

Transcript from broadcast of Asseco's H1 2020 earnings conference call**Artur Wiza – Vice President of the Management Board, Asseco Poland (AW):**

Good day everybody. I would like to welcome you to a video conference dedicated to the results of the Asseco Group for the first 6 months of 2020. My name is Artur Wiza, I am the Vice-President of the Company. Together with Vice-Presidents Marek Panek and Rafał Kozłowski, we will present our results for the first half of 2020. Our meeting should last about an hour and will be divided into three parts. In the first part we would like to present you a summary of our activities in these 6 months. In the second part we will present our financial results. The third part is dedicated to the questions you may ask during the conference. We will try to answer them all. For those of you who use desktop computers – there is a panel in the corner to ask questions. If you use mobile devices – there is also a panel in the corner where you can ask us questions. We will start with the first part concerning the Group's activities. I would like to ask Vice-President Marek Panek to start the presentation.

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

Good day. I would like to welcome you very warmly. I have the pleasure to begin with the first part of today's presentation. I will focus on what happened in the Asseco Group's business in the first half of 2020. I think most of you have already had the opportunity to read the report we published yesterday. It probably does not surprise you that we are all in good mood today and you probably share the opinion that we have reasons to be satisfied with because indeed the first half of the year was very positive for the Asseco Group.

Summarizing the first half of 2020, I would like to draw attention to three aspects: very good financial results of the whole Group and double-digit increases in practically every part of the profit and loss account, strengthening in all segments of our business, where we observe growth of both revenues and profits, and the third element – the impact of COVID-19 on our business. We all know what times we live in, what times we have to act in – I would like to comment on this in a few sentences. Already a quarter ago, we signalled that the entire Asseco Group moved to remote operation quite quickly. Our priority was to fulfil our commitments to our customers, ensure the safety of our employees and ensure business continuity. I think we have managed to achieve this very effectively, as evidenced by the numbers we are talking about today. The pandemic is certainly connected with the increase in demand for digital products and services, which is practically everything we do. Our customers have switched into remote work, looking for various types of tools that are needed for this type of work, and also they wanted to provide their customers with the possibility to use the services remotely. This also gave rise to a demand for our products and these are positive aspects. However, we see some caution in undertaking new investment projects. Maybe it is not yet visible in the figures for the first half of this year, but we are looking with caution at the next quarters and of course we will be observing that area.

On this slide we can see the basic numbers that characterize our activity in the first half of this year. Sales increased by 16% and reached PLN 5.77 billion. I think this is a reason to be satisfied. Sales from proprietary software and services, i.e. our core business, amounted to PLN 4.65 billion – an increase of 14% y/y. EBITDA grew by 18% to almost PLN 900 million. Non-IFRS EBIT was at the level of PLN 675 million, which marked a 20% y/y increase. Non-IFRS net profit increased by 12%, exceeding PLN 200 million. I think we can all have reasons to be satisfied with the figures presented on the screen.

Traditionally we are showing you the division of our sales into sectors. Banking and finance accounted for 37% of sales, general business for 39% and public institutions for 24%. On the bar chart you can see how our sales in each sector behaved in the last 5 years. You can see the upward trend in each sector.

We would like to draw your attention to the very significant share of foreign markets in the sales of the entire Group. Looking at the pie chart, we can observe that 11% of our revenues come from Poland, while the remaining 89% come from foreign markets, with the Formula Systems Group having the largest share, 63%, and the Asseco International segment accounting for 26% of total sales. On the bars you can see how sales behaved in the past 5 years.

The chart looks a little bit different when it comes to non-IFRS operating profit. Here, I would like to draw your attention to the greater contribution of the Asseco Poland segment – with an 11% share in sales we have a 15% share in non-IFRS EBIT. This is due to the fact that the business in Poland is more profitable. In the case of Formula Group, we have a 58% share in non-IFRS EBIT vs. 63% share in sales. In the case of the Asseco International segment, its share in operating profit is similar to that of sales. As in the previous slides, we also have here a bar chart showing non-IFRS EBIT for the last 5 years broken down by individual segments.

