

CORPORATE

COMARCH  
INFORMATION TECHNOLOGY

# Comarch Q1-Q3 2007

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President of the Management Board

20 November 2007, Warsaw



## Financial Results Q3

	<b>Q3 2007</b>	<b>Q3 2006</b>
<b>Revenue</b>	140,435 (an increase of 15%)	122,057
<b>Operating profit</b>	9,844	8,863
<b>Net profit</b>	6,839	6,791

In thousands of PLN

## Financial Results Q1 – Q3

	<b>Q1-Q3 2007</b>	<b>Q1-Q3 2006</b>
<b>Revenue</b>	410,844 (an increase of 33%)	308,881
<b>Operating profit</b>	28,877	28,096
<b>Net profit</b>	24,725	29,933

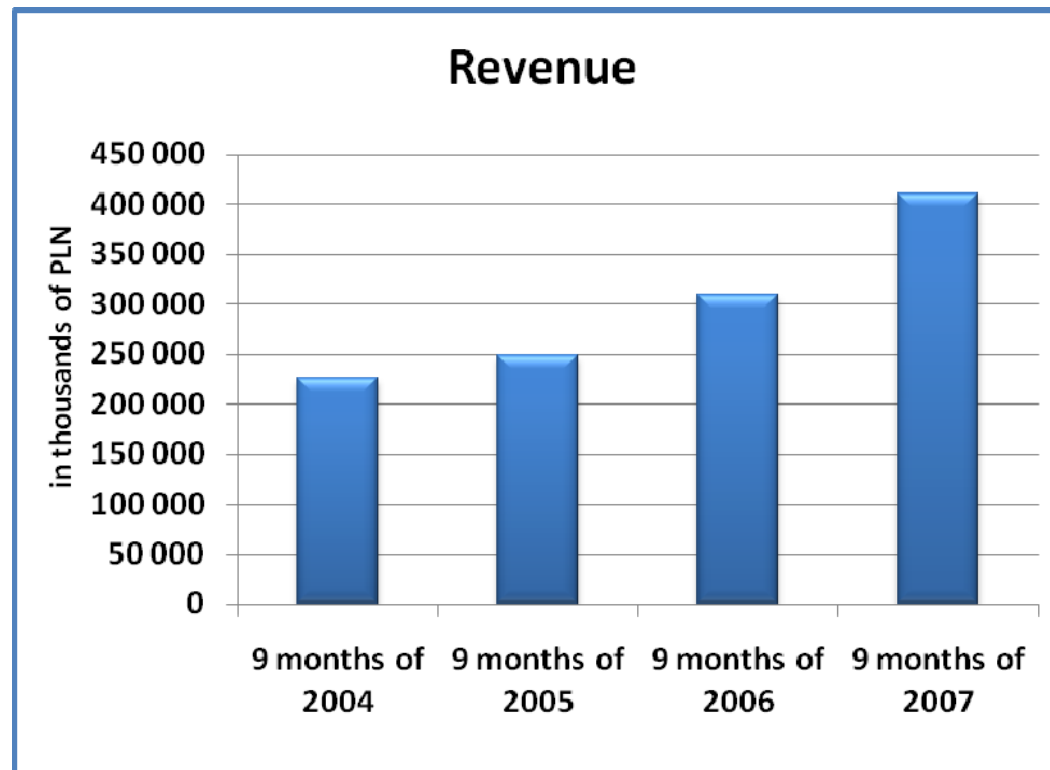
In thousands of PLN

## Financial Results Q1–Q3 after Eliminating Sales of Interia.pl S.A. Shares in Q1 2006

	Q1-Q3 2007	Q1-Q3 2006
<b>Revenue</b>	410,844	308,881
<b>Operating profit</b>	28,877	28,096
<b>Net profit</b>	24,725	<b>22,723</b>

