ASSECO POLAND

MANAGEMENT'S REPORT ON BUSINESS OPERATIONS OF THE ASSECO GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Present in over **30** countries

Sales revenues in 2011 **4,960** PLNm

PLNm **397** in net profit for 2011

Dividends paid for 2010 **234** PLNm

14,287 committed employees

7th largest software vendor in Europe

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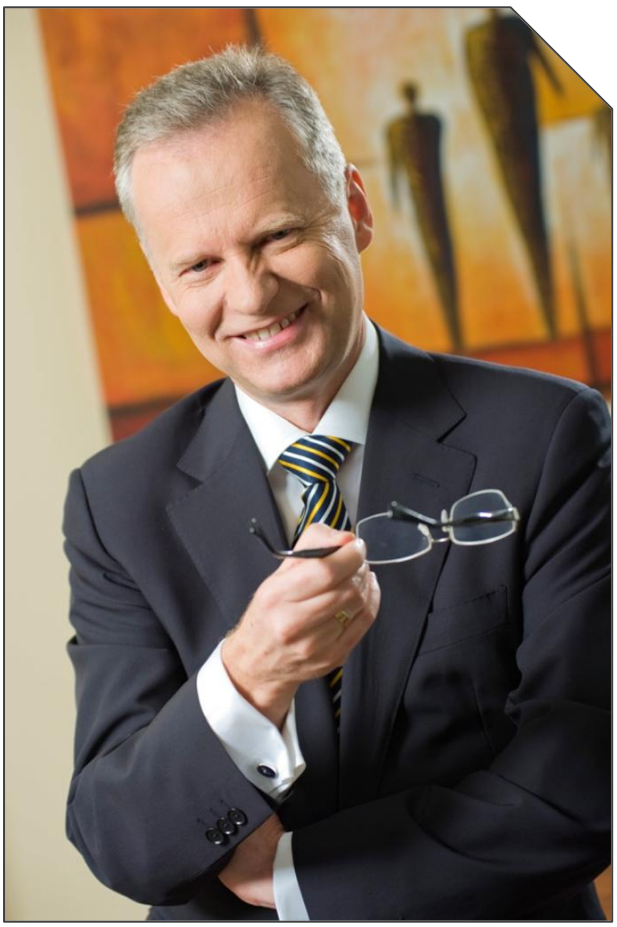
President's Letter



The past 2011 was a year of significant importance for our organization. Asseco Poland S.A. celebrated its twentieth anniversary of business operations. Barely two decades ago, we made our first steps on the domestic IT market. Nowadays we are present in most of the European countries as well as in Israel, USA, Japan, and Canada. The Asseco Group companies are listed on the Warsaw Stock Exchange, Tel-Aviv Stock Exchange, as well as on the NASDAQ Global Markets. Therefore, it is a great pleasure for me to summarize our successful anniversary year.

The Group earned a solid net profit of PLN 397 million, while our EBIT surpassed PLN 645 million. For a consecutive year, Asseco managed to significantly boost its sales revenues, which reached almost PLN 5 billion in 2011.

We worked together with Formula Systems over the whole year and are very pleased with the financial performance of Matrix IT, Sapiens International, and Magic Software. Last year our Group considerably reinforced its position in the global insurance software market, as our Israeli company Sapiens International took over IDIT Technologies and FIS Software. Owing to this transaction, Asseco has become one of the top three providers of IT solutions for the insurance industry worldwide.

Financial performance of other Asseco Group companies brings a lot of satisfaction as well. Despite difficult market conditions, especially in the west of Europe, our companies managed to achieve favourable financial results.

Asseco is fully committed to its strategy of building competitive advantage through proprietary products and services. In 2011, proprietary IT solutions accounted for more than 70% of our total sales. Furthermore, we continue to expand our operations through company acquisitions. Presently, the Asseco Group ranks as the seventh largest producer of software in Europe.

On behalf of our management, I would like to sincerely thank all our Clients, Employees and Shareholders for their contribution in the development of the Asseco Group. I am convinced that consistent implementation of our business strategy will bring measurable benefits to all of us.

Adam Góral

President of the Management Board of Asseco Poland S.A.

General Information

Organizational structure and nature of business operations

The Parent Company of the Asseco Group ("Group", "Asseco Group") is Asseco Poland S.A. ("Asseco", "Company"). Asseco is the largest Polish IT company listed on the Warsaw Stock Exchange and it is included in the prestigious WIG20 index of Polish blue chips. The Company is also the 7th largest European software vendor in terms of revenues generated from the production of software, according to *Truffle 100* ranking.

Asseco Poland S.A. plays a leading role in creation of the international Asseco Group that gathers numerous, directly or indirectly owned, subsidiaries whose operating activities are related to the Company's business.

The Group companies concentrate on the production and development of proprietary software, dedicated for each sector of the economy. Our comprehensive offering includes products dedicated for the sectors of banking and finance, public administration, industry, trade, and services. The Group has got a wide-range portfolio of proprietary products, unique competence and experience in the execution of complex IT projects, and a broad customer base, including the largest financial institutions, major industrial enterprises as well as public administration bodies. The Asseco Group is also specialized in projects dedicated to the European Union and NATO.

Financial highlights

The Asseco Group has consolidated the group of Formula Systems since 1 December 2010. Hence, the Israeli holding has been subject to consolidation over the whole 12-month period of 2011. The impact of such consolidation is fully reflected in the profit and loss account as well as in the statement of cash flows. A 53.2% surge in our sales revenues is owed primarily to the incorporation of Formula Systems into the Group. Similarly, the increases in operating profit (by 13.9%) and EBITDA (by 20.8%). The table below presents selected items from the Asseco Group's consolidated profit and loss account.

PLN millions	2011	2010	2009
Sales revenues	4,960.0	3,237.7	3,050.3
EBITDA[1)]	838.6	694.2	646.1
Operating profit	644.6	566.1	525.5
Pre-tax profit	714.2	494.1	512.8
Net profit[3)]	**397.1**	**414.3**	**373.4**
EPS[2)] (PLN)	**5.12**	**5.87**	**5.47**

Results presented for each year ended 31 December.
1) *EBITDA – operating profit plus depreciation and amortization*
2) *EPS – net earnings per share (in PLN)*
3) *Attributable to shareholders of the Parent Company*

The acquisition of Formula Systems has been disclosed in the opening balance based on the provisional values of identifiable assets and liabilities. In the year ended 31 December 2011, we completed the purchase price allocation process, by determining the fair values of assets, liabilities and non-controlling interests acquired. As a result of this process we recognized significant increases, basically in goodwill, intangible assets and non-controlling interests. The table below presents selected items from the Asseco Group's consolidated balance sheet.

PLN millions	2011	2010	2009
Assets	9,483.8	8,465.9	5,748.5
Goodwill arising from consolidation and mergers	4,614.9	4,380.7	3,492.9
Trade accounts receivable	1,125.0	1,017.1	569.4
Cash and cash equivalents	974.8	786.8	342.8
Shareholders' equity	4,861.3	4,459.4	3,715.5
Interest-bearing debt	794.6	517.0	339.2
Trade accounts payable	367.1	417.2	282.2
Total liabilities	2,430.9	2,124.8	1,397.1

Balance sheet items presented as at 31 December each year.

A decrease in net cash, in the period from 31 December 2010 till the end of 2011, resulted from greater use of an investment loan facility for the construction of the new office building in Warsaw's Wilanów, as well as from higher amount of dividends distributed both to the Parent Company's shareholders and non-controlling shareholders. Such decrease in net cash was offset by an increase in the balance of trade receivables over trade liabilities. Our liquidity analysis is

summarized below in the "operating balance" statement. The following table shows the liquidity position of the Group.

PLN millions	2011	2010	2009
Cash, net of debt[3)]	368.3	451.2	210.2
Trade receivables, net of trade liabilities[4)]	757.9	599.9	287.2
Inventories	62.1	66.7	45.7
Operating balance[5)]	**1,188.3**	**1,117.8**	**543.1**

3) *The difference between cash at bank accounts and total interest-bearing debt and lease commitments*
4) *The difference between trade receivables and trade liabilities*
5) *The total of: cash net of debt + trade receivables net of trade liabilities + inventories*

Consolidated cash flows provided by operating activities in 2011 decreased as compared to 2010, which is again due to the balance of trade receivables over trade liabilities. Cash paid out as dividends during the period reported increased to PLN 233.5 million or by 61.7% in comparison to 2010. The following table presents the major lines of the consolidated statement of cash flows.

PLN millions	2011	2010	2009
CFO[6)]	546.3	668.9	438.8
CFI[7)]	(359.3)	(525.2)	(403.7)
M&A expenditures[8)]	*(181.9)*	*(573.9)*	*(311.8)*
CAPEX	*(232.3)*	*(213.7)*	*(126.3)*
CFF[9)]	(65.1)	313.9	(145.0)
Dividends paid out	*(233.5)*	*(144.4)*	*(118.3)*
Net change in cash and cash equivalents	121.9	457.6	(110.0)

6) *CFO – net cash provided by (used in) operating activities*
7) *CFI – net cash provided by (used in) investing activities*
8) *Expenditures for company acquisitions*
9) *CFF – net cash provided by (used in) financing activities*

Profitability ratios achieved by the Group for the 12-month period ended 31 December 2011 were lower than in the corresponding period last year. Our profitability ratios deteriorated primarily as a result of:

- Asseco's incorporation of the Formula Systems Group which, due to the nature and area of its business operations, realizes lower margins of profit than the Parent Company;
- completion of long-term implementation contracts for two major clients of the Parent Company in 2010. The Company managed to retain both the clients by signing new agreements for the provision of maintenance services, which however decreased the margins of operating and net profit generated by the Parent Company in 2011;
- impact of single-time events, which are described in chapter *Non-recurring events with impact on our financial performance* of this Management's Report on the Group's Business Operations as well as in the analogous report for the year 2010.

Basic profitability ratios of the Asseco Group are presented in the following table.

	2011	2010	2009
Gross profit margin	28.2%	32.9%	34.2%
EBITDA margin	16.9%	21.4%	21.2%
EBIT margin	13.0%	17.5%	17.2%
Net profit margin	12.2%	15.3%	12.2%
ROE	8.5%	10.1%	10.5%
ROA	6.8%	7.0%	6.5%

Return on equity (ROE) = net profit attributable to shareholders of the Parent Company / average annual equity attributable to shareholders of the Parent Company
Return on assets (ROA) = net profit / average annual assets

Financial figures disclosed in the annual consolidated financial statements were translated into Euro applying the following exchange rates:

PLN/EUR	2011	2010	2009
Average exch. Rate[10)]	4.1401	4.0044	4.3406
Closing exch. rate[11)]	4.4168	3.9603	4.1082

10) Applied for translation into EUR of the profit and loss account and the cash flow statement items. Calculated as the arithmetic average of mid exchange rates as published by the National Bank of Poland (NBP) and in effect on the last day of each month.

11) Applied for translation into EUR of the balance sheet items. Corresponding to the mid exchange rate announced by the NBP on the last business day of the year.

The table below presents selected items from the consolidated profit and loss account as translated into Euro.

EUR millions	2011	2010	2009
	1,198.0	808.5	702.7
EBITDA[1)]	202.6	173.4	148.9
Operating profit	155.7	141.4	121.1
Pre-tax profit	172.5	123.4	118.1
Net profit	**95.9**	**103.5**	**86.0**
EPS[2)] (PLN)	**1.24**	**1.47**	**1.26**

The item descriptions are included under the analogous table presenting these figures in PLN.

The table below presents selected items from the year-end consolidated balance sheet as translated into Euro.

EUR millions	2011	2010	2009
Assets	2,147.2	2,137.7	1,399.3
Goodwill arising from consolidation and mergers	1,044.9	1,106.2	850.2
Trade accounts receivable	254.7	256.8	138.6
Cash and cash equivalents	220.7	198.7	83.4
Shareholders' equity	1,100.6	1,126.0	904.4
Interest-bearing debt	179.9	130.5	82.6
Trade accounts payable	83.1	105.3	68.7
Liabilities	550.4	536.5	340.1

The "operating balance" translated into Euro is presented below.

EUR millions	2011	2010	2009
Cash, net of debt[3)]	83.4	113.9	51.2
Trade receivables, net of trade liabilities[4)]	171.6	151.5	69.9
Inventories	14.1	16.8	11.1
Operating balance[5)]	**269.0**	**282.3**	**132.2**

The item descriptions are included under the analogous table presenting these figures in PLN.

The table below presents selected items from the consolidated statement of cash flows as translated into Euro.

EUR millions	2011	2010	2009
CFO[6)]	132.0	167.0	101.1
CFI[7)]	(86.8)	(131.2)	(93.0)
M&A expenditures[8)]	*(43.9)*	*(143.3)*	*(71.8)*
CAPEX	*(56.1)*	*(53.4)*	*(29.1)*
CFF[9)]	(15.7)	78.4	(33.4)
Dividends paid out	*(56.4)*	*(36.1)*	*(27.3)*
Net change in cash and cash equivalents	29.4	114.3	(25.3)

The item descriptions are included under the analogous table presenting these figures in PLN.

Vision and Strategy

Strategy and development outlook

Our mission is to build a reliable and profitable global information technology powerhouse providing high quality software and services.

The Parent Company aims to maximize the value for its shareholders through the execution of complex information technology projects based on its own products and services, as well as by consistent implementation of its business strategy to create an international group of profitable companies engaged in the production and supply of IT solutions.

