

**Transcript from broadcast of Asseco's Q1-Q3 2020 earnings conference call****Artur Wiza – Vice President of the Management Board, Asseco Poland (AW):**

I would like to invite you to today's presentation, which will be led by: Vice President Rafał Kozłowski – in the financial part, and Vice President Marek Panek – in the business part. Please, let me invite Vice President Marek Panek to present the Group's activities for the first 9 months of 2020.

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

Good day. I would like to welcome you very warmly. Of course I would prefer to be in one of hotel conference rooms right now, to have you in front of my eyes and be able to directly share with you the good information we have today. However, we have to live in these different times, the times of remote meetings. But I think we have all got used to it a bit.

Our remote meeting does not change the fact that we have come today in very good spirits, which is thanks to what we achieved in the first three quarters of the year. You can see that our financial results for this period are very good. We recorded increases in all financial parameters. These are significant increases reaching several percent, starting from the increase in revenues, through non-IFRS operating profit, to 12% increase in non-IFRS net profit to over PLN 300 million. I think that this gives reasons for great satisfaction and you also share this joy with us, considering that we operate in very difficult times. We all know what is happening around us, we are dealing with a pandemic. I think that if someone told us in April that we would achieve such results, we would look at it with a distance. Of course, we are usually optimistic, but we approached that period with some caution. Today we are happy that we can show such results. I think it helped us that we operate in the IT sector, which has resisted the pandemic to some degree and is needed by customers regardless of its occurrence. Additionally, it should be emphasized that we focus on our proprietary software. This is very important because it gives us a healthy, solid revenue stream from the maintenance, modification and development of our products. We have always emphasized the great diversification of our business – we are present in so many different industries, sectors, in so many countries. It also sometimes allows us to fill some gaps because we do not hide the fact that we also have places in our Group which, as a result of the pandemic, have been a little weaker. Thanks to our business diversification, we have been able to neutralize the effect of some areas.

I am glad that we have been implementing the Group's development plans through acquisitions. We have not stopped this activity, despite the fact that it is a little bit difficult now. In the first 9 months of 2020 several new companies joined our Group, supplementing our offer with interesting products and competences.

It is also difficult not to comment on how the current market situation affects our performance and, more importantly, our growth prospects. As a result of the pandemic, we have observed an acceleration of digitization processes in some companies. We can see that some of our solutions are much more popular than before thanks to the new reality. I am talking about solutions supporting remote work, customer service or solutions related to cyber security and electronic signature. These are areas that have been developing dynamically. On the other hand, however, we see a certain caution of our customers in undertaking new, large projects. We are hoping that once the situation stabilizes, it will all return to normal somehow. Well, we all currently feel certain uncertainty related to the future, to the general economic situation in Poland and worldwide. We are all struggling with it, observing what is happening on the markets and trying to adapt our activity to this situation.

On this slide you can see the basic figures that characterize the first three quarters of 2020. I will start with the sales revenues, which after 13% y/y growth exceeded PLN 8.7 billion. Revenues from our most important activity – proprietary software and services – grew by 10% and reached almost PLN 7 billion. EBITDA increased by 16% and came close to PLN 1.4 billion. Non-IFRS operating profit recorded a 17% increase and exceeded PLN 1 billion. At the level of non-IFRS net profit we exceeded PLN 300 million, reaching 12% growth. Once again I emphasize that we are very satisfied with these results and what happened in the first three quarters of 2020 is a source of really great satisfaction.

We emphasize the strong diversification of our revenues by sectors. On the bar chart you can see how our sales developed in the last 5 years in the basic 3 sectors in which we operate. To remind you, these are: general business, banking and finance and public institutions. On the pie chart you can see the structure of our current sales – general business accounted for 38% of sales, banking and finance for 37% and public institutions for 25%.

As far as our sales are concerned, we divide our business into 3 basic segments. The largest segment is Formula Systems, which accounted for 63% of total sales in the period in question. The second largest segment is Asseco International, which accounted for 25% of our sales. Of course, Poland is still very important for us, which accounted for 25% of the Group's sales. As before, the bar chart shows how sales in particular segments developed over the last 5 years.