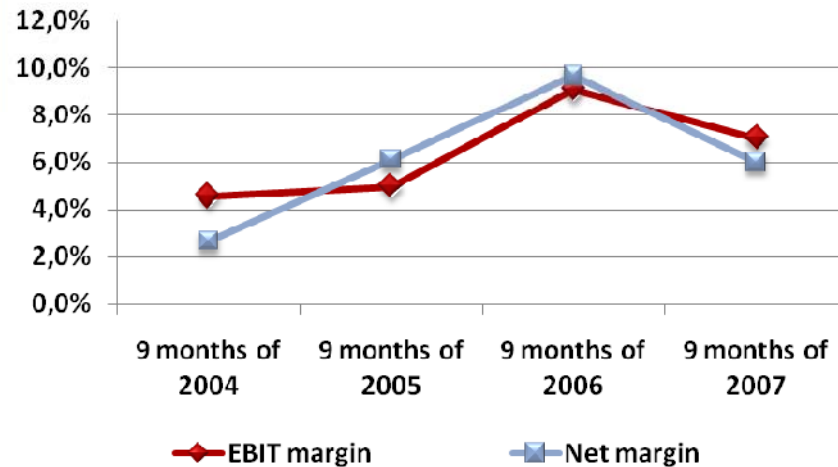
In thousands of PLN

## Within 9 Months Ended 30 September 2007 Revenue Increased by 33%

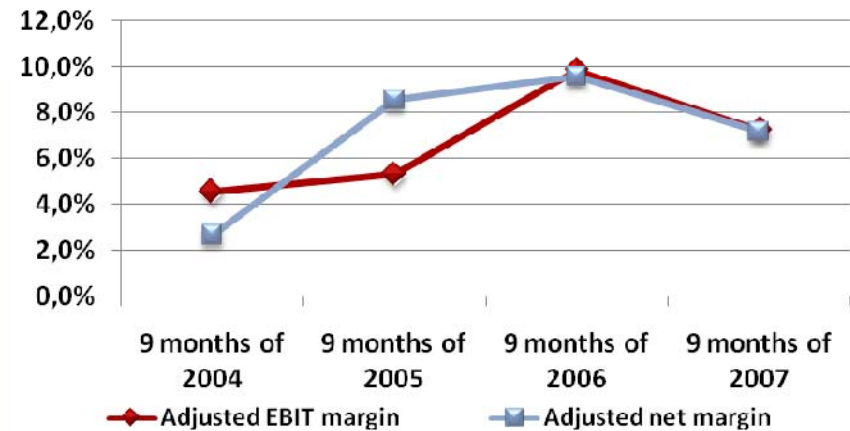


# Operating and Net Margin

**EBIT and Net margin  
Q1-Q3 2004-2007**



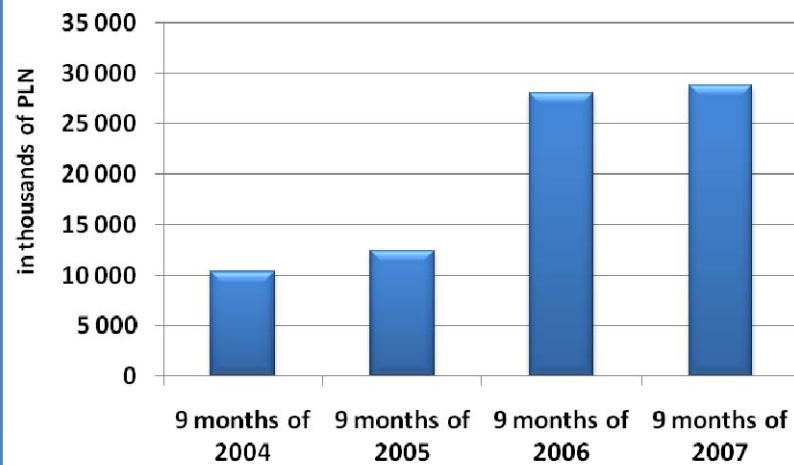
**Adjusted EBIT and Net Margin  
Q1-Q3 2004-2007**



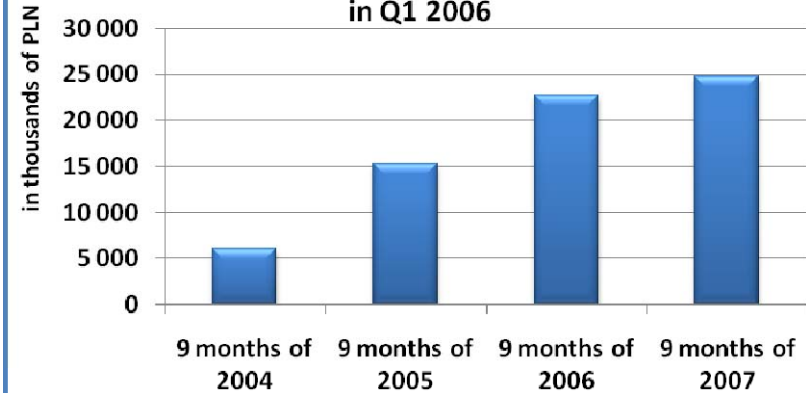
# CORPORATE

## Financial Results Q1-Q3 2007

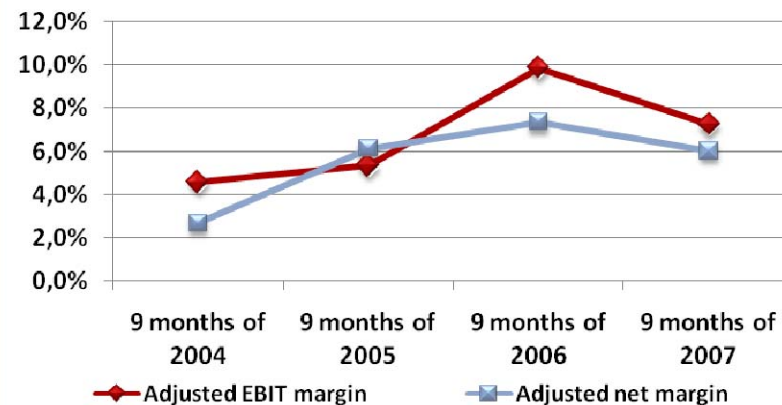
### Operating Profit



### Net Profit attributable to the Company's Shareholders after eliminating sales of INTERIA.PL S.A. shares in Q1 2006



### Adjusted EBIT and Net Margin Q1-Q3 2004-2007 after eliminating sales of INTERIA.PL S.A. shares in Q1 2006



## Comparison of the Financial Results for Q3 2007 and Q3 2006

Comarch Group	Q3 2007	Q3 2006	Change %
<b>Revenue</b>	<b>140,435</b>	<b>122,057</b>	<b>15.1%</b>
Depreciation	4,436	3,149	40.9%
<b>Nominal operating profit (according to the IFRS)</b>	<b>9,844</b>	<b>8,863</b>	<b>11.1%</b>
<b>Nominal net profit attributable to the company's shareholders (according to the IFRS)</b>	<b>6,839</b>	<b>6,791</b>	<b>0.7%</b>
Nominal EBIT margin	7.0%	7.3%	
Nominal net margin	4.9%	5.6%	
<b>Nominal EBITDA (operating profit + depreciation)</b>	<b>14,280</b>	<b>12,012</b>	<b>18.9%</b>
Nominal EBITDA margin	10.2%	9.8%	



