ASSECO POLAND

# Annual Report of the Asseco Group for the year ended 31 December 2009

Rzeszów, 19 March 2010

ASSECO POLAND

# President's Letter to Shareholders

Rzeszów, 19 March 2010

**Dear Shareholders,**

In 2009 the economic slowdown was experienced throughout Europe. This was also a difficult time for the IT industry as worldwide expenditures on information technologies dropped substantially. Despite pessimistic sentiments in our industry, the past year turned out to be quite successful for Asseco Poland SA.

Both the Company and the Asseco Group achieved stronger financial results than a year ago which proves they are well prepared to operate also during more challenging times. Sales revenues reached PLN 3,050.3 million and they improved almost 10% as compared with 2008. Operating profit increased 6.3% over the year-ago level and amounted to PLN 525.5 million, while the EBIT margin of 17% was among the highest scores in the whole IT industry. The Group generated a net profit of PLN 373.4 million, beating the year-ago earnings of PLN 321.6 million by 16%. Whereas, net profit adjusted by single-time events amounted to PLN 365 million and outperformed by 29% the figure of PLN 283 million reported in 2008. The Asseco Group consistently pursues its strategy to boost financial results by promoting sales of proprietary solutions. In 2009 this segment was our key revenue driver which generated almost PLN 1.7 billion or 55% of the total turnover.

Our organic growth and acquisitions help reinforce the Asseco's position among leaders of the European information technology market. We are all proud that the Asseco Group ranked 5$^{th}$ among the top 100 European software vendors and that it has become one of the ten largest IT players in Europe in terms of market capitalization.

In 2009 the Asseco Group finalized numerous acquisitions in Poland as well as in the countries of West Europe and South Eastern Europe. In Poland the Group was joined by the companies of SI Kapitał, Alatus, and OTAGO broadening the professional competence of Asseco Poland SA. In February, we initiated the process of building Asseco South Western Europe by acquiring the Spanish Raxon Informatica that was subsequently renamed as Asseco Spain. In the second quarter of 2009, this undertaking was joined by another Spanish company, namely Terminal Systems. In August, Asseco Poland SA took over IT Practice, a Danish company which will lay foundation for building Asseco Northern Europe to carry out business in Scandinavia and the Baltic Republics. Further acquisitions were also completed by our subsidiary Asseco South Eastern Europe which utilized the funds raised from its October IPO.

The plans for 2010 anticipate continued expansion of the Asseco Group. We are in the process of negotiations with over a dozen businesses in West Europe. We believe only strong presence across Europe will give us an opportunity to implement the key information technology projects for the largest European institutions.

On behalf of the Management Board I would like to sincerely thank all our Clients, Employees and Shareholders for their contribution in development of Asseco Poland SA. I am convinced that consistent implementation of our business strategy will bring measurable effects.

**Adam Góral**

**President of the Management Board of Asseco Poland SA**

ASSECO POLAND

# Management Board Report on the Asseco Group Operations

Rzeszów, 19 March 2010

# Contents

# 1 Organizational structure and nature of the Group's operations

The Parent Company of the Asseco Poland Group (the "Group", "Asseco Group") is Asseco Poland SA ("Asseco", the "Company"). Asseco is the largest provider of information technology services in Poland. Having operated for 20 years in the domestic IT market, the Asseco Group went international in 2004.

Nowadays, Asseco Poland SA is the largest market cap IT company listed on the Warsaw Stock Exchange. Asseco is also the 5th largest European software vendor in terms of revenues generated from production of software (according to the Truffle 100 ranking published by CXP on 3 November 2009).

Asseco Poland SA is a leader in creation of the international Asseco Group that gathers numerous, directly or indirectly, subsidiary entities whose operating activities are related to those conducted by the Company. The Group companies are specialized in complex information technology undertakings, including production of software as well as integration projects. The mission of the Asseco Group is to build an international federation of profitable companies engaged in production and supply of IT solutions. At present the Asseco Group runs business operations in over a dozen European countries, while it incorporates regional subsidiary groups such as Asseco Central Europe (Slovakia, the Czech Republic, Hungary), Asseco South Eastern Europe (the Balkan Republics), Asseco South Western Europe (Spain, Portugal, Italy, France), Asseco DACH (Germany, Switzerland, Austria), Asseco Northern Europe (Scandinavia, the Baltic Republics). The whole Group employs over 8,000 high-class specialists who can ensure safe and sound implementation of complex IT projects for the largest financial institutions, enterprises as well as for the public administration sector.

### The key products, services and markets

The Asseco Group is a leading provider of proprietary IT solutions for the sectors of banking and finance, public administration, industry, trade, and services. With a wide-range product portfolio and unique competence, the Group has got plenty of experience in execution of comprehensive IT projects.

The Asseco Group offers its products and services to the following customer groups:

**Financial sector**

- Banks
- Brokerage houses
- Leasing companies
- Factoring companies
- Insurance companies
- Investment and pension funds

**Public institutions**

- Government administration
- Local administration
- Education
- Healthcare
- International organizations
- Uniformed services
- Social insurance

**Industry, trade and services**

- Power industry and gas industry
- FMCG (Fast Moving Consumer Goods)
- Municipal utility enterprises
- Production, trade and service enterprises
- Telecommunication

Our offering is complemented with multi-sector products, such as Business Intelligence, Document Management, and Lifecycle Management solutions, and with consulting and implementation services related to third party software (SAP, Oracle, Microsoft).

Additionally, the Asseco Group offers IT infrastructure products and services (hardware, networks, security systems, etc.) Our outsourcing offer covers a broad range of IT solutions such as transaction systems, e-Banking systems, card payment systems as well as outsourcing of elements of IT infrastructure.

This kind of projects are implemented by the Asseco Group subsidiaries, namely Asseco Systems SA, Asseco Business Solutions SA, and Combidata Sp. z o.o.

# 2 Shareholder structure of Asseco Poland SA

According to the best knowledge of the Management Board of Asseco Poland SA, the Shareholders who as at 31 December 2009, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

| Name of shareholder | Number of shares and votes at GMS | Equity interest and voting interest at GMS |
|---|---|---|
| Adam Góral | 8,083,000 | 10.42% |
| AVIVA Open Pension Fund Aviva BZ WBK | 7,450,934 | 9.61% |
| ING Open Pension Fund | 5,600,000 | 7.22% |
| Pioneer Investment Funds | 3,908,000 | 5.04% |
| Asseco Poland SA (treasury shares) | 9,311,450 | 12.00% |
| Other shareholders | 43,212,146 | 55.71% |
| | **77,565,530** | **100.00%** |

As at 31 December 2009, the share capital of Asseco Poland SA amounted to PLN 77,565,530 and it was divided into 77,565,530 ordinary shares with a par value of PLN 1 each, which entitled to 77,565,530 votes at the General Meeting of Shareholders of Asseco Poland SA.

To the best knowledge of the Company's Management Board, as at the publication date of this report, i.e. on 19 March 2010, the Shareholders who, either directly or through their subsidiaries, held at least 5% of the total votes at the General Meeting of Shareholders were as follows:

| Name of shareholder | Number of shares and votes at GMS | Equity interest and voting interest at GMS |
|---|---|---|
| Adam Góral | 8,083,000 | 10.42% |
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| Other shareholders | 43,212,146 | 55.71% |
| | **77,565,530** | **100.00%** |

In the period reported the shareholders structure changed as follows:

- on 25 May 2009 the Company was notified that, as a result of disposal of Asseco shares settled on 19 May 2009, Commercial Union Open Pension Fund BPH CU WBK (at present Aviva Open Pension Fund Aviva BZ WBK) reduced its shareholding in Asseco Poland SA to below 10%.

  Before the above-mentioned transactions, as at 18 May 2009, CU OFE held 7,759,335 shares in Asseco Poland SA, which represented 10,004% of the Company's share capital and entitled to 7,759,335 votes or 10,004% of the total votes at the Company's General Meeting of Shareholders.

  Following execution and settlement of the above-mentioned transactions, this is as at 19 May 2009, CU OFE held 7,753,078 shares in Asseco Poland SA, which represented 9.99% of the Company's share capital and entitled to 7,753,078 votes or 9.99% of the total votes at the Company's General Meeting of Shareholders.

# 3 Information technology market in 2009 and its future outlook

In 2009 the IT sector, just as other industries, faced the effects of overall economic slowdown. Lower sales revenues and reduced IT expenditures were observed all over the world. According to Gartner, the global spending on information and communication technologies dropped between 2.1 and 13.9 percent depending on the market segment. It is worth noticing the largest decline occurred in the computer hardware market which shrank 13.9 percent as compared with 2008, while sales of software and IT services (which are the Asseco's focus) dropped only 2.1 percent and 3.5 percent, respectively. This decreasing tendency is expected to reverse in 2010. Gartner sees growth of between 1.6 and 5.6 percent practically in every segment of the IT market, with the most favourable outlook for IT services and software. The total expenditures for information and communication technologies are estimated to have reached slightly over USD 3,200 billion in 2009, and they deteriorated by 4.6 percent in comparison with 2008; whereas, in 2010 such expenditures are forecast to climb 4.6 percent back to the level of USD 3,400 billion.

Forecast of IT spending in 2010 (in USD billions)*

| Segment | 2009/2008 | change (%) | 2010/2009 | change (%) |
|---|---|---|---|---|
| Hardware | 326.4 | -13.9 | 331.7 | 1.6 |
| Software | 220.7 | -2.1 | 231.5 | 4.9 |
| IT services | 780.9 | -3.5 | 824.2 | 5.6 |
| Telecommunication | 1887.7 | -3.6 | 1976.6 | 4.7 |
| **Total** | **3215.7** | **-4.6** | **3364.0** | **4.6** |

** source: Gartner*

**Forecasts for 2010** are not unequivocal. Some companies, managers and analysts anticipate the crisis effects to be actually felt in 2010 with a chance of sound recovery not earlier than in 2011. However, market research firms believe the crisis is over and the economy will start to recover already in 2010. Developing countries are supposed to be essential engines of growth in IT market in 2010. The IDG service, quoting Gartner, informed the Latin American countries are expected to increase their spending on modern technologies by 9.3 percent. A similar increase of 7.7 percent will be observed in the Middle East and Africa, while such expenditures in the Asia Pacific region are set to improve almost 7 percent. The pace of growth will be much slower in Europe (5.2 percent) as well as in the USA (2.5 percent) and Japan (1.8 percent). The analysts expect a sustainable growth of IT spending over the next 12 to 18 months. This will be driven by improving macroeconomic situation (the countries affected by the crisis in 2009 are forecast to report higher gross domestic product) as well as by the growing number of consumer credits and return of the consumers' positive approach towards purchases of IT solutions.

Not much different from the Gartner's forecast are the estimates made by International Data Corporation, another reputable research firm, which has a slightly different definition of the IT market under which it is worth USD 1,500 billion). According to the IDC analysts, the IT market will grow 3 percent in 2010 to reach the level of spending observed in 2008 (i.e. USD 1,500 billion). In 2010 the highest rates of growth (from 8 to 13 percent) are to be achieved in the emerging markets: Brazil, Russia, India, and China. The level of new technology purchases in these countries will account for 10 percent of the global spending forecast.

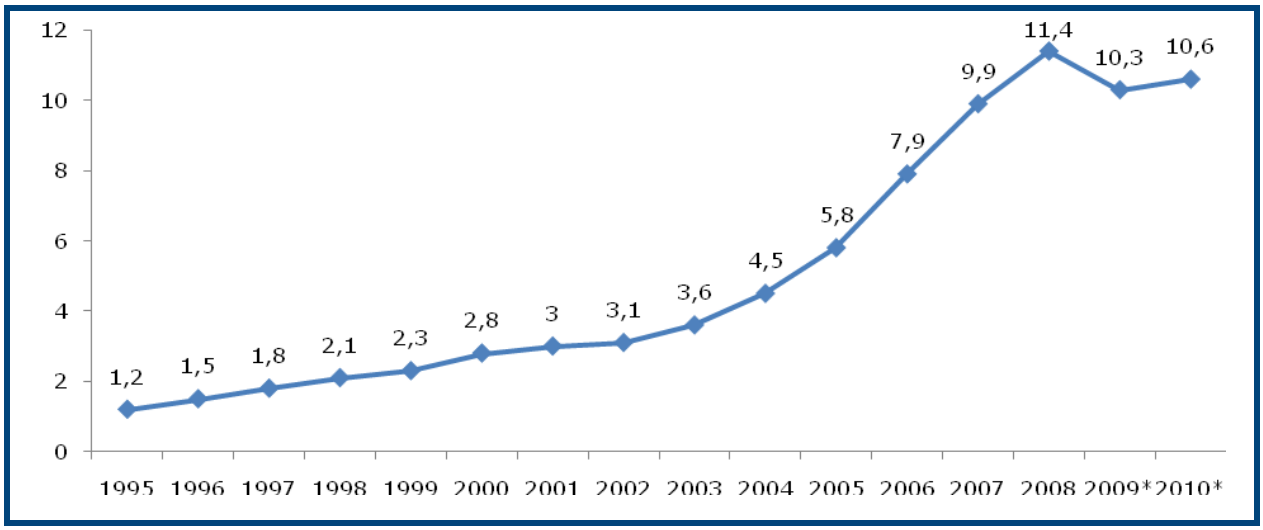
**IT market in Poland**

At the end of the 3rd quarter of 2009, there were no signs of recovery in the Polish IT market. The forecasts were very pessimistic and assumed even a 15 percent deterioration over the whole year. According to the DiS analysts, the Polish IT market was supposed to slump as much as 14.9 percent in 2009. Whereas, IDC estimated in 2009 the value of this market would decrease by ca. 10 percent to USD 10.3 billion, down from USD 11.4 billion in 2008. It shall be emphasized the largest declines were forecast in IT hardware, a 19 percent decrease to USD 5.65 billion. Whereas, the segments of IT services and software, according to IDC, recorded slight increases of 2 percent and 0.5 percent, respectively. The value of IT services market in Poland was reported to equal USD 3.2 billion in 2009, whereas the software market was measured at USD 1.46 billion.

As at the end of 2009, the annual forecasts were even worse. DiS informed after the first three quarters of 2009 the IT marked decreased as much as 15.3 percent. This agency published extremely pessimistic projections for the public administration segment which was said to have contracted by 33 percent after the first nine months of 2009, whereas the third quarter alone was to see a 42 percent decline, both in comparison with the corresponding periods of 2008.

The 2010 forecasts are much better and many analysts believe the worldwide economic recovery will be clearly felt also in Poland. IDC predicts in 2010 the values of the Polish market for software and IT services will increase by 5 percent and 2 percent, respectively. Sales of IT hardware are expected to grow as well.

Polish IT market value (in USD billions, source: TOP 200)




** estimate*

Expenditures of the public administration sector as well as utilization of the EU funds should be important enablers of growth in the Polish IT market. Higher IT spending is also expected from the sectors of enterprises, financial institutions and utilities.

**Public administration sector and state informatization**

The Asseco Group companies serve virtually all sectors of economy. However, our strategy assumes concentration on the sectors of banking and finance and public administration, where most of the Group's sales revenues are generated. In 2010 the above-mentioned segments are supposed to considerably increase their spending on information technology and telecommunication. Intensification of activities is expected especially in the public sector which will have the last chance to prepare large projects to be co-financed from the EU funds. This shall result in implementation of further elements of the State Informatization Plan. Additionally, the increasing pressure for the need to launch e-Services in the whole public administration will require modernization, upgrading or replacement of their systems on a large scale.

**EU funds**

The Ministry of Regional Development (MRD) estimates that the total aid provided to Poland by the European Union over the years 2007-2013 will reach EUR 87 billion. In this period our contribution to the European budget will aggregate at EUR 22 billion. Hence, Poland is going to be a net recipient of around EUR 65 billion. This is by far the largest amount among all the EU member states. According to MRD, in 2007 Poland received EUR 7.8 billion (i.e. 7.4 percent of whole EU spending). Having paid its contribution, Poland still earned almost EUR 5.1 billion. If compared with 2006, it was twice as much money. The funds available under the previous round of financing (2004-2006) were utilized by Poland since its EU accession

till 2009 (the period of expenditure qualification was ultimately closed on 31 December 2009) which overlapped with the next financing program for the years 2007-2013. In the summary of the previous program MRD pointed out that Poland used 107 percent of the available structural funds which translated into PLN 35 billion (100 percent were exceeded as a result of the settlement of foreign exchange differences; we were eligible to receive the total of approx. EUR 8.6 billion). Such high level of the EU funds utilization provides good prospects for future financing. It is of utmost importance for entrepreneurs to be aware that the process of qualifying expenditures from the European Cohesion Fund will end on 31 December 2010. This will force all market participants to accelerate the preparation of the projects to be co-financed by the European Union. As reported in the official service of the EU funds, till the end of 2009 Poland received EUR 3.7 billion or 66 percent of the allocation available under the Cohesion Fund.

