

ASRECO

P O L A N D

# Asseco Group Results

## H1 2014

## Consolidated financial highlights for H1 2014

**2,913 mPLN**

Sales revenues

**+7%**

**2,344 mPLN**

Proprietary software and services

**+5%**

**383 mPLN**

EBITDA

**-5%**

**295 mPLN**

EBIT

**-8%**

**183 mPLN**

Net profit

**+2%**

**5,228 mPLN**

Order backlog for 2014

**+3%**

# Asseco Group - Summary after H1 2014

## Polish market

Continuation of the process of adapting our organization to new contracts with key customers. Winning and initiation of significant new projects.

## Israeli market

Organic growth of sales revenues and investments in new competencies, upholding of positive financial forecasts for the whole year.

## Central European market

Changes in the Group structure: disposal of Slovanet, acquisition of Asseco Solutions AG. Unfavourable situation in the Czech Republic, partially offset by stronger sales in the Slovak market.

## South Eastern European market

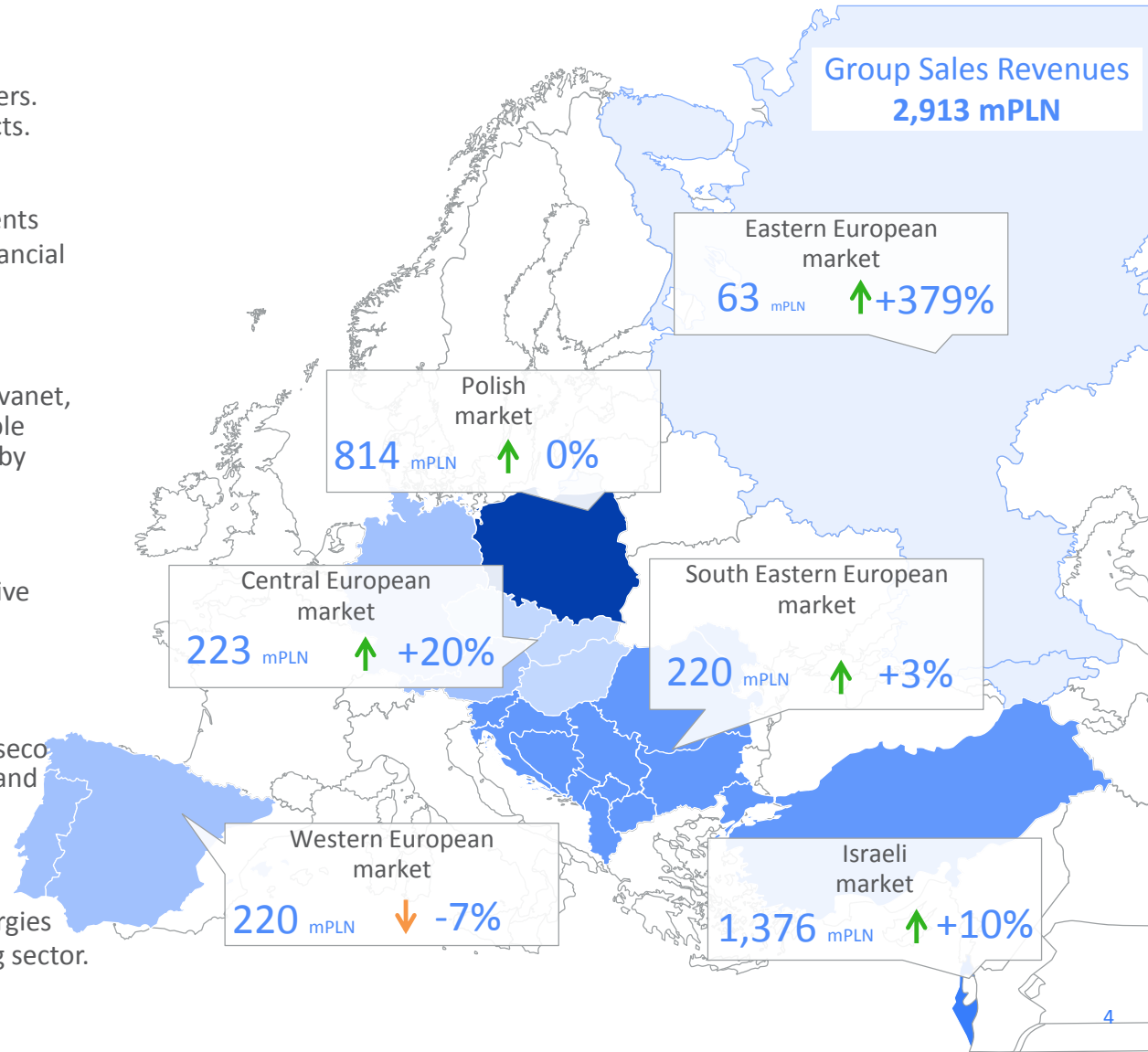
Improvement of the overall situation and positive outlook for the payment solutions sector. Growing backlog of orders.