On the displayed slide we are presenting a short description of the regions we operate in. I will start with the Asseco Poland segment. The pie chart shows a 6% increase in sales from our operations in Poland. In this case, we would like to highlight two issues: a significant increase in revenues from the public institutions sector (I will discuss this in more detail in the context of sector characteristics) and utilities (as a result of contracts signed last year), and good sales of security and trust services. These are services which – especially in the pandemic situation – are of great interest, as they are solutions related to, among others, remote work or digital signature. The Formula Systems segment increased by 19%. We should remember here about the differences in exchange rates, which explain approx. 40% of the observed growth. These currency differences worked to our advantage in the first six months of the year. Nevertheless, we should also emphasise here the fact that all companies in the Formula Group recorded a very good first half of the year, both when it comes to organic and acquisition-related sales growth. In the reporting period, 7 new companies joined Formula Group. The Asseco International segment recorded a 12% increase in sales. We would like to emphasize very good business growth of the ASEE Group. Perhaps some of you attended a conference of this Group and had the opportunity to listen to Piotr Jeleński, who commented in detail on the sources of these growth. I just want to add that we are happy with what is happening in the payment segment. We are happy and not surprised with that because the payment segment has developed particularly well during the pandemic and this was reflected in the sales increases recorded in ASEE. The second point we would like to draw attention to is the sales growth of companies from Spain, Denmark and Portugal and what is happening in the ERP sector. We are pleased with the growth in Poland, Germany, the Czech Republic and Slovakia, i.e. all those places where we have our competence centers and where we sell our ERP solutions.

Now I would like to move to a brief description of the sectors in which we operate. I will start with banking and finance. In this sector, as the table shows, we exceeded PLN 2.13 billion in sales, which represented an 8% increase y/y. In the Formula Group we recorded a 10% growth. This Group has the largest share in consolidated sales as it generated PLN 1.42 billion in revenues. We would like to emphasize the very good half of the year in Sapiens, which recorded solid double-digit revenue growth in North America and Europe – these are the places where most of the company's revenues are generated. When it comes to Asseco International, we maintained high sales dynamics in ASEE, especially in the payments segment. We would also like to emphasize

the good performance of our Portuguese company operating mainly in the financial sector on African markets. Poland needs a broader comment. You can see that the sales level is at a similar level to last year. Please, remember that 2019 was a special year for the Polish banking and finance. At that time we implemented many changes resulting from the amendments in legal regulations. It was a record-breaking year and it is hard for us to beat it. In addition, as you remember, we resigned from selling our equipment, which also affects sales. We would like to emphasize that we are very satisfied with the Polish banking and finance sector, which is currently implementing about 200 smaller or larger projects simultaneously. We operate in all areas: in commercial and cooperative banking, on the capital market, and we continue our long-term cooperation with PKO BP. Additionally, I would like to remind you of our export dreams. These dreams have been coming true for some time now. We, as Asseco Poland, have carried out many foreign projects, just to remind you: in Austria, the Czech Republic, Vietnam or Georgia. We are very much counting on the German market. Last quarter we signalled the beginning of the cooperation with the German company adesso. This cooperation is "gaining momentum". Together with our partners from Germany, we are currently participating in several tenders and proceedings. We present our solutions to the German banking sector. It looks promising, although we know that these sales processes take a very long time. We won't see any results from this in a week or two, but we really believe that it will be successful.

In the sector of public institutions we recorded PLN 1.37 billion in sales revenues, which means a 17% increase. We recorded the highest dynamics in the Polish segment. However, I will start with the Formula Systems segment, which grew by 21%. This is primarily thanks to Matrix IT, which operates very strongly in the public sector in Israel. Last year Matrix signed several significant agreements, among others with the Ministry of Education. Today we can see the effects of these agreements in the form of increased sales. In the Asseco International segment we observed a 6% increase, which was the consequence of the good performance of ASEE, which sells primarily third-party infrastructure and solutions in the public sector. I would also like to remind you of our Danish company Peak Consulting, which is growing very dynamically right now. It operates primarily in the public sector, providing training and consulting in various areas. The Polish market grew by 24% in the first half of 2020. This is a very significant growth, but we have been signalling some recovery in the public sector for several quarters, even in 2019. Last year, we signed several significant agreements with the National Health Fund (NFZ), the Social Insurance Institution (ZUS), the Farmers' Social Security Fund (KRUS) and the Agency for Restructuring and Modernisation of Agriculture (ARiMR). Today, all this is paying off with sales increases. Additionally, we have new contracts with ZUS related to the government's Anti-Crisis Shield program. These are issues that we did not expect 6-9 months ago. However, this is happening, this is what we are doing and this, of course, has positively affected the growth.