**Major EU programs**

- Operational Program Innovative Economy
- Operational Program Human Capital
- Operational Program Infrastructure and Natural Environment
- Operational Program Development of Eastern Poland
- Operational Program Technical Assistance 2007-2013
- Operational Program Rural Development
- Operational Program Balanced Development of Fishery and Inshore Fishing Areas
- 16 Regional Operational Programs

From the IT industry perspective, the information technology market will benefit most from the operational programs: Innovative Economy, Development of Eastern Poland (construction of information and telecommunication infrastructure), and Technical Assistance. Moreover, some of the IT related trainings will be eligible for financing under the Human Capital program. Most funds under the largest program Infrastructure and Natural Environment will be allocated to the construction of roads and infrastructure; however, these investments will certainly include some IT spending. Furthermore, it may be expected that funds allocated for the development and modernization of the power industry, education infrastructure or healthcare centres will be also partially used for purchases of hardware and software and, for instance, for creation of billing systems or registration systems.

| **Size of the major EU programs** | |
|---|---|
| Operational Program Human Capital | 11.5 billion EUR |
| Operational Program Infrastructure and Natural Environment | 37.6 billion EUR |
| Operational Program Innovative Economy | 9.71 billion EUR |
| Operational Program Development of Eastern Poland | 2.67 billion EUR |
| Operational Program Technical Assistance | 0.60 billion EUR |

Additionally, the information technology providers will benefit from the regional operational programs which are worth almost 16 billion EUR. Under each of these programs some funds were allocated for investments in technology and innovation as well as for development of information society.

| Size of 16 Regional Operational Programs (in EUR) | |
|---|---|
| West Pomeranian Province | 835,437,299 |
| Pomeranian Province | 885,065,762 |
| Warmian-Masurian Province | 1,036,542,041 |
| Podlasie Province | 636,207,883 |
| Lubusz Province | 439,173,096 |
| Wielkopolska Province | 1,272,792,644 |
| Kuyavian-Pomeranian Province | 951,003,820 |
| Masovia Province | 1,831,496,698 |
| Lublin Province | 1,155,854,549 |
| Lower Silesian Province | 1,213,144,879 |
| Łódź Province | 1,006,380,910 |
| Opole Province | 427,144,813 |
| Silesian Province | 1,712,980,303 |
| Świętokrzyskie Province | 725,807,266 |
| Małopolska Province | 1,290,274,402 |
| Podkarpacie Province | 1,136,307,823 |

Exemplary distribution of funds under a regional operational program (in EUR):

| Operational Program of West Pomeranian Province | **835,437,299** |
|---|---|
| Economy – Innovation – Technology | 232,753,899 |
| Development of transportation and electric power infrastructure | 215,789,475 |
| Development of information society | 42,000,000 |
| Environmental protection infrastructure | 61,280,000 |
| Tourism, culture and community regeneration | 74,935,655 |
| Development of metropolitan functions | 116,780,745 |
| Development of social infrastructure and healthcare | 58,480,000 |
| Technical assistance | 33,417,525 |

IT industry pays most attention to the program of Innovative Economy. Apart from investments in technological parks, the list of key projects for co-financing includes over a dozen large IT systems which are very important for Poland, but there were never enough money to have them constructed.

**Innovative Economy projects with most importance for IT industry**

| Project | estimated cost (in PLN millions) |
|---|---|
| Electronic medical procedures platform | 712.64 |
| Countrywide digital communication system | 500.00 |
| pl.ID – new identity card | 370.00 |
| Emergency notification centres | 350.00 |
| National system of protection against force majeure events | 240.00 |
| e-Services infrastructure of the Ministry of Finance | 210.00 |
| Database of topographical objects | 170.00 |
| Consolidation of the customs and taxation systems | 167.00 |
| Teleinformation network for the number 112 | 165.00 |
| e-Taxes | 150.74 |
| e-PUAP2 | 141.42 |
| e-Customs | 119.08 |
| Public statistical information system | 110.61 |
| e-Services of the Social Insurance Institution (ZUS) | 101.52 |
| e-Services of the Police | 100.00 |
| Support system for the social insurance e-Services | 100.00 |
| e-Statements2 | 90.44 |
| Geoportal2 | 89.84 |
| Emp@tia platform of the Labour Department | 61.64 |
| Access to medical records | 53.27 |
| TERYT2 (register of boundaries) | 45.00 |
| e-Registration of the Ministry of Finance | 40.19 |
| Informatization of the land register | 30.00 |
| Business firm register | 28.75 |
| Platform for the results of controls by the Supreme Chamber of Control (NIK) | 25.00 |
| e-Services of the Office of Electronic Communications (UKE) | 24.00 |
| Localization platform the Office of Electronic Communications (UKE) | 19.45 |
| e-Services of the Ministry of Justice | 16.24 |
| System of information on broadband infrastructure | 16.00 |

*source: List of key projects of the Ministry of Internal Affairs and Administration*

The above list includes all the key projects of the Priority Axis VII (Information Society – Development of e-Administration), which have been already approved for implementation and entered into the main list. Among the key projects there are also several interesting proposals for development of IT systems for other institutions that are still stuck in the reserve list. However, they can advance into the main list following the next verification of projects. Furthermore, implementation of some of those projects is planned or even

inevitable regardless of obtaining the EU funds to support them or not. Among the projects waiting for the "green light" are IT systems for the Agricultural Social Insurance Fund (KRUS), Central Statistical Office (GUS) as well as for the Ministry of Economy. Huge projects, with the estimated value of PLN 470 million, are to be launched by the National Board of Water Management, and the Institute of Meteorology and Water Management. These will include the state water cadastre and the system to support flood risk management.

Apart from large-scale projects implemented on the central level under the state informatization plan, digitalization of Poland or launching of e-Services, in 2010 and 2011 we may also see higher demand for IT solutions for the local administration as well as for the regional projects. The most urgent investments will include implementation of the document management systems, services portals, and rearrangement of databases.

The overall IT market growth will be also supported by investments resulting from the preparations to Euro 2012 Poland-Ukraine European Football Championships. Apart from the necessary investments in infrastructure and stadiums, we may also expect large orders for security and monitoring systems, inclusive of the admission control and visual supervision systems, analytical and emergency management systems. Furthermore, the projects to be implemented at the central level include the digital communication system (in TETRA standard) for the uniformed services as well as the command support system for the police and rescue services.

Hence, the public administration market seems to be the largest opportunity for the IT industry development outlook in 2010.

**Banking and financial sector**

Nowadays, in Poland operate 69 headquarters of banks according to the data of the National Bank of Poland. There are also over 500 cooperative banks (the number of such banks registered at the end of 2007 was 581) which are associated in three cooperative banking groups. The financial sector includes also insurance companies, investment and pension funds, brokerage houses, and financial intermediaries.

It is one of the most networked sectors but still open to new technologies as the financial managers are perfectly aware of the competitive advantages derivable from effective use of ICT systems.

As estimated by various research companies, the Polish banking IT market is worth between PLN 2 and 3 billion annually. According to *Computerworld*, in 2008 sales revenues generated by IT companies in this market reached PLN 2.1 billion. *Gazeta* newspaper informed that till 2009 banks have already spent a total of PLN 4.5 billion in order to adapt their operations to 75 applicable regulatory acts. Whereas, the analytical agency DiS made a forecast that in the years from 2007 till 2010 IT spending shall reach PLN 3 billion. Out of that aggregate amount PLN 1-1.2 billion was supposed to be spent for purchases of software, of which PLN 300 million for purchases of banking software. Practically all the large banks operating in Poland have already implemented centralized information systems and use the most popular IT tools, both for management of their bank structures and customer relations.

However, numerous financial institutions have suspended or curtailed their IT investments in 2009. This trend is not expected to continue in 2010. According to the research conducted by the KPMG advisory company, at present banks do not plan to reduce their information

technology budgets any more. "In 2010 the IT budgets will not be changed much from the 2009 level", analysts said. Nonetheless, KPMG anticipates that most commercial banks will incur higher operating expenses for IT.

"As far as investments are concerned, a majority of survey respondents plan to reduce or freeze their budgets. We have observed a tendency among cooperative banks to freeze their operating expenses and to some extent also capital expenditures. Over 60% of cooperative banks do not plan for any changes in their operating expenses; whereas, almost 40% want to have the same investment outlays. The cooperative banks which signalled changes in their IT budgets for 2010, more often spoke of increases than reduction of their IT spending", KPMG analysts summed up.

Various analysts noticed that in 2009 commercial banks invested less in IT and telecommunication hardware (42% of total capex) and more in software (58%) which is a reversal of the last year's proportions, when hardware purchases prevailed.

**ERP (Enterprise Resource Planning) market**

In Poland there are registered over 3.5 million firms most of which are small and medium-sized businesses. For many years the Polish market of business management software increased very dynamically. IDC estimated that spending for business applications in Poland will grow by 16% annually until the year of 2009. The IDC analysis shows this market rose as much as 21.9% in 2008. Each year dynamic growth was also reported by the DiS agency. Analysts predicted that purchases of such applications will grow much faster in small and medium-sized enterprises. They used to emphasize that ERP solutions were already used by almost all large companies in 2009. Still the competitive advantages achievable from using such tools were underestimated by several hundred to 1.5 thousand medium-sized companies. Whereas, small firms usually used single modules of ERP solutions, such as accounting, HR management or logistics applications), or other simpler solutions.

The economic downturn affected also this sector of the market. The DiS estimates published in May 2009 informed that sales of ERP software licenses declined almost 4.8% in Poland. Despite that, the total gross value of ERP systems sold increased by ca. 6.6% as large companies made higher expenditures for such applications. Furthermore, DiS reported that the number of partner IT firms, engaged in implementation of ERP systems, dropped from 800 in 2007 to approx. 630 in 2008. On the other hand, the number specialists employed in the prevailing firms continually increased. According to DiS, most of the large IT companies offer three ERP solutions. Analysts say the ERP market is served by 40 producers, together offering 50 products. At the end of 2008, implementations of large ERP systems accounted only for 18.2% of the total deployments (in almost 14 thousand enterprises), which means such applications must have gained in importance among medium-sized companies.

Estimates of the ERP market size are substantially different. According to IDC, in 2006 this market was worth over PLN 500 million, which with a two-digit annual dynamics would turn into almost PLN 600 million in 2008 and, given some crisis tendencies, a similar result in 2009. Before the crisis, IDC assumed in 2009 the ERP market value would have reached USD 300 million. Subsequently, in 2010 this market was supposed to exceed PLN 900 million. Whereas, DiS evaluated the ERP market to be worth much more. According to estimates produced by this agency, in 2008 total sales of information technologies related to the ERP contracts exceeded PLN 2 billion, and showed a growth dynamics of 6.6%. However, the value of ERP software licences was estimated at PLN 300 million only.

In the opinion of DiS analysts, the market of ERP systems for large enterprises remains under strong influence of corporate standardization under which, in order to facilitate the management processes, the regional subsidiaries are required to implement the same solutions as applied by their parent. As a result only the largest suppliers will be able survive in this market.

According to DiS, SAP reinforced its position in the ERP market by the total number of licenses sold. "Nowadays, it is much harder to spot the erstwhile stars of the large ERP market such as InforGS, Lawson (former Intentia), American QAD, or Swedish IBS.", DiS noted. According to this agency, Comarch and Asseco Business Solutions managed to increase their market share of ERP licenses sold in Poland.

**Outlook summary**

According to a survey conducted by the Central Statistical Office, over 95 percent of Polish companies use computers and have Internet access. In spite of that the actual usage of information and communication technologies in Poland is not very advanced, and ICT spending is among the lowest in Europe. In the most networked economies ranking published by the World Economic Forum (WEF) in March 2009, Poland was listed as the last of the European countries. What's worse, the position of Poland deteriorated also in worldwide terms; we took the 69$^{th}$ place down from the 58$^{th}$ and 62$^{nd}$ place achieved in the previous years. The ranking is led by Denmark, Sweden and the United States. The market analysts complained mostly about poor use of technologies available in Poland. While the government was criticized for failure to promote ICT technologies and the lack of their effective usage by the institutions of public administration.

Such conclusions are in contradiction with the government's approach, which for the last two years has declared its continuing commitment to the implementation of new technologies in public offices, promotion of information technology, construction of broadband Internet infrastructure, and deployment of large ICT projects. The preparation and first enquiries concerning some of the projects announced in 2009 provide good prospects for the whole IT industry in 2010. Analysts anticipate it will be necessary to upgrade IT systems in numerous Polish enterprises, to invest in the billing and registration systems in the power industry, to modernize IT systems and make investments in the gas and utilities sectors, to develop systems for the EURO 2012 Championships, as well as to accelerate utilization of the EU funds. Owing to all the above-mentioned activities, 2010, in contrast to the last year, should be a period of better prosperity in the Polish IT industry.

**The most networked countries according to WEF (NRI index)**


In the above ranking of informatization Poland took the 69th place.

# 4 Regulatory environment and its impact on development of IT market in Poland

## Description of regulatory environment

Polish legal regulations are subject to frequent changes. This situation has become even more complex due to obligatory adjustments of the Polish law to the EU regulations which are often very detailed in regulating certain areas of social relations. Major risks are involved in the tax regulations; not only are they ambiguous but the practices of the internal revenue administration are not uniform in this domain. Below are presented the legislative acts with the highest bearing on the Company's business operations.

**Banking Law**

The use of outsourcing services by banks has been regulated by the provisions of art. 6c of the Banking Law which stipulates that when entering into an outsourcing contract a bank shall be obliged to:

- notify the Polish Financial Supervision Authority (PFSA) of its intent to enter into such contract at least 14 days in advance;
- ensure effective supervision of the PFSA over the activities subject to outsourcing services;
- have operating plans ensuring continued and uninterrupted operations by the bank itself and its outsourcer party;
- ensure that the outsourced work has no adverse impact on performance of its banking operations.

In addition the PFSA may require a bank to provide further documents and information, such as:

- a copy of the concluded agreement;
- explanations concerning execution of the contract;
- operating plans ensuring continued and uninterrupted performance of its banking operations;
- documents determining the outsourcer's status;
- a description of technical and organizational measures taken in order to ensure secure and appropriate execution of the outsourced work, in particular with regard to safeguarding of legally protected secrets.

Furthermore, an outsourcing contract cannot provide for an exclusion or limitation of the outsourcer's liability towards the bank for any damages suffered by the bank clients as a result of non-performance or misconduct under the agreement.

The PFSA has the right to maintain effective supervision over the outsourced work, and in particular to inspect execution of such activities at every stage of their progress. The PFSA may also issue a decision ordering the bank to take actions aiming at amendment or termination of the agreement under which certain activities have been outsourced.

**Copyright Law**

In Poland computer software is protected by the Copyright Law Act. The nature of protection granted to software is different from other works protected under this law. For the Company's operations especially important are the provisions on obtaining intellectual property rights in software developed by the Company's employees, and on licensing software to the Company's clients, as well as other regulations pertaining to personal copyrights owned by developers software.

In accordance with art. 74 sect. 3 of the Copyright Law, property rights in a computer program created by an employee in fulfilment of their obligations under employment relationship shall be vested in the employer, unless the relevant work contract provides otherwise. Under the said article of the Copyright Law, the Company shall acquire all the

intellectual property rights in software created by its employees, with no obligation to pay any further consideration in excess of the employee salary under their work contract.

Employees who create software which constitutes the Company's product retain their authorship rights and shall be entitled either to designate such product with their surname or nickname, or to make it available anonymously. Pursuant to art. 77 of the Copyright Law, which excludes relevance of art. 16 items 3) – 5) contained therein, developers of software are not entitled to: (i) inviolability of the contents, form, and diligent use of their work, (ii) decide about the first publication of their work; and (iii) maintain supervision over the use of their work.

According to articles 66 and 67 of the Copyright Law, a software license agreement may authorize to use the licensed work over a period of five years in the territory of the country, where the licensee has its registered office (hence, in our case it is the territory of the Republic of Poland), unless otherwise stated in such agreement. A license agreement shall determine the fields of use where the licensee is permitted to use the software, and indicate the scope, place and period of such use. Unless a license agreement provides otherwise, the licensee is not allowed to authorize use of software by other persons, under the obtained license. A non-exclusive license may be granted in any form; whereas, an exclusive license may be granted in writing only.

**Personal Data Protection Act**

The processing of personal data can be carried out in the public interest, interest of the data subject, or interest of any third party, within the scope and subject to the procedure determined by the Personal Data Protection Act, and it shall be permitted only if: (i) the data subject has given his/her consent, unless the processing consists in erasure of personal data; (ii) processing of personal data is required by law; (iii) processing is necessary for the performance of a contract to which the data subject is a party or in order to take steps at the request of the data subject prior to entering into a contract; (iv) processing is necessary for the performance of a task provided for by law and carried out in the public interest; (v) processing is necessary for the purposes of the legitimate interests pursued by the controller or receiver of data, provided that such processing of data does not violate the rights and the freedoms of the data subject (where such legitimate interests are considered to be direct marketing of own products or services provided by the controller, or vindication of claims by virtue of some economic activity).

The controller performing the processing of data should protect the interests of data subjects with due care. The controller shall be obliged to implement appropriate technical and organizational measures to protect the processed personal data, in particular against their unauthorized disclosure, takeover by unauthorized persons, processing with violation of the Act, as well as against any change, removal, damage or destruction. Personal data may be processed solely by persons authorised by the controller. The controller shall appoint a data security administrator in order to supervise adhering to the data protection procedures.

Furthermore, the controller is obliged to register a data filing system with the General Inspector for Personal Data Protection. The obligation to register filing systems shall not apply to the controllers of such data which: (i) constitute a state secret due to the reasons of national security or defence of the state, human life and health, property, security, or public order, (ii) refer to the persons employed by controllers, their members, trainees, or

contractors providing services under the civil law ; (iii) are processed for the purpose of issuing an invoice or for accounting purposes; (iv) publicly available.