## Western European market

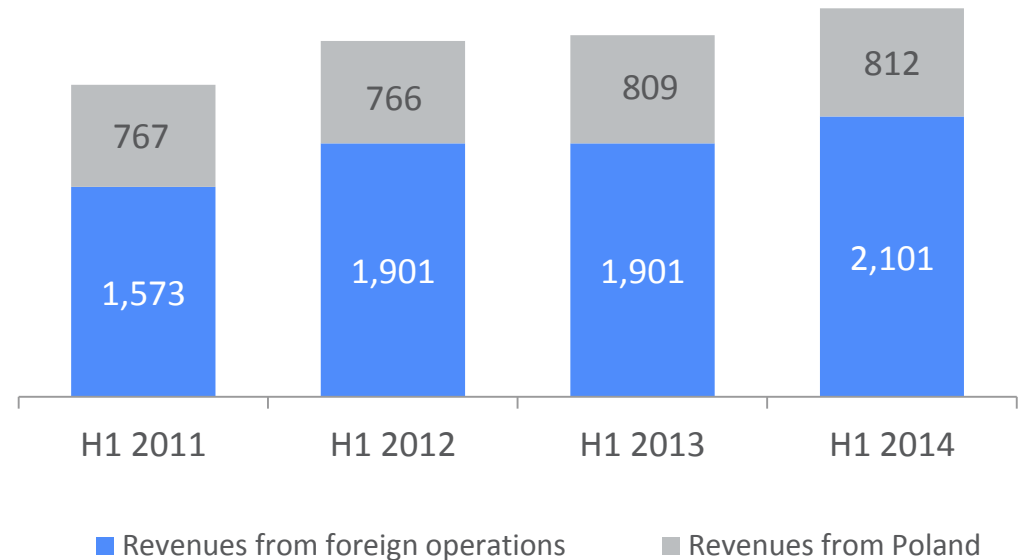
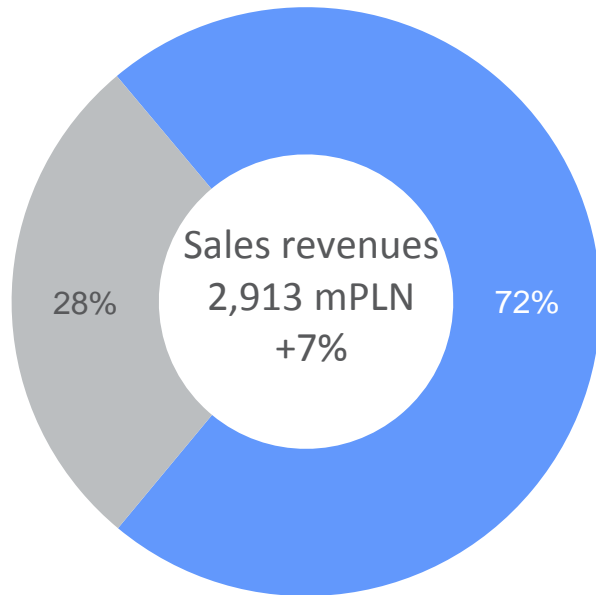
Organic growth and impact from the sale of Asseco Solutions AG. Good market prospects in Spain and Germany.