The general business sector – increase by 23% with sales of PLN 2.27 billion. The Formula Systems Group grew the fastest, recording a 29% growth. And here I would like to remind you, as I mentioned it during the last result conference, that in the Formula Group, Matrix in particular had a very good first quarter of 2020. This was related to the sale of various tools and solutions to support remote customer work. It was a sudden and unexpected sale – the customers were buying everything connected with remote work. This resulted in quite large sales increases. The Asseco International segment grew by 19%. In the case of Spain we are dealing with a similar situation – very large sales of products for remote working. We would also like to emphasize the growing sales of our ERP solutions in Poland, Germany and Slovakia. In Poland we have an 8% drop in sales, which requires a wider comment. We completed two large projects last year – Orange and Huawei. These projects simply do not exist this year, which has an impact on sales. In turn, we are very satisfied with what is happening in the energy sector. Apart from the fact that we maintain and develop the solutions of our existing customers, we are also carrying out several significant new large projects, among others at PGNiG. We are expanding our cooperation with the Cyfrowy Polsat Group.

Already a quarter ago we signalled that we signed the first agreement, which we call a bridge agreement. It allows our team of over 100 people to carry out first works for Polkomtel. At the same time, we are working on details of new contracts and orders, which we hope will be implemented soon.

We continue our acquisition activity. In the first half of 2020, 9 new companies joined the Group. The acquisition activity was carried out in the Formula Group and ASEE, which found several companies matching their products and competences. Maybe I will not go into details and tell you about each of the companies now. If you are looking for more details on the activities of individual companies, they are described on the slide. We can also discuss and talk about it during a meeting. We continue to analyze markets, meet new companies that are potential acquisition targets. But the truth is also that we are more cautious in acquisitions. We take a close look at companies, including those with whom we have already talked before. We check how these companies cope in the pandemic situation, how they implement the results presented during the talks.

We are satisfied with the development of our competence areas. On the slide we can see our international competence centers, i.e. ERP, payments and insurance, which are the places where we have teams from different countries and we implement projects internationally. In all centers we have seen increases y/y. We would like to emphasize our strong position in the banking and finance sector, where we recorded over PLN 2.1 billion in sales. We do not forget about the development in new areas, very fashionable today. In cloud solutions we generated PLN 308 million in sales, in cyber security PLN 111 million, and robotics generated sales of PLN 26 million. We have the most difficult situation in robotics, because as you remember, we have CEIT in Slovakia, which operates mainly in the automotive industry, and this industry has been particularly affected by the pandemic. At the moment, it is slowly returning to normal, we are rebuilding customer relations and returning to the normal course of our projects.

On the displayed slide we are presenting a consolidated order book until the end of this year. Our backlog amounts to PLN 10.27 billion, which marks a 13% growth compared to what we showed last year. You can also see how it is distributed among the individual segments in which we operate – increases from 12% to 16%, so basically similar increases in each segment.

Thank you for your attention and I am inviting Rafał to make his part of the presentation.

Rafał Kozłowski – Vice President of the Management Board, CFO, Asseco Poland (RK):

Thank you, Marek, for the introduction. Good day to you. Let's move to the financial part. Traditionally, we are presenting you a consolidated income statement. The first half of this year was closed with revenues of PLN 5.78 billion – a 16% increase compared to the same period in 2019. It is worth mentioning that this growth of nearly PLN 780 million in 40% is thanks to exchange rate differences, while the rest is organic growth and growth driven by acquisitions. Operating profit amounted to PLN 553 million – an increase of PLN 100 million compared to the previous year. Here, the situation is somewhat different – only 25% of the increase is explained by exchange rate differences, while most of the increases are thanks to organic and M&A growth. This is a good thing, because it is a result of hard work from previous quarters, looking for profitability, but also cost savings resulting from the pandemic.

