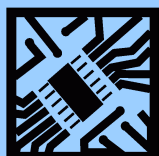


27 May 2011

Update


**IT**  
Poland

<b>Current price</b>	<b>PLN 49.60</b>
<b>Target price</b>	<b>PLN 65.00</b>
Market cap	PLN 3.85bn
Free float	PLN 2.57bn
Avg daily trading volume (3M)	PLN 14.06m

#### Shareholder Structure

Adam Góral	10.42%
Aviva OFE	10.08%
ING OFE	7.22%
PZU OFE	5.52%
Others	66.76%

#### Sector Outlook

The Polish IT market is estimated to have grown 5% in 2010. This year, we expect a stronger, 7% increase in sales of IT solutions. Reduced public-sector spending (except for EU-funded projects) should be offset by increased purchases by businesses seeking cost-reducing solutions.

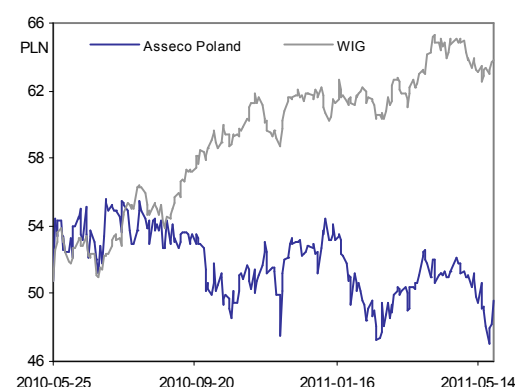
#### Company Profile

Asseco Poland is Poland's biggest IT integrator and software supplier, and one of Europe's biggest companies of this kind. The Company's core business is the provision of IT services to the financial sector, but in the recent years it has also been expanding the share of industry and public-administration clients in its sales.

#### Important Dates

01.06 - dividend payout  
26.08 - H1 2011 report

#### Asseco Poland vs. WIG



#### Piotr Grzybowski

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# Asseco Poland Buy

ACPP.WA; ACP PW

(Reiterated)

## Pessimism Already Priced In

Asseco Poland has successfully filled the revenue gap opened after completion of a major contract for PKO BP. The EBIT loss has also proven smaller than predicted by analysts. Asseco's prospects for 2011 are shaped by a number of major contract tenders which, if won, can give a major boost to earnings. The Center for Healthcare Information Systems (CSIOZ) is seeking vendors to provide about PLN 360m-worth of services, and Poland's leading insurer PZU is preparing to spend substantial amounts on IT solutions which may include a central computer system. Asseco Poland has a good chance of capturing a handsome portion of these orders. ACP stock has been trading low because investors lack confidence in the company's M&A strategy, saying that the speed of the acquisitions is too fast and that they do not create adequate synergy. Added to this are concerns about potential losses for shareholders. While we agree that every acquisition involves some risk, we would suggest that investors consider the opportunities that come from capturing new products and markets. Looking at the history of Asseco's M&A deals, we believe the company's management deserve the benefit of the doubt when it comes to future transactions. By creating and growing Asseco Business Solutions and Asseco Central Europe, a small company from Rzeszów has evolved into one of the largest IT service providers in Europe while creating value for shareholders. Trading at a 29% discount to peers on 2011E P/E and a 17% discount on 2011E EV/EBITDA, ACP is currently the cheapest IT stock listed on the WSE. We are reiterating a buy rating on Asseco.

#### Q1 2011 results

Asseco Poland reported very good financial results for the first quarter of 2011, with revenue 73.3% higher than in the same period a year ago at PLN 1196.9m, EBIT showing 49.7% year-on-year growth to PLN 181.6m, and net profit rising 1.8% to PLN 97.2m. Much of the credit for the revenue and profit growth is due to last year's acquisition Formula Systems, but the core earnings also improved relative to last year. The small increase in the bottom-line was due to year-ago one-time gains; the adjusted Q1 2011 profit was 10.6% higher than in Q1 2010.

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	3 050.3	3 237.7	4 641.3	4 862.1	5 117.8
EBITDA	646.1	695.0	812.5	844.3	873.7
EBITDA margin	21.2%	21.5%	17.5%	17.4%	17.1%
EBIT	525.5	569.0	660.0	688.6	715.3
Net profit	373.4	415.1	389.3	421.2	450.3
DPS	1.5	1.5	1.8	1.6	1.7
P/E	10.3	9.3	9.9	9.1	8.5
P/CE	7.8	7.1	7.1	6.7	6.3
P/BV	0.9	0.7	0.6	0.6	0.5
EV/EBITDA	6.6	6.8	5.9	5.4	4.9

## Financial Standing

### Q1 2011 Results

As predicted, Asseco Poland reported very good results for the first quarter of 2011. At PLN 1196.9m, revenue exceeded our estimate by 4.4% and was 73.3% higher than in the same period a year ago, driven by consolidation of the recently acquired Formula Systems (calculated without the Israeli subsidiary, the year-on-year topline growth amounted to 8.6%) which reported a 19% sales surge to USD 155.9m (we expected USD 136.0m).