## Eastern European market

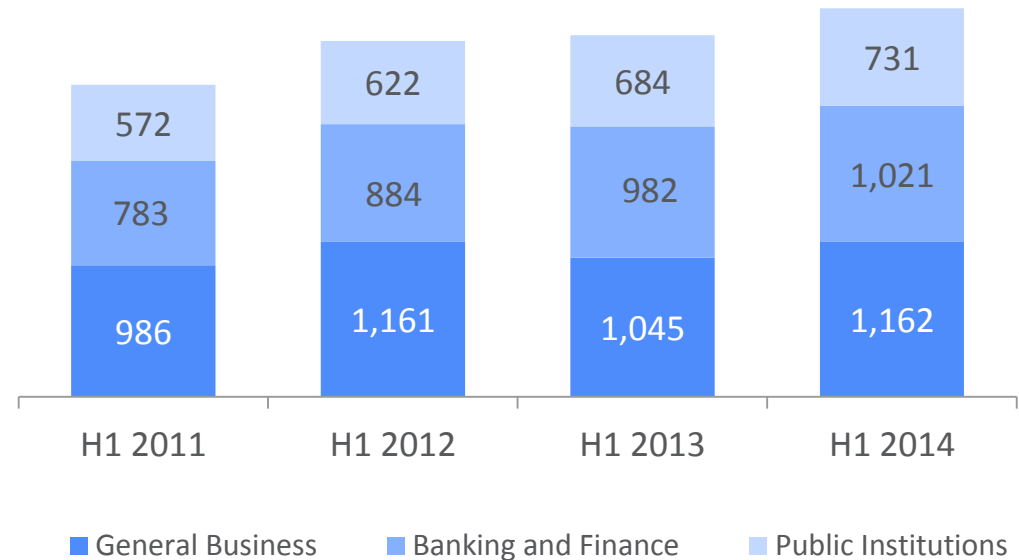
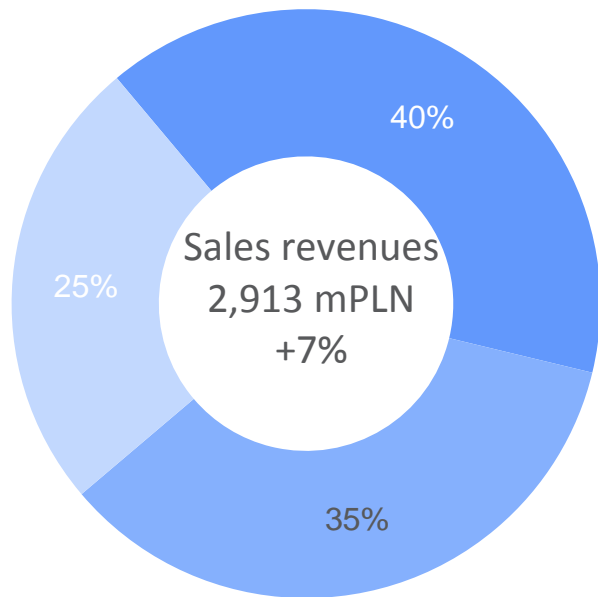
Working on opportunities to benefit from synergies within the Group. New contracts in the banking sector.



## Revenue structure – higher share of foreign operations



# Revenue structure – strong sectoral diversification



# General Business Sector

## Key projects

- Completion of the new, redesigned version of Polkomtel portal - www.plus.pl
- Commencement of the implementation of a comprehensive sales and customer service system for Polkomtel
- Signing a next agreement for the implementation of AUMS to support sales of electricity by a telecom company
- Implementations of the AUMS system for Tauron and Enea

## Major achievements

- AUMS system included in the Magic Quadrant report by Gartner research firm
- The largest provider of software for the industry sector according to the ComputerWorld Top200 ranking
- Over 700 new contracts signed in H1 2014

	H1 2014	H1 2013	Change
Polish market	226.1	201.2	+12%
Israeli market	646.1	544.9	+19%
Central European market	100.3	69.0	+45%
South Eastern European market	35.9	51.4	-30%
Western European market	153.3	176.8	-13%
Eastern European market	1.3	0.4	+230%
<b>Asseco Group</b>	<b>1,161.7</b>	<b>1,045.1</b>	<b>+11%</b>

## Future outlook

- **Energy industry** – well-trying and appreciated by independent experts IT solution for energy providers and distributors
- **Telecommunications** – high competence in the sector and strategic partnerships with customers

# Banking and Finance Sector

## Key projects

- Completion of online banking projects at ING Bank Śląski and BOŚ Bank, as well as mobile banking system at BGŻ Bank
- Execution of the first stage of the Public Finance Consolidation project at BGK Bank
- Completion of the implementation of ins.GL group insurance management system for ING Life
- Signing contracts with Altshuler-Shaham Group, an Israeli asset management firm and with West Bend Mutual Insurance based in USA

## Major achievements

- Asseco banking solutions made a debut in the Forrester Research report of globally deployed banking platforms
- Completion of the development of the def3000/UFE (Universal Front End) system
- New product dedicated for companies operating employee pension schemes: ALIS Retirement Services Platform
- New product for the insurance industry: Asseco Group Life
- Over 1,200 new contracts signed in H1 2014

	H1 2014	H1 2013	Change
Polish market	215,3	239,9	-10%
Israeli market	523,7	513,3	+2%
Central European market	36,9	43,4	-15%
South Eastern European market	151,6	140,1	+8%
Western European market	47,8	45,1	+6%
Eastern European market	47,0	1,9	+2315%
<b>Asseco Group</b>	<b>1,020,5</b>	<b>981,8</b>	<b>+4%</b>

