

asreco

# The Asseco Group's Results

## Q1 2018

# Summary of the Group's operations

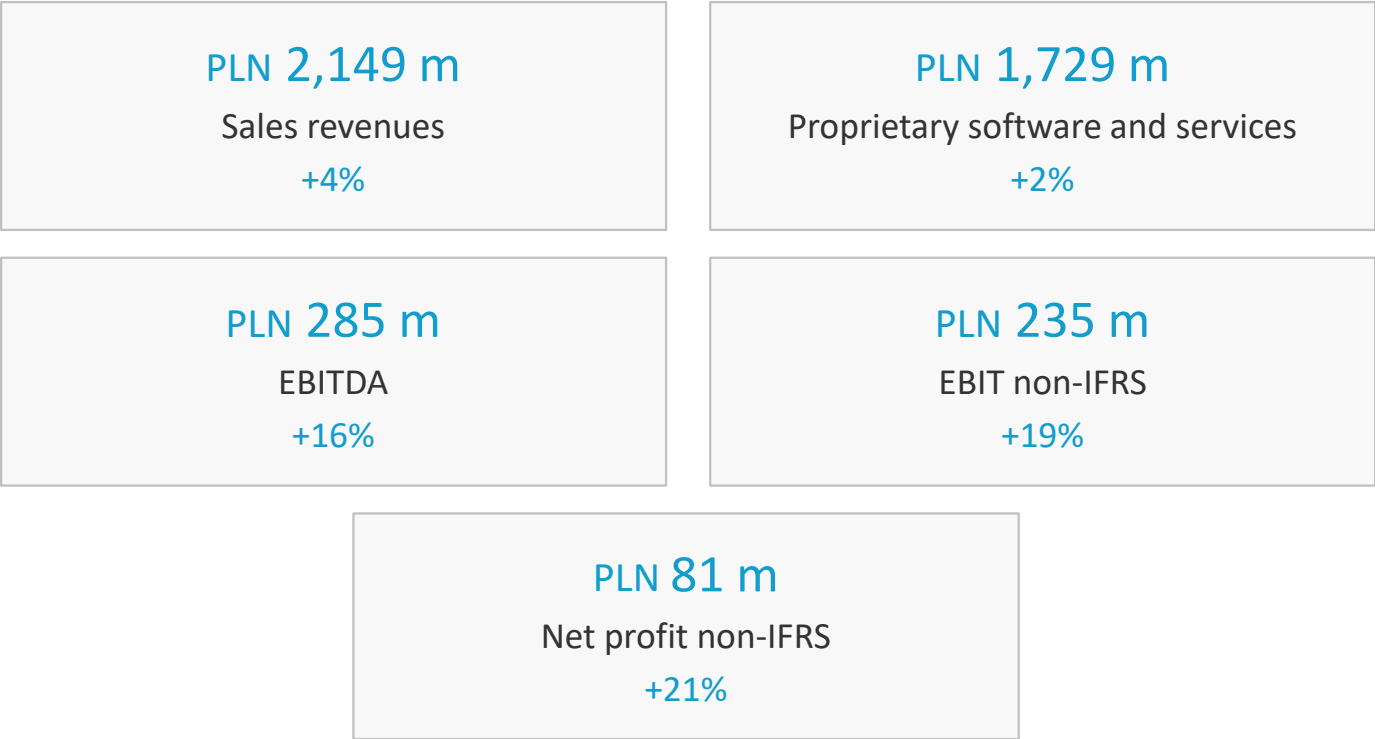
# Very good results of the Asseco Group

- Higher revenues of the Group and double-digit growth of non-IFRS operating profit\* and non-IFRS net profit\*.
- Sales growth in all business segments.
- Very good results of the Formula Systems Group's companies, offset by negative impact of currency exchange rate differences.
- Significant improvement of results in the banking sector in Poland.



\* Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized under the combination settlement (PPA), the costs of share-based payment transactions with employees (SBP), the costs and financial revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.

# Consolidated financial highlights for Q1 2018



*\* Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized under the combination settlement (PPA), the costs of share-based payment transactions with employees (SBP), the costs and financial 5 revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.*

# What is non-IFRS?

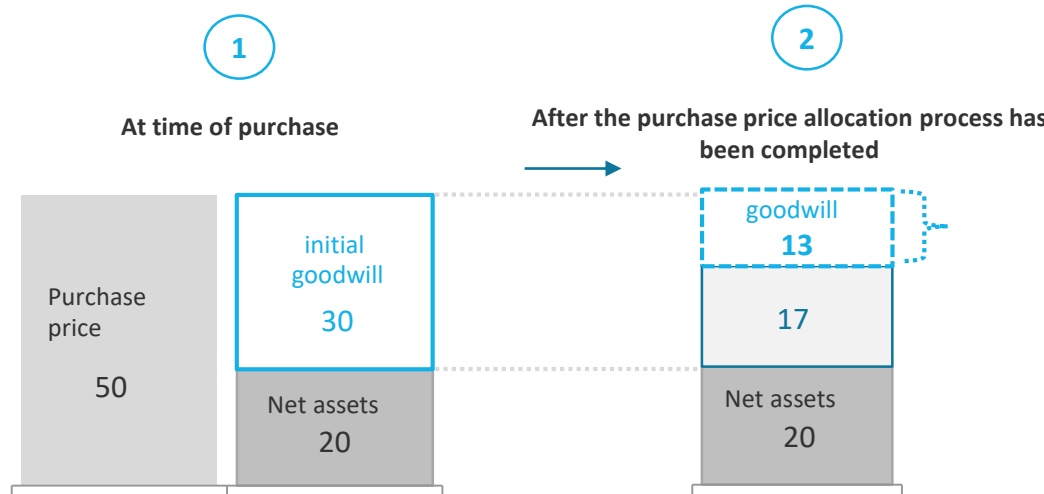
## An example of the settlement of a purchase price of a company

