

Transcript from broadcast of Asseco's H1 2024 earnings conference call**Artur Wiza – Vice President of the Management Board of Asseco Poland (AW):**

Welcome to Asseco's result conference after the first half of 2024. Today's conference is attended by Marek Panek – Vice President of the Management Board of Asseco Poland and Karolina Rzońca-Bajorek – Vice President of Asseco Poland and CFO of the Asseco Group. We will start by discussing the operations of the Asseco Group, then we will move on to the financial part.

Today's conference is also available in English, so please send your questions in both Polish and English – depending on your needs. We will try to answer all questions submitted through both channels. We are at your disposal.

Marek, please start presenting our business.

Marek Panek – Vice President of the Management Board of Asseco Poland (MP):

I would like to welcome you all very warmly. As Artur said in his introduction, today we are summarizing the first half of this year. This period was a successful one for the Asseco Group, and we will emphasize this many times during our meeting. This is evidenced by the numbers we will be presenting today and with which you had the opportunity to familiarize yourselves in the report published yesterday. Excluding exchange rate differences (Karolina and I will emphasize this several more times today), we had an increase in revenues and operating profit of about 6%, and this reflects, in our opinion, the picture of our business. It should be remembered that almost 90% of the Group's total revenues are from outside Poland, which we have to translate into the Polish currency, and therefore the effect of exchange rate differences is really significant. The numbers we reported are: sales of PLN 8.4 billion, which is very similar to what we showed after H1 2023, non-IFRS operating profit of PLN 981 million, non-IFRS net profit of nearly PLN 260 million and net profit of PLN 235 million, 2% higher than what we reported after H1 last year. These figures are the best proof that we have been effective and that this period, which we are now summarizing, can be considered successful.

We are also consistent in our M&A strategy – another 7 companies joined our Group this year. I will talk about these companies a little later. We are also pleased with the very good prospects for the next six months and are optimistic about what will happen by the end of this year. We are systematically building our order backlog – in fixed exchange rates its value is 7% higher than we showed a year ago at the same time.

My task will be to briefly characterize what business has been going on in our Group. I will start with the geographic segments in which we operate. The pie chart presented here shows the revenues from our Group's various segments. The Polish segment, which accounted for 12% of revenues, grew by 2%. The Asseco International segment, which accounted for 23% of total revenues, grew by 1%. Keep in mind, however, that there is already a visible effect of exchange rate differences here – if we remove this effect, we would have an increase of 8%. For the Formula Systems segment, we report -3%, while excluding the exchange rate effect, this would be a 6% increase in sales.

In the Asseco Poland segment there is a clear dominance of Asseco Poland, the parent company, which, in terms of growth dynamics, recorded a 5% increase in sales in the first half of the year. The fastest growth was in the financial sector and the sector of solutions for public institutions. In the Asseco International segment, we would like to emphasize the very good results in the payments segment, or Payten, as we have named the company responsible for this area of operations. This business has been growing very rapidly for many quarters, and we have

supported it with additional acquisitions, which also took place this year. We are also pleased with the increase in sales of ERP solutions – this is also a very solid part of our business, which is growing dynamically from quarter to quarter. At this point I would like to remind you that this is an activity under the banner of Asseco Enterprise Solutions, which operates in several countries, integrating everything that happens in Asseco within ERP solutions. At Formula Systems, we would like to highlight Matrix's very good half-year, the best in its entire history – I am talking about the results achieved in the original currency, the shekel. It is worth recalling that Matrix IT is the largest IT company in Israel and the largest part of the Formula Systems holding company. We are pleased with Sapiens's results – growth in sales in the reported currency, i.e. dollars, and an increasing share of recurring revenues already accounting for about 70%. As a reminder, Sapiens is one of the world leaders in providing solutions for the insurance sector.

The next slide, well known to you by now, illustrates the diversification of our business – a breakdown by product groups. Solutions for finance accounted for 32% of total sales, solutions for public institutions – 20%, ERP solutions – 9%, other IT solutions, including telecommunications – 17% and the remainder – 22% – is infrastructure and other non-IT sales. We are showing this to emphasize our diversification. Today we do not depend on a single sector for our business. Sales are well distributed. We also don't depend on single customers – as you can see at the bottom of the slide, the 10 largest customers account for 11% of the Group's total revenues, while the largest customer only gives us 2% of revenues. So there is no question of any dependency, which is very good information.