The non-IFRS operating profit structure is a bit different from the sales structure. The Formula Systems segment, of course still the largest contributor to the non-IFRS operating profit, accounted for 59%, Asseco International for 25% and Asseco Poland for 16%. The bars show this distribution over the last 5 years.

Now, a few words of commentary on the business segments we operate in. I will start with Poland, where we achieved 12% growth in sales, which exceeded PLN 1 billion. We recorded a significant increase in revenues in the public sector in Poland. This is a result of large, long-term projects which we signed in 2019 and early 2020 and which are currently being implemented by us. We have very interesting projects in the utilities sector (power and gas industry), which also recorded large increases. Apart from standard maintenance projects for our solutions, we have new projects in Tauron and PGNiG, among others. I will talk about this in more detail later. We are also pleased with the increase in sales of security and trust services. These are solutions which are particularly popular in the era of pandemic. This provided us with a solid, even 30%, increase in sales.

In the Formula Systems segment you can observe a 14% increase in sales. All companies in the Formula Group are doing very well, recording double-digit sales growth. These are partly organic growths, partly related to completed acquisitions, and we cannot hide the fact that in these three quarters of 2020 we were also helped by exchange rate differences, which accounted for about 1/3 of the observed growth.

The Asseco International segment grew by 9%. We emphasize here the impact of Asseco South Eastern Europe. If you had the opportunity to participate in that company's result conference, you know where these increases came from. I would like to draw your attention to a very good situation in the area of payments. It is the "apple of the eye" of Piotr Jeleński, who puts really great importance to the development in this area, and it is going very well. We also had nice growths in our companies in Spain and Denmark – this is what we spoke about last quarter. Now we have added Lithuania and although the scale of this business is relatively small, the companies on that market are doing really well, implementing projects mainly in the public sector. We are also pleased with

the development of sales of our ERP solutions, i.e. the activities of companies operating in various countries under the umbrella of Asseco Enterprise Solutions.

I will now give a brief description of the sectors we operate in. I will start with banking and finance, where there was a 7% increase in sales at the level of the whole Group to nearly PLN 3.2 billion. The largest contributor to these sales is the Formula Systems Group, which exceeded PLN 2.1 billion of revenues, which means a 9% increase. This was largely thanks to Sapiens, our company providing software for the insurance sector. We are impressed by the fact that this company has really grown very significantly on the main markets in which it operates, namely the United States and Europe. The activities on these two markets generate over 90% of Sapiens's revenues. A little later I will talk about the last acquisition of this company because it is very interesting and took place in Scandinavia. As far as the Asseco International segment is concerned, I will emphasize once again the impact of the dynamic growth of the payments area in Asseco South Eastern Europe. Also in the banking area itself, this holding company was doing very well, mainly in the area of mobile solutions, whose sales has been increasingly higher. Poland certainly needs a comment. The sales in Poland are at a similar level as last year, i.e. PLN 320 million. What is important is the fact that in Poland we had a very high base in 2019. We have to remember this because last year was special for our banking. At that time we carried out many projects resulting from the adjustment of systems to changes in legal regulations. As a result of that we actually raised the bar to a very high level and now it is not easy to jump over it. However, the fact that we are at a similar level to last year's is satisfactory for us. I emphasize at this point our international expansion and the fact that we are really starting to export our Polish products very effectively and have increasingly more projects in this area. Let me remind you that we have created a joint venture with German company adesso. The newly established company has increasingly more sales prospects and conducts increasingly more business talks. We hope that it will soon translate into real projects. However, we have to be patient because the sales processes are really long, preceded by long discussions, workshops, presentations, etc., when it comes to changing core systems, especially in Germany. We are happy because the reception of what we are showing is very good and we really hope to be able to carry out some projects there.