### Assumptions

50 mPLN – purchase price;

20 mPLN – net assets of the purchased company (book value);

Purchase of 100% of net assets;

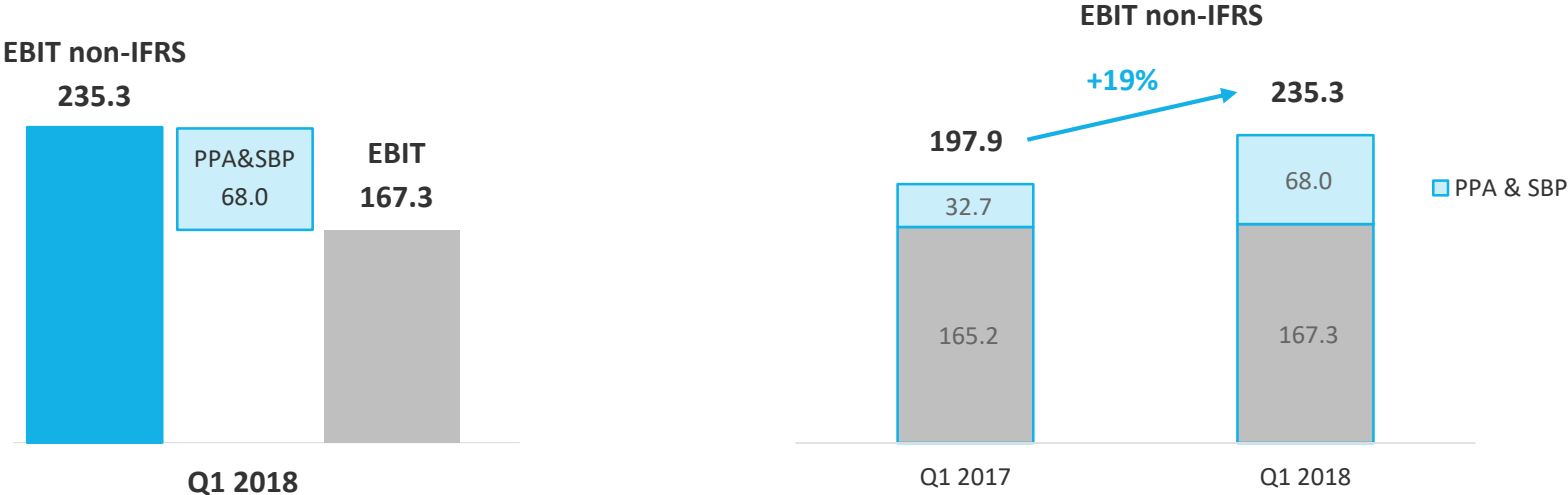


- In the process of converting the fair value of the net assets of the acquired company at the moment of settling the acquisition **additional assets** in the amount of PLN 17 million were recognized.
- This process is called *purchase price allocation (PPA)*. Recognized assets **are amortized in consolidated books** just like traditional assets.

**Non-IFRS results** are adjusted by amortization calculated as the result of the purchase price allocation.

# Significant increases in non-IFRS operating profit

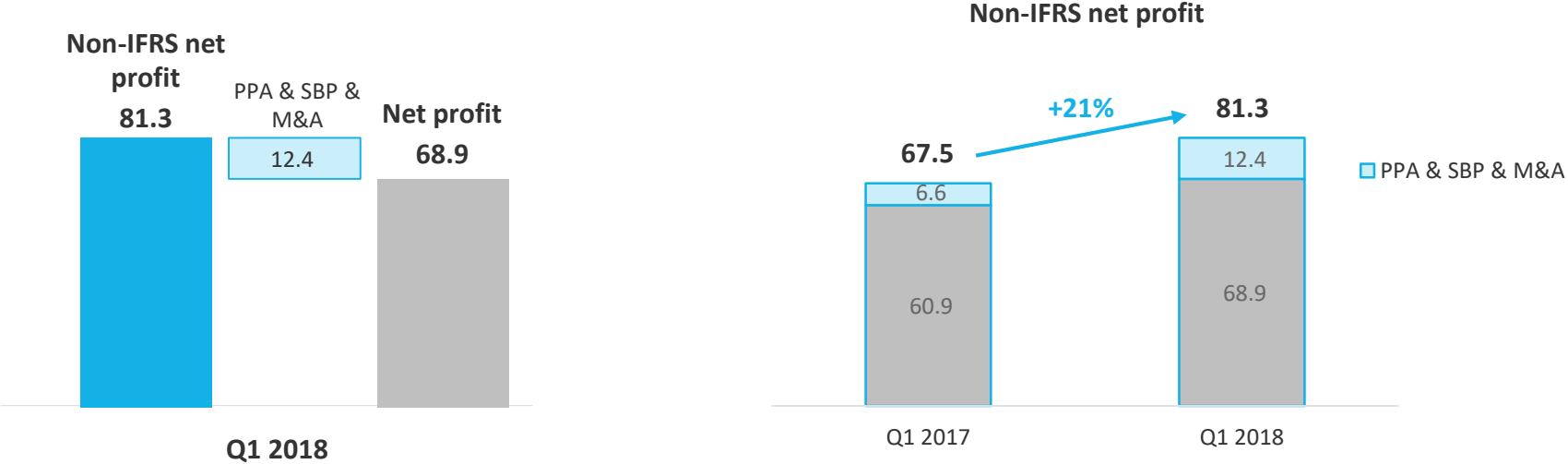
mPLN



PPA: the cost of amortization of intangible assets recognized under the combination settlement  
SBP: the costs of share-based payment transactions with employees