**Public Procurement Law**

This Act specifies the rules and procedures for awarding public contracts, law enforcement measures, checking of the award of public contracts and the competent authorities with respect to matters addressed in the Act. The Public Procurement Law shall apply to public contracts for provision of services, supplies or construction work, which are awarded by: (i) the public finance sector entities; (ii) other state organizational entities with no legal personality; (iii) other legal persons, established for the specific purpose of meeting needs in the general interest, not having industrial or commercial character (if the public finance sector entities or other state organizational entities with no legal personality, separately or jointly, directly or indirectly, finance them in more than 50%, hold more than half of their shares, supervise their management board, or are entitled to appoint more than half of the members of their supervisory or management board); (iv) associations of the entities mentioned in items (i)-(ii) above, or entities mentioned in item (iii) above; (v) other entities if all of the following circumstances occur: (a) more than 50% of the value of a contract awarded by them is financed from public funds or by the entities referred to in items (i)-(iv) above, (b) the value of a contract is equal to or exceeds the amounts specified in a regulation of the Prime Minister on the value thresholds of contracts and design contests which require the dispatch of a notice to the Office for Official Publications of the European Communities, (c) the contract subject is construction work comprising the activities in the field of land and maritime engineering, construction of hospitals, sport, recreation and leisure centres, school buildings, university buildings or facilities used by the public administration, or services connected with such work.

The public finance sector entities are: (i) public administration bodies, including the government administration, institutions of state inspection and law enforcement, courts and tribunals; (ii) municipality, county and province self-governments and associations thereof; (iii) state entities, state enterprises and their auxiliary facilities; (iv) state or self-government special purpose funds; (v) public education institutions; (vi) research and development entities; (vii) independent public healthcare centres; (viii) state or self-government cultural institutions; (ix) the Social Insurance Institution, the Agricultural Social Insurance Fund with its subsidiary funds; (x) the National Healthcare Fund; (xi) the Polish Academy of Sciences along with its established organizational units; (xii) other state or self-government legal personalities established under separate laws with the objective to perform tasks of public interest, except for commercial enterprises, banks or companies.

**Informatization Act**

The Act determines the rules for informatization of the public administration performing public tasks. Such entities include, among others, government administration bodies, courts, prosecutor offices, regional self-governments and their organizational units, the Social Insurance Institution, the Agricultural Social Insurance Fund, ant the National Healthcare Fund. Concurrently, in accordance with relevant provisions, the Act on Informatization is not applicable to state enterprises, commercial companies, public higher education schools, the Sejm Office, the Senate Office, the Constitutional Tribunal, the Supreme Court, the Supreme Chamber of Control, and the National Bank of Poland, as indicated therein.

Following the Act on Informatization, the Council of Ministers adopted a resolution on establishing the State Informatization Plan in order to plan and coordinate various informatization projects of the public administration as well as to modernize and link together their information and communications systems. The State Informatization Plan may only be adopted for a period not longer than five years and it shall determine the information technology projects aiming at achievement of priority objectives in the development of IT systems. In order to implement the State Informatization Plan, there should be established sectoral and intersectoral IT projects stipulating the objectives of a given project and the entity accountable for execution thereof. Pursuant to the Informatization Act, on 28 March 2007 the Council of Ministers adopted the State Informatization Plan for the years 2007-2010. The adopted plan: (i) determines priorities and objectives of the State informatization process; (ii) provides a list of sectoral and intersectoral IT projects aiming at execution of specific priorities and services; (iii) includes the program of activities aiming at development of information society; (iv) names public tasks that should executed using electronic means.

Furthermore, the Act on Informatization sets forth the rules for establishing of minimum IT standards, electronic exchange of information among the public administration, as well as the procedures for inspection of IT projects intended for the public use.

# 5 IT market position of Asseco Poland SA and the Asseco Group

The Polish IT market is shared among several thousand firms engaged in provision of services and software as well as sale and production of hardware.

The Asseco Group tops the rankings as a leading provider of information technology solutions for the banking, finance and insurance sectors.

| Company name | IT companies, by revenues from the banking sector in 2008, in PLN thousands* |
|---|---|
| **1. Asseco Poland (Asseco Group)** | **464,812.0** |
| 2. Blue Media | 303,714.4 |
| 3. Sygnity (Sygnity Group) | 203,013.8 |
| 4. Comarch (Comarch Group) | 106,264.4 |
| 5. Talex | 70,984.6 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

| Company name | IT companies, by revenues from the insurance and financial services sector in 2008, in PLN thousands* |
|---|---|
| 1. IBM Poland | 331,056.0 |
| **2. Asseco Poland (Asseco Group)** | **84,917.6** |
| 3. Oracle Poland | 58,630.0 |
| 4. Atena IT and Financial Services | 56,841.6 |
| 5. Blue Media | 37,266.8 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

It is also worth emphasizing that Asseco Poland is the only Polish capital company among the leading vendors of proprietary software. All the companies outperforming Asseco Poland in this respect are foreign capital corporations.

| Company name | Sales of proprietary software in 2008, in PLN thousands* |
|---|---|
| 1. Microsoft | 1,200,000.00 |
| 2. Oracle Poland | 351,780.00 |
| 3. SAP Poland | 267,200.00 |
| 4. IBM Poland | 250,800.00 |
| 5. Novell | 105,490.00 |
| **6. Asseco Poland (Asseco Group)** | **85,604.4** |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

Asseco Poland took the first place among providers of IT services. We have left behind such international corporations as IBM or HP. Additionally, Asseco Poland was the number one player in software implementation services.

| Company name | Providers of IT services in 2008 in PLN thousands | 2007/2008 change in %* |
|---|---|---|
| **1. Asseco Poland (Asseco Group)** | **689,220.0** | **101** |
| 2. HP Poland | 613,800.0 | -1.6 |
| 3. IBM Poland | 564,300.0 | 28.3 |
| **4. ABG (ABG Group)**** | **352,016.0** | **278.7** |
| 5. Blue Media | 345,475.0 | 81.5 |
| 6. Sygnity (Sygnity Group) | 345,100.0 | 4.0 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*
*** Asseco Poland and ABG merged in January 2010*

| Company name | Providers of software implementation services in 2008 in PLN thousands | Share in total sales of IT services in %* |
|---|---|---|
| **1. Asseco Poland (Asseco Group)** | **372,178.8** | **54.0** |
| 2. Sygnity (Sygnity Group) | 131,828.2 | 38.2 |
| 3. BCC (Business Consulting Center) | 70,720.3 | 88.8 |
| 4. Oracle Poland | 38,695.8 | 39.0 |
| 5. Projekty Bankowe Polsoft (Sygnity Group) | 26,000.0 | 52.0 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

Members of the Asseco Group maintain leading positions also in particular sectors. Asseco Systems SA, a subsidiary of Asseco Poland SA, is a leader among IT companies selling their products and services to the construction sector.

| Company name | IT companies, by revenues from the construction sector in 2008, in PLN thousands* | Sector share in total sales to end users in %* |
|---|---|---|
| **1. Asseco Poland (Asseco Group)** | **27,678.3** | **16.6** |
| 2. Sygnity Technology (Sygnity Group) | 10,787.2 | 19 |
| 3. Qumak-Sekom | 7,133.4 | 2.8 |
| 4. Centrum Informatyki ZETO Białystok | 6,676.9 | 11 |
| 5. Athenasoft | 5,443.5 | 75 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

The scale of the Asseco Poland operations is best reflected by the number of its workforce.

| Company name | IT companies and groups by headcount as at 31 December 2008 | 2007/2008 change in %* |
|---|---|---|
| **1. Asseco Group** | **7883** | **71.0** |
| 2. Comarch Group | 3316 | 16.2 |
| 3. Capgemini Poland | 3301 | 35.5 |
| 4. Sygnity Group | 2532 | 9.7 |
| 5. Action Group | 1341 | 6.1 |

** COMPUTERWORLD, Ranking of IT and telecom companies, January 2009*

Asseco is the largest IT company in Poland in terms of stock market capitalization. As at 18 March 2010, the biggest Polish IT companies had the following market caps:

| Company name | Market cap as at 18 March 2010 in PLN millions |
|---|---|
| **Asseco Poland SA** | **4,472** |
| Asseco South Eastern Europe SA | 840 |
| Comarch SA | 837 |
| Asseco Slovakia a.s. | 549 |
| Asseco Business Solutions SA | 338 |
| Sygnity SA | 169 |

Except for Comarch SA and Sygnity SA, all the above listed companies belong to the Asseco Group.

# 6 Product portfolio of Asseco Poland SA and the Asseco Group companies

**Selected areas of IT services offered within the Asseco Group solutions**

The Asseco Group is specialized in the production of proprietary software for most sectors of economy. The portfolio of our solutions includes IT systems for banking and finance, public and local administration as well as for industry, trade and services.

**Banking and finance sector**

**Banking market**

From the very beginning of its operations Asseco Poland SA has cooperated with banks, providing them with comprehensive information systems. Nowadays, the Company's solutions are utilized by over half of domestic banks. Major clients of Asseco include PKO BP Bank, BGŻ SA (Rabobank), Deutsche Bank PBC SA, Allianz Bank SA, Euro Bank SA (Societe Generale), Bank Pocztowy SA, Bank Gospodarstwa Krajowego, and Volkswagen Bank SA. The Company also works with the cooperative banking sector, where it serves all the association leader banks as well as over 70% of stand-alone cooperative banks.

Products dedicated to the banking sector include:

- Transaction systems
- Back-office systems
- Sales support systems
- Post-sale services systems
- Sales intelligence
- Analytical systems
- Payment card operations
- e-Banking systems
- Support software applications

The Asseco Poland's flagship product for the banking sector is the comprehensive IT system called def3000.

Other companies of the Asseco Group are also well positioned as providers of proprietary solutions for the banking sector. Asseco Central Europe has cooperated with financial institutions right from its inception. This company developed the family of StarBANK products which provide comprehensive support of banking activities. Among the clients of Asseco Central Europe are: Consumer Finance Holding a.s., Eximbanka SR, Poštová banka a.s., Slovenská sporiteľňa a.s., Wűstenrot stavebná sporiteľňa a.s., and Česká spořitelna a.s.

Asseco South Eastern Europe, a listed subsidiary of the Asseco Group, is also specialized in provision of solutions for the banking sector. The company's portfolio of proprietary software includes core banking systems, transaction systems, business intelligence solutions, and customer relationship management (CRM) solutions, yet the company is also engaged in installation and maintenance of ATMs and POS terminals. The central banking systems

offered by Asseco South Eastern Europe may be operated both on the ORACLE platform (systems: BI Universal Integrated Banking System, INT Bank) as well as the Microsoft platform (Pub2000, Revolution). The company's clients include: ABN AMRO Bank in Romania, Allianz Zagreb in Croatia, Banca Italo-Romena in Romania, Bank of Moscow in Serbia, Citibank in Romania, Erste Banka AD Novi Sad in Serbia, ING Bank in Romania, National Bank in Macedonia, National Bank of Romania, National Bank of Serbia, Porsche Bank in Romania, and dozens of other banks.

The above-mentioned products are perfectly complemented by the UBM Suite front-end solutions offered by UNIQUARE. The UNIQUARE's solutions are based either on ORACLE or DB2 platform. Among the company's clients are: Bank DBNord, UniCredit, Deutsche Bank, Hypo Group, and Bank RCB.

**Financial institutions**

Asseco Poland has a strong position among providers of software for the financial sector. Here the main solution offered by the Company is the suite of PROMAK products which are dedicated to brokerage houses and investment companies. The Company's solutions are utilized by Brokerage Office of Alior Bank SA, Brokerage House of Bank Handlowy SA, Beskidzki Dom Maklerski SA, and Brokerage House of Millennium SA, just to mention a few.

ADH Soft, a subsidiary of the Asseco Group, is specialized in development of professional software for the financial sector, especially for leasing and car fleet management (CFM) companies. The company's solutions are used by over 70% of leasing operators in the local market. Until nowadays ADH Soft has implemented its products for over 60 firms of the leasing sector. The flagship product of ADH Soft is the LEO Leasing System, which features two main parts – operations and finance/accounting – and a number of additional modules extending the program functionality. Among the users of LEO Leasing are BNP Paribas Lease Group, Fortis Lease, Caterpillar Financial Services, Daimler Fleet Management, Mercedes Benz Leasing, and many others.

The Group's portfolio also includes a solution called Asseco Factoring which is dedicated to all financial institutions engaged in factoring services. The system ensures conducting of fast and secure transactions over the Internet.

As a result of the Asseco Group expansion to new European markets, its product portfolio for banking and finance was expanded with the solutions of the Danish IT Practice. IT Practice is specialized in development of turn-key applications and software solutions as well as in provision of services within optimization of IT architecture and infrastructure. Customers of IT Practice include primarily banks, financial institutions and biotech companies such as Nykredit, PBS, Nordea, NovoZymes, Experian, JP Morgan Chase & Co, ING Bank.

Comprehensive solutions for the capital market and financial institutions are also offered by Asseco Central Europe. SofiSTAR is a proprietary solution dedicated for open-ended pension funds. These solutions are utilized in ČSOB dôchodková správcovská spoločnosť a.s., STABILITA d.d.s. a.s., and in VÚB Generali dôchodková správcovská spoločnosť.

**Insurance companies**

Cooperation of Asseco Poland with the insurance sector has been initiated with development and implementation of the Integrated Information System for the PZU Group, the largest insurer in Poland. At present the Company's portfolio features comprehensive systems that support property and life insurance operations. Among our clients of this sector are PZU Group, Warta Group, HDI Asekuracja, and the Insurance Guarantee Fund.

Asseco Central Europe is also engaged in provision of IT solutions dedicated to the insurance sector. Here the company's flagship product is StarINS, a comprehensive information system for insurers including the modules for management of insurance operations within the customer service, as well as for running a network of insurance branches. The solutions of Asseco Central Europe are used, among others, by Pojišťovna VZP a.s.

The Asseco Group product portfolio is complemented with the solution offered by the company Sintagma UAB of Lithuania. The LIB-MS solution is a comprehensive IT system that supports operations of life insurance companies and it has been implemented, among others, for the SEB Insurance Group.

**Public administration sector**

**Central administration**

Asseco Poland executes large and complex IT projects for the public administration, which include implementation of the Comprehensive Information System for the Social Insurance Institution (ZUS), Central Register of Vehicles and Drivers (CEPiK) for the Ministry of Interior and Administration (MSWiA), Comprehensive Information System for the National Border Guard Headquarters, as well as the IACS system for the Agency for Restructuring and Modernisation of Agriculture (ARiMR).

Other Asseco companies are also among leading providers of IT solutions for public administration in the countries where they operate. Asseco South Eastern Europe has implemented its software products for such noble public institutions as the Ministry of Agriculture of Romania, Ministries of Finance of Croatia and Serbia, Ministry of the Interior of Macedonia, and the Ministry of Foreign Affairs of Serbia.

Experience gathered from our cooperation with organizations of the European Union, during development of the systems for direct EU payments to farmers, made the Asseco Group one of the most credible partners in this part of Europe, qualified in this economic segment.

Asseco Central Europe is also engaged in the implementation of complex projects for the public administration sector. The company offers proprietary solutions beginning with a detailed client analysis, through consultation of available solutions, design of the optimum technological architecture, and finishing with the solution testing, documentation, implementation and user training. The public administration bodies using the services of Asseco Central Europe include: Slovak Agency for Tourism, Slovak Tax Administration, Slovak Statistical Office, Vysočina Region, Czech Ministry of Transportation, Czech Ministry of Finance, and Czech Ministry of the Interior.

## Self-government (local) administration

Asseco Poland SA provides IT solutions for the self-government administration at all levels. The offered software enables integration of other IT systems operating under miscellaneous technologies that are utilized by the administration offices. The Company's solutions are flexible, configurable and developed to match the current needs of local administration. The Asseco solutions dedicated to self-governments include: workflow systems, customer service systems as well as CRM and ERP solutions. Our major clients in this sector are the Szczecin City Hall, Częstochowa City Hall, Wrocław City Hall, and the Association of Towns and Municipalities of the Parsęta River Basin.

Solutions supporting the local administration operations are implemented by OTAGO, our Gdańsk-based subsidiary. The company's proprietary project, called OTAGO Comprehensive Town Management System, has been well tried and proven to meet all the requirements for proper functioning of self-government institutions.

## Healthcare

Asseco Poland SA, offering the InfoMedica and mMedica proprietary systems, has become the leader in the market of information solutions for healthcare. The Company's clients include 450 largest hospitals in Poland as well as most of the Polish Blood Donation and Hemotherapy Centres to whom Asseco delivers the patient service solutions, contract settlement systems as well as centre management solutions. The Company cooperates with the National Healthcare Fund units both on the plane of IT infrastructure and software. All the spa centres working with the National Healthcare Fund for settlement of their services use an Internet application developed and implemented by Asseco Poland SA. The Company's healthcare solutions comply with the European Union directives as well as with the documents laying out the assumptions for the Polish State Informatization Strategy.

Asseco Central Europe, which provides the Mediform comprehensive information system, has also gained a strong position in the healthcare sector. The system has been already implemented in Fakultná nemocnica s poliklinikou F.D.Roosevelta v Banskej Bystrici, Fakultná nemocnica Trnava, Union zdravotná poisťovňa a.s., Všeobecná zdravotná poisťovňa a.s., and Národné centrum zdravotníckych informácií- NCZI.

## Uniformed services, international organizations

As the only IT company of Central and Eastern Europe, Asseco Poland executed over 30 projects directly for the EU institutions and agencies as well as for NATO. In this market we are able to compete effectively with the world's largest information technology companies. We have successfully implemented technologically advanced projects, among others, for the NATO's Joint Force Training Center in Bydgoszcz as well as the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX).

## Industry, trade and services

### Telecommunication

Asseco Poland SA has got almost a 40% share of the market of billing systems for telecom operators. The Company is the main provider of the SERAT 2 billing system for the Polish telecom TP SA. Solutions developed and implemented by Asseco Poland SA are used by the leading GSM and land telephony operators in Poland as well as by modern media companies. The Asseco's proprietary solution is used, among other, by the ITI Group.

Thanks to the comprehensive offer of Asseco South Eastern Europe dedicated to the telecommunication sector, the Asseco solutions are present also in the Balkan Republics. In this region the Company's clients include: Mobilna Telefonija Republike Srpske, Orange Romania, and T-Com Croatia Zagreb.