## Comparison of the Financial Results for Q3 2007 and Q3 2006 after Eliminating One-Off Events

Comarch Group	Q3 2007	Q3 2006	Change %
<b>Revenue</b>	<b>140,435</b>	<b>122,057</b>	<b>15.1%</b>
Depreciation	4,436	3,149	40.9%
Earnings impact of the costs of the managerial option	-263	-658	-60.0%
<b>Adjusted operating profit</b>	<b>10,107</b>	<b>9,521</b>	<b>6.2%</b>
Earnings impact of an asset and provisions due to temporary differences	-1,899	-2,364	-19.7%
<b>Adjusted net profit attributable to the company's shareholders</b>	<b>9,001</b>	<b>9,813</b>	<b>-8.3%</b>
Adjusted EBIT margin	7.2%	7.8%	
Adjusted net margin	6.4%	8.0%	
<b>Adjusted BITDA (operating profit + depreciation)</b>	<b>14,543</b>	<b>12,670</b>	<b>14.8%</b>
Adjusted EBITDA margin	10.4%	10.4%	

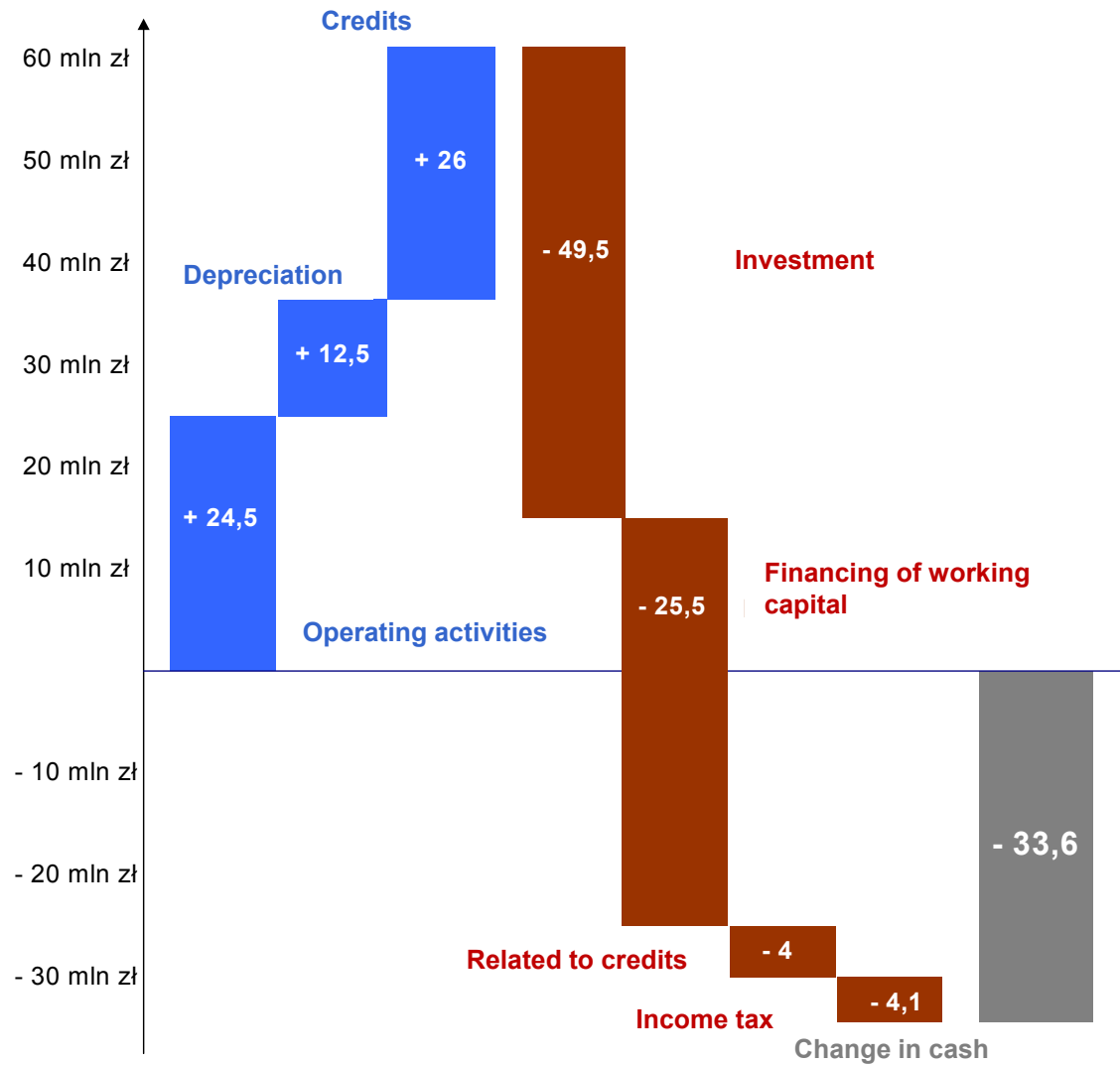
## Comparison of the Financial Results for Q1-Q3 2007 and Q1-Q3 2006