A brief overview of the sectors in which we operate, I will start with solutions for finance. When I say finance, I mean banking, insurance and other financial institutions. Across the Group, we achieved sales of nearly PLN 2,695 million, and this was 2% more than in the same period last year. Let's remember about exchange rate differences – if they were excluded, the increases would have been much higher. We are pleased with the dynamic growth in Poland, where we recorded an increase of 11% with sales of nearly PLN 290 million. We owe this primarily to Asseco Poland, which serves the banking sector in Poland. Here we have a very stable revenue stream from maintenance and development contracts, which today accounts for nearly 40% of sales to this sector. This is, in a way, a confirmation of the security of the business we are running, but of course every quarter we add new customers, we run new projects, which will also consequently increase this maintenance stream. Sales of software for leasing companies at Asseco Data Systems increased very dynamically in this half-year. Nominally this is not a big business, but it is growing dynamically. We are gaining new customers not only in Poland, but also leasing companies that operate outside of Poland. At Asseco International, we recorded a 3% increase in sales to over PLN 710 million. We saw dynamic growth in payments, mainly in the eCommerce and card processing lines. In Formula, the main contributors to nearly PLN 1,700 million are Sapiens, which I mentioned earlier, and Matrix, which also serves entities in the financial sector, mainly in Israel. Here I am talking about banks such as Bank Hapoalim and Mizrahi.

Moving on to public institutions – we recorded sales of PLN 1,662 million across the Group, comparable to what we showed a year ago. In Poland, growth was 7%, which is a very good result, achieved thanks to the implementation of large projects for public administration. As a reminder, I will mention the clients we serve: the Social Insurance Institution (ZUS), the Agency for Restructuring and Modernization of Agriculture (ARiMR), the National Health Fund (NFZ), the Ministry of Justice and many others. These are long-term, multi-year projects and contracts. Public administration also includes the health service, which had a record year last year. At the moment, sales are a bit lower, which has to do with the withholding of funding for hospitals, but I think this will rebound in time and this market will grow more dynamically again. At Asseco International, we have a 13% increase in sales. We emphasize

the utilities sector, or de facto energy, which is qualified as a public institution. The growth is partly thanks to the acquisition by Asseco South Eastern Europe of a company that produces and sells solutions for the energy sector. We are also slowly seeing a rebound in public in Slovakia and the Czech Republic. The market is gradually recovering and we are counting on sales to grow in the coming quarters. Formula Systems reached nearly PLN 1 billion in sales. The main contributors are Matrix IT, which, being the largest IT company in Israel, naturally serves a large number of institutions in the public sector, and, in part, Magic Software, which both in Israel and the United States works with various institutions in the sector.

ERP solutions account for nearly PLN 750 million in sales and 3% growth across the Group. Please don't worry about what you see in Poland, because these numbers are small and negligible, they actually concern only one of our activities, namely DahliaMatic, which deals with the implementation and delivery of third-party solutions in the ERP area. I would focus more on what is happening in the other segments. At Asseco International, we generated nearly PLN 460 million in sales and 5% growth – excluding foreign exchange differences, this growth would have been even more dynamic. We are pleased with the results of the holding company of our Group's ERP solution producers, which operates in Poland, Germany, Slovakia, the Czech Republic and a few more countries. Formula Systems achieved nearly PLN 260 million in sales – this is primarily Matrix IT, which has both its own ERP solutions and implements third-party solutions, mainly in the Israeli market.

Other IT solutions accounted for nearly PLN 1,400 million in sales and 2% growth across the Group. In Poland, sales were fairly flat, around PLN 100 million. This is a result of our activities at Asseco Data Systems related to trust services, and also qualified here by a project for Polkomtel, namely our cooperation with the Polsat Plus Group. Formula Systems accounted for Matrix IT and Magic Software, which offer dedicated enterprise solutions and body leasing solutions, or one could say broad IT services, both in the Israeli and American markets. These activities made up more than PLN 1,260 million in revenues for this segment.

I already mentioned acquisitions at the beginning – 7 new companies joined our Group this year. 3 of them joined in the first half of the year, while the other 4 are acquisitions made in the third quarter, i.e. after the balance sheet date. However, we want to present them because we think they are very interesting, especially the one made by Asseco South Eastern Europe in the payment area. These are further companies that will strengthen our operations in this very area. This time we invested in a rather exotic place, i.e. India and Dubai – we bought shares in payment companies from one owner. We believe in these markets because they are fast-growing markets and we hope they will strengthen Payten. The M&A transactions that took place in the first half of the year were by Israeli companies – 2 acquisitions in the Israeli market and 1 in the US market. You can read more about them in the presentation or in the published report.