### Electric power industry

As a key player in the IT market, Asseco Poland SA executes the largest projects for the leading power industry groups. Almost 65% of the Polish electric power companies are served by Asseco. Whereas, 60% of all electricity bills in Poland are generated from the proprietary billing systems (Energos Handel) implemented by Asseco Poland SA. Our solutions are successfully used by the power industry holdings such as ENEA, ENERGA or PGE.

### Utilities

Asseco Poland SA is a pioneer of state-of-the-art IT solutions for the public utilities sector. Our software solutions support operations of more than 60% of water supply and sewerage companies and over 55% of heating stations in Poland, in the cities of more than 100 thousand inhabitants. Asseco Poland offers two suites of solutions, namely Asseco Utility Management Solutions (Asseco UMS) and Asseco Facility & Asset Management Solutions (Asseco FAMS) which satisfy the needs of the utilities sector and guarantee comprehensive support of the entire public infrastructure. The Company's largest clients in the sector include the municipal utility enterprises of Warsaw, Łódź, Wrocław, Szczecin, Bydgoszcz, Gdańsk, and Opole.

## Integration of IT systems

The Group's IT integration offer covers a very broad range of services and products, starting off with solutions that look after security of IT systems and networks, through building of network structures (local or wide area, landline or wireless), services of optimizing the efficiency of data access and band utilization, and ending up with portal systems, IT infrastructure management services, and data processing centres. This offer also includes comprehensive services of design and execution of the so-called intelligent building systems, as well as carrying out ICT system security audits. In Poland all the above-mentioned services belong to the competence of Asseco Systems; whereas, abroad such services are provided by dedicated subsidiaries of the Asseco Group regional pillars.

### ERP solutions

We offer ERP solutions for almost all sectors of economy. The Asseco Group has developed a broad range products to satisfy the requirements of both large and smaller enterprises. The flagship product of the Asseco Group is offered by our subsidiary Asseco Business Solutions (ABS) operating as the Competence Centre responsible for ERP systems, software for SMEs, and outsourcing of information technology. The ABS product portfolio includes also mobile solutions, factoring systems as well as data exchange platforms. ABS offers primarily two modern integrated ERP systems which are capable of supporting the management of medium and large-sized enterprises: Asseco SAFO based on the Oracle technology, and Asseco SOFTLAB ERP based on the Microsoft technology. The company's clients include McDonald's Poland, Ministry of Finance, Ministry of Health, Mobile Phone Telecom, Skoda Auto Poland, Deni Cler, Atlas, Black Read White, and many, many others.

Also Asseco Central Europe has got proprietary ERP solutions which have been developed by its subsidiary Asseco Solutions. These systems are offered in the Slovak and Czech markets. Further ERP competence is demonstrated by Automation & Productivity, our German subsidiary, as well as by the Lithuanian Sintagma.

### Administration of IT infrastructure

Asseco DACH is engaged in provision of tools and software enabling efficient management of software and hardware environment. The Empirum Pro solution offered by matrix42 supports fully automated management of the computer environment (servers, desktops, laptops and mobile devices) and enables management of software licenses, deployment and migration of operating systems, distribution and upgrading of software, and data recovery. Major clients include BMW Group Switzerland, Avis, and Nexus Management, mentioning just a few.

### Trainings

The Asseco Group offers a broad portfolio of training services which are provided mainly by our subsidiary Combidata Poland. These trainings include: authorized technical trainings on the products of Microsoft, Oracle, BEA, Novell, and CISCO, trainings on the use of office applications and company management systems, dedicated trainings tailored to the customer's needs, trainings on the use of specific applications and application systems.

# 7 Financial highlights of the Asseco Group

Financial highlights of the Asseco Group are presented in the following table.

| | 12 months ended 31 Dec. 2009 PLN '000 | 12 months ended 31 Dec. 2008 PLN '000 |
|---|---|---|
| Sales revenues | 3,050,252 | 2,786,580 |
| Operating profit | 525,510 | 494,266 |
| Pre-tax profit | 514,396 | 493,158 |
| Net profit | 437,866 | 399,460 |
| Net profit attributable to shareholders of the Parent Company | 373,365 | 321,578 |
| Net cash provided by (used in) operating activities | 438,758 | 487,797 |
| Net cash provided by (used in) investing activities | (403,724) | (195,781) |
| Net cash provided by (used in) financing activities | (145,042) | (127,654) |
| Cash and cash equivalents at the end of period | 342,788 | 451,761 |
| Earnings per ordinary share attributable to shareholders of the Parent Company (in PLN) | 5.47 | 5.43 |
| Diluted earnings per ordinary share attributable to shareholders of the Parent Company (in PLN) | 5.47 | 5.43 |

# 8 The Group sales revenues structure in 2009

### Structure of sales revenues by sectors

In line with the adopted strategy, the Group generated most of its sales in the sectors of banking and finance and enterprises (73.8% in aggregate).

Breakdown of the Asseco Group sales, by sectors:

| | 12 months ended 31 Dec. 2009 PLN '000 | 12 months ended 31 Dec. 2008 PLN '000 | 12 months ended 31 Dec. 2009 % | 12 months ended 31 Dec. 2008 % |
|---|---|---|---|---|
| Banking and finance | 1,108,220 | 1,073,235 | 36.3% | 38.5% |
| Enterprises | 1,143,885 | 917,207 | 37.5% | 32.9% |
| Public institutions | 798,147 | 796,138 | 26.2% | 28.6% |
| **TOTAL** | **3,050,252** | **2,786,580** | **100.0%** | **100.0%** |

### Banking and finance sector

In 2009 the Group revenues from the banking and finance sector reached PLN 1,108,220 thousand. This sector accounted for 36.3% of the Group's total turnover. Such high sales to the banking sector were achieved owing to the Parent Company's execution of over a dozen significant contracts for large and medium-sized commercial banks as well as for a considerable number cooperative banks. Revenues generated in this sector by Asseco Poland alone amounted to PLN 591,044 thousand in 2009. The most important and the largest executed contract provides for construction of the Integrated Information System (ZSI) for PKO BP Bank, which was entered into in August 2003.

The subsidiary groups and companies of Asseco Poland SA were also active in the banking and financial sector. Here, the most considerable results were achieved by the groups of Asseco Slovakia and Asseco South Eastern Europe. In the year 2009, sales to the banking sector reported by the Asseco Slovakia Group amounted to PLN 153,210 thousand; whereas, the Asseco South Eastern Europe Group revenues reached as much as PLN 220,719 thousand.

### Enterprises sector

In 2009 the Asseco Group business with the enterprises sector was worth PLN 1,143,885 thousand. This sector accounted for 37.5% of the Group's total turnover. These revenues were largely generated by Asseco Poland SA (PLN 68,798 thousand), Asseco Slovakia Group (PLN 282,073 thousand), ABG (PLN 122,982 thousand), and Asseco Business Solutions (PLN 126,593 thousand).

### Public administration sector

During 2009 the Asseco Group sales to the public administration sector reached PLN 798,147 thousand. This sector accounted for 26.2% of the Group's total turnover. Within the public administration domain, the highest revenues of PLN 286,598 thousand were generated by Asseco Poland SA basically from continuation of execution of contracts concluded in the prior periods, such as implementation of the Central Register of Vehicles and Drivers (CEPiK) for the Ministry of Interior and Administration (MSWiA) as well as development and implementation of the Integrated Information System for the Social Insurance Institution (ZUS). The Group's subsidiaries also played an important role in generating sales to the public administration. Here, ABG revenues amounted to PLN 191,594 thousand, whereas Asseco Slovakia posted sales of PLN 160,808 thousand.

### Breakdown of sales revenues by type of business

In 2009 the Group consistently pursued its strategy of selling proprietary software and services. Such sales accounted for 55.2% of the total turnover. The Group's second largest revenue driver were hardware and infrastructure with a 17.7% share in total turnover. Such growing tendency was achieved by acquisition of new companies engaged primarily in this segment of operations (e.g. Raxon Informatica).

Breakdown of the Asseco Group sales, by type of business

| | 12 months ended 31 Dec. 2009 PLN '000 | 12 months ended 31 Dec. 2009 % |
|---|---|---|
| Proprietary software and services | 1,685,445 | 55.2% |
| Third-party software and services | 504,776 | 16.5% |
| Computer hardware and infrastructure | 541,201 | 17.7% |
| Outsourcing | 179,472 | 5.9% |
| IT telecommunications | 121,638 | 4.0% |
| Other sales | 17,720 | 0.6% |
| **TOTAL** | **3,050,252** | **100%** |

# 9 Financial performance of the Asseco Group in 2009

Consolidated financial results of the Asseco Group

| | 12 months ended 31 Dec. 2009 PLN '000 | 12 months ended 31 Dec. 2008 PLN '000 | Change % |
|---|---|---|---|
| Sales revenues | 3,050,252 | 2,786,580 | 9.5% |
| Gross profit on sales | 1,043,085 | 976,512 | 6.8% |
| Net profit on sales | 520,002 | 496,901 | 4.6% |
| Operating profit | 525,510 | 494,266 | 6.3% |
| Net profit | 437,866 | 399,460 | 9.6% |
| **Net profit attributable to Shareholders of the Parent Company** | **373,365** | **321,578** | **16.1%** |

In 2009 sales revenues of the Asseco Group amounted to PLN 3,050,252 thousand and they increased by 9.5% as compared with the prior year. Higher sales resulted chiefly from incorporation of new undertakings into the Group.

In 2009 the Asseco Group recorded a gross profit on sales of PLN 1,043,085 thousand, which improved by 6.8% year on year. Gross margin equalled 34.2% slightly down from 35.0% achieved last year. Such changes was a consequence of incorporation of new companies into the Group, mainly from the region of West Europe.

Net profit for the year 2009 available to shareholders of the Parent Company amounted to PLN 373,365 thousand, up form PLN 321,578 thousand earned in 2008 (an increase by

16.1%). Operating profit (EBIT) margin remained at the stable level of approximately 17% both in 2009 and 2008.

# 10 Analysis of financial ratios achieved by the Group

### Analysis of the Consolidated Balance Sheet

As at 31 December 2009, fixed assets and current assets constituted respectively 77.4% and 22.6% of the Group's balance sheet total.

### Structure of assets

The share of fixed assets grew by 2.6 percentage points as compared with that of 31 December 2008. This resulted primarily from additional consolidation goodwill recognized on the acquisition of new undertakings, namely Pronet IT Konsalting, Probass, Alatus Sp. z o.o., Asseco Spain (former Raxon Informatica), Terminal Systems, IT Practice A/S, PeakConsulting, and ZUI OTAGO Sp. z o.o).

Hence, current assets as a portion of the balance sheet total decreased by 2.7 percentage points year on year. Such decline was caused basically by lower trade accounts receivable as well as less cash and short-term deposits at bank accounts.

| | 31 Dec. 2009<br>PLN '000 | 31 Dec. 2008<br>PLN '000 | 31 Dec. 2009 | 31 Dec. 2008 |
|---|---|---|---|---|
| **Fixed assets** | **4,422,074** | **4,280,995** | **77.4%** | **74.7%** |
| Property, plant and equipment | 366,893 | 333,522 | 6.5% | 5.8% |
| Investment property | 909 | 929 | 0.0% | 0.0% |
| Intangible assets | 2,636,724 | 2,615,660 | 46.1% | 45.7% |
| Goodwill arising from consolidation | 1,280,699 | 1,206,772 | 22.4% | 21.1% |
| Investments in associated undertakings valued under the equity method | 14,433 | 11,258 | 0.3% | 0.2% |
| Financial assets available for sale | 18,097 | 11,319 | 0.3% | 0.2% |
| Financial assets valued at fair value through profit or loss | 15,927 | 13,036 | 0.3% | 0.2% |
| Long-term loans | 18,048 | 11,817 | 0.3% | 0.2% |
| Long-term receivables | 34,612 | 40,319 | 0.6% | 0.7% |
| Restricted cash | 1,179 | 695 | 0.0% | 0.0% |
| Deferred income tax assets | 20,453 | 23,345 | 0.4% | 0.4% |
| Long-term deferred expenses | 14,100 | 12,303 | 0.2% | 0.2% |
| Other long-term investments | 0 | 20 | 0.0% | 0.0% |

| | | | | |
|---|---|---|---|---|
| **Current assets** | **1,290,547** | **1,447,559** | **22.6%** | **25.3%** |
| Inventories | 45,656 | 61,275 | 0.8% | 1.1% |
| Deferred expenses | 64,452 | 68,790 | 1.1% | 1.2% |
| Trade accounts receivable | 569,402 | 629,858 | 10.0% | 11.0% |
| Corporate income tax recoverable | 7,885 | 10,640 | 0.1% | 0.2% |
| Receivables from the State budget | 18,704 | 8,629 | 0.3% | 0.2% |
| Other receivables | 220,650 | 170,424 | 3.9% | 3.0% |
| Financial assets available for sale | 7,311 | 7,378 | 0.1% | 0.1% |
| Loans granted | 10,025 | 25,357 | 0.2% | 0.4% |
| Financial assets valued at fair value through profit or loss | 3,674 | 13,447 | 0.1% | 0.2% |
| Cash and short-term deposits | 342,788 | 451,761 | 6.0% | 7.9% |
| Fixed assets classified as held for sale | 2,695 | 0 | 0.0% | 0.0% |
| **TOTAL ASSETS** | **5,715,316** | **5,728,554** | **100.0%** | **100.0%** |

## Structure of equity and liabilities

In 2009 shareholders' equity increased substantially as a portion of the balance sheet total because of a large decline in liabilities. Such a reduction of liabilities was achieved by repayment of a large portion of financial liabilities recognized on acquisition of minority interests in subsidiary companies (decrease by PLN 231.4 million). We have also observed considerably lower balances of other liabilities (decrease in liabilities due to valuation of long-term IT contracts), taxes and other State budget charges payable, as well as lower accrued expenses.

| | 31 Dec. 2009<br>PLN '000 | 31 Dec. 2008<br>PLN '000 | 31 Dec. 2009 | 31 Dec. 2008 |
|---|---|---|---|---|
| **Shareholders' equity** | **4,318,176** | **3,782,767** | **75.6%** | **66.0%** |
| **Long-term liabilities** | **468,947** | **824,151** | **8.2%** | **14.4%** |
| **Current liabilities** | **926,213** | **1,121,636** | **16.2%** | **19.6%** |
| Interest–bearing bank credits and debt securities – current portion | 102,082 | 103,797 | 1.8% | 1.8% |
| Trade accounts payable | 282,226 | 290,996 | 4.9% | 5.1% |
| Other current liabilities | 541,905 | 726,843 | 9.5% | 12.7% |
| Liabilities directly related to fixed assets classified as held for sale | 1,980 | 0 | 0.0% | 0.0% |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **5,715,316** | **5,728,554** | **100.0%** | **100.0%** |

### Analysis of the Consolidated Statement of Cash Flows

In the year 2009, the Group generated positive net operating cash flows of PLN 438,758 thousand, while in the previous financial year operating inflows amounted to PLN 487,797 thousand.

In 2009 net cash used in investing activities aggregated at PLN 403,724 thousand, while a year ago investing outflows reached PLN 195,781 thousand. In both the years negative cash flows in investing activities resulted from the Group's capital expenditures for fixed tangibles and intangibles as well as from acquisitions of subsidiary undertakings.

In 2009 the Group reported net cash outflows from financing activities basically as a result of repayment of bank credits and loans (which consumed PLN 71.3 million in 2009) as well as due to payment of dividends for shareholders of the Parent Company (PLN 70.3 million) and minority shareholders (PLN 48 million).

### Statement of Cash Flows

| | 12 months ended 31 Dec. 2009 PLN '000 | 12 months ended 31 Dec. 2008 % |
|---|---|---|
| Net cash provided by (used in) operating activities | 438,758 | 487,797 |
| Net cash provided by (used in) investing activities | (403,724) | (195,781) |
| Net cash provided by (used in) financing activities | (145,042) | (127,654) |
| Net foreign exchange differences | 1,035 | 45,884 |
| Net increase (decrease) in cash and cash equivalents | (110,008) | 164,362 |

Altogether, in 2009 the Asseco Group balance of cash and cash equivalents decreased by PLN 110,008 thousand.

### Analysis of financial ratios

#### Profitability ratios

In 2009 profitability ratios achieved by the Group remained close to the levels observed last year. Gross margin decreased slightly to 34.2% (down from 35.0% achieved last year) primarily as a result of consolidation of companies providing the system integration services which offer lower margins than software services. EBITDA margin remained unchanged at the level of 21.2%. Similarly, operating profit (EBIT) margin was a little over 17% both in 2009 and 2008. In 2009 the Group managed to achieve a net profit margin of 12.2%.

| | 12 months ended 31 Dec. 2009 % | 12 months ended 31 Dec. 2008 % |
|---|---|---|
| Gross profit margin | 34.2% | 35.0% |
| EBITDA margin | 21.2% | 21.2% |
| Operating profit margin | 17.2% | 17.7% |
| Net profit margin | 12.2% | 11.5% |
| Return on equity (ROE) | 10.5% | 12.1% |
| Return on assets (ROA) | 6.5% | 7.2% |

*The above ratios have been computed using the following formulas:*
*Gross profit margin = gross profit on sales / sales*
*EBITDA margin = (operating profit + depreciation and amortization) / sales*
*Operating profit margin = operating profit / sales*
*Net profit margin = net profit attributable to Shareholders of the Parent Company / sales*
*Return on equity (ROE) = net profit attributable to Shareholders of the Parent Company / average annual equity attributable to Shareholders of the*
*Return on assets (ROA) = net profit attributable to Shareholders of the Parent Company / average annual assets*

As at 31 December 2009, ROE metric (informing about the profitability of capital invested by shareholders) decreased by 1.5 percentage points as compared to the level of 31 December 2008. In 2009 the return on capital invested by our shareholders was 10.6%.