The revenues of the corporate sector at the level of the whole Group exceeded PLN 3.3 billion, which was a 14% increase. Traditionally, the largest contributor was Formula Systems, which grew by 12% and exceeded PLN 2.1 billion in revenues. This is mainly thanks to higher sales of Matrix IT and Magic Software, which conduct a large part of their operations in the general business sector. As I have already said in connection with the results for the second quarter of 2020, we observed, especially in Matrix IT, increased sales of remote working solutions and remote customer service. Especially at the beginning of the second quarter, this boosted Matrix IT's sales very significantly. As far as Asseco International is concerned, we emphasized the improvement in sales of Asseco Spain, which was also the result of increased demand for remote working solutions. Asseco South Eastern Europe performed very well in the general business area. Our companies selling ERP solutions are also doing very well in these difficult times. In Poland sales are flat, reaching around PLN 220 million. In the Asseco Poland segment we observed a significant increase in revenues in the utilities sector. Here I mean the power and gas industry. Let me just remind you that we are a significant player on the energy market, serving the majority of clients from this sector. We are currently implementing new projects in Tauron. We are also carrying out a very large project for PGNiG. This has contributed to a significant increase in revenues and strengthens our position in this sector. In turn, in telecommunications, please let me remind that last year we ended our cooperation with Orange, so we naturally recorded a decrease in revenues. This year, on the basis of a bridge agreement, we started and now continue cooperation with Cyfrowy Polsat Group on a large project. At the moment, we are in the process of talks on a large agreement that would describe the whole project.

As far as the public sector is concerned, we have a significant, 20% increase in sales across the Group, which amounted to PLN 2.2 billion. In the Formula Systems segment, the growth is very significant, reaching 26%, and here Matrix IT is the main contributor. Matrix runs a lot of projects in the public sector, among others for the Ministry of Defense and the Ministry of Education. It has also signed a number of new contracts. Additionally, the observed growth was supported by recent acquisitions. In Poland, we have an even greater growth rate of 32%. We achieved almost PLN 460 million in sales. This is a result of long-term contracts that we concluded last year and also at the beginning of this year. Here, for example, I will mention our significant customers: the National Health Fund (NFZ), the Social Insurance Institution (ZUS), the Agricultural Social Insurance Fund (KRUS) and the Agency for Restructuring and Modernization of Agriculture (ARiMR). We have signed new, long-term contracts with these institutions, which provided us with a revenue stream not only for this year, but also for future years. We also had a lot of projects related to adapting ZUS's IT systems to handle the Anti-Crisis Shield and the Polish Tourist Voucher. We have a really great respect for our team, which worked in such an "abnormal" mode, sometimes 16 hours a day, in order to meet all the requirements that ZUS put before us, and you know that the time pressure was high. I am glad because we heard from ZUS, from the most important people working there, really many nice words, which motivated us to act even better.

We do not slow down in the area of acquisitions. As I mentioned at the beginning, in the first 9 months several new companies joined us. The blue rectangles you can see here mark the companies that were taken over by us only in the third quarter of 2020. We made acquisitions on the Israeli, American and European markets. I will not be telling you about each of these companies at the moment – the presentation is available on our website, so you can read it in more detail. However, I would like to raise one more issue, which already took place in the fourth quarter of 2020, but it is worth mentioning. It is about the acquisition of Sapiens in Scandinavia. Sapiens has recently acquired Tia, which we have been looking at for many years. I remember our first steps in Scandinavia. We had already met with representatives of this company, but the acquisition did not take place then. As you can see, everything has its time. Today Sapiens acquired this company, thus strengthening its position not only in Scandinavia, but also in Europe.

On this slide we emphasize our position in the main competence areas in which we operate. Our competence centers for ERP, payments, insurance operate internationally and grew very well during the reporting period. We must also not forget about new areas that are fashionable today, such as cloud solutions, cyber security and robotics. We are present and growing in all these areas. Let us also not forget about our most important competences in the banking and finance sector, where we generated PLN 3.2 million and have a really strong position.

And finally, our order backlog until the end of 2020 compared to the one presented a year ago. We see a 12% increase, which fills us with some optimism about the end of 2020. On the slide you can see how this backlog is broken down into individual segments in which we operate.