The consolidated gross margin was in line at PLN 29.9%, as were SG&A expenses (PLN 178.2m reported vs. PLN 176.0m forecasted). As a result, EBIT grew a whopping 49.7% from PLN 121.3m in Q1 2010 to PLN 181.6m in Q1 2011, beating our PLN 164.5m estimate. Such an impressive result was achieved among others with the help of Asseco CE which improved EBIT to PLN 29.7m from PLN 4.3m a year earlier thanks to a contract for data migration for the Central Securities Deposit of the Czech Republic following the acquisition of the Prague Stock Exchange by the Vienna Stock Exchange. Formula Systems added PLN 38.1m to the consolidated EBIT. As expected, the parent company reported an EBIT decline from PLN 87.1m (PLN 92.4m including Asseco Systems and Alatus) to PLN 83.7m (we forecasted PLN 78.0m).

### Q1 2011 results by member of Asseco Group

(PLN m)	1Q2011			1Q2010		
	Revenue	EBIT	margin	Revenue	EBIT	margin
Asseco Poland SA	336.2	83.7	24.9%	358.9	92.4	25.7%
Asseco Central Europe	127.3	29.7	23.3%	115.6	4.3	3.7%
Asseco South Eastern Europe	98.0	11.1	11.3%	92.3	9.6	10.4%
Asseco DACH	50.0	1.3	2.6%	36.0	1.3	3.6%
Asseco South Western Europe	53.4	1.7	3.2%	29.0	-0.8	-2.8%
Formula Systems	446.4	38.1	8.5%	-	-	-
Asseco Northern Europe	23.2	2.9	12.5%	20.3	1.8	8.9%
Asseco Business Solution SA	42.5	11.2	26.4%	36.7	9.1	24.8%
Combidata Polska Sp. z o.o.	11.1	1.5	13.5%	11.0	2.1	19.1%
ZUI Novum	5.5	1.1	20.0%	5.0	0.8	16.0%
ZUI OTAGO	4.6	0.5	10.9%	2.6	0.9	34.6%
ADH Soft	1.8	0.2	11.1%	1.9	0.4	21.1%
Other	5.8	0.3	5.2%	8.1	1.1	13.6%

Source: Asseco Poland

Contrary to our expectations of a PLN 3.5m gain, Asseco incurred financial expenses of PLN 0.8m in Q1 2011 resulting from a PLN 4.7m loss on asset revaluations performed by Formula Systems. Because of these charges (commercial paper mark-to-market adjustments), in spite of strong sales and EBIT growth (by 11% to USD 12.2m), the Israeli subsidiary's net profit for the period came in at just USD 4.2m vs. USD 4.8m a year earlier. The effective tax rate for the Asseco Group was in line at 19%, while minority interests proved higher than predicted (PLN 49.2m vs. PLN 41.0m) thanks to better-than-expected performance of associates. Moreover, the Q1 2011 net profit did not receive a boost from one-time gains like the ones reported in the same period in 2010 (including a PLN 21.0m reversal of a provision for amounts payable to Prokom Investments, combined with a PLN 9.4m goodwill impairment at Gladstone). As a result, the reported bottom line was just 1.8% higher than the year-ago figure (the year-on-year increase in adjusted profit was 10.6%).

Summing up, Asseco Poland had a good first quarter. The strong profits reported by Asseco Central Europe are probably a one-time feat, however, there was improvement in the operating profits of Asseco companies across the board (from Asseco Poland through Asseco Business Solution and Asseco South Eastern Europe to Asseco South Western Europe). In spite of the impairment charges booked in Q1 2011, it looks like Formula Systems will prove worthy the premium at which it was acquired. Moreover, the parent company seems to have bridged the revenue gap left after completion of the large contract for PKO BP.

## Reported vs. forecasted Q1 2011 results

(PLN m)	1Q2011	1Q2010	change	1Q2011F	Difference	Consensus	Difference	2011F	2010	change
Revenue	1 196.9	690.6	73.3%	1146.0	4.4%	1 129.5	6.0%	4 641.3	3 237.7	43.4%
EBITDA	220.6	151.3	45.8%	206.5	6.8%	-	-	812.5	695.0	16.9%
margin	18.4%	21.9%	-	18.0%	-	-	-	17.5%	21.5%	-
EBIT	181.6	121.3	49.7%	164.5	10.4%	161.3	12.6%	660.0	569.0	16.0%
Pre-tax profit	180.8	133.9	35.0%	168.0	7.6%	-	-	671.1	499.0	34.5%
Net profit	97.2	95.5	1.8%	95.1	2.2%	94.5	2.9%	389.3	415.1	-6.2%

Source: Asseco Poland, F – forecasts by BRE Bank Securities; Consensus estimates by PAP