ROA ratio (reflecting how much profit is generated on assets) equalled 6.5% having decreased by 0.6 percentage points over a year's time.

### Liquidity ratios

Working capital (defined as the difference between current assets and current liabilities) represents the amounts of fixed capital (equity plus long-term debt) which are used to finance current assets. Being the most liquid part of capitals, it ensures settlement of liabilities that result from the current turnover of cash in our enterprise. The Group maintains working capital at a fairly high level; as at the end of December 2009 it amounted to PLN 362,354 thousand. This is an improvement from the level observed at the end of 2008.

| | 31 Dec. 2009 | 31 Dec. 2008 |
|---|---|---|
| Working capital (in PLN thousands) | 364,334 | 325,923 |
| Current liquidity ratio | 1.4 | 1.3 |
| Quick liquidity ratio | 1.3 | 1.2 |
| Absolute liquidity ratio | 0.4 | 0.4 |

*The above ratios have been computed using the following formulas:*
*Working capital = current assets - current liabilities*
*Current liquidity ratio = current assets / current liabilities*
*Quick liquidity ratio = (current assets - inventories – deferred expenses) / current liabilities*
*Absolute liquidity ratio = (bonds and securities held to maturity + cash and short-term bank deposits) / current liabilities*

As at 31 December 2009 the liquidity ratios were at a fairly high and safe level. The current liquidity ratio of above 1.0 indicates that the Group would be able to pay off all of its short-term liabilities with the funds available from collection of short-term receivables and cashing of current marketable securities. Owing to the high balance of cash and cash deposits, the absolute liquidity ratio remained at a conservative level of around four tenths. The absolute liquidity ratio reveals that the Group might pay 40% of its short-term liabilities immediately. The optimum value of this measure falls between 10 and 20%.

### Debt ratios

As at the end of 2009 the Group's general debt ratio equalled 24.5% and it decreased by 9.5 percentage points since the end of 2008. The ratio of interest-bearing debt (credits, debt securities, loans) to shareholders' equity is observed at the level of 3.1%. It dropped from 5.1% reported at the end of 2008 following the repayment of the entire investment credit taken out by the Parent Company with the objective to acquire shares in Prokom Software SA as well as settlement of other liabilities.

| | 31 Dec. 2009 | 31 Dec. 2008 |
|---|---|---|
| | % | % |
| Debt ratio | 24.4% | 34.0% |
| Debt / equity ratio | 3.1% | 5.1% |
| Debt / (debt + equity) ratio | 3.0% | 4.8% |

*The above ratios have been computed using the following formulas:*
*Debt ratio = (long-term liabilities + short-term liabilities) / assets*
*Debt / equity ratio = interest-bearing bank credits and debt securities / shareholders' equity*
*Debt / (debt + equity) ratio = interest-bearing bank credits and debt securities / (interest-bearing bank credits and debt securities + shareholders' equity)*

# 11 Key factors and non-typical events with impact on financial performance

**Factors influencing the Group's financial results**

- Further expansion of the Group by acquisition of new undertakings in Europe;
- Cost reductions from synergies associated with mergers of the Group companies;
- Execution of contracts concluded in the prior periods, among others for PKO BP Bank, PZU SA, Social Insurance Institution (ZUS), and the Ministry of Interior and Administration;
- Negative foreign exchange differences not fully offset by gains from valuation and settlement of forward transactions for purchase/sale of EUR and USD;
- Interest expenses, including finance lease commitments.

**Non-typical events influencing the Group's financial results**

- Dilution of the Parent Company's interest in Asseco South Eastern Europe as a result of:
    - conversion of shares in Asseco SEE ("swap transactions"),
    - increase of the share capital of Asseco SEE through a public offering,
    - increase of the share capital of Asseco SEE within the authorized capital (for EBRD).
- Dilution of the Parent Company's interest in Asseco DACH following an issuance of shares which were acquired entirely by minority shareholders of update4u Software AG (a subsidiary of Asseco DACH) in exchange for their shares in the company of update4u Software AG. As a result of that issuance the equity interest held by Asseco Poland in Asseco DACH decreased from 99.97% to 85%.
- The consolidated results of the Asseco Group include a gain on disposal of shares in related companies in the amount of PLN 4,120 thousand. This gain was achieved from disposal of the companies of Koma Nord Sp. z o.o., Serum Software Sp. z o.o., and Disig a.s.
- Due to a substantial downturn in the Lithuanian economy, the Group carried out an impairment test on the goodwill arising from the acquisition of Sintagma UAB Sp. z o.o. at 30 September 2009. As a result of the conducted test the Group recognized an impairment charge in the amount of PLN 7,220 thousand.

# 12 Securities issued during the year 2009

During the year 2009, Asseco Poland SA did not issue any shares.

# 13 Major operating accomplishments of Asseco Poland SA in 2009 and description of business activities of the main pillars of the Asseco Group

**In 2009 Asseco Poland signed the following agreements about which the Company informed in its regulatory filings:**

**Signing a framework IT Services Agreement with Telekomunikacja Polska SA**

On 6 April 2009, Asseco Poland received a framework agreement signed by Telekomunikacja Polska SA, seated in Warsaw, which stipulates the terms and conditions for provision of IT services, including program development, consulting and implementation work to be performed by Asseco in favour of TP SA. The agreement shall continue in force till the end of June 2011.

**Signing a contract with PZU Life SA**

On 5 June 2009, the Company concluded a significant agreement with Powszechny Zakład Ubezpieczeń na Życie SA. The contract value amounts to PLN 28.7 million (exclusive of VAT) for which Asseco shall provide services of support, maintenance and development of IT systems utilized by PZU Life SA. According to the agreement these services shall be rendered till 31 March 2012.

The maintenance and development services will cover the systems handling group life insurance which constitutes a substantial part of the PZU Life product portfolio. The agreed parameters of support services (SLA) will ensure the level of security and continuing of operating activities as required by PZU Life SA. Furthermore, the agreement provides for a guaranteed level of development of the supported systems and specifies detailed principles for implementation of development projects by Asseco.

**Concluding agreements with Bank Ochrony Środowiska SA**

On 15 June 2009, Asseco Poland SA signed a significant with Bank Ochrony Środowiska SA. The subject of the agreement is to upgrade the Bank's existing electronic banking system for individual clients. The project will cover changing the graphical layout of the system website as well as considerable enhancements to the services offered to Bank's clients (including authorization of transactions with one-time passwords provided via SMS, functionality of fast

internet payments). The project shall be implemented in three stages. The redesigned e-Banking system including new graphics and the first portion of new services will be made available to Bank's clients at the beginning of August 2009. During the next stages the internet service will be successively extended with new functionalities. The project is expected to be completed in the first quarter of 2010.

On 15 October 2009, the Company concluded agreements with Bank Ochrony Środowiska SA for supply, implementation, and subsequently maintenance at the Bank's premises of a new comprehensive information system based on the Asseco's def3000 proprietary solution.

The project also includes delivery of the required hardware platform as well as the related integration services.

The business objective of this project is to implement a state-of-the-art information tool that will enable dynamic development of the Bank's operations as well as prompt and flexible adjustment of its products and services to meet the changing market demand.

The project completion is expected in the second quarter of 2012.

Gross value of the contract for supply and implementation of the def3000 system amounts to PLN 78,284,351. The aggregate value of all the agreements concluded with BOŚ SA during the last 12 months has not exceeded 10% of the Company's shareholders equity.

Asseco Poland SA has cooperated with Bank Ochrony Środowiska since 1994, as a strategic supplier of information technology solutions, inclusive of the core banking system.

**Furthermore, the Asseco Group signed the following agreements within activities of its individual business divisions:**

**Municipal Enterprises and Local Administration Division**

- Canal Plus – agreement for supply of Microsoft Dynamics Ax software.PEC Katowice (Tauron Group) – agreement for supply of Kom-Media billing system and Kom-Bok document management system.PEC Bytom – agreement for supply of Kom-Media billing system.
- PEWiK Gdynia and EPWiK Elbląg – agreements for delivery and implementation of the Integrated Information System.

**Agriculture Division**

- Agricultural Social Insurance Fund (KRUS) – agreement for supply of the Workflow System and modification of the Data Processing Centre.
- HP Poland – agreement for maintenance of the IACS system for the Agency for Restructuring and Modernisation of Agriculture (ARiMR).
- HP Poland – agreement for maintenance and modification of the IACS system for ARiMR.
- ARiMR – agreement for maintenance and modification of the information systems utilized by ARiMR: OFSA and RG.

**Healthcare Division**

- National Healthcare Fund (NFZ) – agreement for provision of subscription services for the IT system supporting the NFZ activities.
- NFZ, Warsaw Division – agreement for provision of maintenance services for the IT system supporting the NFZ activities.
- Dr J. Psarski Hospital in Ostrołęka – agreement for informatization of the hospital along with delivery of computer hardware.
- NFZ, West Pomeranian Division, Szczecin – agreement for extension of the server IBM iSeries model 570 and upgrading of the server IBM iSeries 520 up to the 570 model.
- Children's Memorial Health Institute in Warsaw – agreement for upgrading of the Hipokrates system with the Infomedica administration module.

**Power and Gas Industry Division**

- ENERGA Group (Energa Obsługa i Sprzedaż sp. z o.o., Energa OPERATOR SA) – agreement for central integration of the existing billing systems (EnergOS and HandelMax) into the Asseco Utility Management Solution.
- PGNiG, Pomeranian Gas Distribution Division – agreement for upgrading of the billing system.
- PGE Distribution Rzeszów – agreement for implementation of the Inventory Management System.
- EnergiaPro, Wrocław – agreement for development of Data Center.
- EnergiaPro Gigawat and EnergiaPro – agreements for development of data exchange interfaces between the trading and distribution companies.

**Cooperative Banks Division**

- Cooperative Bank in Namysłów – agreement for supply and implementation of defBank Pro BS system.
- Cooperative Bank in Lipno – agreement for supply and implementation of X-Card system.

**Commercial Banks Department**

- Bank Pocztowy (Post Bank) – agreement for provision of additional functionality necessary to support credit card transactions.
- ING Bank Śląski – agreement for development and implementation of a mobile version (IBOL Light dedicated for mobile phones) of the ING's BankOnLine system.
- ING Bank Śląski – agreement for development of a system to handle sales leads.

**Social Insurance Division**

- Management of the reformed retirement and pension benefit payments

  In December 2008, there were enforced legislative acts which set forth the principles for awarding of retirement and pension benefits under the reformed system, including retirement benefits payable from the second pillar as well as early retirement benefits. The preparation work to make the Social Insurance Institution (ZUS) ready to handle

such benefits has been started in 2007, on the basis of draft versions of the above-mentioned regulations. As the legislative process was taking longer than expected, ZUS decided to implement the so-called "minimum program". Therefore, as early as in January 2009, this is immediately after adoption of the new regulations, ZUS started to provide the reformed retirement benefits both under the first pillar and the second pillar (Open Pension Funds). In 2009 we concurrently performed the following projects:

- Implementation of elements of the Comprehensive Information System (CIS) prepared under the "minimum program";
- Upgrading the CIS system with elements which were postponed till later time under the "minimum program";
- Adjustment of the CIS system to the legislative amendments adopted in 2009 as well as to the subsequent changes in the applicable legal interpretations.

- Management of short-term benefits

  In 2009 we implemented elements of the Comprehensive Information System to support the processes of awarding and payment of short-term benefits. Under this project, ZUS is going to transfer the management of short-term benefits from its existing systems into the CIS system, which will enable centralization of the data concerning such benefits.

- SAP

  In 2009 we also implemented a part of the CIS system that is based on mySAP solution, which supports human resources management, salaries as well as financial settlements made by miscellaneous funds operated by ZUS. This was by far the largest implementation of the SAP's HR/Payroll Module in Poland. Likewise, implementation of the SAP solution to support financial management of the ZUS-operated funds (Social Insurance Fund, Health Insurance Fund, Labour Fund, Guaranteed Employee Benefits Fund, and Early Retirement Benefits Fund) has been done on an unprecedented scale in our country. The amount of money transferred through the accounts of those funds exceeds PLN 120 billion on an annual basis. Concurrently, we prepared a mySAP solution for the accounting purposes of the Social Insurance Institution itself.

- Affairs management system

  In 2009 we also developed and prepared for implementation a part of the Comprehensive Information System intended to allow more efficient client service, and in particular quick issuance of the social security clearance certificates for insurance payers as well as prompt examination of their complaints. The objective of this project is to accelerate performance of those tasks by ZUS. This solution has been scheduled for implementation in 2010.

- Changes in the social insurance forms

  Having analyzed the most frequent mistakes made in the documents submitted by social contribution payers, ZUS decided to have the insurance forms modified in such a way as to improve the quality of submitted documentation and thereby reduce the number of explanatory proceedings. In 2009 we made the ZUS Comprehensive Information System, including the "Płatnik" program, ready to receive and verify new insurance forms.

**Key Enterprises Department**

- Tele-Fonika Kable Sp. z o.o. – agreement for implementation of the SAP ERP solution within the areas of finance, controlling, tangible assets, sales, production planning, and materials management. Under this project Asseco will also implement the SAP BI-BW data warehouse. Furthermore, Asseco is responsible for integration of the SAP ERP system with the existing external systems (such as the bar code system and transaction systems of the key foreign subsidiaries of Tele-Fonika), using the technology provided by the SAP's NetWeaver integration platform.
- Lotos Group – agreements for development of the Integrated Information System based on the SAP ERP solution. The scope of work performed by Asseco Poland SA included:
  - upgrade of the SAP ERP system to version ERP 2005 ECC 6.0,
  - execution of the Corporate Reporting project for the Lotos Group, with the use of SAP BI tools,
  - implementation of the SAP ERP system of controlling in the company of Lotos Tank, and supporting employees of the Lotos Group in implementation of the modules of finance, tangible assets, sales, and materials management.

**Resolutions passed during the General Meetings of Shareholders held in 2009.**

**Ordinary General Meeting of Shareholders of Asseco Poland**

The Ordinary General Meeting of Shareholders of Asseco Poland SA held 26 May 2009 passed the following resolutions:

- resolution on approving the report of the Management Board of Asseco Poland SA on the Company's business operations in the financial year 2008;
- resolution on approving the financial statements of Asseco Poland SA for the financial year 2008;
- resolution on approving the consolidated financial statements of the Asseco Poland Group for the financial year 2008 as well as on approving the report on business operations of the Asseco Poland Group in the financial year 2008;
- resolutions on acknowledging the fulfilment of duties by Members of the Management Board and Supervisory Board of Asseco Poland SA;
- resolution on distribution of the net profit for the year and payment of a dividend;
- resolution on approving the report of the Management Board of Asseco Poland SA on business operations of Prokom Software SA in the period from 1 January 2008 till 1 April 2008;
- resolution on approving the financial statements of Prokom Software SA for the period from 1 January 2008 till 1 April 2008;
- resolutions on acknowledging the fulfilment of duties by Members of the Management Board of Prokom Software SA;
- resolution on acknowledging the fulfilment of duties by Chairman of the Supervisory Board of Prokom Software SA;
- resolutions on acknowledging the fulfilment of duties by Members of the Supervisory Board of Prokom Software SA;
- resolution on approving the report of the Management Board of Asseco Poland SA on business operations of ABG SA (company registration no. KRS 0000049592) in the period from 1 January 2008 till 1 October 2008;
- resolution on approving the financial statements of ABG SA (company registration no. KRS 0000049592) for the period from 1 January 2008 till 1 October 2008;

- resolutions on acknowledging the fulfilment of duties by Members of the Management Board of ABG SA (company registration no. KRS 0000049592);
- resolutions on acknowledging the fulfilment of duties by Members of the Supervisory Board of ABG SA;
- resolution on approving the report of the Management Board of Asseco Poland SA on business operations of Systemy Informacyjne Kapitał SA in the financial year 2008;
- resolution on approving the financial statements of Systemy Informacyjne Kapitał SA for the financial year 2008;
- resolution on acknowledging the fulfilment of duties by Member of the Management Board of Systemy Informacyjne Kapitał SA;
- resolutions on acknowledging the fulfilment of duties by Members of the Supervisory Board of Systemy Informacyjne Kapitał SA;
- resolution on giving consent to disposal of real estate located in Konstancin-Jeziorna.

In 2009 the Company paid out to its shareholders a dividend for the year 2008. By decision of the Ordinary General Meeting of Shareholders of Asseco Poland SA the amount of PLN 70,301,702.40 from net profit for the year 2008 was allocated to payment of a dividend of PLN 1.03 per share, with the reservation that 9,311,450 treasury shares held by the Company were excluded from the dividend distribution. The remaining portion of net profit for the year 2008 was appropriated for increasing the Company's reserve capital.

**Extraordinary General Meeting of Shareholders of Asseco Poland**

The Extraordinary General Meeting of Shareholders of Asseco Poland that was held on 7 and 14 January 2009 passed, among others, the following resolutions:

- resolution on dismissal of Mr. Bohdan Denysyk from the Supervisory Board of Asseco Poland SA;
- resolution on appointment of Mr. Dariusz Brzeski as member of the Supervisory Board of Asseco Poland SA for a 5-year term of office;
- resolution on the merger of Asseco Poland SA with the company SI KAPITAŁ SA;
- resolutions on amendment of the Articles of Association and the Bylaws of the General Meeting of Shareholders of Asseco Poland SA.