As a leader of the Group, Asseco Poland S.A. intends to be an active player in mergers and acquisitions both on the domestic and foreign markets, seeking to strengthen its position across Europe and worldwide. Now the Company is expanding its investment spectrum for the top software houses, with an eye to gain knowledge of their local markets and customers, or access to innovative and unique IT solutions. Our Management Board believes it is extremely important for Asseco to maintain global market presence in order to be able to grasp the opportunities for implementation of the largest information technology projects, which are often entrusted exclusively to companies running worldwide operations.

The adopted strategy will also facilitate expansion of our product portfolio. Asseco does not preclude investments in small-scale undertakings offering unique technologies or products.

The Asseco's strategy focuses on maintaining a leading position in Poland as well as on gaining strong market position in countries where the Asseco Group companies operate. Owing to our long-term presence in the IT market, the Group companies have established stable cooperation with financial institutions, institutions of public administration, and leading enterprises. The Group's strategy assumes furthering of business relations with our key accounts by developing a product portfolio that would satisfy it their needs.

The Company's strategy involves obtaining significant cost synergies from the combining of administrative departments of the Group companies operating in the territory of the same country.

Asseco Poland S.A. actively initiates and supports all cross-selling activities, emphasizing the possibility of leveraging on the Group's international potential, as a driver of sales growth.

Characteristics of factors significant for the Company's development

Organic growth and acquisitions

Dynamic expansion of the Asseco Group has been achieved through sustained organic growth on one hand, and on the other hand through take-overs. Successive company acquisitions not only broaden our competence in innovative products, but make it possible to penetrate into new markets.

Proprietary software

Both Asseco Poland S.A. and its subsidiaries position themselves as producers of the highest quality software. We gain a cutting-edge competitive advantage by offering proprietary solutions. High quality of our software is guaranteed by consistent observance of procedures implemented under our total quality management system, which has been certified for compliance with the ISO 9001:2008 standard. We have also obtained NATO security certificates which strengthen our position as a reliable partner in the field of data security and specialized products for the uniformed services.

Diversification of products and services

The pursued strategy of building an international group of IT companies enables us to reach new groups of clients and to diversify our products and services portfolio. Because we work with clients from various industries and in many countries, our business operations are not dependent on any sector or region of the world.

Human capital

A key resource of Asseco are highly qualified specialists, who are engaged in the development of the latest IT solutions. The vast majority of our employees are analysts, designers, programmers, testers and implementers, who hold certificates confirming their competence in software development and project management.

Company's Authorities

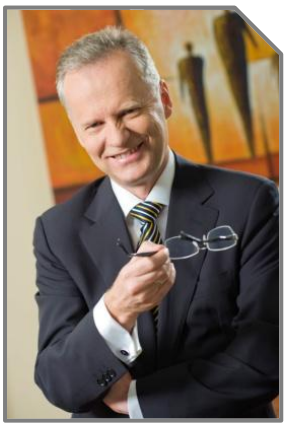
Members of our Management Board and Supervisory Board are presented below.

Management Board

Wojciech Woźniak was appointed as Vice President of the Management Board in February 2011. Apart from this nomination, the composition of the Management Board remained unchanged.

The following table presents the composition of the Management Board along with the periods of service. Additionally, on 6 December 2011 the Supervisory Board appointed the below mentioned members of the Management Board to serve during the forthcoming term of office spanning from 2012 to 2016.

Management Board	Period of service
Adam Góral	01.01.2011 – 31.12.2011
Renata Bojdo	01.01.2011 – 31.12.2011
Przemysław Borzestowski	01.01.2011 – 31.12.2011
Tadeusz Dyrga	01.01.2011 – 31.12.2011
Marek Panek	01.01.2011 – 31.12.2011
Paweł Piwowar	01.01.2011 – 31.12.2011
Zbigniew Pomianek	01.01.2011 – 31.12.2011
Włodzimierz Serwiński	01.01.2011 – 31.12.2011
Przemysław Sęczkowski	01.01.2011 – 31.12.2011
Robert Smułkowski	01.01.2011 – 31.12.2011
Wojciech Woźniak	01.02.2011 – 31.12.2011



Adam Góral

President of the Management Board

responsible for development vision and strategy of the Asseco Group

Renata Bojdo

Vice President of the Management Board

responsible for financial management

Przemysław Borzestowski

Vice President of the Management Board responsible for the divisions of: Public Administration, Postal Systems, Information Management, Capital Market, International Organizations and Uniformed Services, and for the Contracts Support Department

Tadeusz Dyrga

Vice President of the Management Board

responsible for the divisions of: Social Insurance and Healthcare

Marek Panek

Vice President of the Management Board

responsible for Marketing Department, Sales Coordination Department, and PR and Investor Relations Department

Przemysław Sęczkowski

Vice President of the Management Board

responsible for the Capital Investments Division

Paweł Piwowar

Vice President of the Management Board

responsible for the divisions of: Key Enterprises, Agriculture, Telecommunications and Media, and Energy, Gas and Utilities

Robert Smułkowski

Vice President of the Management Board

responsible for the PKO Bank Division

Zbigniew Pomianek

Vice President of the Management Board

responsible for the divisions of: Commercial Banks, Cooperative Banks, Business Intelligence

Wojciech Woźniak

Vice President of the Management Board

responsible for the Building Automation and Data Center Division and for the Infrastructure Division

Włodzimierz Serwiński

Vice President of the Management Board

responsible for the Commercial Insurance Division

Supervisory Board

The table below presents the composition of the Supervisory Board in 2011. During the period reported, the Supervisory Board composition changed as follows. On 29 April 2011, the term of office of Mr. Andrzej Szukalski, Member of the Supervisory Board, expired as a result of his death. Thus, on 31 May 2011, the Extraordinary General Meeting of Shareholders appointed Mr. Antoni Magdoń as a new Member of the Supervisory Board.

Supervisory Board	Period of service
Jacek Duch	01.01.2011 – 31.12.2011
Dariusz Brzeski	01.01.2011 – 31.12.2011
Artur Kucharski	01.01.2011 – 31.12.2011
Adam Noga	01.01.2011 – 31.12.2011
Andrzej Szukalski	01.01.2011 – 29.04.2011
Antoni Magdoń	31.05.2011 – 31.12.2011

On 31 May 2011, the Extraordinary General Meeting of Shareholders appointed the below mentioned members of the Supervisory Board to serve during the forthcoming term of office from 2012 to 2016.

Jacek Duch

Chairman of the Supervisory Board

Adam Noga

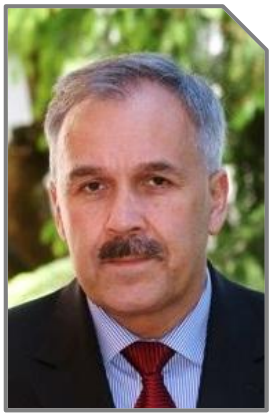
Vice Chairman of the Supervisory Board

Dariusz Brzeski

Member of the Supervisory Board

Artur Kucharski

Member of the Supervisory Board



Antoni Magdoń

Member of the Supervisory Board

Product Portfolio

The Asseco Group is specialized in the development of proprietary IT solutions for all sectors of the economy. In order to benefit from synergies arising from mergers and acquisitions, Asseco's management decided to set up seven centers of competence which are described below. Such transnational structure serves for the integration and coordination of product strategies in order to maximize value from our products, knowledge, and competence. Competence centers enable sharing of experience among all companies incorporated within the Asseco Group.

Banking

Production of banking software is one of the key businesses of the majority of Asseco subsidiaries. Both regional and international expansion of our group is largely dependent upon continuing improvement and further development of IT solutions tailored to meet the banking sector's growing expectations from the information technology.

Insurance

The Asseco Group has a long-lasting track record of successful cooperation with large international insurance firms. Among them are life and property insurance companies, insurance brokers, as well as insurance market regulators. Advanced solutions provided by Asseco are always adjusted to conform to applicable insurance regulations, and ensure the highest levels of security.

Public Institutions

The Asseco Group develops and implements software solutions for public administration in the areas that cannot be supported by ready-made tools. These are mostly complex systems with powerful functionality suitable for processing of large data volumes. Furthermore, Asseco offers proprietary solutions designed to facilitate specific local government functions. A significant advantage of our software is that it can be easily integrated with specialized tools such as digital maps or metropolitan networks.

Healthcare

Asseco Group continues to build its market leadership in the provision of IT solutions for all types of medical facilities. Our solutions are used by hundreds of major hospitals and most clinics in the CEE region. Asseco's services include professional consulting on the design, implementation and maintenance of information systems for health insurance companies, and the provision of comprehensive solutions for hospitals and clinics. The company delivers patient service solutions, contract settlement systems as well as facility management solutions.

Telco & Utilities

The Asseco Group offers comprehensive proprietary solutions, which are capable of handling multi-million customer databases and are customized for the specific needs of telecommunication, media, energy, gas and utility enterprises. Over a 20-year long presence of our solutions in this sector resulted in strategic partnerships with many major companies in Europe, which appreciate the in-depth professional knowledge and experience of Asseco's specialists and the flexibility of our solutions.

ERP Solutions

The Asseco Group offers a full range of state-of-the-art ERP systems for small, medium and large companies. All of them are fully integrated software packages designed to support enterprise management processes. Owing to their diversified functionality and module-based structure, our solutions can be utilized in virtually every industry. Moreover, the Group has departments specializing in the implementation, development and industry adaptation of ERP systems based on the technologies of Oracle, SAP and Microsoft.

IT Infrastructure

The Asseco'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, security of resources and services, through the building of local or wide area networks, services of optimizing the efficiency of data access and band utilization, and ending up with portal systems, IT infrastructure management services, and data processing centers.

Financial Institutions

Banks

Insurance Companies

Brokerage Houses

Investment Funds

Leasing Companies

Factoring Companies

Mortgage Savings

Public Institutions

Social Insurance

Central Administration

Local Administration

Healthcare

Uniformed Services

International Organizations

Education

Telco & Utilities

Telecommunication

Power Industry

Gas Industry

Municipal Utility Enterprises

Production Enterprises

FMCG

Multimedia

Infrastructure Services

IT Infrastructure

Building Automation
and Data Centers

Competence Centers

ERP Solutions

Business Intelligence

Competence centers – Business Units

Banks

The Asseco Poland's flagship product for the banking sector is the comprehensive IT suite called def3000. In addition, the company offers dozens of specialized ready-to-implement solutions requiring only some minor adjustments for the bank's differentiating features. Such model enables Asseco to deliver solutions offering best value-for-money. IT systems developed by Asseco Poland also meet far-reaching requirements of banks operating in the European Union. Other companies of the Asseco Group are also well positioned as providers of proprietary solutions for the banking sector. Asseco Central Europe developed a comprehensive family of StarBANK products. Asseco South Eastern Europe offers its proprietary software, including core banking systems, transaction systems, business intelligence solutions, and customer relationship management (CRM) solutions, and is engaged in the installation and maintenance of ATMs and POS terminals. Furthermore, the company is a provider of voice and payment automation solutions, unique across the entire Asseco Group, as well as systems for the settlement of Internet payments made by credit cards (independent payment gateway).

Asseco Poland also provides the Promak trading platform intended for brokerage houses and investment firms. ADH Soft, an Asseco Group company, is specialized in the development of professional software for the financial sector, especially for leasing and car fleet management (CFM) companies. The Group's portfolio also includes a solution called Asseco Factoring, which is dedicated to all financial institutions engaged in factoring services. Our offering for the banking sector is enriched by Asseco Denmark as well. This company is specialized in the development of turn-key applications and software solutions as well as in the provision of services within the optimization of IT architecture and infra-structure. Comprehensive solutions for the capital market and financial institutions are also offered by Asseco Central Europe. Their SofiSTAR is a proprietary solution dedicated for open-end pension funds. Owing to the investment in Necomplus, a group of Spanish and Portuguese companies, the Asseco Group enriched its offering with software and services for Point-of-Sale (POS) terminals.

Our proprietary solutions can be found in large international banks as well as in smaller local financial institutions. Nowadays, the Company's solutions are utilized by over half of banks operating in Poland. Major clients of Asseco include PKO BP Bank, BGŻ S.A. (Rabobank), Deutsche Bank PBC S.A., Allianz Bank S.A., Euro Bank S.A. (Societe Generale), Bank Pocztowy S.A., Bank Gospodarstwa Krajowego, and Volkswagen Bank S.A. 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.

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. The comprehensive front-end solution called UBM Suite is used by Bank DBNord, UniCredit, Deutsche Bank, Hypo Group, and Bank RCB, just to mention a few. The clients of Asseco South Eastern Europe 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 of Macedonia, National Bank of Romania, National Bank of Serbia, Porsche Bank in Romania, and dozens of other banks.

The Promak family systems are utilized, among others, by the Brokerage Office of Alior Bank SA, Brokerage House of Bank Handlowy SA, Beskidzki Dom Maklerski SA, and Brokerage House of Millennium SA. Among the users of ADH Soft's LEO Leasing solution are BNP Paribas Lease Group, Fortis Lease, Caterpillar Financial Services, Daimler

Fleet Management, Mercedes Benz Leasing, and many others. Customers of Asseco Denmark include primarily banks, financial institutions and biotech companies such as Nykredit, PBS, Nordea, NovoZymes, Experian, JP Morgan Chase & Co, and ING Bank. The SofiSTAR solutions are utilized in ČSOB dôchodková správcovská spoločnosť, a.s., STABILITA, d.d.s., a.s., and VÚB Generali dôchodková správcovská spoločnosť.