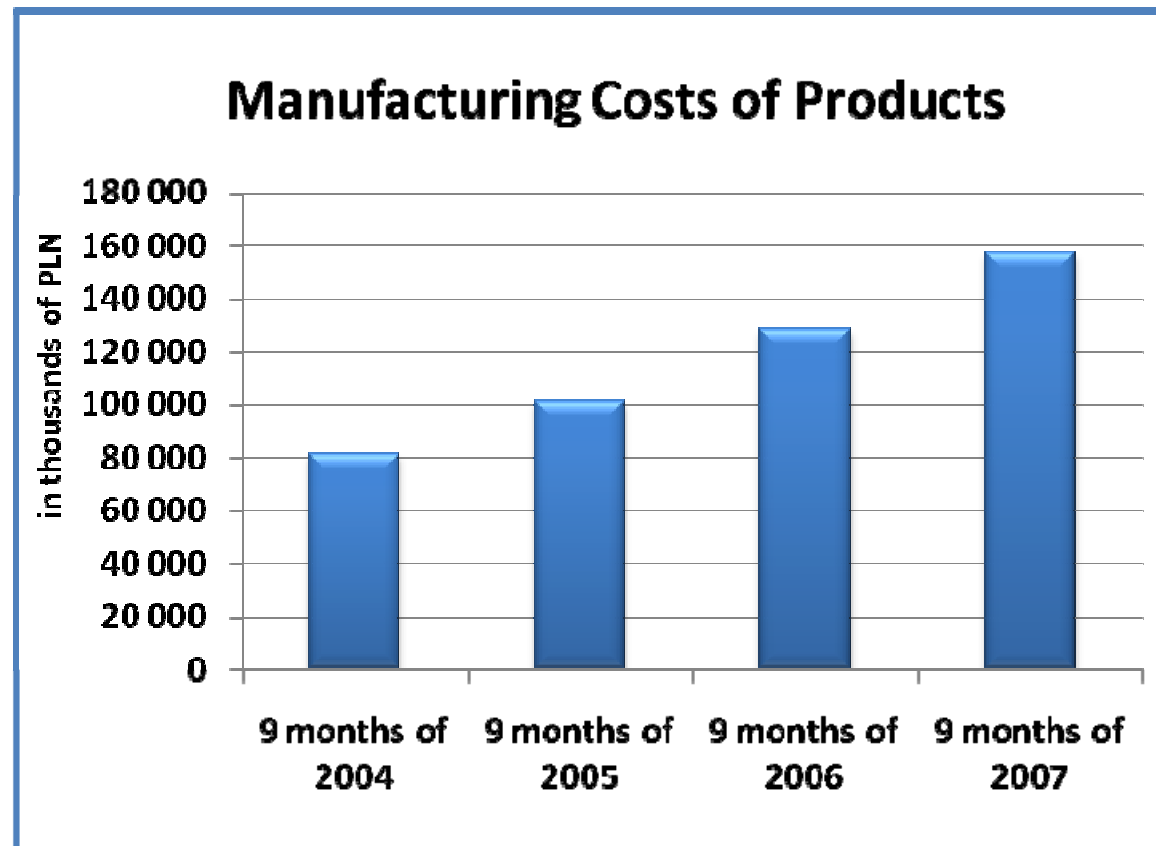
Comarch Group	Q1-Q3 2007	Q1-Q3 2006	Change %
<b>Revenue</b>	<b>410,844</b>	<b>308,881</b>	<b>33.0%</b>
Depreciation	12,537	9,323	34.5%
<b>Nominal operating profit (according to the IFRS)</b>	<b>28,877</b>	<b>28,096</b>	<b>2.8%</b>
<b>Nominal net profit attributable to the company's shareholders (according to the IFRS)</b>	<b>24,725</b>	<b>29,933</b>	<b>-17.4%</b>
Nominal EBIT margin	7.0%	9.1%	
Nominal net margin	6.0%	9.7%	
<b>Nominal EBITDA (operating profit + depreciation)</b>	<b>41,414</b>	<b>37,419</b>	<b>10.7%</b>
Nominal EBITDA margin	10.1%	12.1%	

## Comparison of the Financial Results for Q1-Q3 2007 and Q1-Q3 2006 after Eliminating One-Off Events

Comarch Group	Q1-Q3 2007	Q1-Q3 2006	Change %
<b>Revenue</b>	<b>410,844</b>	<b>308,881</b>	<b>33.0%</b>
Depreciation	12,537	9,323	34.5%
Earnings impact of the costs of the managerial option	-816	-2,297	-64.5%
<b>Adjusted operating profit</b>	<b>29,693</b>	<b>30,393</b>	<b>-2.3%</b>
Earnings impact of an asset and provisions due to temporary differences	-3,938	-4,603	-14.4%
<b>Adjusted net profit attributable to the company's shareholders</b>	<b>-</b>	<b>7,210</b>	<b>-100.0%</b>
Adjusted EBIT margin	<b>29,479</b>	<b>29,623</b>	<b>-0.5%</b>
Adjusted net margin	7.2%	9.8%	
<b>Adjusted BITDA (operating profit + depreciation)</b>	<b>7.2%</b>	<b>9.6%</b>	
Adjusted EBITDA margin	<b>42,230</b>	<b>39,716</b>	<b>6.3%</b>
<b>Revenue</b>	<b>10.3%</b>	<b>12.9%</b>	

# Cash Flow Q1 – Q3 2007





In thousands of PLN



In thousands of PLN

## Contracted Revenues

**As at 31 October revenues contracted for the current period amount to 568 million PLN and are higher by 32% than in the previous year**

Share of export sales in total sales has remained at the level of 18%

Share of export sales in sales of proprietary services and licences has remained at the level of 30%