## Future outlook

- Banking** – development of existing systems and new mobile and Internet solutions, large customer base
- Insurance** – further expansion in international markets, building new competencies (Sapiens and Knowledge Partners International)
- Capital markets** – adapting to new regulatory and quality requirements to match the development of financial markets



# Public Institutions Sector

## Key projects

- Execution of a maintenance contract and two implementation contracts under the framework agreement for development of the Comprehensive Information System for the Social Insurance Institution
- Contract for the implementation of NSQ for the Slovak Institute of Professional Sciences
- New implementations of AMMS at the hospitals in: Zabrze, Rybnik, Częstochowa, Opole, Branice, and Suwałki
- Successful take-over and commencement of a contract for maintenance of the IT system at the Agency for Restructuring and Modernisation of Agriculture
- Signing an agreement for development of the KRUS Workflow system

## Major achievements

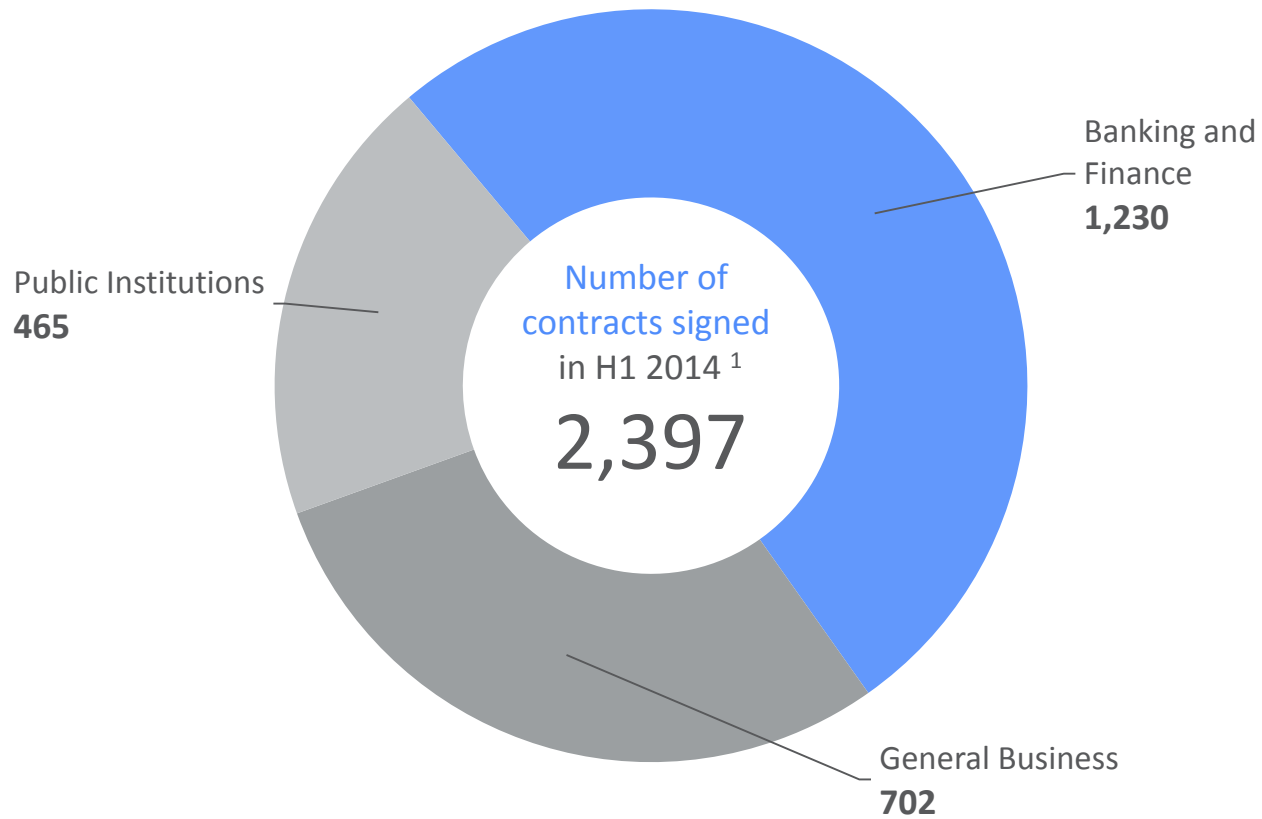
- New version of Asseco Medical Management Solutions (AMMS)
- The largest provider of software for the healthcare and public administration sectors according to the ComputerWorld Top200 ranking
- Over 460 new contracts signed in H1 2014