Insurance companies

The Asseco Group's portfolio features core insurance systems and a multitude of specialized solutions, including payment settlement systems, applications supporting the processes involved in the liquidation of damages, reinsurance, co-operation with agents, and detection of insurance frauds. Furthermore, the Asseco Group offers an insurance portal, document management solutions, as well as tools ensuring compliance with the mechanisms set forth in the Solvency II regulation.

Sapiens International Corporation, an Asseco Group company, is one of the world's major providers of industry-leading state-of-the-art software for insurance companies. The flagship products of Sapiens are ALIS, IDIT and INSIGHT. Asseco Poland also offers comprehensive systems in support of the property and life insurance operations. Our leading product in this area is StarINS, a comprehensive insurance system developed by Asseco Central Europe, including modules for the management of customer services and the operation a network of insurance branches. The portfolio of our insurance solutions is supplemented by a comprehensive life insurance system called LIB-MS, offered by our Lithuanian UAB Sintagma.

The clients of Sapiens International Corporation include multinational insurers, such as AXA, AVIVA, Scottish Widows, KBC, or MMA. Whereas, insurance solutions offered by other Asseco Group companies are used by the Polish PZU Group, Warta Group, HDI Asekuracja, and Insurance Guarantee Fund, the Czech Pojišťovna VZP, and the Lithuanian SEB Insurance Group.

Public institutions

The most complex IT systems created by Asseco Poland include: Comprehensive Information System for the Social Insurance Institution, Central Register of Vehicles and Drivers for the Ministry of the Interior and Administration, Comprehensive Information System for the National Border Guard, as well as the IACS system for the Agency for Restructuring and Modernisation of Agriculture. Furthermore, as the only IT company of Central and Eastern Europe, Asseco Poland has successfully implemented over 50 projects for the EU institutions and NATO, including the NATO's Joint Force Training Center in Bydgoszcz, and the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX). The Asseco's local government solutions are used, among others, by Szczecin City Hall, Częstochowa City Hall, Wrocław City Hall, and the Association of Towns and Municipalities of the Parsęta River Basin.

Asseco Poland provides IT solutions for the self-government administration at all levels. Our subsidiary OTAGO offers its proprietary OTAGO Comprehensive Town Management System, supporting all the processes critical for the proper functioning of self-government institutions. The Asseco's solutions dedicated to local administration include: workflow systems, customer service systems as well as CRM and ERP solutions.

Other Asseco companies are also among leading providers of IT solutions for public administration. 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. Asseco Central Europe executes complex public administration projects – beginning with a detailed analysis of the client's needs, through the 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.

Healthcare

Asseco Poland offers two proprietary healthcare solutions: InfoMedica and mMedica. These solutions comply with the European Union directives as well as with the documents laying out the assumptions for Poland's state informatization strategy. Asseco Central Europe, which provides the Mediform comprehensive information system, has also gained a strong position in the healthcare sector. The healthcare offering is complemented with the solutions of our Hungarian subsidiary GlobeNet, the main supplier of MedWorks medical information system. A considerable reinforcement of our healthcare portfolio are the products provided by our Israeli center of innovation, which develops pioneering solutions for the largest medical centers in the world. These include Tafnit, an ERP system adapted to specific needs of the hospital management.

Asseco Poland's clientele includes over 450 largest Polish hospitals, majority of blood donation centres in Poland, as well as the National Healthcare Fund units. Services of all the spa centres working with the NHF are accounted for using an Internet application developed and implemented by our company. Whereas, the Mediform system is applied by F.D. Roosevelt University Hospital in Banská Bystrica, University Hospital in Trnava, health insurance companies Union zdravotná poisťovňa and Všeobecná zdravotná poisťovňa, as well as by the National Medical Information Center (NCZI).

Telco & Utilities

The Asseco Group offers a variety of information solutions for telecommunications, including billing systems, fraud detection systems, sales and CRM applications, portal apps, data warehouses, BI tools, and many more. Billing systems provided by our companies are capable of handling multi-million customer databases, and are adjusted in response to ongoing local market changes. The product portfolio is supplemented with technical infrastructure and asset management systems, and GIS/NIS solutions.

Asseco Poland is specialized in the development of complex, subscriber billing applications, supporting the entire business process – from the aggregation and processing of billing data, through rating and billing, to invoicing. For many years the company has provided state-of-the-art comprehensive portal solutions (Multi Access Portal) for the telecommunications sector, featuring our proprietary technologies or based on the leading e-Commerce products of ATG and IBM. Software solutions offered by Asseco Poland allow for comprehensive computerization of energy companies with different business profiles. These include technical infrastructure and property management solutions for the power industry distribution companies. Their component-based structure allows for compilation of an application with any functionality desired by the client.

Asseco Poland is the main provider of the SERAT 2 billing system for Telekomunikacja Polska (Polish nationwide telecom).

Proprietary solutions developed and implemented by Asseco Poland are used by the leading GSM and land telephony operators in Poland, as well as by modern media companies, headed by the ITI Group. Asseco Poland's solutions are also used by major energy holdings operating in Poland: Tauron, PGNiG, Enea, Energa, and PGE. Furthermore, among the largest clients of Asseco are the municipal utility enterprises of Warsaw, Łódź, Wrocław, Szczecin, Bydgoszcz, Gdańsk, and Opole.

One of the strengths of Asseco Central Europe is their know-how in the development and implementation of the technical infrastructure management systems (i.e. Network Information Systems). Among their clients are CEZ Distribuce, E.ON Distribuce, Kapsch Telematic Services, and Teplány Brno.

Thanks to the comprehensive offering of Asseco South Eastern Europe dedicated to the telecommunications sector, Asseco's products are also present in the Balkan countries. In this region our major clients include: Mobilna Telefonija Republike Srpske, Orange Romania, and T-Com Croatia Zagreb.

ERP solutions

Asseco's proprietary enterprise solutions are developed to address specific demands of various industries. Asseco Business Solutions is one of the key players in the Polish ERP market. The company offers two 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). Asseco Solutions, a subsidiary of Asseco Central Europe, has also developed a proprietary ERP solution called HELIOS, which is offered in the Slovak and Czech market. Asseco Solutions has additionally gained strong expertise in SAP technologies. Another proprietary ERP solution, namely APplus ERPII, is marketed by Asseco Germany.

Among the clients of Asseco Business Solutions are: McDonald's Poland, Ministry of Finance, Ministry of Health, Mobile Phone Telecom, Skoda Auto Poland, Deni Cler, Atlas, and Black Read White. Whereas, the APplus system is offered in German-speaking countries, where it is used by more than 1,300 companies.

Furthermore, Asseco provides consulting and implementation services covering the solutions of SAP, Oracle, and Microsoft Dynamics AX. Our specialists are highly proficient in using the world's most powerful integration tools (SAP NetWeaver, IBM WebSphere, Oracle Fusion, webMethods) for practical business applications.

IT infrastructure

Asseco DACH is engaged in the provision of tools and software that enable efficient management of IT environment. The Empirum Pro solution supports fully automated management of entire IT infrastructure (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.

An important part of the Asseco's product portfolio are uniPaaS and iBOLT technology platforms offered by Magic Software. uniPaaS is a powerful code-free platform for the development of mobile applications, independent of the operating system, database, and hardware platform used, in a remarkably short time that is unachievable using other tools. It is used by central offices, power companies, insurance companies, many enterprises from various industries as well as by a myriad of small businesses. iBOLT platform is one of the latest tools developed by Magic Software. This solution is designed to support the

integrated management of business processes. It guarantees quick and easy customization of IT infrastructure to changing business needs. It also enables the implementation of service-oriented architecture (SOA).

Asseco Poland offers comprehensive services of design and execution of the so-called intelligent building systems, as well as carrying out ICT system security audits. Whereas, Asseco South Eastern Europe is specialized in the implementation of intelligent tools for building professional Contact Centers.

The Asseco Group also offers a broad portfolio of training services which are provided mainly by our subsidiary Combidata Poland. Such 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; as well as trainings on the use of specific applications and application systems. Finally, our Israeli company Matrix IT is the number one player in its local IT training market.

Structure of the Asseco Group

Companies incorporated within the Asseco Group are presented below, as part of our six geographical segments. The next page contains a simplified organizational structure of the Group, presenting the companies comprising the identified segments.

Polish market

Asseco Poland S.A.

Asseco Poland S.A. is the largest IT company listed on the Warsaw Stock Exchange, included in the prestigious WIG20 index. Asseco Poland S.A. focuses on the production and development of proprietary software for miscellaneous sectors of the economy. It is one of the very few companies in Poland to develop and implement centralized, comprehensive IT systems for the banking sector that are utilized by over half of domestic banks. Asseco also offers software solutions for the insurance sector. One of the Company's major clients is PZU, the largest insurance company in Poland. Furthermore, Asseco Poland implements dedicated systems for the public administration, among others for the Polish Social Insurance Institution, Agency for Restructuring and Modernization of Agriculture, and Ministry of the Interior and Administration, just to mention a few. Asseco implements numerous IT projects for the power industry, telecommunications, healthcare, local governments, agriculture, uniformed services, as well as for international organizations and institutions such as NATO or FRONTEX. The Asseco's product portfolio also includes sector-independent ERP and Business Intelligence solutions.

Asseco Business Solutions S.A.

The company is listed on the Warsaw Stock Exchange. The company delivers state-of-the-art IT solutions for enterprises irrespective of their industry, size or business profile. Within the Asseco Group, it operates as the competence center responsible for ERP systems, software for SMEs, and outsourcing of information technology. The product portfolio of Asseco Business Solutions includes also mobile solutions, factoring systems as well as electronic data exchange platforms.

ZUI OTAGO Sp. z o.o.

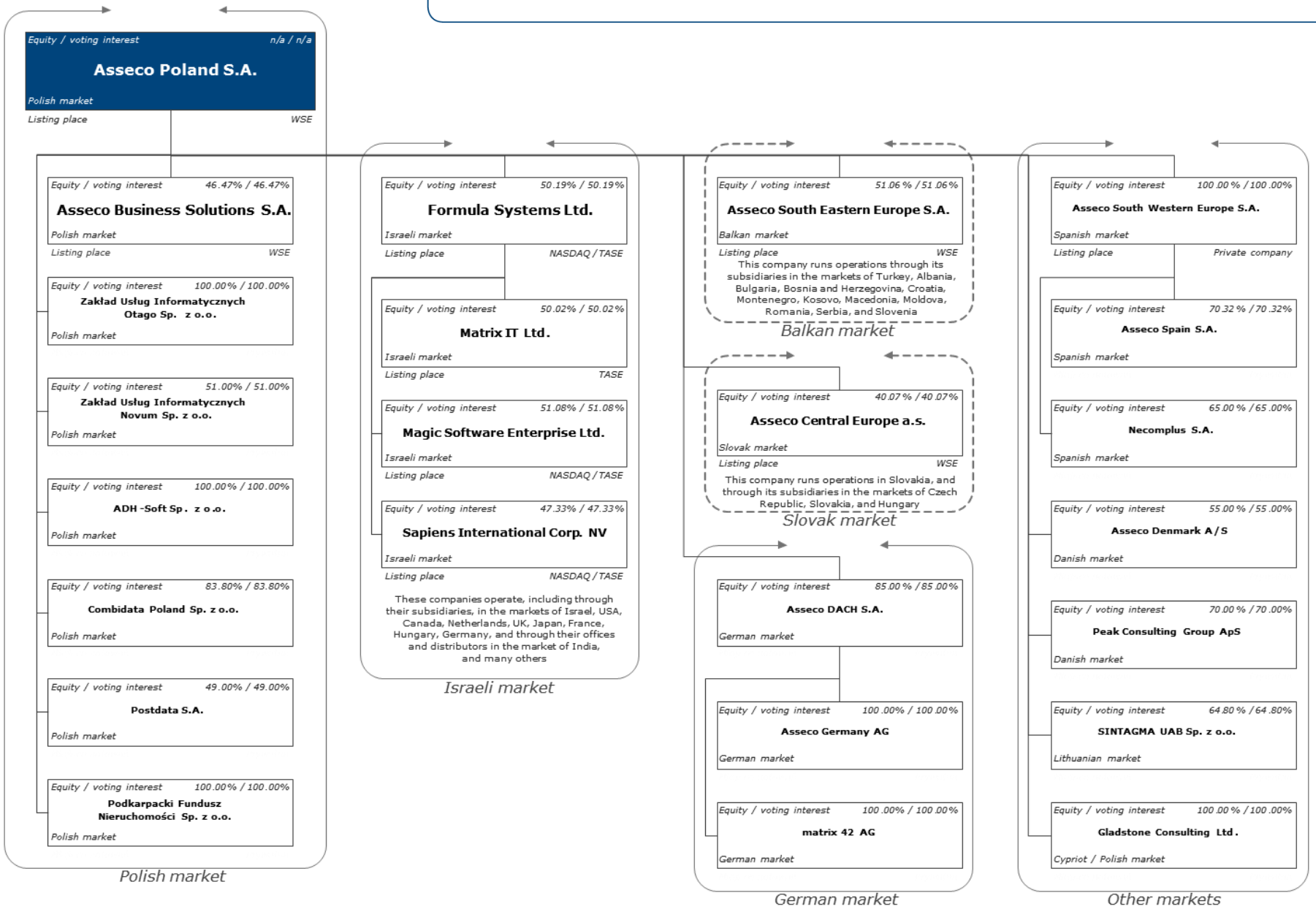
OTAGO is engaged in the development and implementation of software to support operations of the local government bodies. It is the author and the owner of the OTAGO Integrated Municipal Management System. Its methodology of production, implementation and maintenance of information systems has been well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

ZUI Novum Sp. z o.o.