# Significant increases in non-IFRS net profit

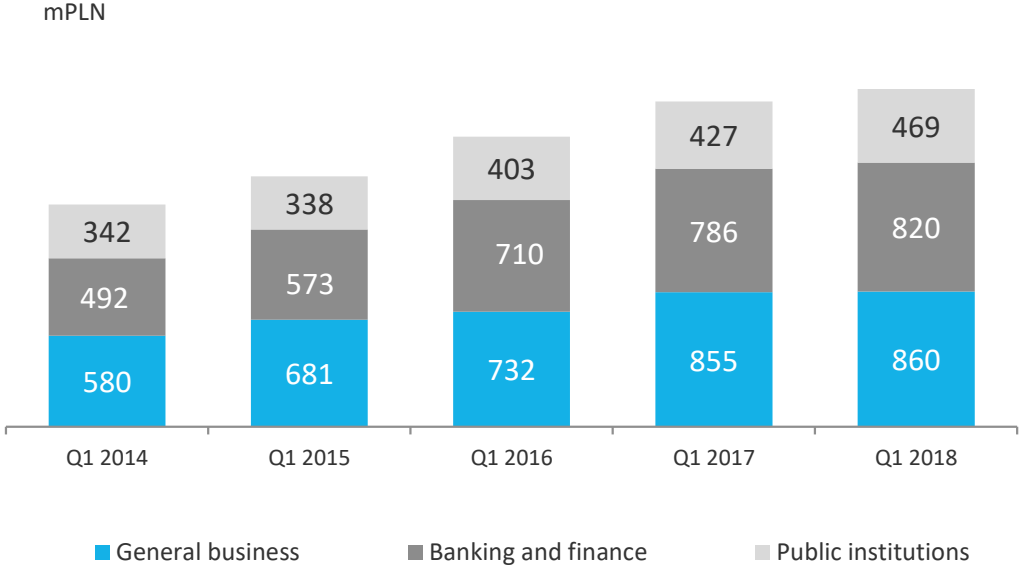
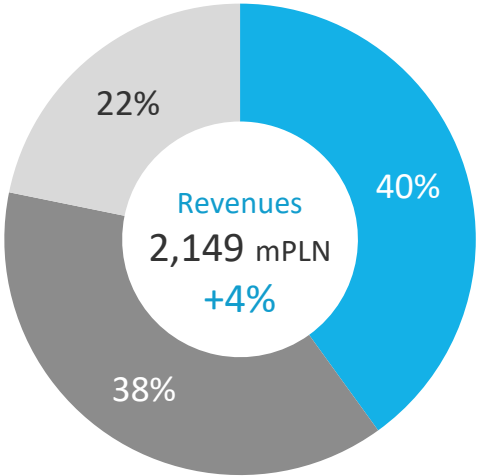
mPLN



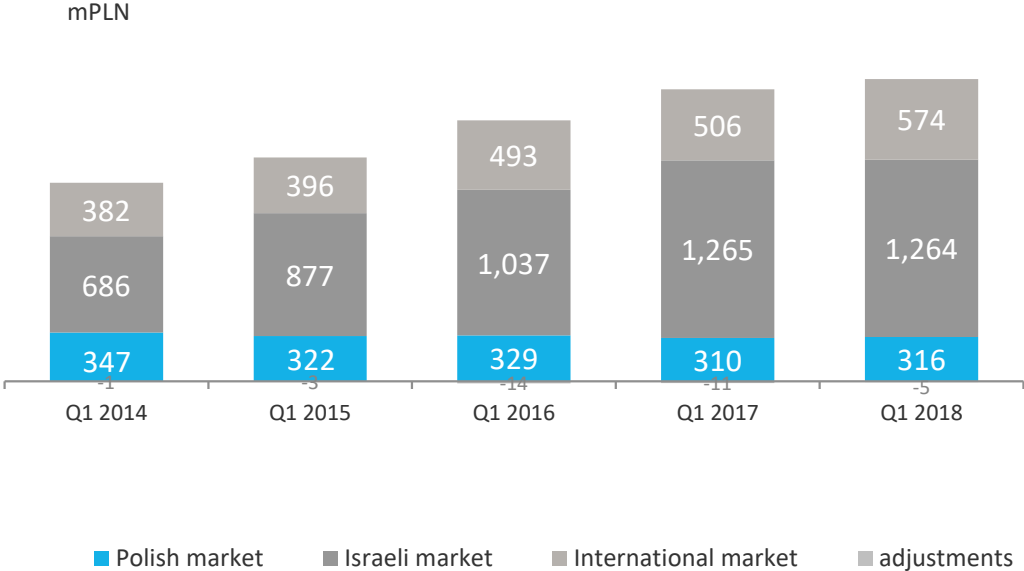
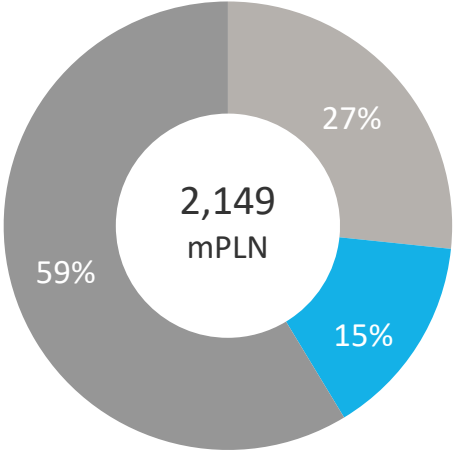
PPA: the cost of amortization of intangible assets recognized under the combination settlement  
SBP: the costs of share-based payment transactions with employees  
M&A: the costs and financial revenues resulting from the transactions of purchase and sales of companies