	H1 2014	H1 2013	Change
Polish market	372.9	370.1	+1%
Israeli market	206.7	195.0	+6%
Central European market	85.7	73.7	+16%
South Eastern European market	32.8	21.7	+51%
Western European market	18.8	14.7	+28%
Eastern European market	14.2	10.7	+32%
<b>Asseco Group</b>	<b>730.8</b>	<b>683.5</b>	<b>+7%</b>

## Future outlook

- **Healthcare sector** – new clients for AMMS. Acceleration in EU-funded projects as the current budget perspective is coming to the end
- **Public administration** – new EU financial perspective for 2014-2020

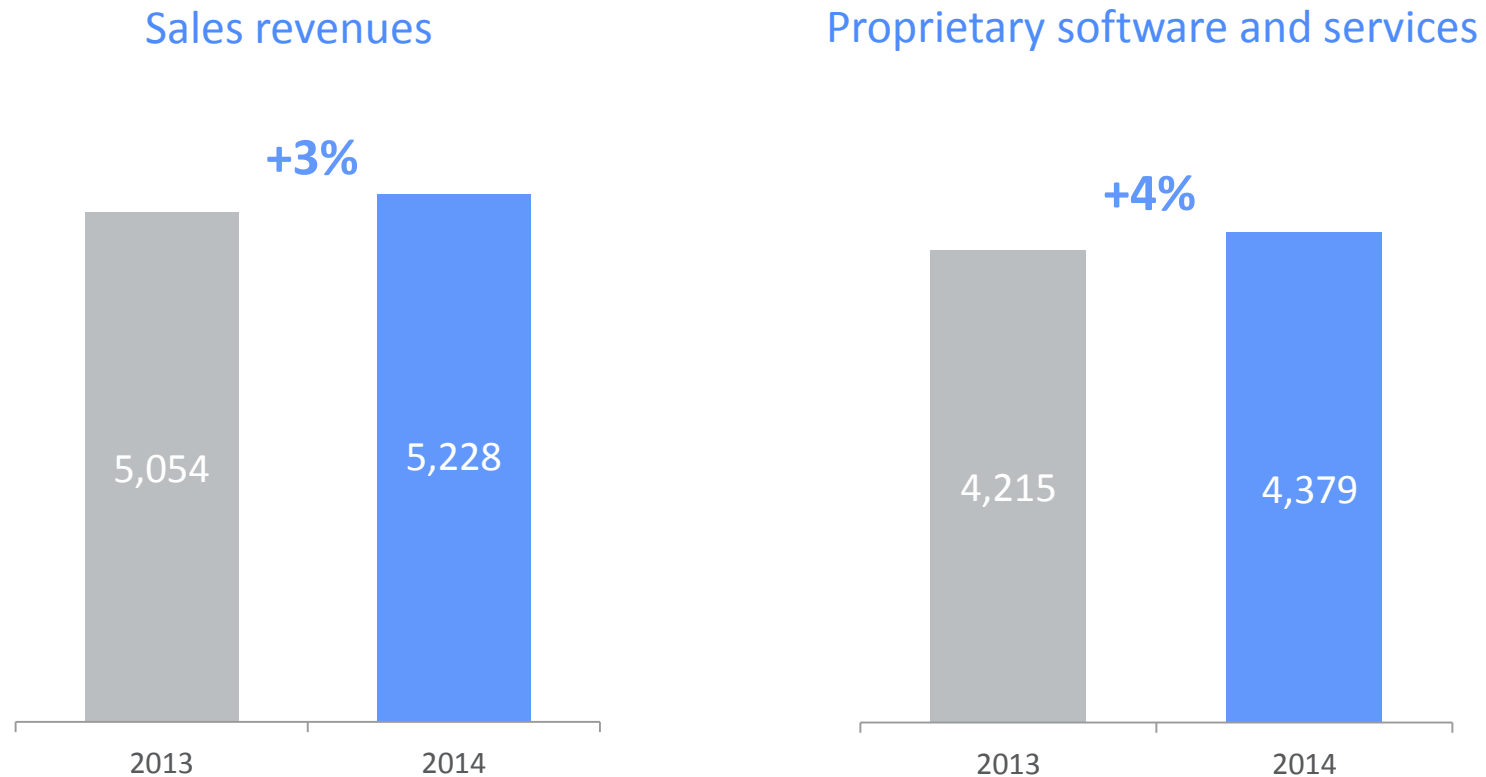
# Contracts signed in H1 2014



<sup>1</sup>) Asseco Group, excluding retail products. The figures include contracts, orders and annexes.