The Extraordinary General Meeting of Shareholders of Asseco that was held on 26 November 2009 passed the following resolutions:

- resolution on the Company's merger with ABG SA seated in Warsaw (company registration no. KRS 0000263110);
- resolution on amendment of the Company's Articles of Association;
- resolution on amendment of the Bylaws of the General Meeting of Shareholders.

## Business profiles of major companies of the Asseco Group

**Asseco Business Solutions SA**

Asseco Business Solutions is listed on the Warsaw Stock Exchange. The company delivers state-of-the-art IT solution for enterprises irrespective of their industry, size or business nature. Within the Asseco Group, Asseco BS operates as the competence centre responsible for ERP systems, software for SMEs, and outsourcing of information technology. The product

portfolio of Asseco BS includes also mobile solutions, factoring systems as well as electronic data exchange platforms. The company's products and services are offered to all the market segments, from small and medium-sized enterprises to huge corporations.

**Asseco Central Europe (Asseco Slovakia a.s.)**

Asseco Central Europe is listed on the Warsaw Stock Exchange. The company provides comprehensive IT solutions and services for international financial institutions (Erste, Allianz, UniCredit, etc.), for institutions of the central and local public administration as well as for the private sector enterprises. The company's product portfolio consists of banking and insurance information systems, systems for building societies, payment cards, health information systems, data-warehouse, business-intelligence and e-Commerce solutions, reporting systems and turn-key projects. The capital group of Asseco Central Europe incorporates Asseco Czech Republic, Asseco Solutions, UNIQUARE and Statlogics, who sell and implement their products in the markets of Slovakia, the Czech Republic, Hungary, Austria, Germany, and Switzerland.

**Asseco DACH**

Asseco DACH is engaged in making capital investments in IT companies as well as in provision of information technology services in German-speaking countries (Germany, Austria, and Switzerland). Nowadays, the holding comprises two German firms, namely Automation & Productivity AG – a supplier of ERP solutions, and matrix42 – a provider of applications for product lifecycle management as well as producer of software for management of IT resources.

**Asseco Northern Europe SA**

The scope of Asseco Northern Europe business are capital investments in IT companies as well as provision of IT services in Scandinavia and the Baltic Republics (Sweden, Norway, Denmark, Lithuania, Latvia, and Estonia). At present the holding comprises of the Danish IT Practice A/S – a provider of high class consulting services and proprietary information solutions for financial institutions and biotech companies, as well as Sintagma UAB – a leading producer of software and integrator of IT systems in Lithuania. The products and services of SINTAGMA are dedicated primarily for the public administration and the financial sector.

**Asseco South Eastern Europe SA**

Asseco South Eastern Europe is listed on the Warsaw Stock Exchange. This company was created by integrating the competence, experience, know-how, solutions and customer base of seven companies operating in the region of South Eastern Europe, each being a leader in its market segment. From the beginning of its operations, the company focused its efforts on development of proprietary IT solutions. The business offer of Asseco South Eastern Europe includes solutions and services for the banking sector, authentication solutions, supply, installation and maintenance of ATMs and POS terminals, software and services for the

telecom sector as well as integration services, supply and implementation of IT systems and hardware. Nowadays Asseco South Eastern Europe has five subsidiary companies operating in the territories of Serbia, Croatia, Montenegro, Bosnia and Herzegovina, Kosovo, Moldavia, Albania, Bulgaria, and Romania.

**Asseco South Western Europe SA**

Asseco South Western Europe is engaged in making capital investments in information technology companies as well as in provision of IT services in the countries of South Western Europe (Spain, Portugal, Italy, France). The holding consists of two Spanish companies, namely Asseco Spain SA (former Raxon Informatica) which is one of the key players in the Spanish IT market offering consulting on IT infrastructure, security solutions, HR management solutions, outsourcing services as well as fully comprehensive IT support; and Terminal Systems SA specialized in design and implementation of IT solutions for transportation companies.

**Asseco Systems SA**

Asseco Systems is one of the leaders in provision of maintenance services and IT outsourcing in Poland. This company is specialized in highly advanced services relating to integration of systems (data security, archiving and administration of IT resources). The firm is also competent in provision of teletechnical services and building automation systems.

**Furthermore, the Asseco Group brings together a number of smaller subsidiaries and associates offering specialist solutions for their target market niches.**

**ADH Soft Sp. z o.o.**

ADH Soft is specialized in development of professional software for the financial sector, especially for leasing companies and car fleet management (CFM). The company is a leading producer of programs and applications used by over 70% of leasing operators in the local market.

**Alatus Sp. z o.o.**

Alatus is a provider of a broad range of IT services including software development, ERP/CRM management systems, Enterprise Content Management systems, Business Intelligence systems. The company's portfolio also includes industry-specific solutions, among others, for publishing houses, financial institutions, power industry, and the public sector. The Alatus's solutions are implemented in the key sectors of economy such as power industry, trade, mass media, finance, and industry.

**Combidata Poland Sp. z o.o.**

Combidata Poland focuses its operations on widely understood education. The trainings are designed and conducted in compliance with the ISO 9001 standard. The company's headquarters is based in Sopot, whereas its branches and training centres are located in 30 cities all over Poland.

**Zakład Usług Informatycznych OTAGO Sp. z o.o.**

OTAGO is engaged in development and implementation of software to support operations of the local government bodies. The firm is the author and owner of the OTAGO Integrated Municipal Management System. The OTAGO's methodology of production, implementation and maintenance of information systems has been well tried in practice and it satisfies the requirements of ISO 9001:2000, as confirmed by ISO certificate obtained in 2003.

**ZUI Novum Sp. z o.o.**

NOVUM is specialized in creation of information technology systems designed for cooperative banks. The company operates as a developer of banking applications, integrator and provider of comprehensive IT systems.

# 14 Corporate officers of Asseco Poland SA

During the year 2009 the compositions of the Management Board and Supervisory Board were as follows:

| Supervisory Board | Period of service | Management Board | Period of service |
|---|---|---|---|
| Jacek Duch | 01.01.2009 – 31.12.2009 | Adam Góral | 01.01.2009 – 31.12.2009 |
| Adam Noga | 01.01.2009 – 31.12.2009 | Zbigniew Pomianek | 01.01.2009 – 31.12.2009 |
| Jarosław Adamski | 01.01.2009 – 31.12.2009 | Przemysław Borzestowski | 01.01.2009 – 31.12.2009 |
| Andrzej Szukalski | 01.01.2009 – 31.12.2009 | Tadeusz Dyrga | 01.01.2009 – 31.12.2009 |
| Bo Denysyk (1) | 01.01.2009 – 31.01.2009 | Piotr Jeleński (3) | 01.01.2009 – 01.07.2009 |
| Dariusz Brzeski (2) | 01.02.2009 – 31.12.2009 | Renata Bojdo (4) | 01.07.2009 – 31.12.2009 |
| | | Marek Panek | 01.01.2009 – 31.12.2009 |
| | | Krzysztof Kardaś (5) | 01.01.2009 – 01.10.2009 |
| | | Paweł Piwowar (6) | 01.10.2009 – 31.12.2009 |
| | | Robert Smułkowski | 01.01.2009 – 31.12.2009 |
| | | Adam Rusinek (7) | 01.01.2009 – 31.12.2009 |
| | | Przemysław Sęczkowski | 01.01.2009 – 31.12.2009 |
| | | Włodzimierz Serwiński | 01.01.2009 – 31.12.2009 |

*(1) dismissed from the position of Member of the Supervisory Board with effect from 31 January 2009*
*(2) appointed as Member of the Supervisory Board with effect from 1 February 2009*
*(3) resigned as Vice President of the Management Board as of 1 July 2009*
*(4) appointed as Vice President of the Management Board as of 1 July 2009*
*(5) resigned as Vice President of the Management Board as of 1 October 2009*
*(6) appointed as Vice President of the Management Board as of 1 October 2009*
*(7) resigned as Vice President of the Management Board as of 31 December 2009*

On 14 January 2009, the Extraordinary General Meeting of Shareholders of Asseco Poland SA appointed Mr. Dariusz Brzeski as Member of the Supervisory Board.

On 16 June 2009 the Company's Supervisory Board received a letter of resignation from Piotr Jeleński resigning as Vice President of the Management Board of Asseco Poland SA with effect from 1 July 2009. Mr. Jeleński resigned as he needed to be fully engaged in management and development of the Asseco South Eastern Europe Group where he serves as President of the Management Board. Another important reason for this resignation was the delegation of authorities within the Asseco Poland Group under which Mr. Jeleński is responsible for supervision and coordination of financial management of the entire Group.

On 16 June 2009 the Supervisory Board of Asseco appointed Mrs. Renata Bojdo to serve as Vice President of the Management Board during the five–year joint term of office from 2007 to 2011. The appointment became effective from 1 July 2009. Mrs. Bojdo is responsible for the Company's financial management.

On 29 September 2009 the Company's Supervisory Board received a letter of resignation from Mr. Krzysztof Kardaś resigning as Vice President of the Management Board of Asseco Poland SA with effect from 1 October 2009. Mr. Kardaś resigned for personal reasons.

On 29 September 2009 the Supervisory Board of Asseco appointed Mr. Paweł Piwowar to serve as Vice President of the Management Board during the five–year joint term of office from 2007 to 2011. This appointment came into effect on 1 October 2009. Mr. Piwowar is responsible for the Enterprises Division.

On 29 December 2009 the Company received a letter of resignation from Mr. Adam Rusinek resigning as Vice President of the Management Board of Asseco Poland SA with effect from 31 December 2009. Mr. Rusinek resigned due to personal reasons.

As at publication of this report, i.e. on 19 March 2010, the Company's Supervisory Board was composed of the following persons:

| First name and surname | Position |
|---|---|
| Jacek Duch | Chairman of the Supervisory Board |
| Adam Noga | Vice Chairman of the Supervisory Board |
| Jarosław Adamski | Member of the Supervisory Board |
| Andrzej Szukalski | Member of the Supervisory Board |
| Dariusz Brzeski | Member of the Supervisory Board |

As at publication of this report, i.e. on 19 March 2010, the Company's Management Board was composed of the following persons:

| First name and surname | Position |
|---|---|
| Adam Góral | President of the Management Board |
| Zbigniew Pomianek | Vice President of the Management Board |
| Przemysław Borzestowski | Vice President of the Management Board |
| Renata Bojdo | Vice President of the Management Board |
| Tadeusz Dyrga | Vice President of the Management Board |
| Paweł Piwowar | Vice President of the Management Board |
| Marek Panek | Vice President of the Management Board |
| Włodzimierz Serwiński | Vice President of the Management Board |
| Przemysław Sęczkowski | Vice President of the Management Board |
| Robert Smułkowski | Vice President of the Management Board |

## 15 Company shares held its management and supervisory staff

Numbers of shares in Asseco Poland SA held by its management and supervisory staff are presented below.

| Supervisory Board Members | Number of shares held as at | | |
|---|---|---|---|
| | 19 March 2010 | 31 Dec. 2009 | 31 Dec. 2008 |
| Jacek Duch | 17,505 | 17,505 | 17,505 |
| Jarosław Adamski | - | - | - |
| Bo Denysyk | - | - | - |
| Dariusz Brzeski | 525,000 | 525,000 | n/a |
| Adam Noga | - | - | - |
| Andrzej Szukalski | - | - | - |

| Management Board Members | Number of shares held as at | | |
|---|---|---|---|
| | 19 March 2010 | 31 Dec. 2009 | 31 Dec. 2008 |
| Adam Góral | 8,083,000 | 8,083,000 | 8,083,000 |
| Renata Bojdo | - | n/a | n/a |
| Przemysław Borzestowski | - | - | - |
| Tadeusz Dyrga | 19,352 | 19,352 | 19,352 |
| Piotr Jeleński | n/a | - | - |
| Krzysztof Kardaś | n/a | - | - |
| Marek Panek | - | - | - |
| Paweł Piwowar | - | n/a | n/a |
| Zbigniew Pomianek | - | - | - |
| Adam Rusinek | - | - | - |
| Włodzimierz Serwiński | - | - | - |
| Przemysław Sęczkowski | - | - | - |
| Robert Smułkowski | 2,212 | 2,212 | 2,212 |

## 16 Remuneration, bonuses and other benefits paid to the management and supervisory staff of Asseco Poland SA

The amounts of remuneration, bonuses and other benefits paid to the management and supervisory staff of Asseco Poland SA have been presented in Note 37 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

## 17 Monitoring of employee stock option plans

As at the date of preparation of this report, the Company did not run any employee incentive scheme based on its shares.

# Strategy and development outlook of the Asseco Group

## Group

## Strategy

**The Company's mission** is to build an international group of profitable companies producing and providing information technology solutions.

**The Company's objective** is to maximize the value for Shareholders by implementing a development strategy that aims at maintaining a leading position among European software producers. Asseco spares no effort to boost its market position in Central and Eastern Europe as well as in South Eastern Europe. Whereas, entering into West European markets will reinforce our potential in the European software market. Our Management Board believes it is extremely important for Asseco to be present in the whole of Europe in order obtain access to the implementation of the largest information technology projects which are often entrusted to the companies running pan-European operations.

Concurrently, the IT industry experience shows the only effective way of expansion into new markets, and in particular into the markets of West Europe, is to take over the companies that already operate in the target market. This enables gaining fast insight into the local markets and clients and also provides access to new and unique IT solutions to enrich the product portfolio of the entire Asseco Group. Thanks to cooperation and sharing of experience among the Group companies, the flagship solutions of Asseco will be marketed across all the countries we operate in.

Asseco intends to implement its business strategy by taking the following initiatives:

- Further international expansion primarily through company acquisitions.
- Taking part in consolidation of the Polish IT market.
- Achievement and maintenance of a leading position in the markets where the Asseco Group operates.
- Streamlining of the Asseco Group structure.
- Stepping up cooperation with the existing clients.
- Improvement of operational efficiency.

### Further international expansion primarily through company acquisitions

The Asseco companies operate in over a dozen European countries. The key element of our strategy is further expansion of the Asseco Group through take-overs of profitable providers of IT solutions.

Asseco has already managed to build a strong position in the markets of Central, Eastern, and South Eastern Europe which are served by Asseco Poland, Asseco Slovakia, and Asseco South Eastern Europe. In the nearest future foreign expansion of the Asseco Group will focus on the West European markets where Asseco DACH, Asseco South Western Europe and Asseco Northern Europe conduct their operations.

Below are presented our development plans in each individual region:

- Central and Eastern Europe

  The Asseco Group strategy anticipates continuation of the consolidation processes carried out by Asseco Slovakia in the IT markets of Slovakia, Czech Republic, and

Hungary. Our objective is to create a strong capital group of Asseco Central Europe to operate in the above-mentioned markets.

- Asseco SEE

  Asseco SEE is a holding company which owns equity interests in five IT companies operating in the countries of Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Kosovo, Albania, Romania, and Moldavia. The Group's strategy provides for continued expansion of Asseco SEE by making further company acquisitions in order to create the largest software house operating in this region of Europe.

- Asseco DACH

  The Asseco Group has already launched its operations in West Europe – in Germany (through subsidiaries of DACH) as well as in Austria. The Group's strategy assumes further reinforcement of the Asseco DACH market position by rearranging its organizational structure and division of competence as well as by acquiring additional companies that offer banking and enterprise solutions. Asseco DACH will focus on strengthening its position in the ERP market and start to build its potential as a provider of solutions for the banking sector.

- Asseco South Western Europe

  Operations of the Asseco Group in the IT marketplace of Spain are performed by Asseco Spain and Terminal Systems. It is the Group's strategic objective to expand its business in West Europe by making further acquisitions of companies operating in Spain, Portugal, France, and Italy.

- Northern Europe

  The Asseco Group is also active in the information technology markets of Denmark and Lithuania through the companies of IT Practice A/S and Sintagma UAB, respectively. The Group's strategy provides for continued expansion in Northern Europe by acquisition of further companies operating in Scandinavia and the Baltic Republics.

**Taking part in consolidation of the Polish IT market**

In the recent years the Asseco Group has played an important role in consolidation of the Polish IT market. Owing to numerous acquisitions, the Asseco Group was able to considerably expand the products and services portfolio as well as its customer base in the domestic market. It is the Group's strategy to continue to participate in consolidation of the Polish IT market by making further acquisitions of companies, the products and services of which might complement our existing portfolio.

**Achievement and maintenance of a leading position in the markets where the Asseco Group operates**

It is a strategic objective of the Asseco Group to achieve a leading position (in the top three) in each market where the Group is active, in terms of sales revenues while keeping the present margins of profit. Thanks to cooperation and sharing of experience among the Group companies, the flagship solutions of Asseco will be marketed across all the countries we operate in.

**Streamlining of the Asseco Group structure**

The Asseco Group strategy includes establishing of strong competence centres within our organization. This will give an opportunity to eliminate the areas of potential mutual competition among the Group companies which will focus on their very specializations. Transferring of resources among the Group companies as well as rearrangement of their organizational structures and competences are all aimed at achievement of considerable cost synergies, expanding the product portfolio and boosting competitiveness of the Asseco Group.

**Stepping up cooperation with the existing clients**

Having operated in the IT market for many years, the Asseco Group has established long-lasting cooperation with numerous large banks, financial institutions and bodies of public administration. The Group's strategy assumes furthering of business relations with our key accounts by developing a product portfolio that would satisfy it their needs.

**Improvement of operational efficiency**

The Asseco Group strategy assumes continual improvement of operational efficiency in order to reduce costs and thereby increase the profitability of our business. The Group intends to achieve reduction of operating costs, among others, by optimization of the production processes and better management of human resources.