The company 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.

ADH Soft Sp. z o.o.

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



The complete organizational structure of the Group is presented in explanatory note IV to the consolidated financial statements

Combidata Poland Sp. z o.o.

Combidata Poland focuses its operations on widely understood education. The offered 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 centers are located in 30 cities all over Poland.

Israeli market

Formula Systems Ltd.

Formula Systems is listed on the American NASDAQ and Israeli stock exchange TASE. Formula Systems is a holding company which owns shares in three information technology companies (Matrix IT Ltd., Magic Software Enterprises Ltd., Sapiens International Corporation N.V.) that are specialized in the production and sale of information technology solutions. Formula Systems companies operate in the territories of Israel, USA, Canada, United Kingdom, Japan, Germany, Netherlands, France, Hungary, India, as well as in 50 other countries.

Matrix IT

The company is listed on Israel's TASE. Its key competencies include IT services, outsourcing, and integration of information systems to client's order. The company is also engaged in the modernization and development of IT systems, providing the following services:

- development of dedicated IT systems;
- adaptation of software to the client's requirements;
- development and testing of software to ensure its high quality.

Matrix also acts as a distributor for the world's leading software manufacturers. It provides infrastructure solutions for computer systems and communication systems. Additionally, it is a distributor of computer hardware. Through its subsidiary John Bryce, it operates training and qualification centers offering professional courses and training for IT personnel. Its offer also includes "soft" trainings, vocational trainings and courses on capital markets.

Sapiens International

The company is listed on the American NASDAQ and Israeli TASE. It is a leading supplier of IT systems for the insurance industry.

The company's product portfolio features the following solutions:

- **RapidSure** – core, component-based insurance software for the U.S. property and casualty insurance market;
- **IDIT™ Software Suite** – comprehensive, modular core solution for insurance companies and financial institutions operating outside the North American market;
- **ALIS** – comprehensive life and pension software solution for insurance products;
- **INSIGHT for reinsurance** – software solution that enables insurers and brokers to handle all reinsurance activities on a single platform, with full financial control and auditing support;
- **Decision** – business decision management software for financial institutions.

Magic Software

The company is listed on the American NASDAQ and Israeli TASE. Technologies offered by Magic Software accelerate the processes of building and deployment of business applications that can be easily adapted to current and future demands or integrated with the customer's legacy enterprise systems.

The company's products allow users to create business applications that support their existing IT resources to enhance business capabilities.

Magic Software provides services taking a code-free approach, allowing users to focus on business logic rather than on technological requirements. Code-free structure is a key operating feature of the company's products:

- **uniPaaS** – application platform;
- **iBOLT** – system and process integration suite.

Central European market

Asseco Central Europe, a.s.

The company is listed on the Warsaw Stock Exchange. It provides comprehensive IT solutions and services for international financial institutions (Erste, Allianz, UniCredit, etc.), for the private sector enterprises, as well as for the public institutions of central and local administration. Its product portfolio comprises information systems for banks, insurance companies and construction firms, card transaction systems, healthcare information systems, data warehouses, Business Intelligence and e-Commerce solutions, reporting systems, and turn-key projects. The capital group of Asseco Central Europe incorporates Asseco Solutions, Slovanet, GlobeNet, and Statlogics, which offer and implement their products in the markets of Slovakia, Czech Republic, and Hungary.

Balkan market

Asseco South Eastern Europe S.A.

The company is listed on the Warsaw Stock Exchange. This company was created by integrating the competence, experience, know-how, software solutions and customer base of many South Eastern European companies, each being a leader in its market segment. From the beginning of its operations, it has focused on the development of proprietary IT solutions. Asseco South Eastern Europe runs its business operations in five major segments of the IT market: 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, the holding has got seven subsidiaries operating in the territories of Serbia, Croatia, Montenegro, Bosnia and Herzegovina, Kosovo, Moldova, Albania, Bulgaria, Romania, and Turkey.

German market

Asseco DACH S.A.

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:

- ***Asseco Germany AG***

  Provider of proprietary component-based ERP solutions in the German market. The company's products are dedicated to small, medium and large-sized enterprises.

- ***Matrix42 AG***

  Provider of applications for product lifecycle management and software for management of IT resources (IT SM). The company's products are targeted at medium-sized enterprises and it is a leader in this type of software on the German market.

Other markets

Asseco South Western Europe S.A.

Asseco South Western Europe is engaged in making equity investments in information technology companies as well as in the provision of IT services across the countries of South Western Europe (Spain, Portugal, France, and Italy). The holding consists of two Spanish companies:

- ***Asseco Spain S.A.***

  Provider of IT infrastructure consulting services, security solutions, human resources solutions, outsourcing services, as well as of fully comprehensive IT support.

- ***Necomplus Group***

  Provider of services for the electronic payments (POS) market as well as of technologies for professional Call Centers.

Asseco Northern Europe S.A.

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 is comprised of:

- ***Asseco Denmark a/s***

  Provider of high class consulting services and proprietary information

solutions for the sectors of finance and biotechnology.

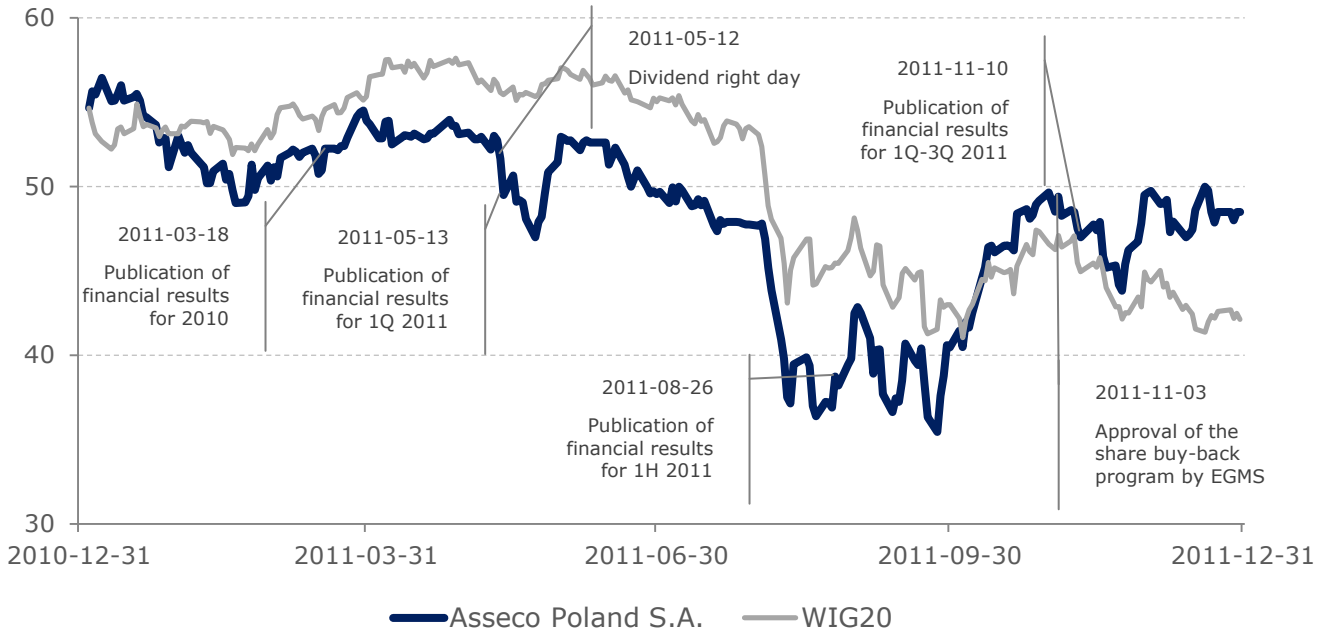
- ***Peak Consulting***

  Provider of high class consulting services in Scandinavia.

Sintagma UAB

The company is a leading producer of software and integrator of IT systems in Lithuania. The products and services of SINTAGMA are dedicated primarily to the sectors of public administration and finance.

Asseco Poland in the Capital Market



	2011-01-03*	2011-03-31	2011-06-30	2011-09-30	2011-12-31	12-month change
Asseco Poland S.A. (PLN)	**53.60**	**53.90**	**49.56**	**40.47**	**48.50**	**(9.5%)**
WIG20 (points)	2,754.67	2,816.96	2,802.01	2,188.73	2,144.48	(22.2%)
WIG (points)	47,649.12	48,729.83	48,414.36	38,268.75	37,595.44	(21.1%)
WIG-Info (points)	1,245.19	1,318.44	1,258.34	964.30	1,079.26	(13.3%)

** Opening price*

In 2011, the WIG20 index of Polish blue chips (inclusive of Asseco Poland S.A.) lost some of its ground. As shown in the table above, WIG20 decreased by 22.2% over the last year. In the same period Asseco Poland shares dropped 9.5%, becoming one of the five most defensive stocks in the WIG20 index.

Pessimistic sentiment among investors, and weak quotations of Asseco Poland likewise, were caused by macroeconomic events associated with the euro-zone crisis and downgrade of the U.S. credit rating by Standard & Poor's agency on 5 August. Following the rating cut, investors started to withdraw capital from the market; hence the security prices and index values suffered substantial declines. Asseco Poland's stock decreased sharply in the period from 2 to 11 August 2011. During only seven trading days, our shares dived from PLN 47.80 to PLN 37.15 or by more than 22%.

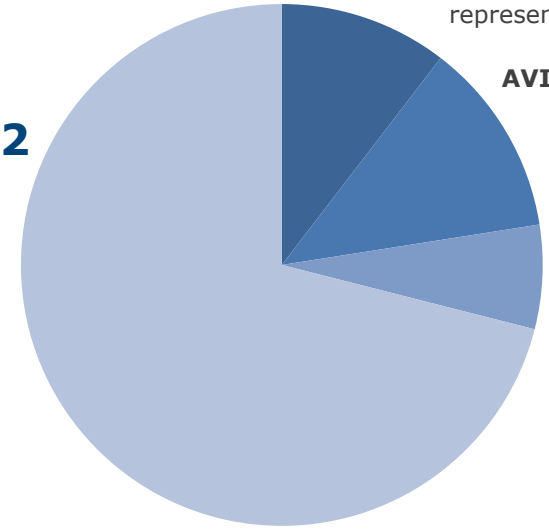
The internal factors independent from our continuing operations, which affected the quotations of Asseco Poland shares included:

- distribution of net profit for the year 2010, with the dividend right day on 17 May 2011;
- adoption of a resolution on the share buy-back program by the Extraordinary General Meeting of Shareholders on 3 November 2011.

Stock Information	
Total number of shares	**77,565,530**
ISIN	PLSOFTB00016
WSE	ACP
Reuters	ACPP.WA
Bloomberg	ACP PW

Shareholder Structure

Major Shareholders as at 16 March 2012



Adam Góral holds **8,083,000** shares representing **10.42%** of votes at the GMS

AVIVA BZ WBK Pension Fund holds **9,384,498** shares representing **12.10%** of votes at the GMS

PZU Złota Jesień Pension Fund holds **5,000,000** shares representing **6.45%** of votes at the GMS[1)]

Other shareholders hold **55,098,032** shares representing **71.03%** of votes at the GMS

To the best knowledge of the Company's Management Board, as at the publication date of this report, i.e. on 16 March 2012, 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:

Shareholders as at 16 March 2012	Number of shares held	Voting interest at the GMS
Adam Góral, President of the Board	8,083,000	10.42
Aviva Pension Fund	9,384,498	12.10
PZU Pension Fund[1)]	5,000,000	6.45
Other shareholders	55,098,032	71.03
	77,565,530	**100.00**

1) *According to the number of votes exercised at the EGMS on 3 November 2011. PZU Pension Fund notified of surpassing the 5% threshold on 2 June 2010, when they held 4,281,040 shares or 5.26% of votes at the GMS.*

According to the best knowledge of the Management Board of Asseco Poland S.A., the Shareholders who as at 31 December 2011, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

Shareholders as at 31 December 2011	Number of shares held	Voting interest at the GMS
Adam Góral, President of the Board	8,083,000	10.42
Aviva Pension Fund[2)]	9,000,000	11.60
ING Pension Fund[3)]	4,390,000	5.66
PZU Pension Fund[1)]	5,000,000	6.45
Other shareholders	51,092,530	65.87
	77,565,530	**100.00**

1) *As in the table presenting our shareholders as at 16 March 2012.*

2) *According to the number of votes exercised at the EGMS on 3 November 2011. Aviva Pension Fund notified of their shareholding on 18 December 2010, when they held 7,818,006 shares or 10.08% of votes at the GMS.*

3) *According to the number of votes exercised at the EGMS on 3 November 2011. ING Pension Fund notified of surpassing the 5% threshold on 7 November 2007, when they held 2,381,911 shares or 5.13% of votes at the GMS.*

To the best knowledge of the Company's Management Board, as at the publication date of the prior quarterly report, i.e. on 10 November 2011, the Shareholders who, either directly or through their subsidiaries, held at least a 5% voting interest at the General Meeting of Shareholders were as follows:

Shareholders as at 10 November 2011	Number of shares held	Voting interest at the GMS
Adam Góral, President of the Board	8,083,000	10.42
Aviva Pension Fund	9,000,000	11.60
ING Pension Fund	4,390,000	5.66
PZU Pension Fund	5,000,000	6.45
Other shareholders	51,092,530	65.87
	77,565,530	**100.00**

Since 1 January 2012 till the publication of this report, i.e. 16 March 2012, our shareholders changed as follows:

On 5 January 2012, the Company was notified by Aviva BZ WBK Open-End Pension Fund that, as a result of acquisitions of Asseco Poland shares effected on 29 December 2011, Aviva Pension Fund increased its voting interest in the Company by at least 2% up from 10.08% of the total number of votes held in the Company previously (as informed in the current report no. 74/2010 of 18 December 2010). Following the above-mentioned transactions, as at 3 January 2012, Aviva Pension Fund held 9,384,498 shares in Asseco Poland, representing a 12.10% equity interest and the same voting interest in the Company.