# Revenue structure – strong diversification into sectors

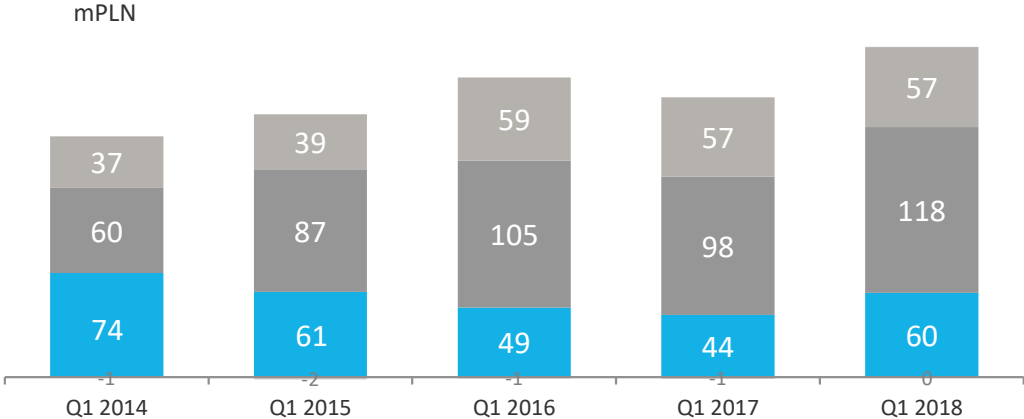
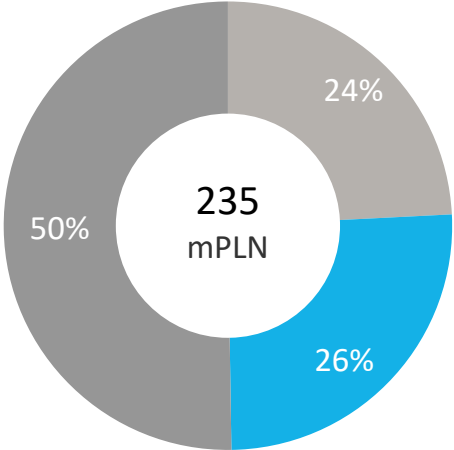


# Significant share of foreign markets in the Group's revenues



Pro forma data for Q1 2014, Q1 2015, Q1 2016 and Q1 2017 – taking into account the changes to the Group's structure

# Increase in the Group's non-IFRS operating profit



■ Polish market   ■ Israeli market   ■ International market   ■ adjustments

# The Asseco Group in Q1 2018 – geographical regions

## Polish market

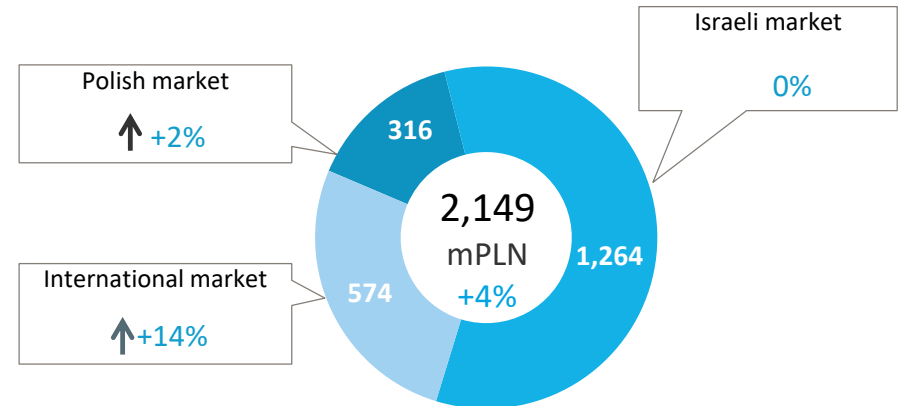
- Very good quarter in the banking sector.
- New orders in the scope of a development agreement in ZUS.

## Israeli market

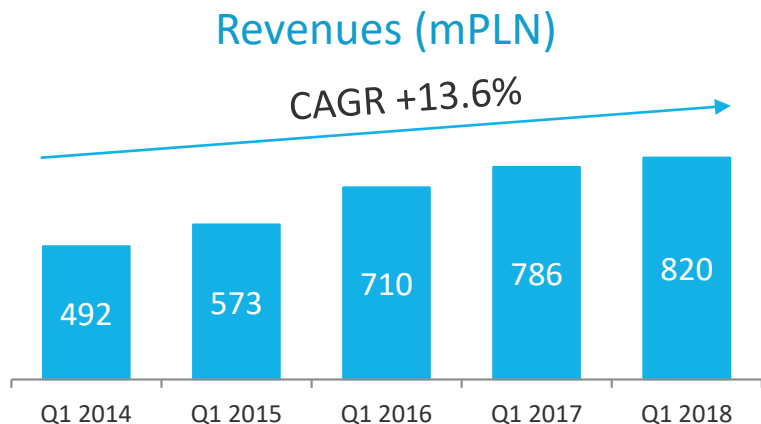
- Significant negative impact of PLN's strengthening versus USD and NIS.
- Increases at all levels of the profit and loss account in Matrix IT.
- Record-breaking quarter for Magic Software - double-digit growth in sales and operating profit.
- Noticeable improvement in Sapiens' situation - an increase in revenues and a higher margin.

## International market (Asseco International)

- Another quarter of growth in the ERP sector - organic growth supported by the acquisition of Macrologic.
- Excellent results in the payments segment, especially in the areas of ATM maintenance services.
- Increase in revenues on the Western European market.