## Future Outlook

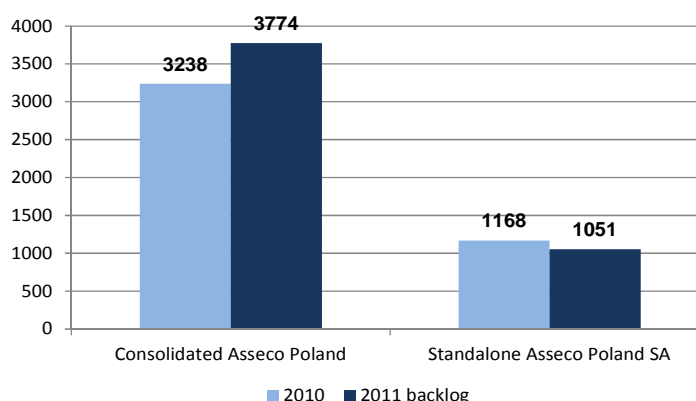
### Order Backlog

Asseco announced that its 2011 order book as of 10 May stood at PLN 3774m, and was equivalent to 116.6% of the 2010 revenue (owing to the acquisition of Formula Systems), representing 81.3% of our 2011 revenue estimate. Orders for proprietary software and services totaled PLN 2904m, representing 140.4% of last year's sales of in-house solutions and 76.9% of the total backlog (compared to 63.9% in 2010).

The order book captured by the parent company stood at PLN 1051m (90% of 2010 sales), and included PLN 737m (108.0% of last year's share) in orders for proprietary solutions. The parent's backlog this year has been supported by the absorption of Asseco Systems and Alatus and completion of the PKO BP project.

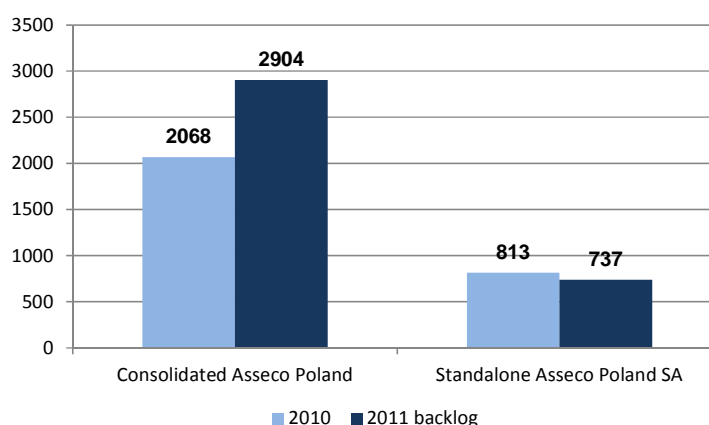
We believe successful contract acquisition which has allowed Asseco to build a YTD backlog representing 81.3% (compared to 65.0% a year ago) of our full-year revenue estimate (which is now looking quite conservative) is going to make 2011 a successful year in terms of earnings.

### Consolidated and standalone order backlog as of 10 May 2011



Source: Asseco Poland

### Proprietary solutions as pct. of backlog as of 10 May 2011



Source: Asseco Poland

## Does Asseco's Acquisition Strategy Deserve the Benefit of the Doubt?

### Acquisitions as investment risk

With a treasury stock supply no longer looming, and concerns about earnings erosion dispelled, Asseco Poland's M&A strategy is the single biggest factor affecting investor sentiment. We do not see much evidence supporting these concerns in the company's M&A history to date. Granted, cross-sales between Asseco's different geographic markets have been consistently low (PLN 130.0m in 2010 vs. PLN 86.2m in 2009), showing an inability to tap fully into the potential offered by a broad global presence, but the earnings growth otherwise achieved by the different companies acquired in recent years should be enough to make investors believe that the M&A strategy can successfully create value for shareholders. The following is a brief reminder of Asseco Poland's past acquisitions and their contributions to the Group's financial success.

### Asseco Business Solutions

Asseco Business Solutions, the Polish ERP arm of the Asseco Group, was created on the foundation of Incenti, an IT outsourcer taken over together with Softbank. The acquisitions that followed, including WAPRO, Safo, Softlab Sp. z o.o., and Softlab Trade, allowed Asseco to expand the range of services offered to business customers. In the mean time, Incenti changed its name to Asseco Business Solutions (ABS) and in mid-2007 took over the other firms from the parent company in exchange for shares. The stock market debut completed in the same year fetched ABS PLN 61.6m which the company used to acquire a majority stake in Anica Systems. 2008 saw another stock swap between ABS and the minority shareholders of Anica Systems, following which ABS took its current shape. The table below shows the amounts spent on the creation of Asseco Business Solutions at the time they were incurred and discounted to their present value as of 30 June 2011 using an 11.0% discount rate. These amounts were then compared with the present value of past dividends and current market capitalization which, we assume, is perceived by investors as representing the value of future returns for shareholders. These calculations showed that the creation of ABS generated an added value (both for Asseco Poland and the shareholders of its other acquisitions who swapped their interests for ABS shares) of PLN 44.5m.