On 12 January 2012, the Company was notified by ING Open-End Pension Fund that, as a result of disposal of the Company's shares on 9 January 2012, ING Pension Fund's voting interest in the Company dropped below 5%. As at 12 January 2012, ING Pension Fund held 3,860,257 of Asseco Poland shares, representing a 4.98% voting interest in the Company.

Issuance of securities

During the period reported, Asseco Poland S.A. did not conduct any transactions of issuance, redemption or repayment of equity or debt securities.

Shares held by the management and supervisory personnel

The table below discloses the numbers of Asseco Poland shares held by its management and supervisory staff as at the dates of publication of this and last year's Management report on the Company's business operations, as well as at the end of 2011 and 2010.

	16 March 2012	31 Dec. 2011	18 March 2011	31 Dec. 2010
Jacek Duch – Chairman of the Supervisory Board	19,667	19,667	19,667	19,667
Adam Góral – President of the Management Board	8,083,000	8,083,000	8,083,000	8,083,000
Tadeusz Dyrga – Vice President of the Management Board	21,724	21,724	21,724	21,724
Robert Smułkowski – Vice President of the Management Board	2,212	2,212	2,212	2,212
Wojciech Woźniak – Vice President of the Management Board	25	25	25	25

The remaining members of the Supervisory Board and Management Board did not hold any shares in Asseco Poland S.A. at any of the above-mentioned dates.

Information Technology Market and Future Outlook

Global IT market

Gartner's analyses show the global ICT market was worth USD 3.7 trillion in 2011, growing by 6.9% if compared to the previous year.

Whereas, IDC estimated the IT market value in 2011 at USD 1.6 trillion, reporting a 5.7% increase. However, these estimates cover the IT market excluding telecommunications.

The forecasts for 2012 assume further growth in individual categories of expenditures on information technology. According to Gartner's forecasts published in January, this year the global IT market is supposed to grow by 3.7%. Analogous estimates made in 2011 expected a 4.6% increase; now the forecasts are more cautious due to the flooding in Thailand, weaker economic sentiment in the world, and the euro-zone debt crisis.

Gartner estimates that in 2012 the total value of the global IT market will reach almost USD 3.8 trillion. The value of the telecommunication services market is estimated at USD 1.74 trillion (2.3% more than in 2011), while global spending on IT services is anticipated to increase to nearly USD 875 billion or by 3.1%. The telecom equipment market will be worth USD 475 billion (6.9% more than in 2011), while the computer hardware sector will grow to USD 425 billion or by 5.1%. Sales of business software should amount to USD 285 billion (a 6.5% increase).

IT market in Poland

Many analytical firms believe that the prospects for the IT sector in Poland are optimistic. According to Erste Group's forecasts, IT spending in Poland should increase by 7.8% in 2012. Such higher expenditures will be driven by the need to improve productivity and reduce costs, growing demand for mobile solutions and flexible infrastructure (the popularity of smartphones, tablet PCs, development of wireless networks, cloud computing). EU funding will continue to provide substantial support for IT investment decisions.

Forecast of IT spending in 2012	2012	2011	Change
Computer hardware	425	404	5.1%
Software	**285**	**268**	**6.5%**
IT services	**875**	**849**	**3.1%**
Telecommunication services	*1,740*	*1,701*	*2.3%*
Telecom equipment	*475*	*444*	*6.9%*
	3,800	**3,666**	**3.7%**

Source: Gartner, Computerworld; figures in USD billions

According to analysts of another research agency, PMR, the majority of IT companies expect the market to grow by more than 10% in 2011-2012. The most promising segments include the services related to information security, solutions offered in IT outsourcing, virtualization, SaaS, cloud computing, BI market, and services for the SME segment.

Whereas DiS agency, having analyzed long-term and quarterly market trends as well as the dynamics of newly concluded contracts, reported that the Polish IT market will see moderate growth, not exceeding 10% in 2012 and in the next two years. The largest IT spending increases should be observed in the sectors of small and medium-sized enterprises, telecommunications, games and multimedia, public administration, and large enterprises.

IDC reported that the value of the Polish IT market in 2011 will increase by 5% to USD 9.7 billion. Their analysts anticipate that purchases of hardware will still represent the largest market share (58%), yet this segment is poised to recede in favour of IT services and software. Investments in hardware should increase by 3% year on year; whereas, expenditures for software and IT services should increase by 8% and 7%, respectively. According to IDC, the major engine of market development will be the process of replacement of obsolete IT systems in Polish enterprises. On a worldwide basis, the market shares of IT services, software and hardware are approximately one-third each, and the Polish market is going to converge towards such a model.

EU funds

Market analysts share an opinion that European Union funds are one of the key growth drivers of the Polish IT industry. In addition to direct use in IT projects, such funds also contribute indirectly to the purchases of equipment, software and services. The Ministry of Regional Development 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. According to the latest data available, the value of financing applications submitted by Polish parties to the European Commission since the launch of the Cohesion Fund strategy till 31 December 2011 amounted to approx. EUR 5.5 billion. The total amount of payments received from the EC by the end of December 2011 amounted to EUR 4.8 billion, representing 85.16% of the available allocation under the Cohesion Fund. The value of contracts signed under the framework of ongoing projects amounted to EUR 9.5 billion.

The value of funds transferred to Poland by the European Commission (advances and reimbursements) amounted to nearly EUR 16.5 billion. We are the European leader in this respect. Close behind are Spain and Germany, which received from the EC, 7.8 billion and 7.5 billion, respectively. In total, the European Commission paid EUR 78.4 billion to the EU member states. The amount transferred to Poland constitutes 25.2% of total funds available to our country in the years 2007-2013. This result places Poland roughly in the middle among all EU countries.

Public administration

Thanks to EU funds, the public sector is one of the most important engines of growth of the IT market in Poland. In 2011, this sector continued implementing a number of projects initiated in previous years. Furthermore, public institutions announced new large procurement contracts. One of the major tenders worth PLN 360 million was announced in February 2011; it involved the design, implementation and warranty supervision of systems to be provided under the project "Electronic platform for gathering, analysis and distribution of digital data on medical procedures". Many significant projects were also launched by: Ministry of Finance (relocation of infrastructure and servers), Ministry of Justice (modernization of the courts), Ministry of the Interior and Administration (e-government projects), General Police Headquarters (modernization program), local governments (implementation of e-offices), transportation management institutions (incl. the Silesian Public Services Card), road inspection and management bodies (incl. the Centre for Automated Traffic Surveillance, traffic management and passenger information systems), defense sector (hardware and software replacement).

IT services market

IDC expects that the Polish IT services market, currently estimated at USD 3 billion, will develop over the next five years at a rate of 4.6% per year. In 2012, this sector is expected to grow by 4% – to USD 3.2 billion. Analysts point to the growing importance of outsourcing and application maintenance services. They also emphasize that the market is small enough to recognize a significant increase on any large contract.

Banking and finance sector

DiS analytical agency forecasted IT expenditures of this sector to reach PLN 3 billion in the years from 2007 to 2010. Purchases of software were expected to consume PLN 1-1.2 billion, with banking software accounting for more than PLN 300 million.

For several years, the banking sector has been limiting its investment outlays worldwide. As quoted by "Computerworld", Celent's analysis estimates that in 2012 global banking institutions will allocate almost USD 173.5 billion for IT solutions, which is 2.8% more than in 2011, but still less than 4.3% anticipated when the initial forecasts for 2012 were released. The smallest increases are to be observed in European banking institutions, where the average growth rate of IT investments will be 0.3%. Analysts predict that European banks will spend USD 59.2 billion on IT solutions in 2012. In 2013, this amount is expected to grow by another 0.4%. In the case of American banking institutions, spending on IT solutions is expected to grow just under 2.4% in 2012 and 2.9% in 2013.

Israeli market

According to forecasts published by STKI.info, the value of the Israeli IT market should grow by more than 22.2% over the next two years to reach USD 6.5 billion in 2013.

Forecast of IT spending in $ millions	2013	2012	2011
Computer hardware	1,926	1,826	1,641
Software	1,287	1,173	1,066
IT services	3,271	2,934	2,934
Total IT market	6,484	5,933	5,305
IT market growth	*9.3%*	*11.8%*	*8.9%*

Slovak market

As forecasted by IDC Slovakia, IDC Czech Republic and IDC Hungary, the IT services market in these countries is expected to grow by 5% annually. The following table presents the estimated average annual growth in IT spending in the years 2010-2015.

Forecast of IT services spending in € millions	2015	2010	*Change (CAGR)*
Czech Republic	1,712	1,344	*4.9%*
Slovakia	600	460	*5.5%*
Hungary	813	644	*4.5%*
Total CE region	3,125	2,448	*5.0%*

Position of the Company and the Group in the IT sector

The Asseco Group continues to strengthen its market position year by year. Asseco Poland and other companies of our Group top the rankings of IT vendors, prepared both by Polish and international research institutes.

The following table presents the position of Asseco Poland in the Truffle 100 ranking, which lists the largest European software vendors by sales of their proprietary software generated in 2010.

Name of company	Country	Sales of proprietary software in EUR millions
1. SAP	DE	12,336.7
2. Dassault Systems	FR	1,563.8
2. Sage	UK	1,542.9
4. Software AG	DE	919.2
5. DATEV	DE	684.6
6. Autonomy	UK	657.0
7. Asseco Poland S.A.	**PL**	**516.4**
8. SWIFT	BE	511.1
9. Wincor Nixdorf	DE	461.6
10. Misys	UK	431.2

As estimated by COMPUTERWORLD TOP200, in 2010 the Polish IT services market was worth PLN 9.6 billion. Asseco Poland's share in this sector is estimated at 10.5%, which puts our company into second place, just behind HP Poland, but well before IBM Poland.

Share in sales of IT services in Poland	Sales of services	Market share
HP Poland	948.6	10.6%
Asseco Poland S.A.	929.3	10.5%
IBM	598.0	6.7%

Again, according to COMPUTERWORLD TOP200 rankings, Asseco Poland S.A. held leading positions in terms of sales to individual sectors of the Polish economy, as shown in the table below.

Ranking of software providers to the sector of	Ranking position
banking	1
financial services	1
public administration	1
agriculture	1
healthcare	1
education	5
utilities	1

COMPUTERWORLD TOP200, Ranking of IT and telecom companies of June 2010, ranking by the amount of sales revenues for 2010

Whereas, the table below presents the positions taken by Asseco Poland in the TOP200 ranking compiled by COMPUTERWORLD that compares leading companies operating in the Polish market, by type of business.

Ranking	Ranking position
Providers of IT maintenance services	1
Providers of IT services	1
Providers of software implementation services	1
Producers of customer-tailored software	2
Producers of proprietary software	5
Providers of BI system licenses	4
Providers of ERP systems	4
Providers of IT trainings	3
Providers of system integration services[1)]	5
Providers of network design and construction services[1)]	1

COMPUTERWORLD TOP200, Ranking of IT and telecom companies of June 2010, ranking by the amount of sales revenues for 2010

1) Asseco Systems S.A. – presently incorporated into Asseco Poland S.A.

Asseco Business Solutions continues to strengthen its market position. According to the Computerworld TOP200 ranking for 2010, the company is Poland's second largest provider of ERP systems in terms of sales revenues (after SAP Poland), with a 26% share in the ERP market.

According to the same ranking, Combidata Poland is the number one player in the provision of IT training courses.

Whereas, Matrix IT, a Formula Systems company, is the leader in the Israeli market for IT services. According to IDC's report for 2010, this company holds the first position in the sales of IT services, controlling over 16% of the local market.

Regulatory environment and its impact on development of the IT market

Polish legal regulations are subject to numerous amendments, which are often due to obligatory adjustments of the local law to the EU regulations.

Legislative acts that have the most significant bearing on the Company's business operations are as follows:

Public Procurement Law

This Act lays down the rules and procedures for the awarding of public contracts, legal enforcement measures, controlling of public contract awards, and indicates the authorities competent with respect to the matters governed by the Act. The Public Procurement Law shall apply to public contracts for provision of services, supplies or construction work.

Informatization Act

The Act determines the rules for informatization of the public administration entities that perform public tasks. Such entities include, among others, government administration bodies, courts, prosecutor offices, regional self-governments and their organizational units, the Social Insurance Institution (ZUS), the Agricultural Social Insurance Fund (KRUS), ant the National Healthcare Fund (NFZ).