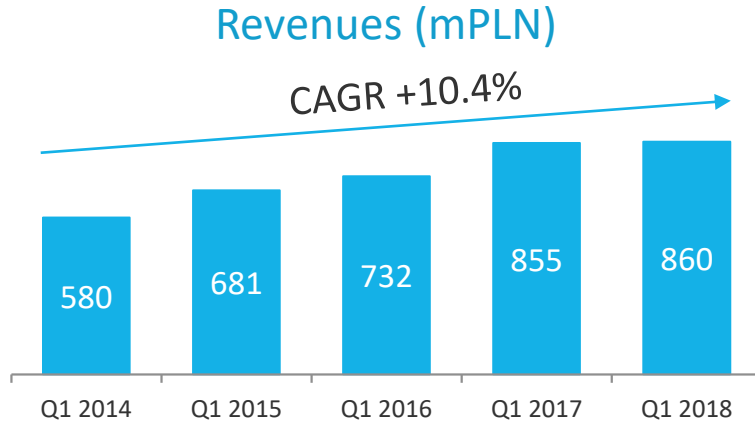
# Banking and finance sector



	Q1 2018	Q1 2017	Change
Polish market	105.7	103.2	+2%
Israeli market	525.4	494.2	+6%
International market	192.8	198.6	-3%
<b>Asseco Group*</b>	<b>820.0</b>	<b>786.2</b>	<b>+4%</b>

- New projects and exports of the Group's banking solutions.
- Growth in Israeli companies, focus on development in the US.
- Good results of companies from the South-Eastern European market – sales growth in the area of payments.

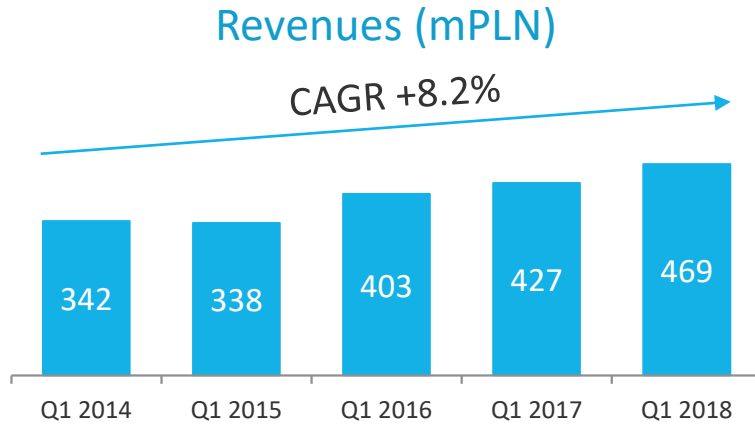
# General business sector



	Q1 2018	Q1 2017	Change
Polish market	81.7	90.2	-9%
Israeli market	515.3	552.8	-7%
International market	264.9	213.5	+24%
<b>Asseco Group*</b>	<b>860.5</b>	<b>855.3</b>	<b>+1%</b>

- Very good results in the ERP segment on international markets (including Asseco Business Solutions).
- Revenues from the Israeli market under significant negative impact of changes in currency exchange rates.

# Public institutions sector

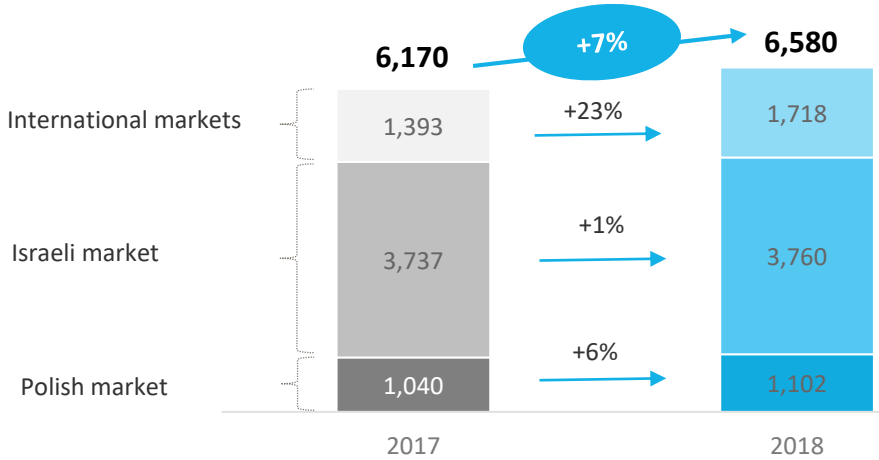


	Q1 2018	Q1 2017	Change
Polish market	128.9	116.1	+11%
Israeli market	223.1	217.7	+3%
International market	116.3	93.5	+24%
<b>Asseco Group*</b>	<b>468.5</b>	<b>426.8</b>	<b>+10%</b>

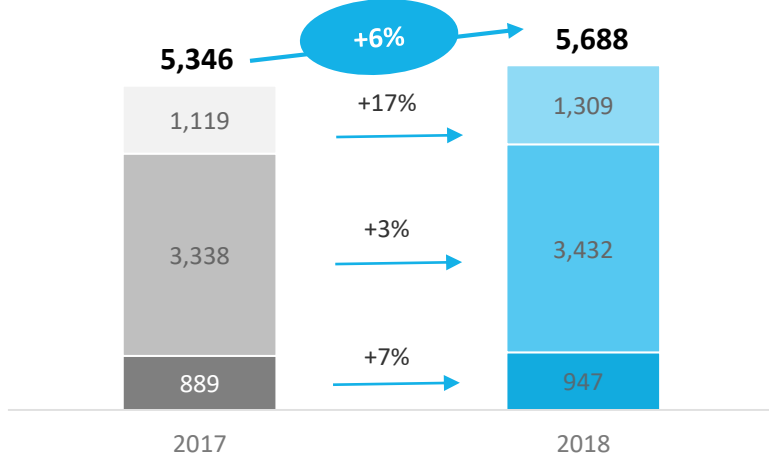
- Increase in sales in the public institutions sector driven by Asseco International.
- Revival on the public procurement market in Poland.