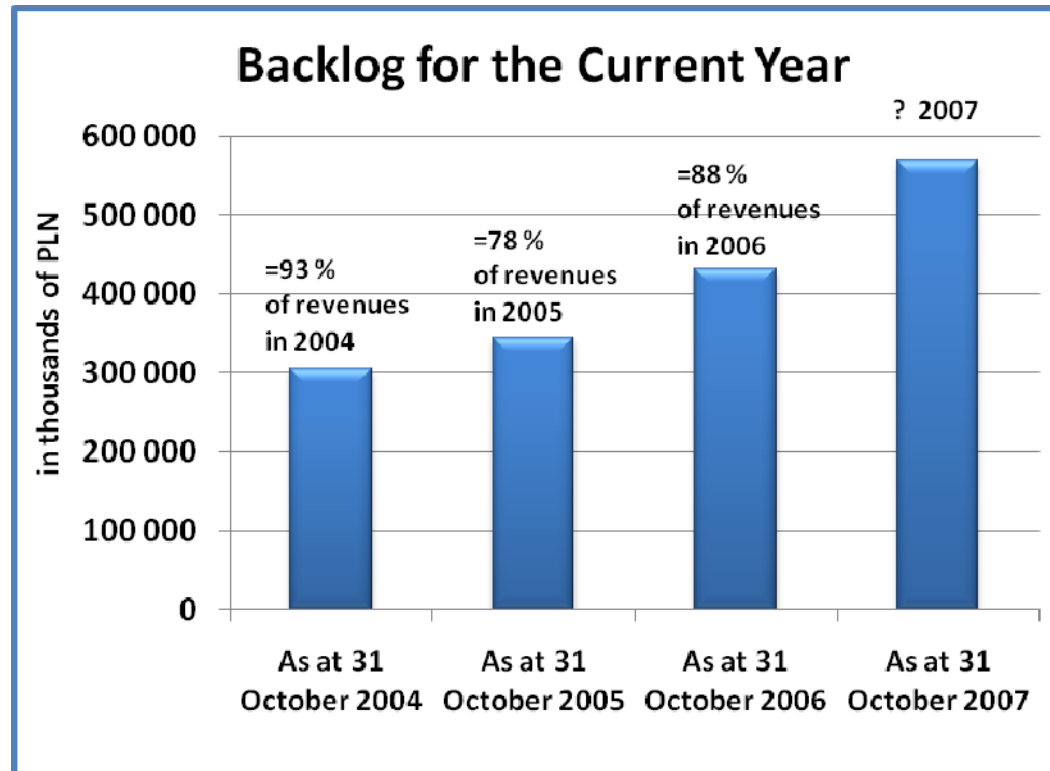
Comarch has a reach backlog of potential orders in Poland and abroad

## Backlog for the current year is higher by 32% than in the previous year

Backlog	As at 31 October 2007	As at 31 October 2006	Change
<b>Revenue contracted for the current year</b>	567,880	430,684	31.9%
Including export contracts	104,263	95,406	9.3%
<i>Share of export contracts</i>	18.4%	22.2%	
Including services and proprietary software	360,686	302,551	19.2%
<i>Share of services and proprietary software</i>	63.5%	70.2%	



Continuous increase in backlog constitutes a basis for dynamic increase in revenue of the Group during previous years



## Diversification of Sales by Markets

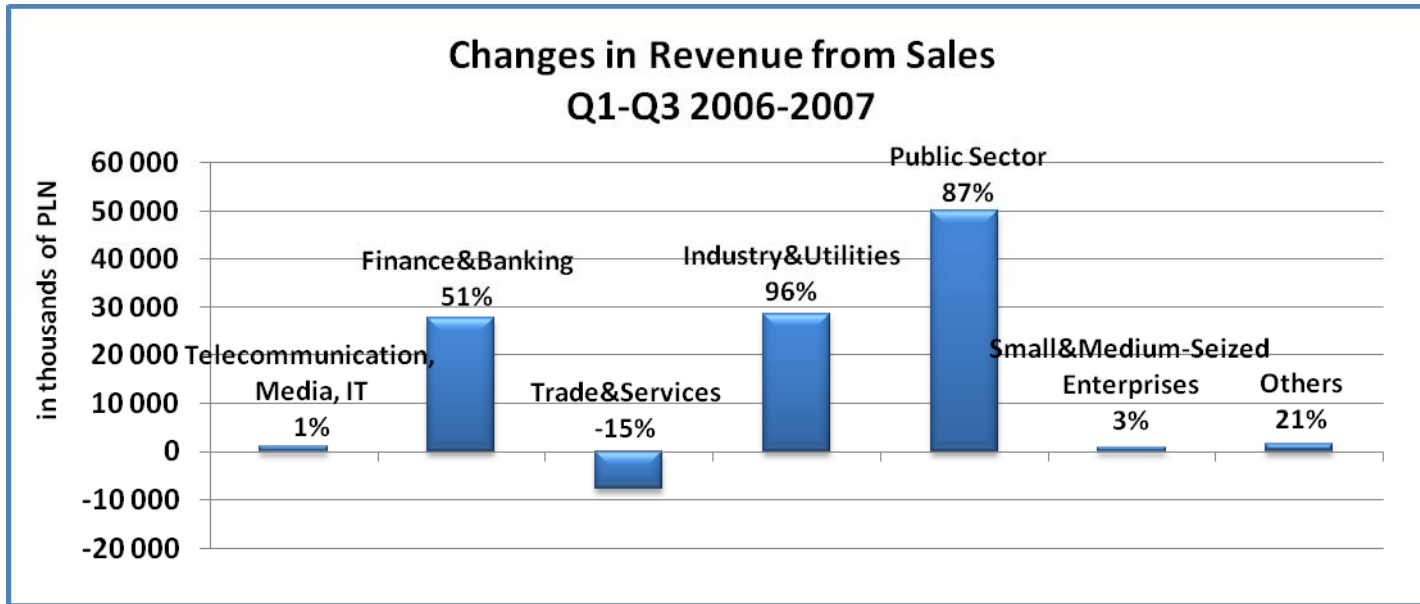
(excluding contract with MEN):

Telecommunication, Media, IT	21.9%
Finance and Banking	22.2%
Trade and Services	11.8%
Industry&Utilities	15.8%
Public Sector	17.8%
Small and Medium-Seized Enterprises	8.2%
Others	2.4%