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 integrate their information and communications systems. Such plan may only be adopted for a period no longer than five years, and it shall list the information technology projects aiming at the development of priority IT systems. In order to implement the informatization plan, sectoral and intersectoral IT projects should be prepared, specifying the project objectives and entities accountable for their execution.

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

Copyright Law

In Poland computer software is protected by the Copyright Law Act. 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 software developers.

According to articles 66 and 67 of the Copyright Law Act, 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. 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.

Personal Data Protection Act

The processing of personal data can be carried out in public interest, interest of the data subject, or interest of any third party, within the scope and manner determined by the Personal Data Protection Act.

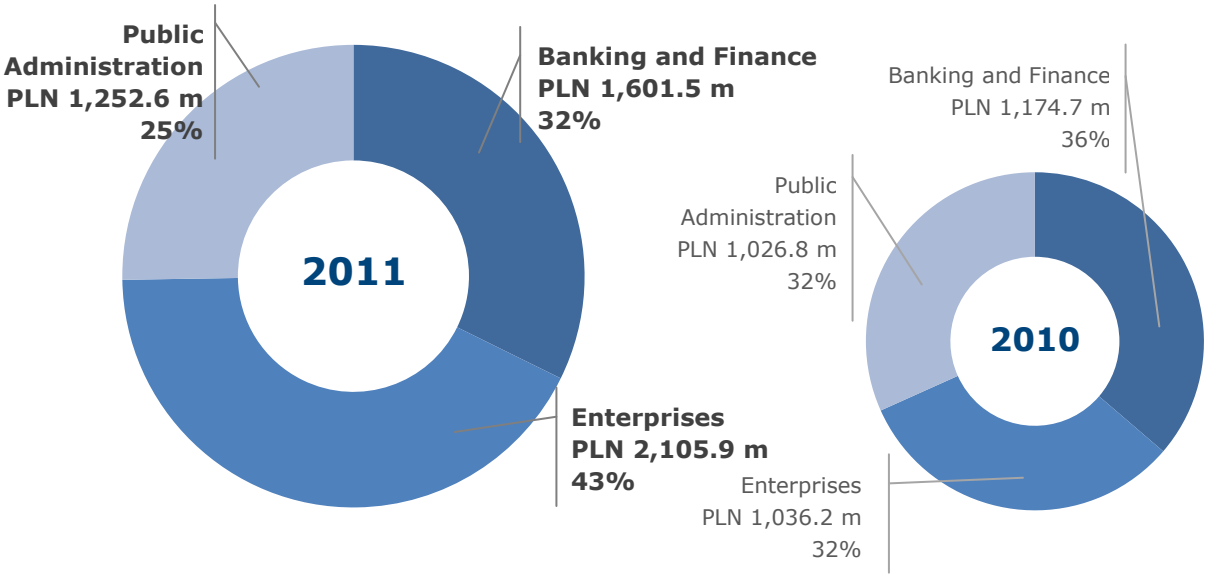
The controller performing the processing of data should protect the interests of data subjects with due care. In particular, he/she shall implement appropriate technical and organizational measures to ensure adequate protection of personal data. The controller shall appoint a data security administrator in order to supervise adhering to the data protection procedures.

Banking Law

This regulation applies to the Company in respect of the use of outsourcing services by banks. This model of cooperation is governed by the provisions of art. 6c of the Banking Law which stipulates that, when entering into an outsourcing arrangement, a bank must satisfy a number of conditions and grant the Financial Supervision Authority (FSA) the right to exercise effective supervision over the performance of the outsourced activities, and in particular the right to control such performance at each stage. The FSA may also issue a decision ordering the bank to take actions aiming at the amendment or termination of an agreement, under which certain activities have been outsourced.

Operating Activities and Financial Information

Sales revenues by sectors



Major events and factors with impact on our financial performance

The above charts show the breakdown of sales generated in 2011 and 2010 by sectors. Owing to the consolidation of Formula Systems, sales revenues surged by 53.2%. The effects of incorporation of this Israeli holding into the Asseco Group are clearly visible in changes to the sales structure, the largest portion of which is now represented by the enterprises segment.

Activities of each of the operating segments identified by the Asseco Group in 2011 are described below.

Polish market

The segment's sales revenues in 2011 fell by more than 10% as compared to the corresponding period last year. Pro-forma sales of the Parent Company dropped by 10%. Turnover of our subsidiaries Asseco Business Solutions and Combidata (provider of trainings in the Polish market) decreased by 6% and 23%, respectively. Whereas, other companies operating in the Polish segment reported higher revenues. During the past year, management boards of our Polish subsidiaries focused on optimizing the operations of individual enterprises and business divisions, consequently improving the operating profit (EBIT) margin by 0.4% percentage points and EBITDA by 0.5% pp, both in comparison to 2010.

The following table presents the financial results generated by our Polish segment for the years 2011 and 2010.

PLN millions	2011	2010	*Change*
Sales revenues	1,600.7	1,801.4	*(11.1%)*
EBITDA	435.1	480.7	*(9.5%)*
EBITDA margin	*27.2%*	*26.7%*	
EBIT	370.1	408.3	*(9.4%)*
EBIT margin	*23.1%*	*22.7%*	
Corporate income tax (current and deferred)	(73.1)	23.9	*(405.9%)*
Net profit margin	*18.1%*	*21.5%*	
Net profit	290.0	387.6	*(25.2%)*

EBITDA = EBIT + depreciation/amortization; EBIT = operating profit; CFO = net cash flows from operating activities; CFI = net cash flows from investing activities; CFF = net cash flows from financing activities; CAPEX = segment's capital expenditures for fixed assets; FCFF = EBITDA - tax + changes in working capital - CAPEX

PLN millions	2011	2010	*Change*
CFO	275.5	370.4	*(25.6%)*
CFI	(120.2)	(642.6)	*(81.3%)*
of which CAPEX	*(117.0)*	*(56.0)*	*108.9%*
CFF	(64.2)	342.0	*(118.8%)*
Working capital at the beginning of period	370.8	110.4	*235.9%*
Working capital at the end of period[2)]	526.3	526.3	*0.0%*
Cash and cash equivalents at the end of period	305.0	213.0	*43.2%*
Interest-bearing debt at the end of period	(338.6)	262.2	*(229.1%)*
of which bank credits, loans and bonds issued	*(167.0)*	*92.3*	*(280.9%)*
of which finance lease commitments	*(171.6)*	*169.9*	*(201.0%)*
FCFF	**89.5**	**32.7**	***173.7%***

[2)] A significant increase in working capital at the end of the comparative period (i.e. as at 31 December 2010) resulted primarily from higher cash and cash equivalents at the Parent Company due to the issuance of series I shares carried out in the 2nd quarter of 2010.
[3)] CFI are presented exclusive of dividends received from subsidiaries included in the "Polish market" segment or other reportable segments.
[4)] CFF are presented exclusive of dividends paid out to companies included in the "Polish market" segment (in this case to Asseco Poland).

In 2011, Asseco Poland generated sales revenues of PLN 1,327.4 million, representing 83.0% of sales across the Polish market segment. Whereas, revenues of Asseco Business Solutions reached PLN 158.5 million or 9.8% of the total turnover in Poland. Asseco Poland recorded an operating profit of PLN 317.6 million, while profit on operations of Asseco Business Solutions amounted to PLN 35.2 million, contributing respectively 85.8% and 9.5% to the segment's earnings. The financial results achieved by these companies comprised in particular:

Asseco Poland S.A.

The Company's merger with its subsidiaries Asseco Systems S.A. and Alatus Sp. z o.o. contributed to the achievement of cost savings owing to operational streamlining of the merged companies. A table presenting changes in operating costs incurred in 2011 and 2010 is included in the Management's report on business operations of Asseco Poland. The report also contains commentary on the results achieved by individual operating segments identified within Asseco Poland. Presented below are selected financial data for each of these segments.

Banking and finance

PLN millions	2011	2010	*Change*
Sales revenues	467.1	494.4	*(5.5%)*
EBIT	113.0	151.6	*(25.5%)*
EBIT margin	*24.2%*	*30.7%*	
Employment [persons]	1,030	1,103	*(6.6%)*

Public administration

PLN millions	2011	2010	*Change*
Sales revenues	644.4	551.5	*16.8%*
EBIT	157.0	153.2	*2.5%*
EBIT margin	*24.4%*	*27.8%*	
Employment [persons]	1,273	1,278	*(0.4%)*

Enterprises

PLN millions	2011	2010	*Change*
Sales revenues	274.1	195.2	*40.4%*
EBIT	31.0	16.7	*85.6%*
EBIT margin	*11.3%*	*8.6%*	
Employment [persons]	557	583	*(4.5%)*

Infrastructure

PLN millions	2011	2010	*Change*
Sales revenues*	100.4	n/a	*n/a*
EBIT	14.2	n/a	*n/a*
EBIT margin	*14.1%*		
Employment [persons]	207	n/a	*n/a*

Additionally, in 2011, Asseco Poland signed a number of agreements within the operations of its individual business divisions. Exemplary contracts are described in the Management's report on business operations of Asseco Poland.

Asseco Business Solutions S.A.

In 2011, Asseco Business Solutions consistently pursued the strategy of selling its ERP and HR products in the full outsourcing model. This means that clients interested in particular software solutions are

not required to make any capital expenditures to purchase the necessary infrastructure, just as they do not need to employ any specialists responsible for maintenance of IT systems. These elements of a project are provided on a service basis by the vendor. In addition, in 2011 the company significantly increased the number of permanent contracts for maintenance (support service) of the previously implemented ERP and HR systems.

Asseco Business Solutions also offers the purchase of selected systems in the subscription model. This means the customers buy the right to use an application, paying a monthly system lease fee. This sales model has so far been the most popular in the segment of mobile systems supporting the work of sales representatives.

The subscription-sale model entails the following advantages:

- for the client: lower barriers to implement an IT system (reduction of the initial investment costs associated with the system deployment) and higher quality of the system support (guaranteed under the SLA agreement);
- for the company: chiefly the possibility of raising the share of recurring monthly revenue.

Asseco Business Solutions benefited, in an indirect way, from the amendment of the statutory VAT rate that was enforced at the beginning of 2011. Following this change, companies were required to adapt their finance and accounting systems to the new regulations. Asseco Business Solutions, having the SME-dedicated WAPRO software in its portfolio, quickly adapted to the amended legislation (launching the "VAT Ready" products) and achieved a significant increase in the sales of new licenses and upgrades in this segment.

Israeli market

The following table presents the financial results generated by our Israeli segment for the years 2011 and 2010.

PLN millions	2011	2010	*Change*
Sales revenues	1,876.6	152.6	*1129.6%*
EBITDA	190.0	23.0	*726.1%*
EBITDA margin	*10.1%*	*15.5%*	
EBIT	128.6	16.7	*670.1%*
EBIT margin	*6.9%*	*12.8%*	
Corporate income tax (current and deferred)	(15.4)	(0.6)	*2466.7%*
Net profit margin	*9.9%*	*9.0%*	
Net profit	185.3	13.7	*1252.6%*
CFO	74.3	92.1	*(19.3%)*
CFI	(149.0)	234.8	*(163.5%)*
of which CAPEX	*(61.2)*	*(4.0)*	*1430.0%*
CFF	8.2	(0.3)	*(2833.3%)*
Working capital at the beginning of period	432.7	486.7	*(11.1%)*
Working capital at the end of period[2)]	403.7	403.7	*0.0%*
Cash and cash equivalents at the end of period	301.3	327.6	*(8.0%)*
Interest-bearing debt at the end of period	(342.3)	169.8	*(301.6%)*
of which bank credits, loans and bonds issued	*(333.9)*	*169.8*	*(296.6%)*
of which finance lease commitments	*(8.4)*	*0.0*	
FCFF	**142.4**	**101.4**	***40.2%***

The item descriptions are included under the analogous table presenting the Polish market.

In 2011, Formula Systems generated revenues of PLN 1,876.6 million, showing a remarkable increase by 1,129.6% over the previous year. The company's profit margins remained at a similar level, which translated into an increase in operating profit to the level of PLN 560.6 million.

Last year one of the major events for Formula Systems was the acquisition of shares in two providers of software solutions for the insurance industry, namely IDIT I.D.I. Technologies and FIS Software, by Sapiens International. The merged company will become one of the major players in the global insurance software industry.

Below are described the key factors influencing the financial performance of individual subgroups forming the Formula Systems Group.

Matrix IT

The company's basic financial results are presented in the table below.

NIS millions	2011	2010	*Change*
Sales revenues	1,785.2	1,527.8	*15.1%*
EBIT	141.2	130.7	*8.1%*
Net profit	96.2	88.7	*8.4%*

Figures published by Matrix IT

IT Matrix generated NIS 1,785.2 million in revenues for 2011, improving its 2010 sales by 15.1%. Whereas, its operating profit and net profit increased by 8.1% and 8.4%, respectively.

Major operating tasks of Matrix included the implementation of the Microsoft Dynamics CRM system for Leumi Card, one of the leading credit card operators in the Israeli market. The new CRM solution will be used by front-office sales personnel as well as by back-office employees of other departments. The implementation of this solution, that will gradually replace Leumi Card's legacy CRM system called Vantive, will be performed by the Matrix competence center specialized in advanced Microsoft CRM solutions, especially in large projects involving more than 1,000 users. Microsoft Dynamics CRM system implemented for Leumi Card is one of the most innovative solutions in its class. This powerful tool helps our clients achieve their business objectives, improve productivity, and monitor their business processes, featuring a comprehensive customer profile. It brings customer relationships to a higher level by providing control mechanisms that support enhancement of rendered services.