# Consolidated order backlog for 2018 vs. 2017

Sales revenues



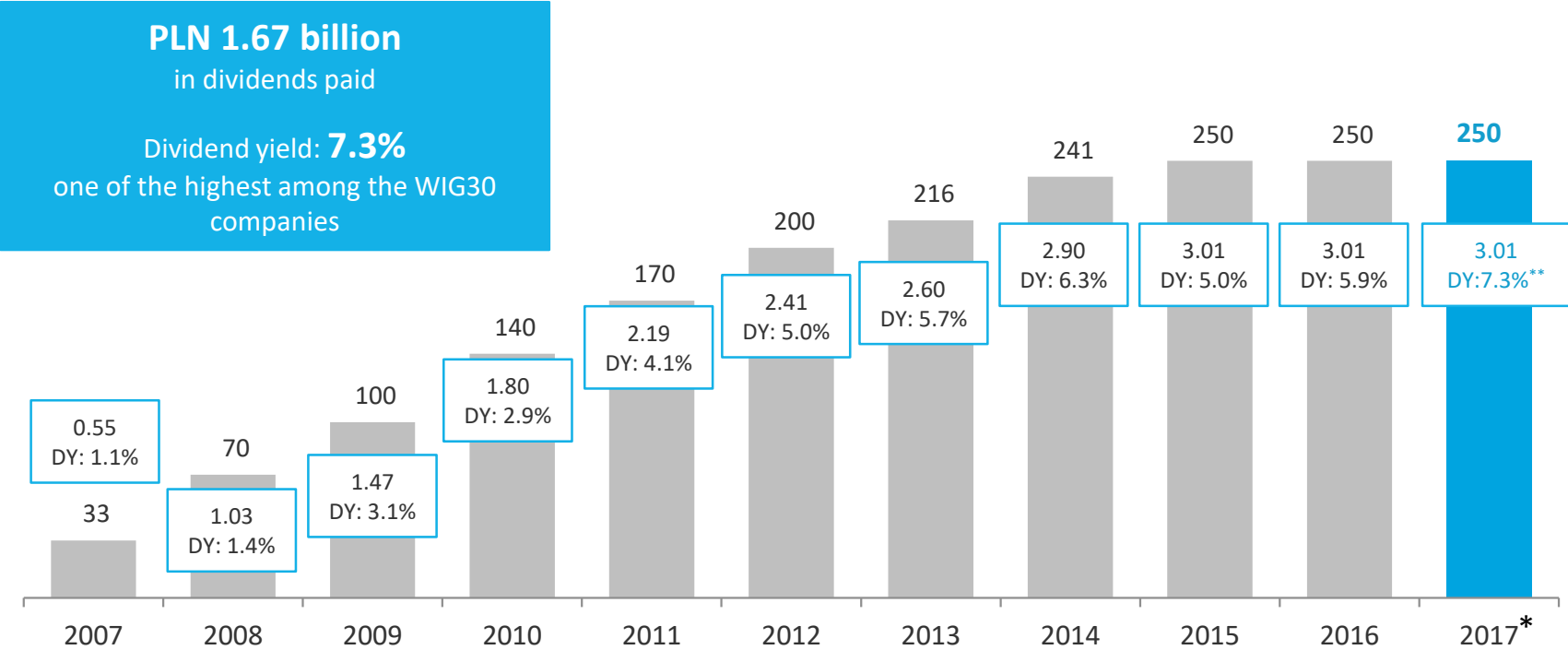
Proprietary software and services



Figures in mPLN;  
 When calculating the backlog for 2018 according to the exchange rates used for calculating the backlog for 2017, the change amounts to: **+11%** in total revenues/**+10%** in proprietary software and services.  
 Value of the backlog for 2018 as at May 23, 2018; value of the backlog for 2017 as at May 19, 2017



# Consistent implementation of a dividend policy (in mPLN)



\*\* Dividend approved by the General Meeting of Shareholders on 25.04.2018

\*\* Dividend yield as at 25.05.2018

# Financial Information

# Key events with impact on the results in Q1 2018

## Positive:

- Reversal of write-down on receivables from KT Corporation
  - **+ PLN 6.5 million** impact on EBIT
  - **+ PLN 5.4 million** impact on net profit
- On April 19, the Court of Arbitration approved the agreement between Asseco Poland and KT Corporation on the implementation of the "Internet for Mazowsze" project.
- KT Corporation is obliged to pay Asseco Poland S.A. USD 21.4 million gross by June 19 2018.

## Negative:

- Additional amortization of intangible assets recognized in connection with regaining control over the Formula Systems Group (PPA & SBP)
  - **- PLN 34.7 million** impact on EBIT
  - **- PLN 2.6 million** impact on net profit
- Negative impact of currency exchange rate differences on the Group's results
  - **- PLN 198.0 million \*** impact on revenues
  - **- PLN 8.8 million \*** impact on EBIT
  - **- PLN 19.2 million \*** impact on non-IFRS EBIT

*\*Calculating revenues and EBIT from Q1 2018 according to exchange rates from Q1 2017*

# Revenues and operating result of the Asseco Group

	Q1 2018	Q1 2017	Δ
<b>Revenues</b>	<b>2,149.0</b>	<b>2,068.3</b>	<b>+4%</b>
Proprietary software and services	1,728.6	1,701.5	+2%
<b>EBITDA</b>	<b>284.5</b>	<b>246.3</b>	<b>+16%</b>
<i>EBITDA margin</i>	13.2%	11.9%	+1.3 pp
<b>Operating profit non-IFRS*</b>	<b>235.3</b>	<b>197.9</b>	<b>+19%</b>
<i>Operating profit margin non-IFRS</i>	11.0%	9.6%	+1.4 pp
PPA & SBP*	-68.0	-32.7	+108%
<b>Operating profit</b>	<b>167.3</b>	<b>165.2</b>	<b>+1%</b>
<i>Operating profit margin</i>	7.8%	8.0%	-0.2 pp