## Market Sales Structure

	<b>Q1-Q3 2007</b>	<b>%</b>	<b>Q1-Q3 2006</b>	<b>%</b>
<b>Telecommunications, Media, IT</b>	80,881	<b>19.7%</b>	79,810	<b>25.8%</b>
<b>Finance and Banking</b>	81,901	<b>19.9%</b>	54,267	<b>17.6%</b>
<b>Trade and Services</b>	43,461	<b>10.6%</b>	51,076	<b>16.5%</b>
<b>Industry &amp; Utilities</b>	58,196	<b>14.2%</b>	29,693	<b>9.6%</b>
<b>Public sector</b>	107,275	<b>26.1%</b>	57,353	<b>18.6%</b>
<b>Small and Medium- Seized Enterprises</b>	30,149	<b>7.3%</b>	29,243	<b>9.5%</b>
<b>Others</b>	8,981	<b>2.2%</b>	7,439	<b>2.4%</b>
<b>Total</b>	<b>410,844</b>	<b>100.0 %</b>	<b>308,881</b>	<b>100.0%</b>

# Market Sales Structure

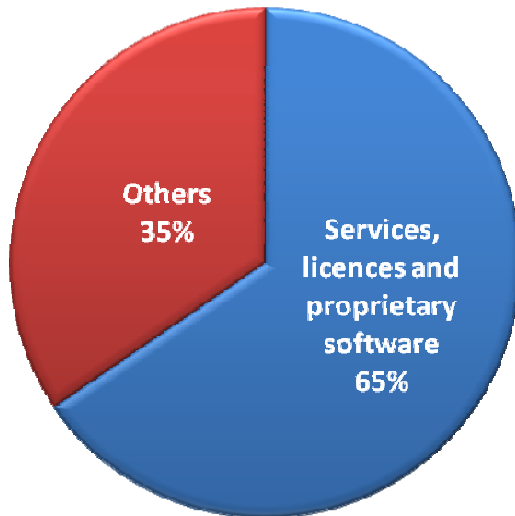


## Products Sales Structure

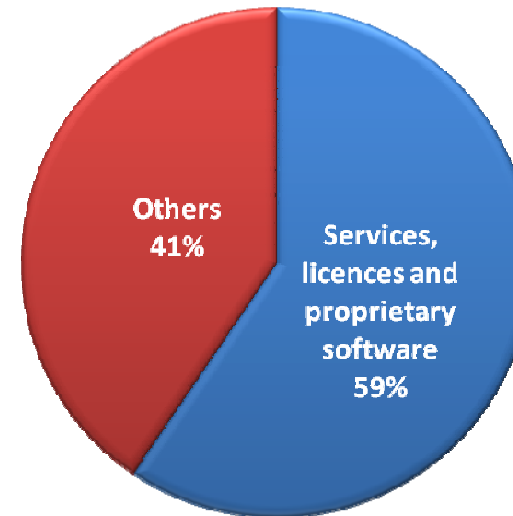
	<b>Q1-Q3 2007</b>	<b>%</b>	<b>Q1-Q3 2006</b>	<b>%</b>
<b>Services</b>	201,457	<b>49.0%</b>	168,872	<b>54.7%</b>
<b>Proprietary software</b>	42,934	<b>10.5%</b>	33,211	<b>10.8%</b>
<b>Third-party software</b>	51,401	<b>12.5%</b>	19,289	<b>6.2%</b>
<b>Hardware</b>	103,091	<b>25.1%</b>	77,260	<b>25.0%</b>
<b>Others</b>	11,961	<b>2.9%</b>	10,249	<b>3.3%</b>
<b>Total</b>	<b>410,844</b>	<b>100.0%</b>	<b>308,881</b>	<b>100.0%</b>

# Products Sales Structure

**Sales Structure  
Q1 - Q3 2006**



**Sales Structure  
Q1 - Q3 2007**



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Financial Results Q1-Q3 2007

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<b>Revenue</b>	<b>Q1-Q3 2007</b>	<b>%</b>	<b>Q1-Q3 2006</b>	<b>%</b>
<b>Domestic</b>	337,346	82.1%	236,124	76.4%
<b>Export</b>	73,498	17.9%	72,757	23.6%
<b>Total</b>	<b>410,844</b>	<b>100.0%</b>	<b>308,881</b>	<b>100.0%</b>

## 2008 – Management Work Schedule

Slowdown in employment costs

Increase in the company's productivity by implementation of internal IT management procedures

Rationalisation of investment expenditures:

- products development
- development of export activities

Further significant increase in sales



## **Significant Increase in Employment Costs in Q1-Q3 2007**

Increase in remuneration fund in Comarch SA (excluding foreign companies):