### Value created by Asseco Business Solutions

Value created by Asseco Business Solutions

Year	Investment / Divestment
2006	<b>PLN -13.3m</b> (PLN -21.3m as of 30 June 2011) – purchase of a 70% stake in WAPRO
	<b>PLN -26.0m</b> (PLN -41.6m) – 100% interest in Incenti
	<b>PLN -29.5m</b> (PLN -47.2m) – 100% acquisition of Softlab Trade and 70% acquisition of Softlab sp z o.o.
2007	<b>PLN -17.2m</b> (PLN -24.8m) – 28.3% acquisition of Safo
	<b>PLN -45.1m</b> (PLN -65.0m) – purchase of minority interests in Safo, the Softlabs, and WAPRO in exchange for a stock consideration; asset value calculated based on the degree of dilution
	<b>PLN -54.8m (PLN -79.0m)</b> – 60.5% acquisition of Anica System
	<b>PLN -61.6m</b> (PLN -88.8m) – IPO stock issue
2008	<b>PLN -47.5m</b> (PLN -61.7m) – acquisition of minority interests in Anica System in exchange for a stock consideration
2009	<b>PLN 14.0m</b> (PLN 16.4m) – dividend from 2008 earnings
2010	<b>PLN 25.1m</b> (PLN 26.4m) – dividend from 2009 earnings
2011	<b>PLN 30.1m</b> – dividend from 2010 earnings
	<b>PLN 401.0m</b> – current market cap
Surplus value over discounted expenses (PLN m):	
44.5	

Source: Asseco Poland, Asseco Business Solutions

Source: Asseco Poland, Asseco Business Solutions

### Asseco Central Europe

An even bigger success story is Asseco Central Europe, member of the Asseco Group since late 2004. By acquiring shares (SKK 340m, ca. PLN 36.0m) and interests in increased share capital (SKK 100m, ca. PLN 10.5m), Asseco Poland purchased a 55% stake in Asset Soft (later Asseco Slovakia). Asseco Slovakia proceeded to expand by purchasing a majority stake in the telecom operator Slovanet in 2005. Toward the end of 2006, Asseco Slovakia made its debut on the Warsaw Stock Exchange, raising PLN 90m (after the IPO, Asseco Poland's stake in the company decreased to 41.67%). The IPO proceeds were used in 2007 to purchase majority interests in Datalock, LCS International, Berit, MPI Slovakia, Disig, and Uniquare, and a 39.3% stake in Asseco Czech Republic (formerly PVT) and its increased share capital (following which Asseco Slovakia's stake totaled 57.06%).

### Value created by Asseco Central Europe

Year	Investment / Divestment	
2004	<b>PLN -46.5m</b> (PLN -91.6m as of 30 June 2011) – 55% acquisition of Asseco CE	
2005	<b>PLN 4.8m</b> (PLN 8.5m) – dividend from 2004 earnings	
2006	<b>PLN 6.5m</b> (PLN 10.4m) – dividend from 2005 earnings	
2007	<b>PLN 7.1m</b> (PLN 10.2m) – dividend from 2006 earnings	
2008	<b>PLN -38.6m</b> (PLN -50.1m) – book value of an in-king contribution of a 42.92% stake in Asseco Czech Republic	
	<b>PLN 9.9m</b> (PLN 12.9m) – dividend from 2007 earnings	
2009	<b>PLN 17.9m</b> (PLN 20.9m) – dividend from 2008 earnings	
2010	<b>PLN 7.5m</b> (PLN 7.9m) – dividend from 2009 earnings	
2011	<b>PLN 7.4m</b> – dividend from 2010 earnings	
	<b>PLN 222.6m</b> – market value of Asseco Poland's stake	
Surplus value over discounted expenses (PLN m):		159.1

Source: Asseco Poland, Asseco Central Europe

In 2008, Asseco CE acquired the remaining stake in Asseco Czech Republic in exchange for its own shares. As a result, Asseco Poland's stake increased to 48.09%. Other moves included a purchase of the remaining interests in LCS International and small takeovers (such as Slovanet and Datalock) by subsidiaries. A second stock issue in June raised PLN 108.6m and reduced Asseco Poland's ownership to 40.07%. The proceeds were used to buy minority stakes in Berit and Datalock, and interests in Statlogics Zrt and GLOBENET Zrt. At the same time, the company sold Disig.

We want to point out that the building of Asseco Central Europe was financed almost exclusively with internal cash resources obtained either through stock issues or in the course of day-to-day business. Asseco's financial involvement was limited to a share capital increase in 2004, an in-kind contribution of Asseco Czech Republic shares, and dilution of ownership from 55% to 40.07% in the course of the expansion. In return, Asseco got dividend gains and an investment currently worth PLN 223m. The value for shareholders generated by Asseco Central Europe amounted to PLN 159.1m so far. Note that this value was achieved in spite of the Uniquare acquisition which is considered the least successful M&A deal made by Asseco Central Europe and therefore by Asseco Poland.

## Valuation

### Valuation Summary

	PLN m	Weight	9M Target Price
DCF Valuation	5 022.6	50%	
Relative Valuation	4 285.6	50%	
based on P/E	4 629.4	50%	
based on EV/EBITDA	3 941.9	50%	
<b>Average</b>	<b>4 654.1</b>		<b>5 041.6</b>
Value per share			65.0

### Relative Valuation

We compared the forward EV/EBITDA and P/E multiples of Asseco Poland and its Polish and foreign peers as estimated for financial years 2011 through 2013. The forecast years are given 25%, 45%, and 30% weights, respectively.