# Consolidated order backlog for 2014

In comparison to the order backlog presented in August 2013



Figures in PLN millions;

Value of the order backlog for 2014 as at 22 August 2014;

Value of the order backlog for 2013 as at 16 August 2013 adjusted for orders of Slovanet company (and additionally, in the case of "Proprietary software and services", taking into account a change in our approach to the recognition of revenues from proprietary and third-party software and services)

# Financial information

# 7% revenue growth

	H1 2014	H1 2013	Δ	Q2 2014	Q2 2013	Δ
<b>Sales revenues</b>	<b>2,913.0</b>	<b>2,710.4</b>	<b>+7%</b>	<b>1,499.1</b>	<b>1,402.9</b>	<b>+7%</b>
Proprietary software and services*	2,343.9	2,222.2	+5%	1,201.4	1,139.2	+5%
<b>Gross profit (loss) on sales</b>	<b>708.2</b>	<b>712.7</b>	<b>-1%</b>	<b>357.1</b>	<b>362.1</b>	<b>-1%</b>
<i>Gross profit margin</i>	<i>24%</i>	<i>26%</i>	<i>-2 p.p.</i>	<i>24%</i>	<i>26%</i>	<i>-2 pp</i>
Selling costs	-180.6	-177.0	+2%	-94.7	-94.6	0%
General and administrative expenses	-229.7	-210.0	+9%	-110.2	-107.8	+2%
Other operating activities	-2.6	-3.5	-	-2.0	-1.3	-
<b>Operating profit</b>	<b>295.3</b>	<b>322.2</b>	<b>-8%</b>	<b>150.2</b>	<b>158.4</b>	<b>-5%</b>
<i>Operating profit margin</i>	<i>10%</i>	<i>12%</i>	<i>-2 p.p.</i>	<i>10%</i>	<i>11%</i>	<i>-1 p.p.</i>
<b>Non-IFRS operating profit</b>	<b>344.6</b>	<b>370.0</b>	<b>-7%</b>	<b>173.9</b>	<b>182.2</b>	<b>-5%</b>
<i>Non-IFRS operating profit margin</i>	<i>12%</i>	<i>14%</i>	<i>-2 p.p.</i>	<i>12%</i>	<i>13%</i>	<i>-1 p.p.</i>
<b>EBITDA</b>	<b>383.3</b>	<b>402.4</b>	<b>-5%</b>	<b>197.5</b>	<b>198.2</b>	<b>0%</b>
<i>EBITDA margin</i>	<i>13%</i>	<i>15%</i>	<i>-2 p.p.</i>	<i>13%</i>	<i>14%</i>	<i>-1 p.p.</i>

Figures in PLN millions

\* Figures for 2013 restated in accordance with a new approach to the division of sales revenues into own and third-party activities as adopted in 2014

Non-IFRS figures include adjustments: i) for income recognized from a business combination, ii) for amortization charges on intangible assets recognized from a business combination, as well as iii) for the costs of equity-settled employee payment transactions

# Strong revenue growth

	H1 2014 / Change H1 2014 vs H1 2013					
	Sales revenues		Proprietary software and services		Operating profit (non-IFRS)	
Polish market	814.3	0%	646.0	-6%	161.2	-15%
Israeli market	1,376.4	+10%	1,212.7	+10%	118.4	+2%
Central European market	222.9	+20%	185.1	+11%	29.0	-10%
South Eastern European market	220.3	+3%	124.8	+12%	18.3	-2%
Western European market	219.9	-7%	120.6	-22%	15.7	+9%
Eastern European market	62.5	+379%	56.6	+553%	2.1	+882%
<b>Asseco Group*</b>	<b>2,913.0</b>	<b>+7%</b>	<b>2,343.9</b>	<b>+5%</b>	<b>344.6</b>	<b>-7%</b>

\* Figures after consolidation eliminations

Non-IFRS figures include adjustments for amortization charges on intangible assets recognized from a business combination, for costs of equity-settled employee payment transactions, as well as for financial results associated with accounting for acquisitions and mergers

# Generated Cash Flows

	Asseco Group		Asseco Poland	
	H1 2014	H1 2013	H1 2014	H1 2013
<i>CFO</i>	379.7	383.9	122.8	141.4
<i>CAPEX*</i>	-107.1	-90.2	-11.4	-11.5
<b>Free cash flow**</b>	272.6	293.7	111.5	130.0
<b>Cash conversion***</b>	79%	79%	88%	79%