# 19 Characteristics of factors essential to the Group's development

## External factors essential to the enterprise development

The most important external factor determining growth of the Asseco Poland Group are conditions in the market for information technology solutions, which has already been described in chapter 3 herein. Further external factors affecting the Group's development include:

**Factors related to IT industry and regulatory environment**

- The Asseco Group faces stronger and stronger competition in the IT market. This may hinder our capability to gain new orders, and eventually reduce our profits and market share.
- Unfavourable market trends might affect the Group's operating revenues and net income.
- Frequent amendments, inconsistency and lack of common interpretations of legislative acts might have a negative impact on the Group's operations, future outlook, operating results and financial position.
- Execution of long-term agreements and settlement of contracts in foreign currencies, both with suppliers and customers, brings about the risk of fluctuations in revenues and costs resulting from changes in the foreign currency exchange rates, which may obviously affect the Company's financial performance.
- Any changes which the Parent Company may be potentially forced to introduce in order to comply with the public company requirements, might prejudice the course of the Group's operations.
- As Polish banks are more and more owned by foreign investors, there is some risk that the banks which are taken over by foreign organizations will start to use the global IT solutions applied by their shareholders.

**Factors related to business activities**

- Nowadays the Asseco Poland Group conducts business operations in over a dozen European countries and therefore it is exposed to diversified pace of development in individual states, which may affect its future revenues and profits.
- The Group's operating strategy involves expansion to other geographical regions, which if not followed might have negative effects of development and future operations of Asseco Poland SA.
- The key suppliers may want to limit their cooperation with the Group which might have adverse effects on the Group's operations, future prospects, operating results and financial position.
- Loss of financial liquidity by the Group's subcontractors may undermine the Group's credibility among clients and negatively impact its operations, future prospects, operating results and financial position.
- The Group may incur contractual penalties in case it fails to meet the deadlines or defaults in performance under its contracts, which might have adverse effects on the operations, future outlook, operating results and financial position of the Group.
- The Group's operations, future prospects, operating results and financial position might suffer due to any loss of good reputation.
- It is characteristic of the IT business that most of contracts are awarded under tendering procedures.
- Delays in finalization of the tendering procedures for delivery of IT infrastructure for the public administration may result in unstable revenues from this sector.
- Failure to develop and market new products and services would be unfavourable to the Group's business.
- The Group depends upon its key personnel, and loosing them might have adverse effects on the results of our operations.

- Dynamic growth and development may result in difficulty to recruit suitable managerial and operating human resources which might negatively influence the operations, future outlook, operating results and financial position of the Group.
- The Group may possibly be unable to keep its corporate culture up with the business growth, which might negatively influence its operations, prospects, operating results and financial position.
- The Group might incur considerable expenses for adjusting it products to any amendments of legal regulations, which could negatively impact its operations, future prospects, operating results and financial position.
- The Group's operations in certain segments of the market may be deemed as abuse of dominant position by the Group; hence, some negative consequences of such appraisal cannot be precluded which might hinder the Group's operations and future prospects, and deteriorate its operating results and financial position.
- The insurance contracts maintained by the Group may not include all types of risk occurring in the future. Hence, any episodes of force majeure may adversely impact the Group's operations, operating results and financial position.

**Economic condition of the clients and the markets of their operations**

Financial performance of companies operating in the IT solutions market depends to a large extent on the economic condition of their existing and potential clients, as it is taken into account when the client management teams set their priorities. The clients' prosperity is influenced by the overall economic growth, and also by decreasing interest rates and squeezed margins understood as the difference between the interest on credits and deposits.

**Rapid development of technology**

IT sector is characterized by rapid development of new solutions and technologies, hence the product lifecycle in this market is relatively short. Therefore, the future success of our Group will largely depend upon its capability to incorporate the latest technological solutions into the provided products and services. In order to maintain the competitive advantage in this market, it is necessary to conduct research work and to invest in new products. But it must be emphasized that not only our Group keeps up with the pace and scale of technological innovation, but it is one of the major developers of IT solutions for financial institutions, public administration and enterprises in the Polish market. This has been confirmed by the leading position in the ranking of software developers.

**Strong competition in the IT market**

The industry in which the Group chose to operate is highly fragmented and therefore very competitive. Competition of foreign companies is getting systematically stronger. They have got faster access to innovative technological solutions, but also to cheaper sources of funds, which makes it possible to finance large contracts more efficiently. Nonetheless, most of the software marketed by Asseco is proprietary and therefore we are able to realize higher margins than our competitors who sell just third-party software. Although it cannot be precluded that the operating margins achieved by Group will some time decline as a result of severe competition.

**Fluctuations in foreign currency rates**

Fluctuations in foreign currency rates have a considerable impact on the Group's international operations and further expansion in foreign markets. Unfavourable changes in the exchange rates of foreign currencies may exert a negative impact on the financial performance of the Group companies, and the financial position of the whole Group. Apart from that, a substantial portion of supplies are purchased from foreign contractors and paid in foreign currencies, whereas most revenues of the Group companies are still recognized in local currencies.

**Technological saturation**

Technological saturation that begins to emerge in the banks and private enterprises may prompt them to focus their strategies on smaller or mid-size IT projects that would address their current needs only.

## Internal factors essential to the Group's development

**Execution of the largest contracts**

The main internal factor influencing long-term sustainability of the Parent Company's strong position is execution of its long-term contracts including the informatization of PKO BP Bank (entered into in August 2003), creation of the Comprehensive IT System for the Social Insurance Institution (ZUS) as well as implementation of other large projects in the insurance and public administration sectors. Execution of such projects requires considerable financial outlays to be made at the initial stages of a project implementation. On the other hand most revenues from such projects are achieved in the final stages of a project implementation.

**Premium quality and comprehensive offer of the Group**

The Group is able to win new contracts owing to its commitment to high quality as well as due to the comprehensive nature of its IT offering. The Asseco Group is perceived by the market as a supplier of information technology solutions incorporating the highest quality products and services. This has been many times acknowledged by the industry awards and leading positions taken in the IT rankings. In spite of that, the Group continues to expand and develop its business by conducting own R&D work, and also by taking over ready-made products by way of acquisitions of domestic and foreign undertakings.

**Ability to maintain the existing competitive advantages**

Further expansion opportunities will be conditioned by the Group's ability to maintain its competitive advantages over other IT market players. According to the Management Board, the Group's most significant competitive advantages are:

- Comprehensive and well diversified portfolio of products and services.
- International nature of the Asseco Group operations.
- Full range of solutions for the banking sector.
- Flexibility of the solutions marketed by the Asseco Group.
- Long-term experience in the IT market.

- Professional human resources engaged in our IT projects.
- Popular and widely recognisable brand name of Asseco.
- Stable financial position.

**Effective reinforcement of position in the market of IT solutions for banks, financial institutions and the public administration**

Improvement of the existing solutions and development of new competitive products are both intended to reinforce the Company's position in the markets it has already captured, as well as to gain new markets and Clients. Doing so is essential for the Group's further development and increasing in value. The Parent Company will concentrate its efforts on production of proprietary software, inclusive of the def3000ystem dedicated especially to banks. Furthermore, the Group will benefit from offering the ready-to-implement system for the insurance sector that was designed in cooperation Asseco Slovakia.

**Risk involved in integration process following the mergers with Prokom Software SA and ABG SA**

The amalgamation process is subject to risk concerning effective integration of the operating assets of the capital groups of all the companies. It cannot be taken for granted that the combination of those businesses will bring the expected synergy effects and savings due to economies of scale. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Company, as well as on its prospective development.

# 20 Discussion of significant risk factors and threats

## Risk factors involved in the business environment where the Company and the Asseco Group operate

**Risk related to the macroeconomic situation of Poland**

Development of the IT services sector is closely correlated to the overall economic prosperity. The main factors affecting financial results of the Asseco Group are the pace of GDP growth, value of the public orders for IT solutions, level of capital expenditures made by enterprises, the inflation rate, and foreign currency exchange rates versus the Polish zloty. The backlog of orders contracted by Asseco Poland for 2010 has already, till 19 March 2010, reached 90% of the Company's sales revenues in 2009. Nevertheless, there is still a risk that the economic slow down observed in Poland as well as recession forecasts for most of the countries the Group operates in, lower capital expenditures in enterprises, decline in public spending or higher inflation might cause our clients to resign from the orders already placed, or to reduce the number or suspend any new orders for IT solutions offered the Asseco Group, which in turn may have a negative impact on the Group's operations, financial position and results as well as on its development outlook.

**Foreign currency exposure risk**

Some of the long-term agreements concluded by the Group are denominated in foreign currencies (EUR and USD). With regard to the above the Asseco companies are exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus their local functional currencies in the period from concluding a contract until it is invoiced. Therefore, changes in foreign currency exchange rates may obviously have some adverse effects on the operations, financial position, financial performance, and development outlook of Asseco Poland.

**Risk related to intensified competition**

The Group's operations are under the pressure of continually stronger competition both from the local players and international IT corporations, which has to be faced especially when it comes to execution of large and prestigious contracts. As many large IT companies take part in consolidation processes and more and more institutions begin to hire their own specialists, the Group's competitive advantage over other firms may be diminished, which in consequence might influence its business operations and financial performance. The competition of foreign companies is getting systematically stronger. They have got faster access to innovative technological solutions, but also to cheaper sources of funds, which makes it possible to finance large contracts more efficiently. It is not certain that the increasing competition will have no significant adverse impact on the Group's operations, financial position, financial results and future development outlook.

**Risk related to consolidation of the banking sector**

The banking sector is the place of ongoing consolidation processes. There is a risk that consolidators of the banking sector will force the acquired banking institutions to use their global IT solutions, which may cause more difficulty in gaining new contracts or even result in termination of already concluded contracts for supply of bank information systems. Such circumstances might have a negative impact on the Group's operations, financial position and results as well as on its future outlook.

**Risk related to regulations of the Banking Law pertaining to outsourcing**

According to the Banking Law, the transfer (from a bank to an external entity) of a business function related to banking activities is subject to special legal regime. The Banking Law provisions impose a number of obligations, especially in connection with entering into an agreement between the client bank and the outsourcer. These obligations have been described in chapter "Regulatory environment and its impact on development of IT market in Poland". Furthermore, the Banking Law excludes the possibility of a waiver or limitation of liability towards the bank by virtue of losses incurred by its clients as a result of non-performance or improper performance of contractual obligations by the service provider who was entrusted with execution of specific actions. Additionally, conclusion and execution of outsourcing agreements is subject to strict scrutiny by the Polish Financial Supervision Authority which, in certain cases determined by the Banking Law, may order the bank to take action aiming to amend or terminate such agreement.

The Banking Law regulations apply also to the agreements for outsourcing of business functions in the scope of information technology, which are directly related to banking activities. In this regard there is a risk that a considerable number of agreements to be concluded in the future, as well as those concluded in the past, between banks and the Group companies will be deemed to come under the said Banking Law regulations.

Hence, when entering into an agreement with a bank, the Asseco companies are forced to assume unlimited liability for losses caused to the bank's clients. Until the publication date of this report, the Parent Company incurred no such liability for losses caused to bank clients. Nevertheless, in cases when the regulatory risk will outweigh the potential benefits of a contract, the Group may resign from concluding that contract. Such circumstances may have an adverse impact on the operations, financial position and financial performance of the Group, as well as on its prospective development.

**Risk of changes in regulations and their interpretation**

Frequent amendments, lack of cohesion and uniform interpretation of the provisions of law, concerning in particular the tax regulations, banking law, insurance law (inclusive of social insurance), the Act on public procurement, the Act on personal data protection, the Act on trading in financial instruments, the Act on public offering as well as the Polish Commercial Companies Code, give rise to the regulatory risk occurring in the environment in which the Asseco Group operates. The tax regulations and their interpretations are more than others prone to often changes. Practices of the internal revenue administration and the court judicature are not uniform in this domain. In the event the taxation authorities take a position that is different from the Parent Company's interpretation of tax regulations, the Group’s operations, economic situation and financial results may be exposed to negative consequences thereof. Such risk may be materializing especially due to potential doubts expressed by the taxation authorities over the transactions the Parent Company conducts with its related entities. This might have a negative impact on the Group's operations, financial position and results as well as on its future outlook.

**Risk of potential legal disputes concerning copyrights**

Development of the Asseco Group operations in the market of IT products depends to a large degree on ownership of intellectual property rights, especially copyrights to computer programs. Because of a variety of legal regulations pertaining to the protection of intellectual property that are applicable in the countries where the Asseco Group operates, in some circumstances there may be doubts as to the effectiveness of transferring of copyrights in the software codes compiled by employees in favour of their employers (Asseco companies). In order to prevent such situations, any work contracts or other contracts under which employees provide their services to the Group companies must include adequate provisions to effectively assign such employee's copyrights in software to the Asseco companies. As at the registration document date, the Group companies were not party to any significant disputes arising from copyrights in computer programs. Nevertheless, it cannot be entirely precluded that potential (even illegitimate) claims of copyrights, that may be raised by third parties, will have a negative bearing on the Group's operations, financial position and results, and on its development prospects.

## Description of risk factors related to operations of the Company and the Asseco Group

**Risk involved in becoming dependent on the key customers**

Implementation of the key account contracts – in particular those for execution of the Central IT System for PKO BP Bank, the Central Register of Vehicles and Drivers (CEPiK) for the Ministry of Interior and Administration (MSWiA), as well as for execution and maintenance of the Comprehensive IT System for the Social Insurance Institution (ZUS) – will heavily impact the level of sales revenues realized by the Parent Company in the coming years. Likewise, the Company's financial results would be substantially influenced by any potential claims for compensation (including those under contractual penalties) resulting from improper performance of obligations under the above-mentioned major contracts. Until the publication date of this report, there occurred no circumstances which would justify early termination or deterioration of the contractual terms and conditions under any of the key contracts concluded by the Parent Company, or which might justify making any claims for compensation arising out of or in relation to those contracts. Yet it cannot be precluded that a potential loss of any of the above-mentioned major clients, deterioration in the financial terms for provision of services, or potential compensatory claims would have an adverse impact on the operations, financial position and financial performance of the Group, as well as on its future development.

**Risk of inability to effectively integrate the taken-over companies or to achieve the intended rates of return on acquisitions or investments**

The Asseco Group implements the strategy of development through acquisitions of or capital investments in IT companies. Valuation of the future acquisitions or investments will depend on the market conditions as well as on other factors beyond the Group's control. It cannot be entirely precluded that the Parent Company may be unable to accurately estimate the values of undertaken acquisitions or investments. There is also a risk that earnings generated by the acquired or investee companies fall short of the initial estimates which might prevent the Group from achieving the rates of return that were originally expected from such transactions. Furthermore, following any acquisitions or investments, the Group may need to take measures to rearrange the organizational structures of the target companies as well as to integrate some of their business areas. Such processes may turn out time-consuming and expensive, hence it is not certain that they will be performed within the intended schedule or scope of work, or whether they will be completed at all. The integration processes carried out within individual companies may also bring about permanent changes to the Asseco Group operating procedures, or even result in losing some of the existing clients or business partners. The impossibility of effective integration of the taken-over companies due to any of the above-mentioned circumstances, or by any other cause, may have an adverse impact on the Group's operations, financial position, financial results and future development outlook.

## Risk involved in integration of the Asseco Group

In the period from 2007 and 2009 the Parent Company carried out three significant mergers, successively with the companies of Asseco Poland (former COMP Rzeszów), Prokom Software, and ABG. Apart from the above-mentioned merger processes, the Asseco Group conducted numerous transactions of transferring of assets among its subsidiaries in order to rearrange the Group's organizational structure. Efficient and effective integration of the operating resources of the companies, undergoing business combinations or restructuring, is a long lasting process which has not been completed yet. It cannot be taken for granted that such business combinations or restructuring processes will bring the originally expected synergy effects or savings due to economies of scale, while failure to do so might have an adverse impact on the operations, financial position, financial performance and prospective development of the Group.

## Risk involved in execution of IT projects

Most of the Group's income is derived from execution of complex information technology projects carried out under long-term agreements. Execution of such projects requires considerable financial outlays to be made at the initial stages of a project implementation. On the other hand most revenues from such projects are achieved in the final stages of a project implementation.

A characteristic feature of complex IT projects is that the scope of work and the applied solutions are subject to relatively frequent modifications in relation to the initial arrangements. Consequently, the schedules for execution of individual project stages are often changed from the original timing. Such situations may result in postponing the sales revenues that are usually recognized proportionally as the project-related costs are incurred, which may eventually change the contract profitability. In extreme cases, even without a default on the part of Asseco, the clients may attempt to terminate the concluded agreements or to seek payment of contractual penalties applicable in the event of delayed implementation of a project. Under certain contracts such penalties may be as high as 100% of the contract value. Furthermore, revenues expected to be achieved from some contracts may change as a result of early termination, changes to the scope of work, or necessity to pay contractual penalties as provided for in such contracts. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Group, as well as on its prospective development.

Given the specificity of complex IT projects, they often require making estimations of the project implementation process and the related costs. The assumptions are made based on experience of managers responsible for implementation of such projects, and are subject to periodic verification. Nonetheless, it cannot be precluded that during the contract execution it will appear that the actual costs exceed the initial estimates, resulting in deterioration of the Group's financial results. This might have a negative impact on the Group's operations, financial position and results as well as on its future development outlook.