This was my last slide. I turn the floor over to Karolina. Thank you very much.

Karolina Rzońca-Bajorek – Vice President, CFO of Asseco Poland (KR-B):

We will start the presentation on finances by looking a little lower, as Marek talked about what happened at the revenue level. I will emphasize that we have been consistently executing our growth strategy – the weighted average growth on revenue for the last 5 years is 10%. A similar level of 9% was achieved on our core business, namely proprietary software and services. Non-IFRS EBITDA PLN 1,266 million and a CAGR of 9%, non-IFRS EBIT PLN 981 million and a CAGR of 10%. We end the half-year with non-IFRS net profit of PLN 258 million and a CAGR of 6%. This is due to the contribution structure in 2024, but also in the end of 2023. Before that, we had much more

dynamic growth in companies that contribute a smaller percentage to the Group as a consequence of a smaller share. Of course, we also have debt in this year's results, but I'll talk about that in a moment.

Compared to what we showed in the corresponding period of 2023, looking at revenues – and this is what Marek has already mentioned – we can see a very significant negative effect resulting from the accounting conversion of our revenues. The strong zloty in H1 2024 vs H1 2023 has led to a situation in which over PLN 600 million in revenues “leaked” from the profit and loss statement. This is a purely accounting, calculating effect. In H1 2024, we grew organically by more than PLN 400 million. We are also pleased with the acquisition-based revenue growth of over PLN 100 million. All this brings us to report nearly PLN 8,400 million in revenues. Similarly, we also present a reconciliation to non-IFRS operating profit. Starting from what we reported in 2023, you have to take into account again the negative exchange rate effect of almost PLN 64 million. In Q1 2024, we sold a property in the Asseco Poland segment at a profit and booked a positive result of PLN 14 million on this sale. This is a one-off that we want to transparently remind you of. Organically, we added PLN 31 million to the half-year results and PLN 17 million from acquisitions. It's worth noting that these were good quality acquisitions, because out of PLN 100 million in revenues, PLN 17 million in operating profit in the first year seems a very good result.

As for non-IFRS net profit, we reported PLN 261 million for H1 2023. Then there was the aforementioned loan. At the end of Q3 2023, we incurred debt and it causes our profit and loss statement to be burdened with about PLN 60 million in interest on an annual basis. The first half of the year includes PLN 29.3 million of interest income from Asseco Poland's debt. At the net level, there is also an impact from the sale of real estate amounting to PLN 11 million after tax, and organic contributions from companies amounting to almost PLN 16 million. This brings us to PLN 258 million in non-IFRS net profit for H1 2024.

Looking at the overall picture of the profit and loss statement shown in reporting currencies, since the previous quarter, in the right-hand part of the slide we show the scale of growth at the relevant levels of the result excluding the effect of foreign exchange, to show the picture of the business without this accounting effect. We continue to emphasize the work on profitability. I would like to note that non-IFRS EBITDA profitability of over 15% in H1 seems decent. Non-IFRS EBITDA profitability is at 11.7%. We try to keep a strong eye on this ratio at this level. The results remain without the special impact of one-time events in either this or the previous six months. Regarding M&A topics, the impact of accounting corrections for PPAs and share-based payment (SBP) is dropping a bit. This puts operating profit also at a decent 9.8% profitability. We are satisfied with it.

As for what is happening below operating profit, the dynamics are lower than expected due to the fact that, on the one hand, Formula Systems is reducing debt, and on the other hand, we have a higher interest cost in Asseco Poland. In Formula, however, this effect is lower. We still have the impact of hyperinflation in the Turkish economy in Asseco South Eastern Europe, and it is PLN 15.6 million in this half-year. Effective taxation is in line with predictions and reaches 21.6%. All this brings our non-IFRS net profit to PLN 258 million and IFRS reported net profit to PLN 235 million, an increase of 2% growth period-on-period.