### P/E and EV/EBITDA estimates for IT companies

	Price	EV/EBITDA			P/E		
		2011F	2012F	2013F	2011F	2012F	2013F
Microsoft Corp		5.5	5.1	4.7	9.4	8.8	8.0
Cap Gemini		5.7	5.1	4.6	15.6	13.2	11.7
SAP AG		10.9	9.6	8.7	16.3	14.4	12.8
Oracle Corp		9.4	8.5	7.9	15.2	13.9	12.6
Accenture Ltd		9.5	8.6	8.0	17.5	15.5	13.8
Indra Sistemas		8.6	8.1	7.6	12.2	11.4	10.9
Tietoenator		5.1	4.7	4.4	11.1	9.6	8.5
Atos Origin SA		4.5	3.4	3.1	12.4	10.0	8.5
LOGICA Plc		7.0	6.5	6.0	10.4	9.2	8.4
IBM		8.5	8.0	7.3	12.7	11.5	10.6
Comarch		6.8	5.8	5.0	16.0	13.6	12.0
Sygnity		7.2	5.3	4.3	16.9	10.3	7.9
Maximum		10.9	9.6	8.7	17.5	15.5	13.8
Minimum		4.5	3.4	3.1	9.4	8.8	7.9
<b>Median</b>		<b>7.1</b>	<b>6.1</b>	<b>5.5</b>	<b>14.0</b>	<b>11.5</b>	<b>10.7</b>
Asseco Poland	49.6	<b>5.9</b>	<b>5.4</b>	<b>4.9</b>	<b>9.9</b>	<b>9.1</b>	<b>8.5</b>
premium / discount		-17.2%	-11.6%	-11.1%	-29.2%	-20.5%	-20.3%

### Valuation assumptions

1. Our earnings forecast horizon extends from FY2011 to FY2020.
2. In the forecast period and beyond, our assumed risk-free rate is 6.1% (yield on 10Y T-bonds).
3. The expected FCF growth rate after the forecast horizon is 3.0%.
4. Net debt is as at year-end 2010 less dividend.
5. The discounted value of the treasury shares is deducted from the company's market cap for the purposes of relative valuation.



## DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
<b>Sales</b>	<b>4 641.3</b>	<b>4 862.1</b>	<b>5 117.8</b>	<b>5 310.1</b>	<b>5 504.0</b>	<b>5 700.4</b>	<b>5 874.8</b>	<b>6 052.2</b>	<b>6 234.9</b>	<b>6 423.0</b>	
change	43.4%	4.8%	5.3%	3.8%	3.7%	3.6%	3.1%	3.0%	3.0%	3.0%	
<b>EBITDA</b>	<b>812.5</b>	<b>844.3</b>	<b>873.7</b>	<b>891.6</b>	<b>915.6</b>	<b>936.0</b>	<b>954.4</b>	<b>972.7</b>	<b>991.1</b>	<b>1 006.7</b>	
EBITDA margin	17.5%	17.4%	17.1%	16.8%	16.6%	16.4%	16.2%	16.1%	15.9%	15.7%	
D&A	152.4	155.7	158.4	161.1	163.8	166.6	169.4	172.3	175.3	175.3	
<b>EBIT</b>	<b>660.0</b>	<b>688.6</b>	<b>715.3</b>	<b>730.5</b>	<b>751.7</b>	<b>769.4</b>	<b>785.0</b>	<b>800.4</b>	<b>815.9</b>	<b>831.4</b>	
EBIT margin	14.2%	14.2%	14.0%	13.8%	13.7%	13.5%	13.4%	13.2%	13.1%	12.9%	
Tax on EBIT	125.4	130.8	135.9	138.8	142.8	146.2	149.1	152.1	155.0	158.0	
<b>NOPLAT</b>	<b>534.6</b>	<b>557.8</b>	<b>579.4</b>	<b>591.7</b>	<b>608.9</b>	<b>623.2</b>	<b>635.8</b>	<b>648.3</b>	<b>660.8</b>	<b>673.4</b>	
CAPEX	-212.5	-220.3	-179.2	-180.6	-181.7	-182.5	-188.1	-193.8	-199.6	-175.3	
Working capital	146.6	-17.7	-19.5	-18.4	-20.4	-21.5	-33.3	-18.4	-19.3	-20.3	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>FCF</b>	<b>621.1</b>	<b>475.5</b>	<b>539.1</b>	<b>553.7</b>	<b>570.5</b>	<b>585.8</b>	<b>583.9</b>	<b>608.4</b>	<b>617.2</b>	<b>653.1</b>	<b>672.7</b>
WACC	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	
discount factor	94.0%	84.6%	76.2%	68.6%	61.7%	55.6%	50.0%	45.0%	40.5%	36.5%	
PV FCF	584.1	402.5	410.7	379.7	352.2	325.4	292.0	273.9	250.0	238.2	
<b>WACC</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>
Cost of debt	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Risk-free rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	0.0%
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
FCF growth after the forecast horizon	3.0%	<b>Sensitivity Analysis</b>									
Terminal value	8 305.3	<b>FCF growth in perpetuity</b>									
Present value of terminal value (PV TV)	3 028.8					<b>1.0%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>	
Present value of FCF in the forecast horizon	3 508.7	WACC +1.0pp	54.3	57.1	60.5	64.8	70.3				
Enterprise value (EV)	6 537.5	WACC +0.5pp	57.9	61.1	65.1	70.1	76.6				
Net debt	-367.3	WACC	61.8	65.5	<b>70.1</b>	76.1	84.0				
Other non-operating assets	0.0	WACC -0.5pp	66.1	70.4	75.9	83.0	92.7				
Minority interests	1 882.2	WACC -1.0pp	70.9	76.0	82.5	91.1	103.1				
Equity value	5 022.6										
Number of shares (millions)	77.6										
<b>Value per share (PLN)</b>	<b>64.8</b>										
9M cost of equity	8.3%										
<b>Target Price</b>	<b>70.1</b>										
EV/EBITDA ('11) for the target price	8.0										
P/E ('11) for the target price	14.0										
TV to EV	46%										