**H1 2007 vs H1 2006 – an increase of 38%**

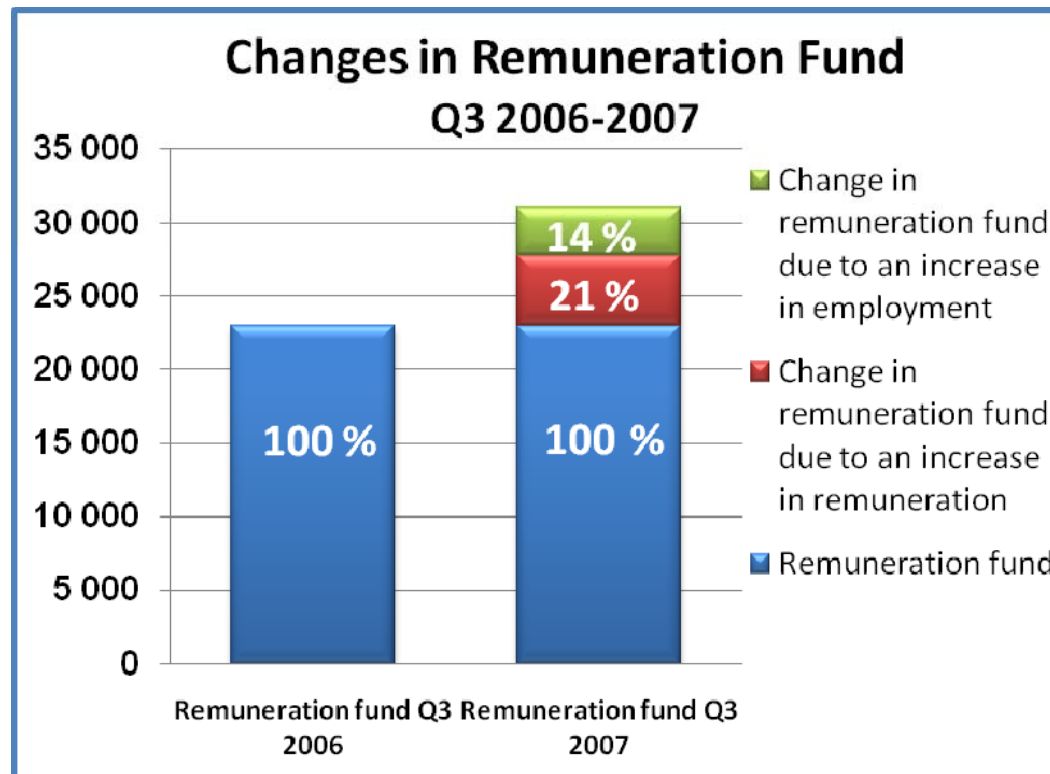
An increase in average wage in Comarch SA:

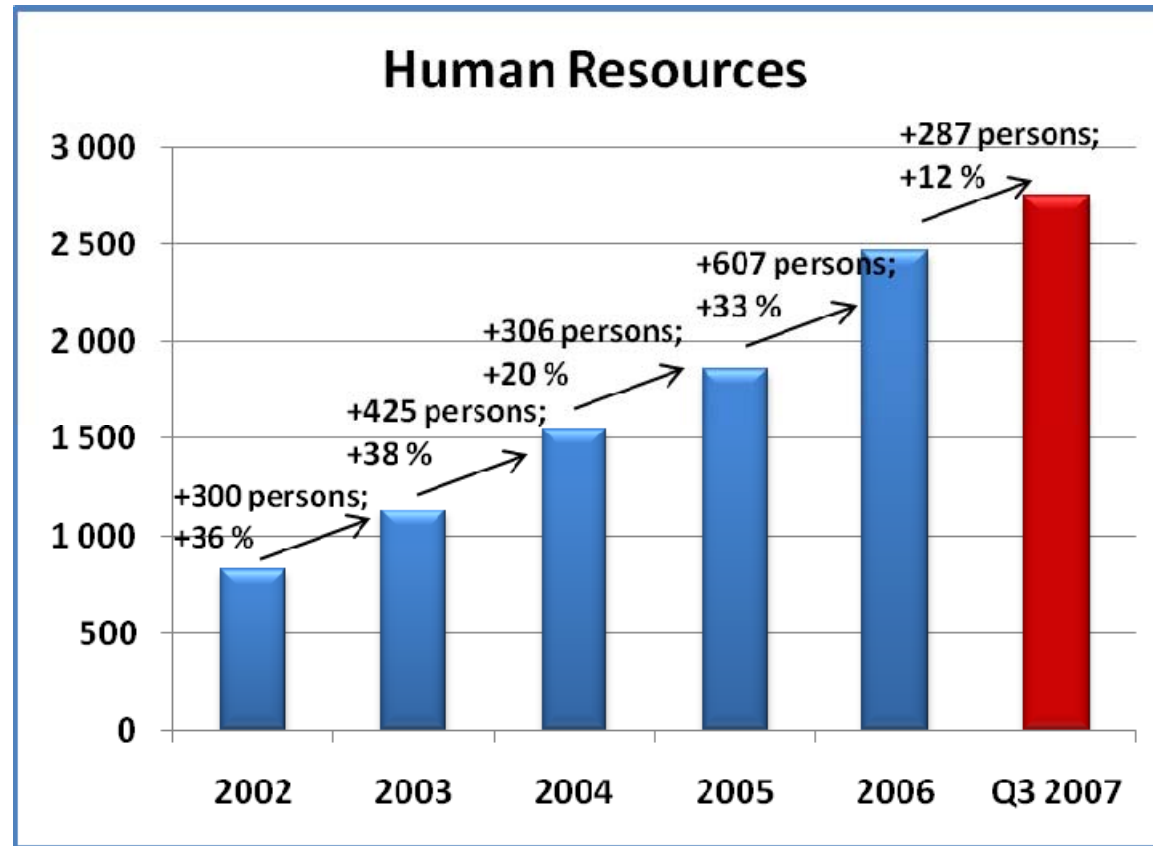
**From XII 2006 to VII 2007 an increase by 10%**

First top 130 employees earns average 6000 Euro per month, i.e. the same amount as IT managers in West Germany

First top 335 employees earns average over 2000 Euro plus company car, usually, i.e. over 2500 Euro per month

Increase in Remuneration Fund in Comarch SA (excluding foreign companies): **Q3 2007 vs Q3 2006 an increase of 35%**





In Q3 2007 employment grew by 30 persons

## Rise in the Quality of Human Resources

### **We decreased growth rate in employment in Poland:**

In 2006 we were creating 50 workplaces per one month (600 workplaces during the whole year)