Looking at the situation in the subsidiaries, we are particularly pleased with the improvement in the operating result at Asseco Poland. We mentioned a very good half-year for banking and finance, as well as public administration, slightly worse as far as companies (general business sector) are concerned, but nothing to worry about. It's important to remember that we're constantly working on topics in the power industry. We are adapting our software to the requirements of the Central System for Information of the Energy Market (CSIRE). We are still waiting to sign contracts with customers – they are being negotiated now. We have already included costs related

to the production of this software in the profit and loss statement, but we will still have to wait for revenues. That's why the worse dynamics, the worse performance of the general business sector, doesn't worry us for the moment. We feel that these effects will be made up for in the next 12 months. Slightly worse results of Asseco Data Systems – this was mainly determined by extended schedules of Smart City projects. This was included in the H1 results, hence the operating profit is lower than in the same period last year. In other companies, very similar trends to the whole of last year, i.e. very good results for Asseco Cloud, GSTN, Novum, while around zero for DahliaMatic. Also under pressure are the results of ComCERT. Year-on-year, however, we see an improvement here, with a PLN 14 million contribution from these smaller companies to the Asseco Poland segment. In the Formula Systems segment, it was a record quarter for Matrix IT – lots of additional sales to the public segment on good profitability. Magic Software reported slightly worse year-on-year results in USD terms, but it's worth recalling that they lost a large customer in the US in Q3 2023, and are on a path to make up for that effect with other projects all the time. Looking at Q4 2023, Q1 and Q2 2024, the company has been improving results, while on a half-year to half-year basis it still has some catching up to do. In Sapiens, profitability is maintained, with very good results in both the US and Europe. In the other companies, slightly worse. However, it should be remembered that the only company that is really feeling the effects of the geopolitical situation is ZAP, which we acquired 2 years ago – hence the slightly worse contribution at the operating profit level. We are pleased to see an improvement in performance in the Asseco International segment, mainly in the Central European market. We have a very good situation when it comes to results in the Czech Republic, some stabilization with a positive outlook when it comes to Slovakia and very good results from the ERP segment. As for the South Eastern European market, in Asseco South Eastern Europe in the Balkans we have a very good situation in the payment area. On the other hand, the fact that year-on-year operating profit is a bit worse is due, among other things, to the recognition of a one-off of EUR 1.7 million as a provision for a loss on one of the projects in a company relatively newly acquired, just over a year ago. There are challenges in this project, and the loss provision was recognized in Q2. In the Western European market, the situation is stable, although here, too, there is a nearly PLN 3 million provision for receivables booked, mainly from Asseco PST. We have a very conservative approach to this. In the long run, we will of course fight for these receivables, while reliability dictates that such a write-down should be recognized, and this is what we have done. This is the situation in the regions.

We are pleased with our solid cash flow – in terms of the last 12 months (LTM), we have 117% cashed non-IFRS EBIT at the Group-wide level. In the Formula Systems segment – 107%, in the Asseco International segment – 109% and in the Asseco Poland segment – 174%. At the conference call after the 2023 results, I said that cash flow to the Asseco Poland segment would flow mainly from the public sector just in Q2 and a little more in Q3, and that's what happened. Looking at Q2 itself, which appears in the analyst notes, we have a much better cash flow situation in the Asseco Poland segment, slightly worse in the Formula Systems segment, while in the case of the Asseco International segment, Q2 to Q2 is comparable.

A glance at the balance sheet – a stable liquidity situation. We are constantly monitoring basic KPIs related to net cash and debt. We are on the very safe side, as expected.

We have also been showing you a proportional recognition for some time. Let me remind you that on the slide we show all the companies consolidated effectively owned. We see similar trends to the overall profit and loss statement. We have a smaller impact of foreign exchange differences, hence already in PLN we have increases rather than decreases. Excluding foreign exchange differences, we have similar dynamics: 6% growth on sales

revenue, 10% on non-IFRS operating profit. This contributory non-IFRS operating profit was PLN 348 million. In terms of profitability, we record similar numbers.

Also at your request, the balance sheet situation is presented on a pro-rata basis - there has been debt in the Asseco Poland segment, which is being stably serviced and without major challenges.

The latest news concerns the order backlog. In fixed exchange rates, at the Group level, the backlog is growing by 7%. We have contracted proprietary software and services for more than PLN 13 billion. In the individual segments the situation is the following: in Asseco Poland +9% (here we have double-digit increases mainly in the public administration sector), in the Asseco International segment +10% (very proportionally distributed between Central Europe and Southeast Europe), in the Formula Systems segment +6%.

That's all from my side. Thank you very much.

AW:

Karolina, Marek, thank you for the very good information. We will now move on to questions from you. Please ask them through the dedicated panel. We have the first question.