## Risk involved in insufficient insurance coverage

Business activities of the Asseco Group, including production and supply of software as well as implementation of integration projects, give rise to a risk of damages that may be incurred by the Group clients or their end customers as a result of defective operation or

failure of the products delivered by the Group, whether attributable to its negligence or not. The agreements concluded by the Group provide for contractual penalties in the event of non-performance or improper performance of obligations, and sometimes admit a possibility of seeking further remedies in excess of such contractual penalties. Furthermore, the Banking Law forbids any waiver or limitation of liability towards a bank by virtue of losses incurred by its clients and caused by the bank contractor who was commissioned to perform certain business functions (inclusive of IT activities). The risk related to payment of potential damages in favour of the end customers, who receive services provided by the Group clients, will increase considerably in the event the regulations allowing to bring class action lawsuits into the Polish courts are enforced. The Parent Company as well as the Group companies maintain standard insurance coverage, including the civil liability insurance for business operations and property, with the guarantee amount of PLN 10,000,000. Therefore, any claims for compensation in excess of the guarantee amounts under the carried insurance policies might have a significant negative impact on the operations, financial position, financial performance and prospective development of the Group.

**Risk of losing the clients' trust**

Operations of the Asseco Group are to a large extent based on the customers' trust. Implementation of an IT system, which has critical importance for the customer's business, usually results in signing a long-term agreement with the system user. The quality of solutions and services provided to such clients determines their confidence in the Asseco Group. In the event the quality of delivered products and services was poor, our customers might lose their trust in Asseco which would hurt our reputation in the market and make it impossible to continue successful business operations. The customers' trust is what really counts when trying to gain new contracts as the client references play a crucial role in the selling process. Losing the clients' trust would have a substantial negative impact on the Group's operations, financial position and results as well as on its future development outlook.

**Risk related to software licenses**

The Asseco Group utilizes IT software licenses granted under legal agreements concluded with the world's leading providers of tools software and thematic applications, such as Bea Systems, Business Objects, HP, IBM, Microsoft, Oracle, and SAS Institute. On the basis of solutions and technologies of those companies the Asseco Group develops its most important products. Termination of the licensing agreements or limitation of the Asseco's rights to use such software, especially of IBM and Oracle, might have a negative impact on the operations, financial position, financial performance, and prospective development of the Group.

**Risk related to loosing the key personnel**

The Group's operations and development outlook depend to a large extent on the knowledge, experience and professional qualifications of its employees, who implement the IT projects. A substantial demand for IT specialists and the competitors' activities may induce the key personnel to leave our organization, and also make it quite difficult to recruit new employees with suitable knowledge, experience and professional qualifications. The risk of losing qualified employees is even higher as it becomes easier and easier for Polish citizens to take up job in the EU countries which results in the phenomenon of emigration for economic

reasons. In 2009 the Parent Company's personnel rotation (computed as the number of leaving employees divided by the average headcount in a period) equalled 0.76%. The Parent Company keeps on monitoring the local labour market and makes efforts to accommodate itself to the market tendencies, inclusive of the salaries offered to its employees. Still there is a risk that resignation by the key personnel would have a negative impact on the execution of the IT contracts conducted by the Company as well as on ensuring the required quality and range of services provided. This in turn might bring unfavourable effects for the operations, financial position and financial performance of the Group, as well as for its future outlook.

**Risk related to Offshoring**

Development of information technology services provided offshore to the customers based in the countries where the Asseco Group conducts business operations may eventually trigger off stronger competition in those markets. On the other hand, offshoring investments located in the countries where the Group operates may bring about higher competition in the local labour markets. Such circumstances might have a negative impact on the Group's operations, financial position and results as well as on its future outlook.

**Risk of dependence of the Asseco Poland success on Mr. Adam Góral's engagement in operations of the Asseco Group**

The Asseco Group achieved a strong market position largely owing to the personal efforts of Mr. Adam Góral, a major shareholder of Asseco Poland, who is engaged in management of the Parent Company as well as in creation of long-term business strategy of the Asseco Group. As at the publication of this report, there are no indications that Mr. Adam Góral might resign from participation in management of the Parent Company or development of the Asseco Group strategy, or withdraw from his capital engagement in Asseco Poland. Nonetheless, it cannot be precluded that such circumstances take place in the future which would be unfavourable for the operations, financial position, financial performance, and prospective development of the Group.

**Risk involved in gaining new contracts**

It is characteristic of the IT business that most of contracts of the Asseco Group are awarded under tendering procedures. Therefore, it is not certain that the Group will be able to gain such new contracts that would ensure sufficiently high and satisfactory revenues in the future.

Furthermore, the Asseco Group strategy is to a large extent based on the assumption that the State Informatization Plan is implemented as per the schedule, which shall create opportunities to gain new contracts in the sector of public finance. Nonetheless, it cannot be precluded that the underlying assumptions of the State Informatization Plan are changed or that its implementation will be delayed or limited.

Such circumstances might have a negative impact on the Group's operations, financial position and results as well as on its future development outlook.

**Risk related to carrying out of public tenders**

In 2009 sales of the Asseco Poland Group to the public sector accounted for 30.3% of its total turnover. Delays in finalization of the tendering procedures for delivery of IT infrastructure for the public administration may result in unstable revenues from this sector. If combined with unsatisfactory utilization of the EU funds granted for improving innovation at public offices, this might substantially reduce the local demand for IT services and thereby exert negative impact on the operations and financial performance of the Group as well as on its future development.

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

IT sector is characterized by rapid development of new solutions and technologies, hence the product lifecycle in this market is relatively short. Therefore, the future success of the Asseco Group will largely depend upon our capability to incorporate the latest technological solutions into our products and services. In order to maintain the competitive advantage in this market, it is necessary to conduct research work and to invest in new products. The Asseco Group keeps on monitoring the present information technology trends and develops and upgrades its business offer accordingly. However, there is still a risk that the market will receive new products, which will cause our products and services to become less attractive, and eventually not as profitable as expected. Additionally, it cannot be taken for granted that the new solutions which are, or will be, created or developed by the Group will satisfy the technological requirements, and whether they will be accepted positively by their potential users. In either case the generated revenues might be disappointing in relation to the expenditures incurred. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Group, as well as on its prospective development.

**Risk related to market saturation**

Technological saturation that begins to emerge in the Polish banks and private enterprises may prompt them to focus their strategies on smaller or mid-size IT projects that would address their current needs only. Such circumstances might have a negative impact on the Group's operations, financial position and results as well as on its future outlook.

**Risk related to the strategic objectives**

It cannot be taken for granted that the strategic objectives of the Asseco Group will be accomplished. The Group operates in a constantly changing market environment therefore its financial position will depend on the ability to work out an effective long-term strategy. Any unfortunate business decisions arising out of failure to adapt to changing market conditions may have an adverse impact on the Group's operations, financial position, financial results and future development outlook.

**Risk involved in concluding contracts with the related companies**

While running its business Asseco Poland concludes numerous transactions with other companies of the Asseco Group, inclusive of its subsidiaries and associates. Such transactions ensure effective operation of the entire Asseco Group and they include provision of mutual services, supply of goods as well as other transactions. With regard to the tax regulations pertaining to dealings with related parties and especially to transfer pricing applied in such transactions, and the documentation required to be completed for such transactions, as well as due to increasing interest of the tax authorities in the transfer prices and terms of related party transactions, it cannot be precluded that the Group companies will be subject to tax audits or other controlling activities undertaken by the tax authorities in this respect. Furthermore, knowing the past taxation practices, when taxpayers engaged in transactions which were unordinary for their type of business and which helped decrease their tax charges, they were exposed to the accusations of tax evasion. Such circumstances might have a negative impact on the operations, financial position, financial performance, and prospective development of the Group.

## Financial risk management

The Asseco Poland Group is exposed to a number of risks arising either from the overall macroeconomic situation or from microeconomic situation in individual companies. Business operations of the Group are affected by the following types of financial risk: (i) foreign currency risk, (ii) interest rate risk, (iii) risk of increasing cost of work, (iv) risk of underestimation of the project cost, and (v) risk of concluding a contract with a dishonest customer.

**Foreign currency exposure risk**

The currency used for presentation of the Group's results is Polish zloty (PLN). However, a portion of contracts concluded by the Parent Company are denominated in foreign currencies (EUR and USD). With regard to the above the Parent Company is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the Polish zloty in the period from concluding a contract until it is invoiced. Furthermore, the functional currencies of foreign subsidiaries of the Asseco Group are the currencies of the countries where these entities are legally registered in. Consequently, the assets of such subsidiaries need to be converted to PLN and their values presented in the Parent Company separate financial statements remain under the influence of foreign currency exchange rates against PLN.

Management of such risk involves hedging of the contracts settled in foreign currencies, which is accomplished by concluding simple currency forward contracts or non-deliverable currency forward contracts in case of derivatives embedded in foreign currency denominated contracts. Whereas, contracts concluded in foreign currencies are hedged with forward contracts with delivery of cash.

**Interest rate risk**

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

In order to reduce its interest rate risk, the Group tries to avoid taking out credit facilities based on a variable interest rate or, if not possible, the Group may conclude forward rate agreements.

**Risk of increasing cost of work**

Salaries account for over 70.0% of the costs related to project implementation. Taking into account such high human resource requirements, an increase in salaries may squeeze the margins achieved on the projects and consequently have an unfavourable impact on the Group's results.

In order to manage the risk of higher cost of work, the Group takes a number of measures which can help reduce potential negative effects of rising salaries. Among other things, the Group (i) employs people in many geographical regions aiming to diversify that risk, (ii) continually monitors the level of salaries in the market not to be taken by surprise, and (iii) tries to maintain an appropriate structure of employment within particular levels of competence.

**Risk of underestimation of the project cost**

Most of the Asseco Group income is derived from execution of complex information technology projects carried out under long-term agreements with a predefined remuneration. Implementation of such projects requires very good planning both in terms of the schedule of work and the resources needed to provide the promised scope of the contract. Here the Group follows complex procedures, which on one hand facilitate the process of preparation of reliable plans and on the other hand prevent the incurrence of unexpected costs.

In order to manage the risk of the project cost underestimation, the Group applies the methods (either based on the world recognized standards or proved by own experience) for estimation of the project costs, preparation of work schedules, and identification of risks that may hinder due performance or meeting the deadlines or financial terms of the contract.

**Risk of concluding a contract with a dishonest customer**

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

As the Group operates primarily in the banking and financial sector (60% of total revenues), its customers do care about their good reputation. Hence, the risk control measures are usually limited just to monitoring the timely execution of bank transfers and, if needed, sending a reminder of outstanding payment. Yet in case of smaller clients, it is quite helpful to monitor their industry press as well as to analyze previous experience gathered by ourselves and by our competitors, etc.

# 21 Changes in the principles of the Company and Group management

In 2009 the Parent Company saw minor changes in its management practice, which basically included improving the management tools in order to enable more effective use, monitoring as well as economic evaluation of the Company's resources. Following a number of mergers with subsidiaries (SI Kapitał, ABG) conducted in the years 2007-2009, the Parent Company's organizational structure has been modified in order to rearrange the available resources and areas of competence. The Parent Company further developed the processes and models to better manage its production activities, human resources and competences, and to provide support to its sales force and administration departments. The above-mentioned modifications resulted in better organization of work, more effective utilization of resources, as well as their reliable evaluation and monitoring, all of which contributed to improving the safety of our operations.

With regard to dynamic international expansion of the Group, the Management Board of the Parent Company decided to establish the Board of Directors which is composed of officers representing all the countries where the Asseco Group runs operations. The Board of Directors is responsible for ongoing control and implementation of the Group's common business strategy.

# 22 Changes in capital relationships

Changes in our capital relationships have been described in Note 11 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

# 23 Transactions with related companies

Transactions with the related companies have been presented in Note 28 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

## 24 Bank credits, loans, sureties, guarantees and off-balance-sheet liabilities

Bank credits contracted, loans granted, sureties and guarantees extended, and off-balance-sheet liabilities have been described in Notes 25, 30, and 33 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

## 25 Off-balance-sheet items

The nature, purpose and amount of material off-balance-sheet items have been presented in Notes 30 and 33 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

## 26 Opinion on feasibility of the Management Board financial forecasts for the year 2009

The Parent Company's Management Board did not publish any financial forecasts for the year 2009 as well as for any subsequent financial periods.

## 27 Assessment of financial resources management

In 2009, spare financial resources from operating activities were utilized by the Asseco Group to gradually pay off its outstanding credit facilities as well as for repayment of the entire investment credit which was taken out by the Group in 2007 with the objective to acquire shares in Prokom Software SA. Some funds, serving as security for guarantee lines or due performance of contracts, were invested in financial instruments. This money was invested in financial instruments available in the local interbank market, which offered maximum yield while keeping the risks at the level acceptable to managements of the Group companies.

These instruments included commercial papers, Treasury bills, and bank deposits. When deciding to purchase commercial papers, the Group only considers the financial instruments with a high degree of safety. These are usually bonds guaranteed by a parent company of their issuer, which have a high investment rating, or such bonds in which the intermediary

bank invests as well. Despite safety reasons, liquidity is the second criterion taken into account when selecting bonds to be purchased.

The Group pays its trade liabilities, settles the state obligatory charges, and fulfils its investment obligations on a timely basis. The Group maintains credit facilities at various banks, and is also capable of issuing debt securities, thereby diversifying its sources of financing. The Group's liabilities are paid from its from operating revenues which may be supplemented with third-party financing, such as short-term credit facilities in current accounts, term credits and loans, or capital contributions.

## 28 Opinion on feasibility of investment plans

The financial results achieved by the Asseco Group in 2009 and in the prior years, as well as free cash flows generated over those periods, made it possible to implement all the investment projects intended in the Group's strategic objectives. Additionally the Group had, and has, wide opportunities of using third-party financing. Such circumstances are favourable to continuing our investment plans in the coming year.

In 2009 the Parent Company followed the path of very intensive acquisition activities, especially in foreign markets. We have successfully finalized the acquisitions of Asseco Spain (Raxon Informatica), Terminal Systems AS, IT Practice A/S, which absorbed over PLN 120 million in aggregate. In 2009 the Parent Company also invested over PLN 25 million in shares of OTAGO Sp. z o.o., an IT company operating in the Polish market. Apart from the above-mentioned acquisitions, members of the Asseco Group participated actively in the consolidation of their regional markets by taking over other companies primarily in Central and South Eastern Europe. The total amount of investments made by the Asseco Group in new undertakings reached PLN …… million. The Group's investments are described in more detail in item 16 of this report.

In 2009 the Asseco Group took-over basically the companies with the complementary areas of competence. The Group budgeted its investments so that they could be implemented without disturbing current operating activities of the Group and without deterioration of its financial liquidity. In case of large-scale investment projects related to long-term execution of the existing and future contracts, investments in acquisitions and development of new products, the required financing will be provided from outside sources in the form of bank credits, loans as well as from issuance of stock or debt securities.

## 29 Agreements concluded between Asseco Poland SA and its management officers providing for payment of compensation in the event such persons resign or are dismissed from their position

Asseco Poland SA did not conclude any agreements with its management officers that would provide for payment of compensation in the event such persons resign or are dismissed from their position without substantial reason or when they are dismissed as a result of a company merger by acquisition.

## 30 Information on judicial proceedings where the value in dispute exceeds 10% of the Company's equity

At the publication date of this report, the Company was not a party to any proceedings pending before any court, arbitration authority or public administration authority, under which the value in dispute would exceed 10% of the Company's equity.

## 31 Agreements with the entity authorized to audit financial statements

Detailed terms of the agreement with the entity authorized to audit the Group's financial statements have been presented in Note 35 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2009.

**Signatures of all Members of the Management Board of Asseco Poland SA under the Management Board Report on the Asseco Group Operations in the year ended 31 December 2009**

Adam Góral

President of the Management Board

Przemysław Borzestowski

Vice President of the Management Board

Renata Bojdo

Vice President of the Management Board

Tadeusz Dyrga

Vice President of the Management Board

Marek Panek

Vice President of the Management Board

Paweł Piwowar

Vice President of the Management Board

Zbigniew Pomianek

Vice President of the Management Board

Włodzimierz Serwiński

Vice President of the Management Board

Przemysław Sęczkowski

Vice President of the Management Board

Robert Smułkowski

Vice President of the Management Board

Rzeszów, 19 March 2010

**Statement by the Management Board of Asseco Poland SA on reliability of preparation of the Consolidated Financial Statements of the Asseco Group for the year ended 31 December 2009**

The Management Board of Asseco Poland SA hereby declares, to the best of its knowledge, that the Consolidated Financial Statements for the year ended 31 December 2009, made as at 31 December 2009, and the comparative data contained therein were prepared in conformity with the principles set forth in the International Financial Reporting Standards, International Accounting Standards as well as the related interpretations published in the form of the European Commission regulations.

Furthermore, the Management Board declares that the presented data give a true, reliable and fair view of the Company's property and financial position and its financial results. The Management Board Report presents fairly the development, achievements and economic position of Asseco Poland SA, inclusive of the essential risks and threats to its operations.

Adam Góral

President of the Management Board

Przemysław Borzestowski

Vice President of the Management Board

Renata Bojdo

Vice President of the Management Board

Tadeusz Dyrga

Vice President of the Management Board

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Włodzimierz Serwiński

Vice President of the Management Board

Przemysław Sęczkowski

Vice President of the Management Board

Robert Smułkowski

Vice President of the Management Board

Rzeszów, 19 March 2010

**Statement by the Management Board of Asseco Poland SA on the entity authorized to audit the Consolidated Financial Statements of the Asseco Group for the year ended 31 December 2009**

The Management Board of Asseco Poland SA hereby declares that the entity authorized to perform an audit of the Consolidated Financial Statements of the Asseco Group for the year ended 31 December 2009, namely Ernst & Young Audit Sp. z o.o., seated in Warsaw, was chosen in accordance with the provisions of the law in force. The entity as well as the certified auditors, who audited these financial statements, satisfied the conditions for issuing an impartial and independent opinion about such audit, in line with applicable regulations.

Adam Góral

President of the Management Board

Przemysław Borzestowski

Vice President of the Management Board

Renata Bojdo

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Vice President of the Management Board

Rzeszów, 19 March 2010