## Income Statement

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
<b>Sales</b>	<b>3 050.3</b>	<b>3 237.7</b>	<b>4 641.3</b>	<b>4 862.1</b>	<b>5 117.8</b>	<b>5 310.1</b>	<b>5 504.0</b>
<i>change</i>	9.5%	6.1%	43.4%	4.8%	5.3%	3.8%	3.7%
Proprietary solutions	1 975.2	2 067.7	2 943.0	3 087.2	3 253.5	3 381.9	3 513.7
Third-party solutions	516.1	557.9	905.3	949.0	999.6	1 038.0	1 065.7
Hardware and infrastructure	541.2	592.1	768.2	799.6	836.7	860.8	893.9
Other sales	17.7	20.0	24.8	26.3	28.1	29.4	30.6
<b>COGS</b>	<b>2 007.2</b>	<b>2 161.0</b>	<b>3 249.2</b>	<b>3 415.1</b>	<b>3 610.0</b>	<b>3 763.0</b>	<b>3 909.4</b>
<b>Gross profit</b>	<b>1 043.1</b>	<b>1 076.7</b>	<b>1 392.1</b>	<b>1 447.0</b>	<b>1 507.9</b>	<b>1 547.1</b>	<b>1 594.6</b>
Selling expenses	220.8	226.6	334.7	350.3	366.3	378.0	391.3
G&A expenses	302.3	288.1	395.1	405.8	423.9	436.2	449.0
<b>Gross profit</b>	<b>520.0</b>	<b>562.1</b>	<b>662.3</b>	<b>690.9</b>	<b>717.7</b>	<b>732.9</b>	<b>754.3</b>
Other operating income/expenses	5.5	6.9	-2.3	-2.3	-2.4	-2.5	-2.6
<b>EBIT</b>	<b>525.5</b>	<b>569.0</b>	<b>660.0</b>	<b>688.6</b>	<b>715.3</b>	<b>730.5</b>	<b>751.7</b>
<i>change</i>	6.3%	8.3%	16.0%	4.3%	3.9%	2.1%	2.9%
<i>EBIT margin</i>	17.2%	17.6%	14.2%	14.2%	14.0%	13.8%	13.7%
Financial income/expenses	-8.5	-72.0	8.9	32.6	51.1	72.2	94.4
Other	-2.6	2.0	2.1	2.2	2.3	2.4	2.5
<b>Pre-tax profit</b>	<b>514.4</b>	<b>499.0</b>	<b>671.1</b>	<b>723.4</b>	<b>768.7</b>	<b>805.0</b>	<b>848.6</b>
Tax	-76.5	-0.1	-126.1	-136.1	-144.8	-151.8	-160.1
Minority interests	64.5	83.8	155.7	166.1	173.6	179.6	187.4
<b>Net profit</b>	<b>373.4</b>	<b>415.1</b>	<b>389.3</b>	<b>421.2</b>	<b>450.3</b>	<b>473.6</b>	<b>501.1</b>
<i>change</i>	16.1%	11.2%	-6.2%	8.2%	6.9%	5.2%	5.8%
<i>margin</i>	12.2%	12.8%	8.4%	8.7%	8.8%	8.9%	9.1%
D&A	120.5	126.0	152.4	155.7	158.4	161.1	163.8
<b>EBITDA</b>	<b>646.1</b>	<b>695.0</b>	<b>812.5</b>	<b>844.3</b>	<b>873.7</b>	<b>891.6</b>	<b>915.6</b>
<i>change</i>	9.2%	7.6%	16.9%	3.9%	3.5%	2.0%	2.7%
<i>EBITDA margin</i>	21.2%	21.5%	17.5%	17.4%	17.1%	16.8%	16.6%
Shares at year-end (millions)	77.6	77.6	77.6	77.6	77.6	77.6	77.6
EPS	4.8	5.4	5.0	5.4	5.8	6.1	6.5
CEPS	6.4	7.0	7.0	7.4	7.8	8.2	8.6
ROAE	9.2%	8.2%	6.4%	6.5%	6.5%	6.3%	6.3%
ROAA	6.5%	6.1%	4.8%	4.9%	4.9%	4.9%	4.9%