Figures in mPLN

\*Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized under the combination settlement (PPA) and the costs of share-based payment transactions with employees (SBP)

# Reconciliation of operating profit and net profit

	Q1 2018	Q1 2017	Δ
<b>Operating profit non-IFRS*</b>	<b>235.3</b>	<b>197.9</b>	<b>+19%</b>
<b>Operating profit</b>	<b>167.3</b>	<b>165.2</b>	<b>+1%</b>
Interest expense	-10.0	-9.4	
Foreign currency transactions	7.2	-20.4	
Other	-3.4	-9.2	
of which: gain/loss on transactions associated with company acquisitions	-3.2	-4.6	
gain/loss on transactions associated with company sales	0.4	0.1	
dividends paid to non-controlling shareholders	-0.5	-2.7	
<b>Pre-tax profit</b>	<b>161.2</b>	<b>126.2</b>	<b>+28%</b>
Income tax	-43.2	-28.9	+50%
<i>effective tax rate</i>	26.8%	22.9%	+3.9 p.p.
Share of profits/losses of associates	-1.4	-0.3	-
<b>Net profit</b>	<b>116.6</b>	<b>97.0</b>	<b>+20%</b>
<b>Net profit attributable to shareholders of the parent company</b>	<b>68.9</b>	<b>60.9</b>	<b>+13%</b>
<b>Net profit attributable to shareholders of the parent company non-IFRS*</b>	<b>81.3</b>	<b>67.5</b>	<b>+21%</b>

Figures in mPLN

\*Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized under the combination settlement (PPA), the costs of share-based payment transactions with employees (SBP), the costs and financial revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.

# Financial results of regions and subsidiaries\*

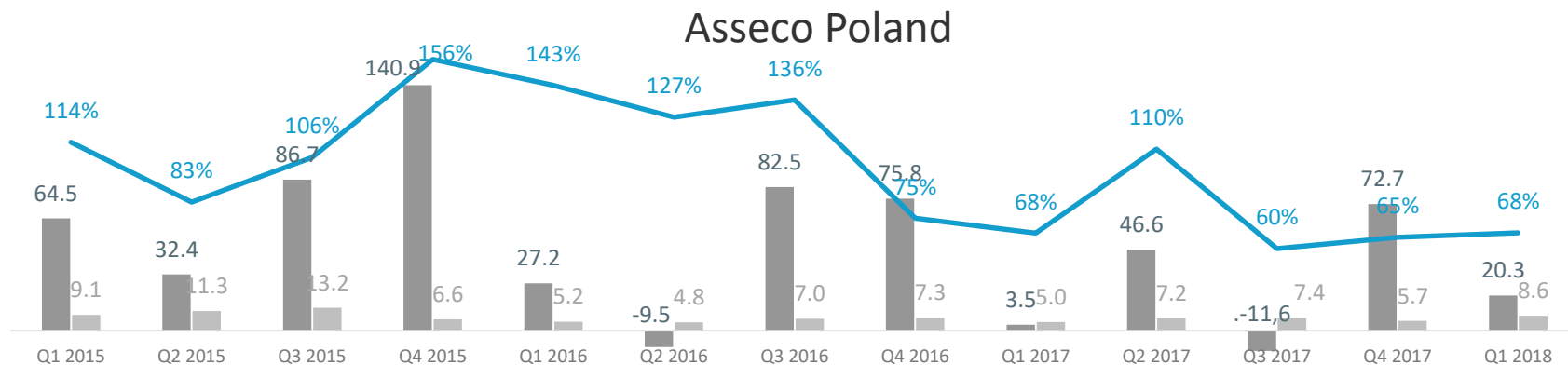
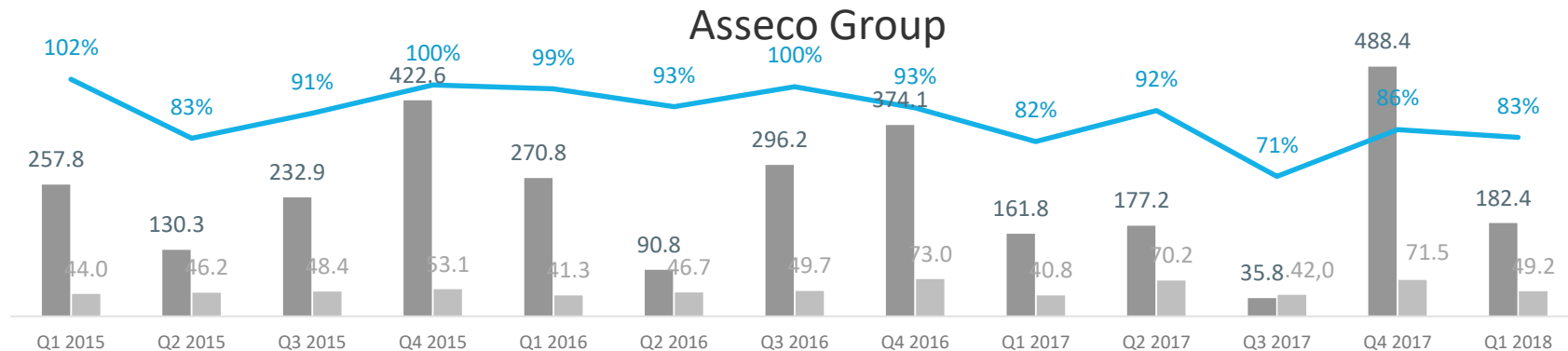
	Sales revenues		Operating profit non-IFRS**		Net profit – contribution to Asseco Poland non-IFRS**	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
<b>Polish market</b>	<b>316.3</b>	<b>309.5</b>	<b>60.1</b>	<b>44.1</b>	<b>42.2</b>	<b>36.5</b>
Asseco Poland (without dividends)	205.4	202.9	49.0	34.2	41.1	27.4
Asseco Data Systems	89.1	69.6	7.0	7.5	5.6	5.4
other companies	35.0	48.9	4.4	4.7	1.2	2.7
adjustments	-13.2	-11.8	-0.4	-2.2	-5.7	1.0
<b>Israeli market</b>	<b>1,263.8</b>	<b>1,264.7</b>	<b>118.1</b>	<b>98.5</b>	<b>10.6</b>	<b>6.7</b>
Matrix IT	759.9	760.2	56.4	57.1	5.3	8.2
Magic Software	236.2	244.4	31.8	33.8	2.5	5.1
Sapiens Int.	240.5	227.4	29.2	4.8	2.7	0.1
other companies	30.5	36.9	0.8	1.7	0.1	-7.0
adjustments	-3.3	-4.2	-0.1	1.0	0.0	0.2
<b>International market</b>	<b>574.0</b>	<b>505.6</b>	<b>56.9</b>	<b>56.7</b>	<b>28.1</b>	<b>25.6</b>
Central European market	272.3	218.8	33.2	31.6	16.1	19.2
South Eastern European market	138.6	133.2	13.7	12.8	6.0	5.6
Western European market	161.8	146.3	12.9	14.9	9.2	3.6
Eastern European market	1.0	7.1	-0.5	-2.4	-0.9	-2.6
Other	0.2	1.1	-2.7	-0.3	-2.5	-0.1
adjustments	0.1	-0.9	0.3	0.0	0.3	0.0
<b>Consolidation adjustment</b>	<b>-5.1</b>	<b>-11.5</b>	<b>0.4</b>	<b>-1.3</b>	<b>0.4</b>	<b>-1.4</b>
<b>Asseco Group</b>	<b>2,149.0</b>	<b>2,068.3</b>	<b>235.3</b>	<b>197.9</b>	<b>81.3</b>	<b>67.5</b>