On this slide we are presenting a reconciliation of the operating profit to the net profit, i.e. we are starting from PLN 553 million and go through the financial part. Here we have the interest from finance activities, which amounted to PLN 43 million versus PLN 34 million a year ago. This is due to the fact that we have more money borrowed from financial institutions, especially in the Formula Systems segment. Part of the costs also comes from

M&A transactions – PLN 11.5 million. There were several such transactions in the first half of this year, which was already presented by Marek. The effective tax rate was 22.6% – slightly higher than in the previous year. It should be assumed that this rate will be close to that level during the rest of the year and thus probably throughout 2020. The net profit amounted to PLN 176.8 million – an 11% increase compared to the same period of 2019. We are very satisfied with this result, especially in view of the situation that we began facing in March.

Here we are presenting a breakdown of our results – revenues, non-IFRS operating profit and non-IFRS net profit – by individual business segments. In the Asseco Poland segment we increased our revenues from PLN 604 million to PLN 639 million and improved operating profit. The Formula System segment generated very good financial results – PLN 3.64 billion in revenues, an improvement of PLN 585 million compared to the previous year. Non-IFRS operating profit amounted to PLN 393 million versus PLN 311 million a year ago. Particularly noteworthy here is Sapiens, which has been recording growths in the last several quarters. Matrix IT is also doing very well – we already talked about it in the first quarter of this year and during the summary of 2019. This also makes us very happy. And last but not least, the Asseco International segment, which generated PLN 1.5 billion in revenues in the first half of the year – a noticeable improvement compared to the previous year. We are pleased with the increase in profitability – operating profit of PLN 180 million versus PLN 156 million last year. In the case of this segment, we can see that two markets are dominant – Central Europe and South-Eastern Europe. In the case of the Western European market, we would like to remind you that 2019 was particularly good for our banking activities in Portugal and African countries. There were a lot of new migration-related orders and regulatory changes there, which strengthened our base during that period.

Moving on, we would like to show you what the situation in the area of cash generation is. Here we are also satisfied. The Group-wide cash conversion rate was 116%. The individual segments are presented next to it: Formula Systems – 124%, Asseco International – 101% and Asseco Poland – 109%. We can say that nothing worrisome has been happening so far. We are very cautious about these issues. As we know, the most important thing is cash, especially in such difficult periods. Once again, I would like to emphasise that for now we have not noticed any deterioration in the collection of receivables. Nevertheless, this does mean that we should not be cautious in the future.

The level of cash at the Group level amounted to nearly PLN 2.5 billion. Individual segments are presented in the following tables. Net operating assets at the end of June this year amounted to PLN 2.17 billion, including the Formula Systems segment – nearly PLN 1.5 billion, Asseco International – PLN 380 million and Asseco Poland – PLN 294 million. Let me just remind you that all the segments are already after dividend payments, so we are even more proud of our liquidity position.

Thank you very much. We have finished the presentation part. I will now give the floor to Artur Wiza, who will invite you to ask questions.

AW:

Thank you very much. We are ready to answer any questions.

Question 1:

Please comment on your product portfolio and the development on the German market in terms of banking.

MP:

Thank you for this question and I am glad that it has been asked because I think it is worth talking about banking. The banking sector is very important for us. As far as the product range is concerned, we are very strong and very well prepared. For example, I can tell you about our recent achievements, about something we have been already selling and we already have had our first successes. I am talking about Bank out of the Box here, which is a fully cloud-based core system that is sold on the basis of monthly subscriptions and can be launched very quickly. Today, banks, start-ups, which have been increasingly more active on the market, expect bank projects not to last for months. They expect us to come with a ready-made solution that can be launched within a few weeks, along with all the customer service processes. And we do have such a solution for that market. We have been working on it for the last year or maybe even two years. We have a fully prepared solution, equipped not only with the latest technology but also developed as far as the process side is concerned. We have a ready-made product, which allows starting a business in a relatively short time. If we find such demand on the German market, we will also promote the solution there. We want to promote the Bank out of the Box solution on a wider scale. We observe emerging ideas, start ups, FinTechs, which have similar expectations and we will go into this direction. I would like to go back to the German market and talk about the cooperation with adesso for a while. I would like to cool down expectations a little bit here. Let's remember that the exchange of a core system is a process, and the preparation for this process can also take a very long time. When I talk about the preparation, I mean the very procedure of the supplier selection. Let's remember that core, German solutions are very old. These are several-dozen-years-old solutions implemented in outdated technologies. The decision to replace them requires a solid preparation and these processes will last. We are ready for the fact that the preparation of such a process can take 5-6 months, even a year. We strongly believe in this project and that together with adesso we can achieve success in Germany.