## Balance Sheet

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
<b>ASSETS</b>	<b>5 715.3</b>	<b>7 901.2</b>	<b>8 379.0</b>	<b>8 886.4</b>	<b>9 453.0</b>	<b>10 017.0</b>	<b>10 608.5</b>
<b>Fixed assets</b>	<b>4 422.1</b>	<b>5 441.0</b>	<b>5 484.7</b>	<b>5 550.2</b>	<b>5 572.2</b>	<b>5 592.7</b>	<b>5 611.5</b>
Property, plant and equipment	366.9	516.9	525.9	535.6	538.7	541.6	544.3
Intangible assets	2 636.7	2 813.2	2 864.3	2 919.2	2 936.9	2 953.5	2 968.7
Goodwill on consolidation	1 280.7	1 865.8	1 865.8	1 865.8	1 865.8	1 865.8	1 865.8
Financial assets	49.4	23.5	23.5	23.5	23.5	23.5	23.5
Long-term loans	18.0	73.1	73.1	73.1	73.1	73.1	73.1
Long-term receivables	34.6	36.8	36.8	36.8	36.8	36.8	36.8
Restricted cash	1.2	1.6	1.6	1.6	1.6	1.6	1.6
Deferred tax assets	20.5	72.2	72.2	72.2	72.2	72.2	72.2
Long-term prepayments	14.1	37.9	21.5	22.5	23.7	24.5	25.4
<b>Current assets</b>	<b>1 293.2</b>	<b>2 460.3</b>	<b>2 894.3</b>	<b>3 336.1</b>	<b>3 880.8</b>	<b>4 424.3</b>	<b>4 997.0</b>
Inventories	45.7	66.7	91.7	105.8	121.7	126.8	131.8
Accruals	64.5	85.7	98.1	102.7	108.1	112.2	116.3
Trade debtors	569.4	1 016.3	891.8	947.6	1 011.5	1 064.0	1 117.9
Other receivables	247.2	315.7	319.5	321.4	323.6	325.3	327.0
Financial assets	23.7	133.7	133.7	133.7	133.7	133.7	133.7
Cash	342.8	842.2	1 359.5	1 725.0	2 182.2	2 662.3	3 170.4
<b>(PLN m)</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>
<b>EQUITY AND LIABILITIES</b>	<b>5 715.3</b>	<b>7 901.2</b>	<b>8 379.0</b>	<b>8 886.4</b>	<b>9 453.0</b>	<b>10 017.0</b>	<b>10 608.5</b>
<b>Equity</b>	<b>4 318.2</b>	<b>5 839.4</b>	<b>6 270.4</b>	<b>6 718.0</b>	<b>7 215.6</b>	<b>7 733.7</b>	<b>8 280.1</b>
Share capital	77.6	77.6	77.6	77.6	77.6	77.6	77.6
Reserves	3 498.5	3 946.2	3 946.2	3 946.2	3 946.2	3 946.2	3 946.2
Retained earnings	785.2	444.0	719.3	1 000.8	1 324.8	1 663.3	2 022.3
Minority interests	635.8	1 371.7	1 527.3	1 693.5	1 867.0	2 046.6	2 234.0
<b>Long-term liabilities</b>	<b>468.9</b>	<b>628.3</b>	<b>702.1</b>	<b>711.6</b>	<b>722.6</b>	<b>730.8</b>	<b>739.2</b>
Loans	30.6	227.1	227.1	227.1	227.1	227.1	227.1
Long-term payables	121.0	115.2	115.2	115.2	115.2	115.2	115.2
Leases	182.8	158.7	158.7	158.7	158.7	158.7	158.7
Provisions	106.8	50.1	162.5	170.3	179.2	185.9	192.7
Long-term accruals	24.4	75.8	37.1	38.9	40.9	42.5	44.0
Other	3.4	1.4	1.4	1.4	1.4	1.4	1.4
<b>Current liabilities</b>	<b>928.2</b>	<b>1 433.5</b>	<b>1 406.6</b>	<b>1 456.8</b>	<b>1 514.9</b>	<b>1 552.5</b>	<b>1 589.2</b>
Loans	102.1	108.1	108.1	108.1	108.1	108.1	108.1
Trade creditors	282.2	457.0	465.8	498.9	537.3	560.0	581.8
Leases	23.8	22.7	22.7	22.7	22.7	22.7	22.7
Other	284.6	451.6	451.6	451.6	451.6	451.6	451.6
Provisions	23.2	31.2	35.2	36.9	38.9	40.3	41.8
Accruals	212.4	362.8	323.1	338.5	356.3	369.7	383.2
Debt	132.6	335.3	335.3	335.3	335.3	335.3	335.3
Net debt	-210.2	-506.9	-1 024.3	-1 389.7	-1 846.9	-2 327.0	-2 835.1
(Net debt / Equity)	-4.9%	-8.7%	-16.3%	-20.7%	-25.6%	-30.1%	-34.2%
(Net debt / EBITDA)	-0.3	-0.7	-1.3	-1.6	-2.1	-2.6	-3.1
<b>BVPS</b>	<b>55.7</b>	<b>75.3</b>	<b>80.8</b>	<b>86.6</b>	<b>93.0</b>	<b>99.7</b>	<b>106.7</b>