During nine months ended 30 September of 2007 we were creating 25 workplaces per one month

**Employment criterion in Comarch were significantly increased in relation to already employed persons as well as new employees**

**Increase in employment in 2007 should not exceed 300 persons**

## Stopping Increase in Labour Costs in 2008

Increase in costs of works became fact

***We assume that we have spent the significant pay rise on keeping up Western European standards***

***The main goal of pay policy has been keeping the world-class specialists in Comarch, even if it meant decrease in operating profit***

Job rotation caused by salary has fallen below 2%

# Rationalisation of Investment Costs

## **Highest *investment* expenditures:**

1. Research and development costs
2. Development of foreign activities

In 2008 we will introduce procedures of reasonable defining and managing costs

**We do not give up on company's development**

**We want to be more effective in realisation of development strategies**

## Export Sales of Comarch Software AG

In EU we concentrate on Germany

We have branches/subsidiaries in Brussels (Benelux) and Lille (France)

We create new branch (competency and business centre) in Frankfurt

We still be hiring Germans in Germany, especially in business development

## **Sales in USA and Latin America – Comarch Inc.**

We develop branches in Chicago (USA) and Panama City (Latin America)

We close our branch in Miami

Sales of telecommunication systems, ERP systems and solutions for services sector is conducted from Chicago

In Panama City we have a competence centre that conduct implementations in Latin America



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Financial Results Q1-Q3 2007

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# Products Development

## **Comarch proprietary products distinguish the company on international and domestic markets**

Nowadays software products are developed in single-purpose companies that are taken over by Microsoft, Oracle, IBM or SAP in Europe

We have been receiving plenty of inquiries on possibilities sales of particular Comarch sectors that produce software, especially CDN and Insight

## Comarch Products

Continuing the growth of wide range of products has made Comarch unusual on global IT market and given it competitive advantage

To continue further growth of products it is necessary to fulfill certain conditions:

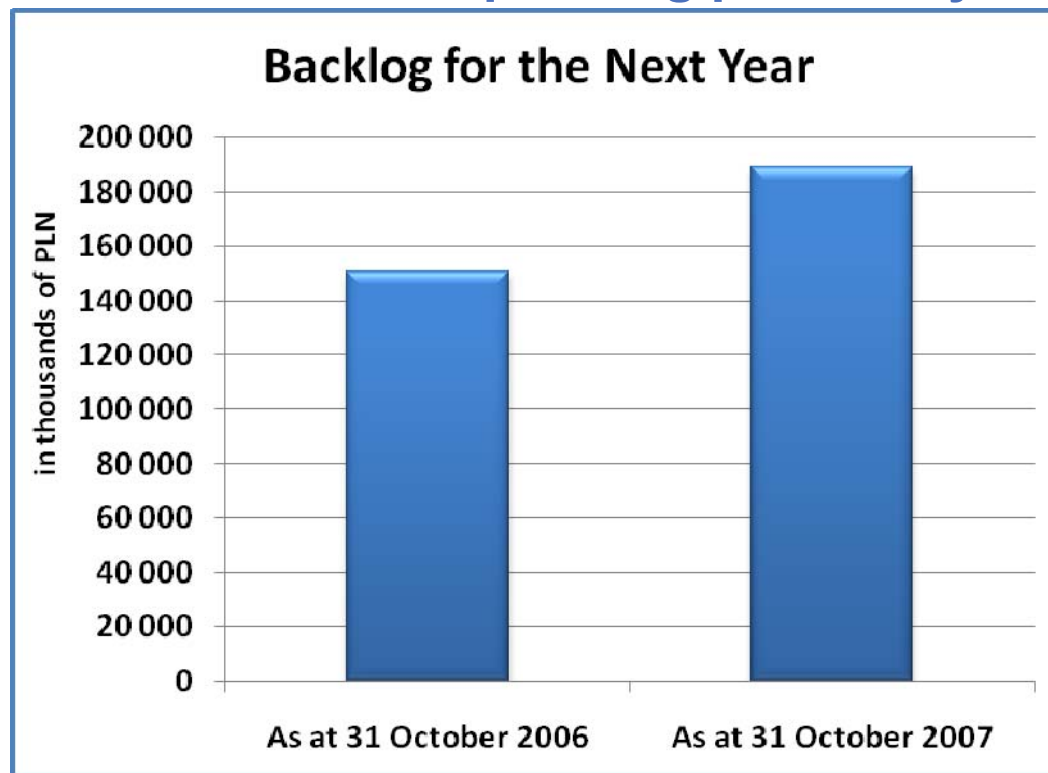
- Maintaining the growth of company as the whole
- Selling products on advanced international markets
- Reasonable management of products development

## Increase in Sales in 2008

**The circumstances of Comarch business have been better and better:**

- Comarch is becoming known and valuable in Poland (nowadays Comarch is both the oldest and the biggest IT company in Poland)
- Comarch is becoming known also on foreign markets, especially on these markets that we would like to be present.

**Continuous increase in backlog constitutes a basis for dynamic increase in revenue of the Group during previous years**



Backlog for the next year	31 October 2006	31 October 2007
Covering the next year costs' forecast ratio	49%	45%

## Backlog 2008

Taking into consideration contracts that have already been signed for the next year, renewable maintenance agreements and pipeline contracts that will have been signed by the end of the year the level of costs' coverage in 2008 on the 31 October 2007 was equal 82 %

## Forecast 2007

We expect an increase in revenue of 20% year to year and their value over 600 million PLN

Despite significant increase in costs of human resources as at the end of this year we expect operating margin to be at the level of 7- 8%

**These results will be achieved along with the company's development**

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**Thank you**