Investor 1:

What share do revenues based on artificial intelligence have in Asseco Poland? By how much are they growing year-on-year? In which areas (finance, administration, industry) are they mainly generated?

KR-B:

Artur, you know AI best.

AW:

I could say that most of our revenues, or even 100%, is generated by Human Intelligence, not yet by Artificial Intelligence. Of course, we have a number of initiatives where we use Artificial Intelligence, but these are not yet amounts or revenues that we can identify. These are mainly initiatives that are geared, on the one hand, to improve the efficiency of our operations, i.e. automating certain processes, collecting information, creating codes, and on the other hand, using certain tools in the products we offer to customers. This is not yet at such a level that we identify this as a separate category that we would be able to show. We believe that within the framework of the development of this trend and such possibilities, tools, we will be able to talk about it in the future. On the other hand, there are a lot of initiatives. We are very pleased with the appointment of a dedicated person and team to develop and coordinate work related to artificial intelligence within Asseco Poland, Asseco in Poland, as well as the entire Group. I hope that we will be able, on the occasion of the next meetings, to say more about this and to share already concrete information on how this affects our results.

Investor 2:

Good morning, question about the company's own shares. It seems that the management board's priority is to sell the shares acquired under SBB, or at least part of them. Given the current profit dynamics and the rather good prospects for the next few years as far as the public area is concerned (EU funds), don't you think that share redemption could create the most value for shareholders?

KR-B:

It seems to me that the thesis in this question that the priority is to sell is not quite true. The priority is shareholder value and securing the interests of our shareholders, and therefore we are not saying today that we will definitely sell shares. We are closely monitoring the situation in the capital market, and we will certainly make the decision (there is no such decision today) in the context of what will be best for our shareholders. We view the debt we have incurred with great calmness. I would like to remind you that the CEO spoke at the year-end conference about redemption being an equally likely scenario, I would also argue with this thesis in the question.

Investor 3:

Could you please explain the 6% year-on-year Q2 revenue decline in Asseco Poland segment despite indicated 10% growth in FY24 order backlog?

KR-B:

Should I answer in English or in Polish?

AW:

In Polish.

KR-B:

This is an "isolated" effect and I would not focus very much on it. We don't look at the situation quarter by quarter. The drop in revenues in Q2 alone comes from Asseco Poland, from the parent company and in part from Asseco Data Systems, and I would say equally in terms of the finance and banking and public sectors. On the other hand, sometimes there are such "isolated" effects, so I would not exaggerate these numbers. We maintain that our entire half-year and full-year outlook, especially for Asseco Poland in terms of revenues and backlog, is positive, and that's how we look at it.

Investor 2:

Asseco Poland – looking at the second half of the year, can we expect an increase in net profit H2'24 vs. H2'23?

KR-B:

The question is which net profit are we talking about. I know there is only one, but I don't know if we are talking about the one with or without dividends. Let's remember that in the first half of this year we had more dividend income included than in the previous six months, while this income should be more or less comparable year-on-year in terms of scale. Let me remind you that the previous H1 2023 includes the impact of debt costs on net income in the amount of PLN 15-16 million, while it is now PLN 30 million. We will work to close this gap. I am looking at the general business sector here with hope. Keep in mind, however, that these are not really entirely comparable periods.

Investor 4:

Good morning, when to expect a decision on the sale or redemption of the company's shares? What criteria does the management board consider when deciding when and how to resolve this issue?

KR-B:

I think we are not ready to give a specific date. As I said, we are constantly looking at what is happening in the capital market, and we are doing this from two perspectives. First – what is happening with the valuation of Asseco Poland, and here the situation has improved a lot recently. Second – in general, what trends we have, what transactions are taking place, etc. We are working hard to improve the recognition and understanding of our company among foreign investors, and this process will take a while. This is a process that will give value to existing shareholders, regardless of whether we decide to sell or redeem shares. I think we will need the perspective of a few more months.

AW:

Thank you very much. We have no more questions. Do we have questions from people in the room? We also have no questions from the floor. We are waiting for any questions that can still be asked, there is a possibility. I think we have exhausted the topic and everything was clear enough that we have no more questions from you. If there were any additional questions or you would like to contact us, please feel free to contact our investor relations department. We are at your disposal. We will see you at our next meeting to discuss our results after three quarters of 2024. We are looking forward to seeing you at that meeting today and thank you for attending. See you there.