Sapiens International

The company's basic financial results are presented in the table below.

USD millions	2011	2010	*Change*
Sales revenues	69.9	52.2	*33.9%*
EBIT	5.6	6.7	*(16.2%)*
Net profit	5.9	6.1	*(4.1%)*

Figures published by Sapiens International in accordance with US GAAP

Sales revenues of Sapiens International increased by 33.9% primarily due to its merger with FIS and IDIT companies in the third quarter of 2011. Restructuring expenses resulting from this business combination squeezed the margins of profit achieved for 2011, which translated into a 16.2% decrease in operating profit for 2011 as compared to that in 2010.

One of the company's major contracts was to provide the IDIT Software Suite for Euler Hermes, the world's leading credit underwriter and member of the Allianz Group. This comprehensive core solution is applied to manage credit insurance operations in the entire Euler Hermes Group, which employs 6,000+ employees in over 50 countries, and has a 34% share in the global credit insurance market.

As part of this multi-year contract worth several million euros, Sapiens is going to perform a full range of services related to the implementation of IDIT system in four countries. Following the pilot implementation in Germany, the solution will cover the UK, Italy and France. The new platform will enable Euler Hermes to take advantage of superior functionality of the modules of Policy Administration, Product Factory, Rating, Underwriting, and Workflow Rule Engine. The modules will use multiple communication channels, in full SOA-based integration with the best of class credit intelligence network of Euler Hermes.

Magic Software

One of the company's key initiatives was the acquisition of *AppBuilder* for USD 13.5 million that was finalized on 27 December 2011. It expanded the Magic's product portfolio and strengthened its presence across global markets, including Asia and Europe. The product functionality is similar to the *uniPaaS* application platform offered by the company, but it is designed especially for large enterprises. Currently, the *AppBuilder* application is used by several companies listed in the Fortune 1000 ranking.

The company's basic financial results are presented in the table below.

USD millions	2011	2010	*Change*
Sales revenues	113.3	88.6	*27.9%*
EBIT	14.7	9.3	*57.6%*
Net profit	15.0	9.4	*60.5%*

Figures published by Magic Software in accordance with US GAAP

A significant growth in sales was associated with entering into a number of new contracts and business partnerships. In addition, the company carried out a number of acquisitions resulting in a non-organic increase of its financial results. In 2011, the company implemented an IT system for a global passenger car market leader based in the U.S. This client chose the *iBOLT* integration platform and purchased licenses and services of Magic Software Enterprises Americas with a total value of USD 600 thousand. After careful analysis of the available solutions, testing and pilot projects, the client decided to use Magic's proprietary technologies and professional services as a strategic solution. *iBOLT* integration platform is perfectly able to meet the challenge of coordinating the exchange of information between different applications installed in many locations around the world. It is enabled without having to manually build expensive, non-scalable interfaces with a low level of security. Using a graphical interface for configuring business processes ensures that even complex software systems can be securely integrated by business analysts from an IT department. The client also applied the *uniPaaS* application platform and used professional services offered by Magic Software in order to deploy new applications on time. The Magic's professional services team members use the *iBOLT* integration platform themselves to perform numerous projects of strategic importance to customers, which are implemented on a large scale and involve huge volumes of data.

Slovak market

The following table presents the financial results generated by our Slovak segment for the years 2011 and 2010.

PLN millions	2011	2010	*Change*
Sales revenues	553.1	519.0	*6.6%*
EBITDA	112.8	85.5	*31.9%*
EBITDA margin	*20.4%*	*16.5%*	
EBIT	74.5	58.0	*28.5%*
EBIT margin	*13.5%*	*11.2%*	
Corporate income tax (current and deferred)	(12.7)	(11.9)	*6.9%*
Net profit margin	*12.5%*	*13.2%*	
Net profit	65.2	31.4	*107.6%*
CFO	131.1	90.9	*44.2%*
CFI	(18.9)	(66.4)	*(71.5%)*
of which CAPEX	*(22.6)*	*(31.8)*	*(28.9%)*
CFF	(30.2)	(8.9)	*239.3%*
Working capital at the beginning of period	70.8	79.5	*(10.9%)*
Working capital at the end of period[2)]	113.7	113.7	*0.0%*
Cash and cash equivalents at the end of period	181.2	88.5	*104.7%*
Interest-bearing debt at the end of period	(41.7)	41.9	*(199.5%)*
of which bank credits, loans and bonds issued	*(34.4)*	*31.5*	*(209.2%)*
of which finance lease commitments	*(7.3)*	*10.4*	*(170.2%)*
FCFF	**34.6**	**7.6**	***354.4%***

The item descriptions are included under the analogous table presenting the Polish market.
[2)] Revenues are presented before consolidation eliminations (i.e. prior to exclusion of inter-segment transactions)

Operating profit of the Asseco Central Europe Group for 2011 was substantially influenced by "one-off" revenues from the sale of licenses and migration of historical data from Stredsko cennich papiru (SCP – The National Depository for Securities) into the Czech Securities Depository (private company). SCP was a key customer of Asseco Czech Republic, whose core IT system was developed and maintained by the company for nearly 20 years. The total profit from this project amounted to EUR 3.0 million.

Companies of the Asseco Central Europe Group operating in the markets of Slovakia, Hungary and Czech Republic generated PLN 553.1 million in total revenues for 2011, outperforming the last year's figure by 6.6%. Higher sales were reported by all companies of the Asseco Central Europe holding, except for Slovanet operating in the Slovak market. The combined operating profit for 2011 amounted to PLN 74.5 million, reflecting a solid increase by 28.5%.

In order to optimize the costs of operations, the Management Board of Asseco Central Europe decided to reduce the group's average workforce by ca. 14.9%, which helped decrease the operating expenses by 16.6% year-on-year. The group's profitability was also improved by the disposal of Uniquare company operating in the Austrian market, whose operating costs were considerably higher than the combined expenses of the newly acquired Hungarian companies, GlobeNet and Statlogics, which together employ a similar number of people as Uniquare.

High growth in amortization is associated with the acquisition Uniquare's products for financial institutions for EUR 12.3 million. These products began to be amortized as from 1 January 2011.

PLN millions	2011	2010	*Change*
Average workforce[1)]	1,515	1,672	*(9.4%)*
Operating costs[2)]	416.3	415.4	*0.2%*
Depreciation and amortization	38.3	27.5	*39.4%*
Operating costs[2)] less depreciation and amortization	378.0	387.9	*(2.6%)*

[1)] The average workforce in 2010 includes 138 employees working for Uniquare as at the end of December 2009; whereas, in 2011 the headcount includes a total of 135 employees working for the fully consolidated Hungarian companies as at the end of December 2011.
[2)] This item includes the costs of production (excluding the costs of merchandise, materials and third-party work sold), selling expenses and general administrative costs.

The major contract executed by Asseco Central Europe was the implementation of the Control Information System (CIS) for the Slovak Supreme Chamber of Control. CIS has become one of the cornerstones of modern public administration. The system implementation cost reached EUR 2.9 million. This was the first project in Slovakia, co-financed under the Operational Program "Development of Information Society", whereby the EU supports projects related to the development of e-services and e-government. The Control Information System deployed at the Slovak Supreme Chamber of Control is basically intended to support the work of inspectors, collect reliable information on the controlled entities (government agencies, local government, and regional offices). It enables the creation of a database of inspection activities undertaken, as well as for the compilation of inspection findings, reports and audit conclusions. Asseco Central Europe provided both its proprietary software solution and maintenance services. Not only does the newly launched system serve to modernize the Slovak government, but it also provides citizens, enterprises and administrative units with direct access to the services of the Supreme Chamber of Control. The Control Information System is part of a digitization project that includes many other systems, such as the taxation system for the Slovak Tax Directorate to be implemented in the coming months.

Balkan market

Companies of the Asseco South Eastern Europe Group generated PLN 461.9 million in revenues for 2011, posting a slight 1.1% decrease from the previous year. Lower sales were reported by our subsidiaries operating in Romania, Macedonia, and Bosnia and Herzegovina. All the three countries are still feeling the effects of the crisis resulting in evidently conservative approach to investment spending. Deteriorated sales in the above-mentioned countries were well offset by higher revenues generated in the Albanian, Bulgarian, and Slovenian markets.

Operating profit for 2011 amounted to PLN 54.9 million, improving by 8.7%. Our subsidiaries operating in Albania, Bulgaria, Kosovo, Serbia, Slovenia and Turkey reported higher EBIT than a year ago. Asseco South Eastern Europe strengthens its position through diversification of its revenue base among different countries and clients. The group significantly improved its revenues in Albania and Bulgaria. The following table presents the financial results generated by our Balkan segment for the years 2011 and 2010.

PLN millions	2011	2010	*Change*
Sales revenues	461.9	467.0	*(1.1%)*
EBITDA	63.6	57.6	*10.4%*
EBITDA margin	*13.8%*	*12.4%*	
EBIT	54.9	51.1	*7.4%*
EBIT margin	*11.9%*	*10.8%*	
Corporate income tax (current and deferred)	(7.4)	(8.2)	*(9.8%)*
Net profit margin	*11.0%*	*9.3%*	
Net profit	54.8	43.6	*25.7%*
CFO	43.8	63.9	*(31.5%)*
CFI	(31.7)	(46.6)	*(32.0%)*
of which CAPEX	(12.3)	*(9.8)*	*25.5%*
CFF	(19.2)	(11.7)	*64.1%*
Working capital at the beginning of period	102.7	121.3	*(15.3%)*
Working capital at the end of period[2)]	151.0	151.0	*0.0%*
Cash and cash equivalents at the end of period	103.4	101.2	*2.2%*
Interest-bearing debt at the end of period	(1.4)	3.6	*(138.9%)*
of which bank credits, loans and bonds issued	*(0.6)*	*2.7*	*(122.2%)*
of which finance lease commitments	*(0.8)*	*0.9*	*(188.9%)*
FCFF	**(4.4)**	**9.9**	***(141.6%)***

Other markets

The following table presents the financial results generated in other markets for the years 2011 and 2010.

PLN millions	2011	2010	*Change*
Sales revenues	515.7	427.7	*20.6%*
EBITDA	41.8	54.7	*(23.6%)*
EBITDA margin	*8.1%*	*12.8%*	
EBIT	20.5	38.8	*(47.2%)*
EBIT margin	*4.0%*	*9.1%*	
Corporate income tax (current and deferred)	(2.5)	(2.8)	*(11.2%)*
Net profit margin	*3.1%*	*5.7%*	
Net profit	16.1	24.4	*(34.0%)*
CFO	20.5	52.0	*(60.6%)*
CFI	(9.7)	(4.4)	*120.5%*
of which CAPEX	(19.1)	(113.6)	*(83.2%)*
CFF	10.7	(7.6)	*(240.8%)*
Working capital at the beginning of period	43.0	53.6	*(19.8%)*
Working capital at the end of period[2)]	71.1	71.1	*0.0%*
Cash and cash equivalents at the end of period	83.5	56.3	*48.3%*
Interest-bearing debt at the end of period	(86.6)	(55.3)	*56.6%*
of which bank credits, loans and bonds issued	(86.5)	(55.1)	*57.0%*
of which finance lease commitments	(0.1)	(0.2)	*(50.0%)*
FCFF	**(7.9)**	**(79.2)**	***(90.0%)***

The Asseco Group companies operating in other markets recognized PLN 515.7 million in revenues for 2011, showing a 20.3% increase as compared to 2010. Revenue growth was achieved by our subsidiaries operating in Spain and Germany, while Danish companies reported slightly weaker sales.

Asseco Spain focused on the development of products for mobile devices such as: MDM solutions, applications, and mobile services. The company entered into cooperation with Apple and has become a major partner of

this global player in the Spanish market. Asseco Spain also won a tender for the provision of mobile services for BBVA worldwide. The company carried out many initiatives aimed at the restructuring of its operations, including a reduction in employment by approx. 50 job positions. The restructuring processes undertaken since the company acquisition brought EUR 2.0 million in savings on an annual basis. In 2010 the Group's Spanish pillar was extended with the Necomplus company, whose results were not consolidated for the first 7 months of 2010, thereby adding to improved sales growth this year. Companies of the Necomplus Group achieved better results than in 2010 owing to the consolidation of the banking segment in Spain.

Asseco Denmark's operating activities are focused on the provision of advisory and consulting services. The economic slowdown, felt throughout Europe, had a negative impact on the company's financial performance, reducing its sales revenues and weighing on its operating profitability, as the amount of fixed costs remained high.

The companies incorporated in the Asseco DACH holding, namely Asseco Germany and Matrix42, managed to improve their revenues in comparison with the corresponding period last year. Matrix42 signed a partnership agreement with COMPAREX (formerly PC Ware), under which COMPAREX shall distribute Matrix42's products as part of their business. Moreover, the company expanded its portfolio by introducing mobile device management solutions, and thereby became the first provider of a full range of management solutions covering all software, desktops, and portable devices.

Additionally, the finance and accounting module developed by Asseco Business Solutions was implemented in Asseco Germany, where it has supported statutory reporting and managerial accounting since the beginning of the year. This is the first instance of a foreign company replacing its legacy finance and accounting system with the solution provided by Asseco Business Solutions. In the future, the said module is going to be sold in a bundle with the Asseco Germany's solution – APplus. Asseco Germany is also engaged in the development project aimed at adapting Helios Orange, an ERP solution for small-sized enterprises provided by Asseco Central Europe, to the German market needs.