Figures in mPLN

\* Pro forma figures for 2018 and 2017, i.e. based on the structure as at 31.03.2018

\*\*Non-IFRS figures including adjustments for: the cost of amortization of intangible assets recognized under the combination settlement (PPA), the costs of share-based payment transactions with employees (SBP), the costs and financial revenues resulting from the transactions of purchase and sales of companies (M&A) and tax effects associated with them.

# Cash generated



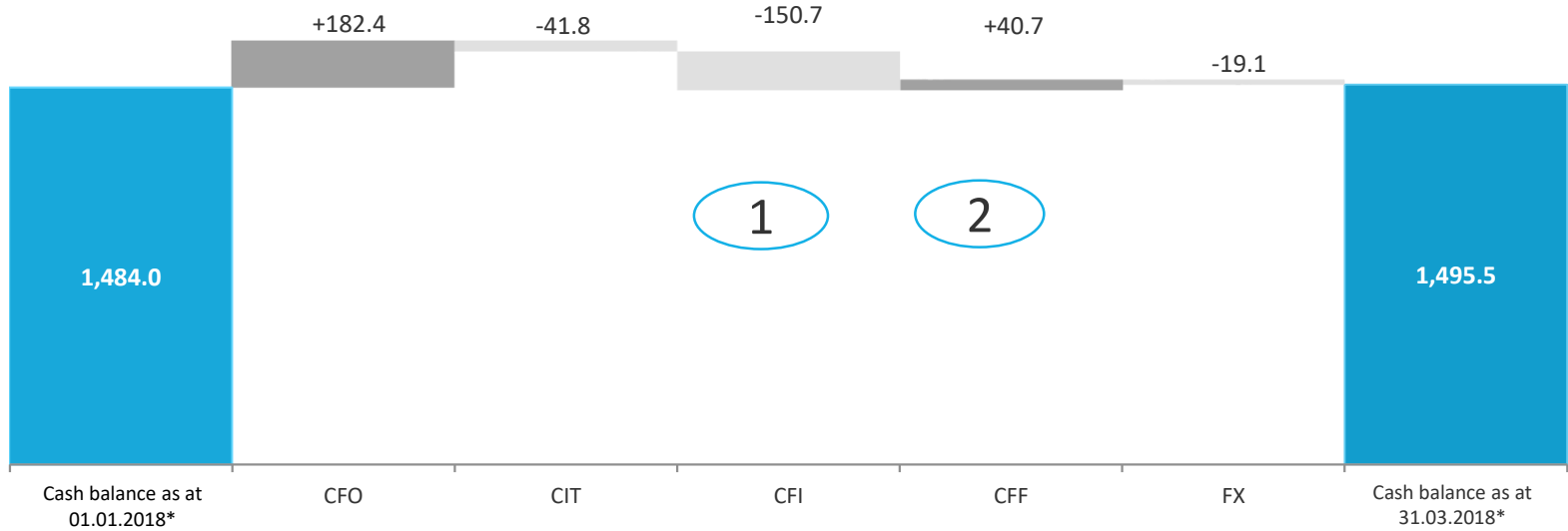
CFO
  CAPEX\*
  cash conversion ratio 12 mths

Figures in mPLN

\* Excluding investments in investment properties, less financing

\*\* Free cash flow (CFO+CAPEX) / EBIT non-IFRS

# Explanation of change in cash balance \*



Net cash and cash equivalents include bank credits on current account used for current liquidity management

1

**Cash from investment activity:**

M&A acquisitions	-107.1
CAPEX+R&D	-42.1
Borrowings	+9.5
Other	-11.0
<b>Total</b>	<b>-150.7</b>

2

**Cash from finance activity:**

Dividends for minority shareholders	-34.8
Debt	+84.7
Other (M&A)	-9.2
<b>Total</b>	<b>+40.7</b>



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