## Cash Flows

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
<b>Cash flows from operating activities</b>	<b>458.5</b>	<b>525.6</b>	<b>835.0</b>	<b>692.7</b>	<b>711.7</b>	<b>723.7</b>	<b>737.5</b>
Pre-tax profit	514.4	499.0	671.1	723.4	768.7	805.0	848.6
Interest	8.5	72.0	-8.9	-32.6	-51.1	-72.2	-94.4
D&A	120.5	126.0	152.4	155.7	158.4	161.1	163.8
Working capital	-68.3	-163.6	146.6	-17.7	-19.5	-18.4	-20.4
Tax	-102.1	-0.1	-126.1	-136.1	-144.8	-151.8	-160.1
Other	-14.6	-7.7	0.0	0.0	0.0	0.0	0.0
<b>Cash flows from investing activities</b>	<b>-465.4</b>	<b>-590.7</b>	<b>-203.6</b>	<b>-187.7</b>	<b>-128.1</b>	<b>-108.5</b>	<b>-87.3</b>
CAPEX	-456.8	-518.7	-212.5	-220.3	-179.2	-180.6	-181.7
Equity investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-8.5	-72.0	8.9	32.6	51.1	72.2	94.4
<b>Cash flows from financing activities</b>	<b>-103.1</b>	<b>578.0</b>	<b>-114.0</b>	<b>-139.6</b>	<b>-126.3</b>	<b>-135.1</b>	<b>-142.1</b>
Debt	-88.5	177.5	0.0	0.0	0.0	0.0	0.0
Stock issue	91.4	545.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	-118.4	-144.4	-114.0	-139.6	-126.3	-135.1	-142.1
Other	12.4	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in cash</b>	<b>-110.0</b>	<b>513.0</b>	<b>517.4</b>	<b>365.4</b>	<b>457.2</b>	<b>480.1</b>	<b>508.1</b>
Cash at period-end	342.8	842.2	1 359.5	1 725.0	2 182.2	2 662.3	3 170.4
DPS (PLN)	1.5	1.5	1.8	1.6	1.7	1.8	1.9
FCF	42.7	-218.0	621.1	475.5	539.1	553.7	570.6
(CAPEX / Sales)	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.3%

## Market multiples

	2009	2010	2011F	2012F	2013F	2014F	2015F
P/E	10.3	9.3	9.9	9.1	8.5	8.1	7.7
P/CE	7.8	7.1	7.1	6.7	6.3	6.1	5.8
P/BV	0.9	0.7	0.6	0.6	0.5	0.5	0.5
P/S	1.3	1.2	0.8	0.8	0.8	0.7	0.7
FCF/EV	1.0%	-4.6%	13.0%	10.4%	12.5%	13.8%	15.5%
EV/EBITDA	6.6	6.8	5.9	5.4	4.9	4.5	4.0
EV/EBIT	8.1	8.3	7.2	6.7	6.0	5.5	4.9
EV/S	1.4	1.5	1.0	0.9	0.8	0.8	0.7
DYield	3.0%	3.0%	3.6%	3.3%	3.5%	3.7%	3.9%
<b>Price (PLN)</b>							
Shares at year-end (millions)	77.6	77.6	77.6	77.6	77.6	77.6	77.6
MC (PLN m)	3847.3	3847.3	3847.3	3847.3	3847.3	3847.3	3847.3
Equity attributable to minority shareholders (PLN m)	635.8	1371.7	1960.2	2126.3	2299.9	2479.5	2666.9
EV (PLN m)	4 272.9	4 712.0	4 783.2	4 583.9	4 300.2	3 999.7	3 679.0



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**List of abbreviations and ratios contained in the report:****EV** – net debt + market value**EBIT** – Earnings Before Interest and Taxes**EBITDA** – EBIT + Depreciation and Amortisation**P/CE** – price to earnings with amortisation**MC/S** – market capitalisation to sales**EBIT/EV** – operating profit to economic value**P/E** – (Price/Earnings) – price divided by annual net profit per share**ROE** – (Return on Equity) – annual net profit divided by average equity**P/BV** – (Price/Book Value) – price divided by book value per share**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents**EBITDA margin** – EBITDA/Sales**Recommendations of BRE Bank Securities**

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**Strong and weak points of valuation methods used in recommendations:**

**DCF** – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**Comparative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Previous ratings issued for Asseco Poland**

<b>Rating</b>	Buy
<b>Rating date</b>	2010-08-31
<b>Price on rating day</b>	55.00
<b>WIG on rating day</b>	41983.21