% stake in ASEE Slovenia by ASEE S.A. from ASEE Serbia**

On 18 April 2012, ASEE S.A. was registered as a holder of 100% of shares in ASEE Slovenia. So far the direct shareholding of ASEE S.A. in ASEE Slovenia was 50%; whereas, the remaining 50% of shares were owned by ASEE Serbia. Following this transaction, ASEE S.A. has become a direct owner of 100% of shares in ASEE Slovenia. This transaction was completed as part of the Group's restructuring process intended to "flatten" and simplify its organizational structure. The said transaction has no impact on the consolidated financial statements of the Group.

## **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 primarily 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 2012. 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, given a possible recession and actions currently undertaken by individual countries in order to overcome the crisis, and with a view to the future economic conditions and eventual return to sustainable 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 2012.

## 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.*

To the best knowledge of the Management Board of Asseco South Eastern Europe S.A., as at 30 June 2012 as well as at the date of publication of this report, the Shareholders who either directly or through their subsidiaries held at least 5% of the total number of votes at the General Meeting of Shareholders were as follows:

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

As at 30 June 2012 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.

## 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.*

Supervisory Board Members	Number of shares held as at			
	10 August 2012	30 June 2012	26 April 2012	31 December 2011
Adam Góral <sup>1)</sup>	-	-	-	-
Jacek Duch	-	-	-	-
Jan Dauman	-	-	-	-
Andrzej Mauberg	-	-	-	-
Mihail Petreski <sup>2)</sup>	-	-	-	-
Przemysław Sęczkowski	-	-	-	-
Gabriela Żukowicz	150	150	150	150

Management Board Members	Number of shares held as at			
	10 August 2012	30 June 2012	26 April 2012	31 December 2011
Piotr Jeleński	550	550	550	550
Rafał Kozłowski <sup>3)</sup>	n/a	n/a	150	150
Hatrice Ayas	-	-	-	21,364
Calin Barseti	-	-	-	-
Miljan Mališ <sup>4)</sup>	-	-	-	-
Miodrag Mirčetić <sup>5)</sup>	-	-	-	-
Dražen Pehar	949,900	949,900	949,900	949,900
Marcin Rulnicki <sup>6)</sup>	-	-	n/a	n/a

- <sup>1)</sup> Adam Góral, Member of the Supervisory Board of ASEE S.A. and a shareholder in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; as at 30 June 2012 Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.
- <sup>2)</sup> Mihail Petreski, Member of the Supervisory Board of ASEE S.A. and a shareholder in the company Liatris d.o.o. which in turn is a shareholder in ASEE S.A.; as at 30 June 2012 Liatris d.o.o. held 3,838,683 shares in ASEE S.A.
- <sup>3)</sup> Rafał Kozłowski resigned from the position of Vice President of the Management Board of ASEE S.A. as of 1 June 2012.
- <sup>4)</sup> Miljan Mališ, Member of the Management Board of ASEE S.A. and a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.; as at 30 June 2012 Mini Invest d.o.o. held 835,597 shares in ASEE S.A.
- <sup>5)</sup> Miodrag Mirčetić, Member of the Management Board of ASEE S.A. and a shareholder in the company I4-INVENTION d.o.o. which in turn is a shareholder in ASEE S.A.; as at 31 June 2012 I4-INVENTION d.o.o. held 1,772,971 shares in ASEE S.A.
- <sup>6)</sup> Marcin Rulnicki was appointed as Member of the Management Board on 24 May 2012.

## **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:*

- a) 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,*
- b) 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. RELATED PARTY TRANSACTIONS**

*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 2012, 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 2012 has been presented in explanatory note 20 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 2012, 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 THE ASSESSMENT OF 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 pursues two main directions of development. The first is based on organic growth in the existing geographical and product markets; whereas, the second assumes expansion in 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 Payment Solutions unit seeks opportunities for development in broadening its geographical coverage and product portfolio. The unit is engaged in building support centres in five countries including Bulgaria, Kosovo, Slovenia, Romania, and Albania with the objective to enhance its presence on these markets. In 2011, ASEE S.A. took over a company engaged in the provision of POS supply and maintenance services in the Bulgarian market. This made it possible to enter the market segment, where this unit has not been represented so far. Additionally, the Payment Solutions 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 expanding 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;
- average exchange rates of the functional currencies of the Group subsidiaries applied in translation to the Group's presentation currency, i.e. Polish zloty;
- revaluation of liabilities due to the acquisition of shares in Altius Bulgaria, ASEE Bulgaria, and EST A.Ş. (presently ASEE Turkey);
- successful completion of potential acquisitions; and
- conclusion of each of the commercial contracts described in item 5.

## 3. Non-recurring events with impact on our financial performance

During the 6-month period ended 30 June 2012, apart from the information provided in this report, there occurred no extraordinary events affecting 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 2012, the Group signed the following contracts significant for its business operations:

Segment	Sector	Country	Product	Contract value
<b>Banking Solutions</b>				
	Finance	Kosovo	Implementation of software	€ 80,000
	Finance	Albania	Implementation and maintenance of ERP system	€ 90,000
	Banking	Serbia	Implementation of software and sale of own licenses	€ 1,650,000
	Banking	Poland	Supply of licenses and hardware for authentication software	€ 70,000
	Banking	Croatia	Supply of licenses and hardware for authentication software	€ 450,000
	Banking	Croatia	Licenses and authentication solutions	€ 700,000
<b>Payment Solutions</b>				
	Banking	Macedonia	Services related to electronic payments security system	€ 44,000
	Banking	B&H	Sale and supply of ATMs	€ 330,000
	Banking	Serbia	Sale and supply of ATMs	€ 420,000
<b>Systems Integration</b>				
	Public institutions	Macedonia	Training services	€ 140,000
	Banking	Turkey	Implementation of interactive voice response system	\$109,000

#### **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. 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 the 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 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 misvalue 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.

**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 presently 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 personnel**

Just as in majority of companies developing IT systems, highly qualified personnel and managerial staff are the main pillars of success achieved both by the Company and its Group. 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 involved in integration of the Group**

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

### **Risk related to dividends**

Our potential investors should be aware of the fact that distribution of any dividends will depend on a number of factors, such as the Group's operating results, its financial standing as well as the current and anticipated demand for cash. It is the Management Board intention to allocate a portion of our net earnings to dividends; however, the Company is not in the position to guarantee that such plans will be actually executed nor to determine the amounts of future dividend payments. Furthermore, under the Shareholders Agreement concluded on 28 August 2008 between ASEE S.A., Asseco Poland S.A. and former owners of subsidiary companies, ASEE S.A. made a commitment to distribute at least 30% of its 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 2012**

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

Piotr Jeleński President of the Management Board

Hatice Ayas Member of the Management Board

Calin Barstoi Member of the Management Board

Milan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Dražen Pehar Member of the Management Board

Marcin Rulnicki Member of the Management Board

Rzeszów, 10 August 2012

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

- to the best of its knowledge, the interim condensed consolidated financial statements of the Asseco South Eastern Europe Group for the period of 6 months ended 30 June 2012, 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 2012, 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
Hatice Ayas	Vice President of the Management Board
Calin Barseti	Member of the Management Board
Miljan Mališ	Member of the Management Board
Miodrag Mirčetić	Member of the Management Board
Dražen Pehar	Member of the Management Board
Marcin Rulnicki	Member of the Management Board

Rzeszów, 10 August 2012