\* Excluding investments in investment property, net of grants received

\*\* CFO + CAPEX

\*\*\* Free cash flow / non-IFRS EBIT

Figures in PLN millions

Non-IFRS figures include adjustments for amortization charges on intangible assets recognized from a business combination, for costs of equity-settled employee payment transactions, as well as for financial results associated with accounting for acquisitions and mergers

# Stable liquidity position (Asseco Poland)

As at 30 June 2014

	ST	LT
<b>Cash and financial assets</b>	56.4	
<b>Debt and finance lease:</b>	-33.1	-23.1
<i>Bank loans</i>	-16.0	-114.5
<i>Assets serving as bank loan collateral*</i>	-	202.6
<i>Finance lease liabilities</i>	-17.1	-111.2
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<b>Net cash (ST)</b>	23.3	
<b>Inventories + ST receivables – ST liabilities**</b>	323.7	
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<b>Net operating assets (ST)</b>	347.0	
<b>Available bank loan facilities</b>	520.0	

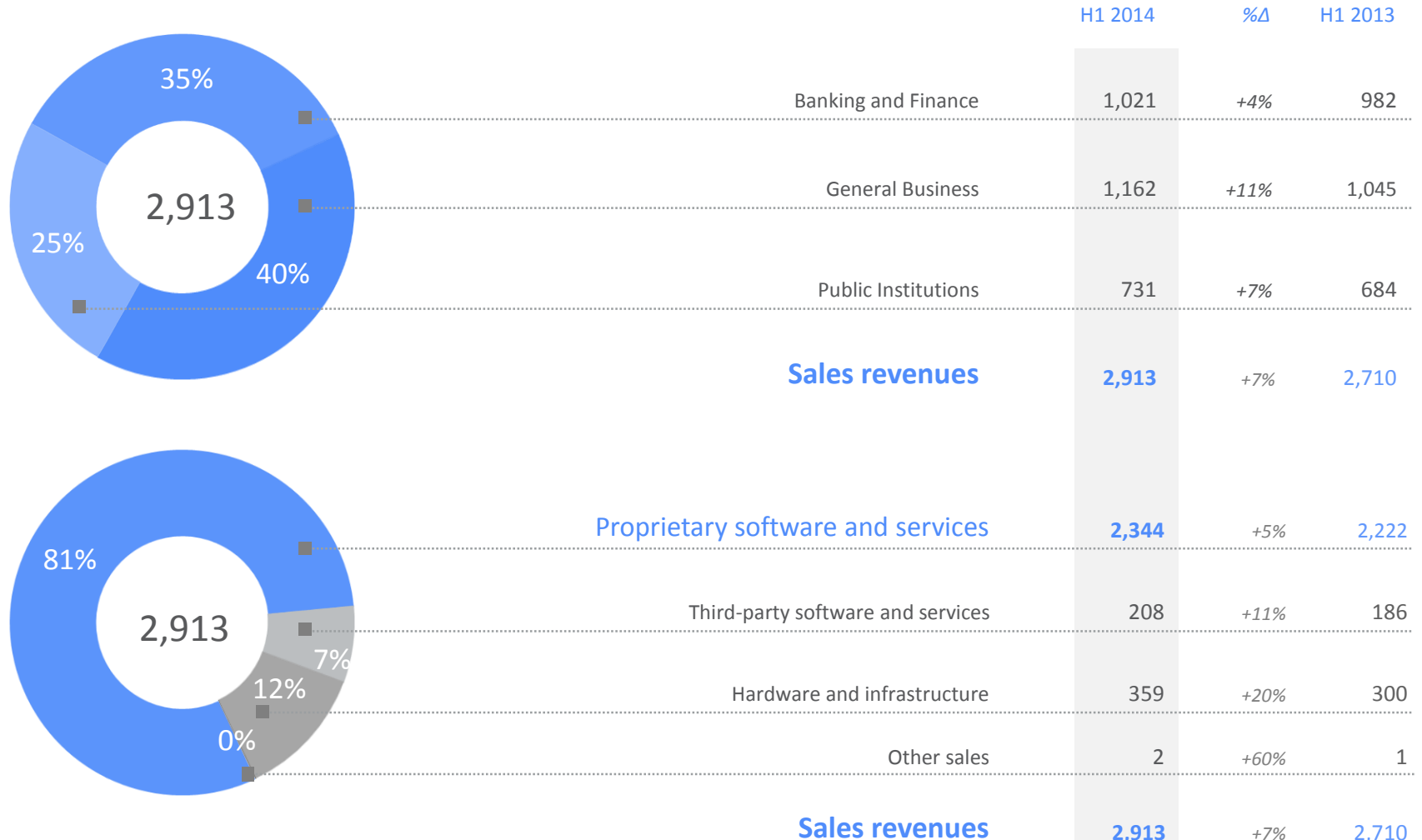
Figures in PLN millions

\* The book value of real estate serving as bank loan collateral

\*\* Inventories + short-term receivables + short-term prepayments – short-term liabilities excluding bank loans and finance lease liabilities