Questions 2 and 3:

In the Asseco Poland segment, the backlog is 16% higher y/y, and after the first half of the year the growth is 6%. It looks like one should expect a strong second half of the year in Poland. In which sector do you expect the highest growths (public/general business/finance) and do you expect sales growth to help improve profitability?

Good results of Asseco Data Systems – what do they result from and can they be repeated in subsequent periods?

RK:

A very good observation. Yes, the backlog calculated for the second half of this year versus the second half of the previous year has a higher dynamics in Poland than the presented 16%. This is a consequence of what we are still talking about, i.e. signing contracts with public administration. We are also expecting this on the general business market. The second half of the year should be quite strong. We also count on an increase in profitability. However, we must take into account the general economic situation, which may have a little negative impact on what we will see in the second half of the year. It is difficult to make any predictions here. Putting that aside, I confirm that the second half of the year should look very good in Poland.

As you probably remember, Asseco Data Systems is a company composed of several entities which we merged several years ago. It is managed by Andrzej Dopierała. The strategies for individual business lines are built very consistently. They are beginning to bring results. This year is quite good in the history of this company. We are hoping that the second half of the year should also look like this. Yes, we confirm such assumptions.

Question 4:

Did you carry out additional orders for ZUS under the anti-crisis shield, the Holiday+ program etc. in the third quarter of 2020? Did all additional orders from ZUS already fall into the results of the second quarter of 2020?

RK:

Thank you for this question, which I think will help everyone understand the dynamics. In fact, we do quite a lot of these orders. We help in the implementation of a complex government program – the Anti-Crisis Shield. In fact, some of the work that was carried out in the second quarter of 2020 pushed the topics that were planned for the second quarter out of the backlog. They replaced the work that we had in the backlog. We did not complete all the works in the second quarter, only about 20-25% of them. The rest is spread over the next quarters, especially the third and fourth quarter. Let's remember that the software we create is not just about encoding what we would like to encode. It also involves documentation, corrections, modifications, software stabilization. This portfolio of orders reaches December. Some projects may overlap with our current responsibilities and some will be moved to the next year. Anyway, this is very positive for our company.

Question 5:

How much influence on results in the Polish segment in the second quarter had the additional orders from ZUS related to the anti-crisis shield? Will this influence be visible also in the second half of 2020?

RK:

Actually, I have already answered this question. Once again, I will point out that there was no such an overlay effect. Some of these new, ad hoc projects pushed out the projects we normally had in the backlog.

Question 6:

Considering the good generation of cash in the first half of 2020, is it possible to repeat the operational cash flow from 2019, i.e. the level of about PLN 1.5 billion?

RK:

We are counting on it, but it is difficult to make such statements today because we do not know what awaits us in the third and fourth quarter. We do our best to implement projects on time. As we show, we have a strong backlog. These are the issues from which you could draw conclusions.

Question 7:

What is the very strong result on working capital in the second quarter of 2020 related to? Do you expect to maintain strong free cash flows until the end of the year?

RK:

All the questions revolve around the same subject. Our projects are often long-term, i.e. they last several quarters. In fact, it is a matter of a certain interweaving of events, whether they all fall within a given period, invoices are issued and we get the money in the same period, or this is distributed more evenly over time. The second quarter was indeed quite strong, but nothing unusual happened in it. Simply, some of the projects were in the phase where

we could issue invoices and receive cash for them. When it comes to some projects related to public administration – they also can last several quarters, and the issuance of invoices can be postponed. Around the end of the year we should again issue a lot of invoices and have a strong cash flow.

AW:

Thank you very much. It seems that this was the last question. We encourage you to contact us and our IR department. We are at your disposal and will always answer your questions. Thank you very much for participating in today's conference and we would like to invite you to the next earnings meeting. We hope that we will be able to meet soon in other circumstances, during a direct meeting. For the time being, we will use the e-conference formula. By the way, we would like to thank both our employees for a really smooth transition to the remote mode, as well as customers who work with us and see our role in these times when digitization is becoming a huge challenge. Thank you for your comments and remarks. We try to improve the quality of our investment materials every time. We would like to invite you to contact us and thank you once again for today's meeting. See you at the results conference for the third quarter.