Sintagma, our Lithuanian subsidiary achieved excellent results. This success resulted from the signing and implementation of a number of new contracts with clients representing both the public and private sector. In the area of cooperation with archives and libraries, which is the key business of that company, Sintagma signed a contract with the Lithuanian Central State Archive for e-cinema information system. This system is part of a larger project aimed at the publication of Lithuanian archival documentaries in the Internet. Whereas, the Office of the Chief Archivist of Lithuania was provided with a Europe's pioneering system for archiving of electronic documents. Moreover, Sintagma together with its partners began implementing the e-Seimas system for the Lithuanian parliament. It facilitates the parliamentary work and opens an opportunity for citizens to participate in the legislative process. Sintagma also implemented an innovative project for the Vilnius College, which is designed to simulate the activities of an insurance company in order to better educate future professionals of that industry.

Non-recurring events with impact on our financial performance

In effect of the balance-sheet valuation of contingent liabilities on deferred payments for the acquisition of shares, the Group recognized financial income in the amount of PLN 10.9 million (with PLN 6 million resulting from the GlobeNet transaction) and financial expenses of PLN 1.9 million.

Following the annual impairment testing of goodwill, the Group recognized an impairment write-down of PLN 6.0 million on goodwill arising from the acquisition of GlobeNet.

In August 2011, Sapiens International Corporation, a Formula Systems company, took control over the companies of FIS Software Ltd. and IDIT I.D.I. Technologies Ltd. As part of the consideration for former shareholders of the acquired companies, Sapiens issued 17.5 million ordinary shares.

Given such issuance of shares, the Formula Systems equity interest in Sapiens has dropped to 42%, resulting in the loss of control over Sapiens. Thus, as of August 2011, Sapiens ceased to be a subsidiary and became an associated company of Formula Systems. On such loss of control, Formula Systems recognized a gain of PLN 89.9 million (translating into PLN 45.1 million of net income attributable to the Group). This gain was recognized as financial income. Subsequently, Formula Systems made purchases of shares in Sapiens International and has regained control over that company since 2 February 2012.

As at 31 December 2011, the Company's airplane (used since 2008) was reclassified from property, plant and equipment to non-current assets held for sale. The airplane was reclassified as in the fourth quarter of 2011 the Parent Company began to actively seek a buyer for this asset, which process was successfully completed in February 2012 by signing a conditional sale agreement. At the time of reclassification, the airplane's carrying amount exceeded its fair value less costs necessary to make the sale, and therefore an impairment charge of PLN 2.3 million has been recognized.

In 2011, our indirect subsidiary Asseco Central Europe, a.s. (CZ), ceased to use the office space that was leased under a fixed-term irrevocable lease contract. As a consequence, ACE (CZ) established a provision in the amount of PLN 5.8 million (ca. EUR 1.4 million) for the amount of rent that the company will be required to pay till the end of the lease term.

Assessment of financial resources management

Spare financial resources generated by the Asseco Group companies in 2011 were allocated to dividend payments, while the remaining portion was utilized to finance company acquisitions or current operations. Some funds, serving as security for bank guarantee facilities or for due performance of contracts, were invested in financial instruments available in the local interbank markets, which offered maximum yield while keeping the risks at the level acceptable to the Management Board.

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. The following table shows the closing balances of working capital in the last three years.

	2011	2010	2009
Working capital (in PLN millions)	1,265.8	1,020.0	361.2
Current liquidity ratio	1.79	1.71	1.39
Quick liquidity ratio	1.69	1.60	1.28
Absolute liquidity ratio	0.64	0.62	0.37

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

The main factors behind the growth in working capital included:

- the surplus of cash over short-term debt (including finance lease commitments) amounting to PLN 46.4 million;
- the surplus of trade receivables over trade liabilities amounting to PLN 158.0 million;
- the surplus of other receivables over other liabilities amounting to PLN 162.2 million.

Debt ratios

During the year 2011, the Group's total short- and long-term liabilities increased by PLN 306.1 million (of which interest-bearing debt inclusive of finance lease commitments grew by PLN 277.6 million, among others, due to drawing additional funds from a bank loan facility intended for the construction of our new office building in Warsaw's Wilanów). Our general debt ratio equalled 25.6%, remaining at a similar level as a year ago. The following table presents basic debt ratios reported in the closing balance sheets for the last three years.

	2011	2010	2009
Debt ratio	25.6%	25.1%	24.3%
Debt / equity ratio	11.3%	8.2%	6.5%
Debt / (debt + equity) ratio	10.1%	7.5%	6.1%

Debt ratio = (long-term liabilities + short-term liabilities) / assets
Debt / equity ratio = interest-bearing bank loans and debt securities / shareholders' equity
Debt / (debt + equity) ratio = interest-bearing bank loans and debt securities / (interest-bearing bank loans and debt securities + shareholders' equity)

Opinion on feasibility of investment plans

The Asseco Group companies pay their trade liabilities, settle their compulsory state charges, and fulfil their investment obligations on a timely basis. Our companies maintain loan facilities at various banks in order to diversify their sources of financing. The companies pay their liabilities from current operating revenues which may be supplemented with third-party financing, in the form of short-term bank overdraft facilities, bank term loans, borrowings, or capital contributions. The table below presents the utilization of cash provided by operating activities.

PLN millions	2011	2010	2009
Taxable EBITDA [I]	711.3	592.1	534.7
EBITDA cash conversion[1] [II]	*76.8%*	*113.0%*	*82.1%*
Cash flows from operating activities [III]	546.3	668.9	438.8
CAPEX[2] [IV]	(232.3)	(213.7)	(126.3)
M&A[3] [V]	(181.9)	(102.1)	(308.7)
Repayment / taking out of loans, net [VI]	227.4	20.1	(71.3)
Total IV + V + VI [VII]	(186.8)	(295.7)	(506.4)
Dividends [VIII]	(233.5)	(144.4)	(118.3)
Payment of finance lease commitments and interest on loans [IX]	(39.5)	(36.5)	(35.6)
Total VII + VIII + IX [X]	(459.8)	(476.6)	(660.3)
Utilization of cash provided by operating activities X / III [XI]	*84.2%*	*71.3%*	*150.5%*

1) EBITDA cash conversion = Cash flows from operating activities / Taxable EBITDA
2) Expenditures for the acquisition of property, plant and equipment and intangible assets
3) Acquisitions of shares in related companies including buy-outs of minority interests; in 2010 M&A are presented net of PLN 481.1 million in proceeds from the issuance of shares intended for the acquisition of Formula Systems

The table above shows an increase in the utilization of cash generated from operating activities to PLN 459.8 million or 84.2% of total cash flows from operating activities, as compared with 71.3% utilized in 2010. These indicators remain at comparable levels.

Discussion of significant risk factors and threats

Market risks

Risk related to intensified competition

The Group's operations are under the pressure of intense competition both from the local players and international IT corporations, which has to be faced especially when tendering for large and prestigious contracts. Competitors with global reach are getting continually stronger as 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 whether 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 technological changes in the industry and development of new products

The 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. Asseco 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 companies will satisfy the technological requirements, and whether they will be accepted positively by their potential users. Such circumstances might have an adverse impact on the operations, financial position and financial performance of the Asseco 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 consolidation of the banking sector

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

Risk related to carrying out of public tenders

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 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 whether the Group companies will be able to gain such new contracts that would ensure sufficiently high and satisfactory revenues in the future. These factors 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 the global macroeconomic situation

Development of the IT services sector is closely correlated to the overall economic prosperity. The main factors affecting financial results of the Asseco Group companies include the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, as well as the rate of inflation in countries where the Group companies conduct their operations. These factors might have a negative impact on the Group's operations, financial position and results as well as on its future development outlook.

Risk of becoming dependent on the key customers

The implementation of contracts with key client will heavily impact the level of sales revenues generated by the Asseco Group in the coming years. It cannot be precluded that a potential loss of any major client, 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 increasing cost of work

Salaries account for over 70% of the project implementation costs. Taking into account such high human resource requirements, an increase in salaries would 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 Asseco 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 related to offshoring

Development of information technology services provided offshore to the customers based in the countries where Asseco conducts direct business operations may eventually trigger off stronger competition in those markets. On the other hand, offshoring investments located in the countries where Asseco 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.

Foreign currency risk

The currency used by the Asseco Group for presentation of its financial results is Polish zloty (PLN). Whereas, functional currencies of the Group's foreign subsidiaries are the local currencies of the countries where they operate. Consequently, assets of such subsidiary companies or groups need to be translated into PLN, and therefore their values presented in the consolidated financial statements remain under the influence of foreign exchange rates against PLN.

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 loan facilities granted by external financial institutions, which are based on variable interest rates, and (ii) change in valuation of the concluded 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 loan facilities based on a variable interest rate or, if not possible, the Group may conclude forward rate agreements.

Regulatory risks

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 our 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.

Operating risks

Risk of losing the clients' trust

Operations of the Asseco Group companies 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 brand. 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.

Risk of underestimation of the project cost

Most of the Asseco Group's profits are derived from the 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 timely, professional or financial performance under a contract.

Risk of concluding a contract with a dishonest customer

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

Hence, the risk control measures usually consist in monitoring the timely execution of bank transfers and, if needed, sending a reminder of outstanding payment. In the 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.

Risk related to software licenses

The Asseco Group utilizes IT software licenses granted under legal agreements concluded with the world's leading providers of utility software and thematic applications, such as Business Objects, HP, IBM, Microsoft, Oracle, and SAS Institute. With the help of such solutions and technologies, Asseco Group develops its most important products. Termination of any licensing agreements or limitation of the Group's ability 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 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 Asseco's control. It cannot be entirely precluded that the investor 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.

Risk involved in insufficient insurance coverage

Business activities conducted by the Group companies, 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 Asseco, whether attributable to its negligence or not. The agreements concluded by the Group companies provide for contractual penalties in the event of non-performance or improper performance of obligations. 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 Asseco Group.

Risk related to losing the key personnel

The Asseco 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. Still there is a risk that resignation by the key personnel would have a negative impact on the execution of IT contracts conducted by the Group companies, 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, financial performance, and prospective development of the Group.

Risk of business continuity

Occurrence of an emergency situation at one of the Asseco Group companies may impair our ability to continue to provide services to our clients, which in turn may lead to delays, failure to comply with our obligations, claims for damages, or loss of reliability for our clients. Any of the above-mentioned events might have an adverse impact on the operations, financial position and financial performance of the Group, as well as on its prospective development.

Risk of data leakage

As a result of deliberate actions of third parties or dishonest employees, as well as mistakes or carelessness of our employees or contractors, confidential data of the Asseco Group or of its clients may be disclosed to unauthorized persons. Such circumstances might have a negative impact on the perception of Asseco by our clients, and consequently on the Group's operations, financial position, financial performance, and prospective development.

Risk of property damage

As a result of abuse or errors committed by employees of the Asseco companies, the Group may suffer damage to its property. Such circumstances might have a negative impact on the Group's financial condition and ability to continue business operations, and consequently on its financial performance and prospective development.

Personnel practices risk

The Group companies may incur costs in connection with legitimate or illegitimate claims filed by their employees on the grounds of discrimination, working conditions, etc. Any of the above-mentioned events might have an adverse impact on the operations, financial position, financial performance, and prospective development of the Group companies.

Other Information

Opinion on feasibility of the Management Board financial forecasts for 2012

Management boards of the Asseco Group companies did not publish any financial forecasts for the year 2012 nor for subsequent financial periods.

Changes in the principles of the company and group management

In 2011 the Group saw minor changes in its management practices, which basically included improving the management tools in order to enable more effective use, monitoring as well as economic evaluation of our resources.

Remuneration of the management and supervisory personnel

The amounts of remuneration due to our management and supervisory staff have been disclosed in explanatory note 34 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2011.

Agreements concluded by the Asseco Group with its management personnel providing for payment of compensations if such persons resign or are dismissed from their position

The Asseco Group companies did not conclude any agreements with their management officers that would provide for payment of compensations 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.

Changes in capital relationships

Changes in the Group's equity relationships have been described in explanatory note 10 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2011.

Related party transactions

Transactions with related companies have been presented in explanatory note 26 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2011.

Bank loans, borrowings, sureties, guarantees and off-balance-sheet liabilities

Bank loans, borrowings, sureties, guarantees and off-balance-sheet liabilities have been described in explanatory note 20 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2011.

Off-balance-sheet items

The nature, purpose and value of significant off-balance-sheet items have been presented in explanatory notes 28 and 29 to the consolidated financial statements of the Asseco Group for the year ended 31 December 2011.

Monitoring of employee share option plans

As at the date of preparation of this report, the Company did not run any share-based employee incentive scheme.

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

At the publication date of this report, the Group companies were 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.

Statements of Management Board to the Annual Report of the Asseco Group

This Management's Report on the Group's Business Operations was approved for publication by the Management Board of Asseco Poland S.A. on 16 March 2012.

Adam Góral

President of the Management Board

Renata Bojdo

Vice President of the Management Board

Zbigniew Pomianek

Vice President of the Management Board

Przemysław Borzestowski

Vice President of the Management Board

Włodzimierz Serwiński

Vice President of the Management Board

Tadeusz Dyrga

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Przemysław Sęczkowski

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Marek Panek

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Robert Smułkowski

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