# Consolidated sales revenues by products and sectors



Figures in PLN millions

# Financial results of subsidiaries\*

	Sales revenues		Operating profit		Net profit	
	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
Poland**	814.3	811.2	152.1	180.7	141.6	135.2
Asseco Poland	647.9	653.1	121.5	158.5	199.8	218.2
Asseco Business Solutions	70.3	66.3	15.5	13.2	13.1	11.5
Other	140.4	101.8	15.9	10.4	13.2	5.6
Consolidation eliminations	-44.3	-10.0	-0.9	-1.4	-84.5	-100.3
Formula Group	1,376.4	1,253.2	93.9	89.8	17.6	28.2
Matrix IT	876.5	827.3	53.9	58.6	34.4	33.8
Magic Software	249.2	219.3	34.7	25.2	25.5	22.5
Sapiens Int.	229.9	207.7	21.4	18.1	19.9	17.7
Asseco Central Europe Group	222.9	186.1	25.9	28.4	31.0	24.6
Asseco South Eastern Europe Group	220.3	213.3	18.6	18.9	16.1	15.2
Western European market	219.9	236.6	14.4	13.1	8.6	8.1
Eastern European market	62.5	13.1	-1.1	0.2	-0.9	0.2

\* Financial results for the periods consolidated by Asseco Poland.

\*\* Net profit excluding dividends to be recognized as income of Asseco Poland.

# Adjustments of financial results - details

solutions for demanding business

**ASSECO**  
POLAND

	Sales revenues	Operating profit	Net profit	Net profit - contribution
<b>Q1 2013</b>				
<b>Before change</b>	<b>1,345.5</b>	<b>167.6</b>	<b>124.4</b>	<b>92.4</b>
<i>Arka Gdynia</i>	0.0	+0.2	+0.1	0.0
<i>Asseco Resovia</i>	0.0	-0.7	-0.8	0.0
<i>Slovanet</i>	-37.0	-2.6	0.0	0.0
<i>Matrix IT</i>	-0.6	-0.6	-0.5	-0.1
<i>E-MON*</i>	-0.3	-0.1	0.0	0.0
<b>After change</b>	<b>1,307.6</b>	<b>163.9</b>	<b>123.3</b>	<b>92.3</b>
<b>Q2 2013</b>				
<b>Before change</b>	<b>1,438.9</b>	<b>160.8</b>	<b>122.1</b>	<b>87.6</b>
<i>Arka Gdynia</i>	0.0	+0.1	0.0	0.0
<i>Asseco Resovia</i>	0.0	-0.7	-0.8	0.0
<i>Slovanet</i>	-35.1	-0.9	0.0	0.0
<i>Matrix IT</i>	-0.6	-0.6	-0.5	-0.1
<i>E-MON*</i>	-0.3	-0.1	0.0	0.0
<b>After change</b>	<b>1,402.9</b>	<b>158.4</b>	<b>120.9</b>	<b>87.5</b>
<b>H1 2013</b>				
<b>Before change</b>	<b>2,784.4</b>	<b>328.4</b>	<b>246.5</b>	<b>180.0</b>
<i>Arka Gdynia</i>	0.0	+0.3	+0.1	0.0
<i>Asseco Resovia</i>	0.0	-1.4	-1.6	0.0
<i>Slovanet</i>	-72.0	-3.5	0.0	0.0
<i>Matrix IT</i>	-1.3	-1.3	-0.9	-0.2
<i>E-MON*</i>	-0.7	-0.3	0.0	0.0
<b>After change</b>	<b>2,710.4</b>	<b>322.2</b>	<b>244.1</b>	<b>179.8</b>
<b>Q1 2014</b>				
<b>Before change</b>	<b>1,450.3</b>	<b>146.9</b>	<b>130.5</b>	<b>97.3</b>
<i>Arka Gdynia</i>	0.0	+1.2	+1.1	0.0
<i>Asseco Resovia</i>	0.0	-0.4	-0.6	0.0
<i>Slovanet</i>	-36.4	-1.7	0.0	0.0
<i>R-Style PPA</i>	0.0	-1.0	-0.8	-0.6
<b>After restatement</b>	<b>1,413.9</b>	<b>145.1</b>	<b>130.2</b>	<b>96.7</b>

\* Adjustments at the level of Asseco Group

Thank you

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