That's all from me. Thank you for your attention and I give floor to Rafał.

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

Thank you very much Marek. Good day to you all. Now we will dedicate a few slides to the financial situation of the Asseco Group. We will start with the first slide presenting revenues and results for the first three quarters cumulatively and for the third quarter alone. As you can see, PLN 8.7 billion are the total revenues for the first three

quarters of 2020, which marks an increase by 13% y/y. The revenues for the third quarter alone reached a bit less than PLN 3 billion, after a 7% increase y/y. Operating profit after three quarters amounted to PLN 853 million, which means a 19% increase y/y. In the third quarter alone, after a 15% growth y/y, it amounted to nearly PLN 300 million. Operating profitability after three quarters stood at 9.8%.

This slide presents more figures, but the bottom of it is the most important. Net profit attributable to the shareholders of the parent company, after a 12% increase y/y, amounted to PLN 268 million in three quarters. We also see a very good third quarter alone – PLN 91 million of net profit. The effective tax rate in three quarters amounted to 22% and this is the same rate as in the corresponding period in the previous year.

We are also presenting figures from the profit and loss account broken down into our business segments, about which Marek has already talked a lot while discussing his previous slides. I would like to comment on the Asseco Poland segment. Please note the very significant increase in revenues, which after three quarters of this year exceeded PLN 1 billion compared to PLN 894 million a year ago. Asseco Poland has been growing very nicely. We are also satisfied with Asseco Data Systems and this is much more evident at the level of non-IFRS operating profit – PLN 34 million now vs. PLN 22 million last year. Here, we are especially happy with the electronic signature segment. It looks very good after three quarters. I would also like to remind you that in the three quarters of last year we had a provision for penalties for the tax office in Asseco Data Systems – reaching PLN 6.2 million. This should be added to the 2019 base, but despite this, the growth is very good. Asseco Poland S.A. generated an operating profit of PLN 117 million compared with PLN 97 million last year. In conclusion, we are very satisfied with the Asseco Poland segment. The backlog, which was presented several slides earlier, also shows very good expectations for Q4 2020 and the whole 2020. In the Formula Systems segment, we recorded nearly PLN 5.5 billion in revenues vs. PLN 4.8 billion last year. This is a noticeable increase. As we have already discussed during previous quarters and as Marek has commented just now, all companies in this group have been growing very nicely: Matrix IT, Magic, Sapiens. During the three quarters of 2020, Sapiens generated over PLN 1.1 billion in revenues and PLN 191 million in non-IFRS operating profit vs. PLN 148 million a year ago. In the Asseco International segment we increased our sales by less than PLN 200 million. Non-IFRS operating profit amounted to PLN 263 million, which is noticeably better than in the previous year. If we look deeper, at the individual sub-sectors, the Central European market is slightly weaker than last year, mainly due to the third quarter. We have already signaled that and commented on this – it is related to public administration. After the change of government in Slovakia some of the projects were stopped, new projects have not appeared yet. We think that all this will change and we will return to the normal situation – watch the results of the next quarters. We see very good results on the South Eastern European market: PLN 104 million of non-IFRS operating profit vs. PLN 77 million last year. This is a noticeable increase, which applies to virtually every segment of Asseco South Eastern Europe. On the Western European market we recorded a non-IFRS operating profit of PLN 33 million compared to PLN 41 million a year ago. We already pointed this out after the second quarter that it should be remembered that there are several companies operating on this market, including Asseco PST, which operates in the banking sector on the Portuguese and African markets. Last year was the best year in the history of this company, so we have a difficult reference point to beat. This year we do not see any spectacular new projects in this company, but the results are still good and we are satisfied with them. At the level of the whole Group, during the three quarters of this year, we recorded PLN 8.7 billion in revenues vs. PLN 7.7 billion in the corresponding period last year.

After three quarters of 2020, our cash conversion, i.e. the conversion of income into cash, also looks very good. The cash conversion rate in the analyzed period was 120%. This is a very good result. Our benchmark in this respect

is 100%. We can see that in the Formula Systems segment this parameter was 129%, in the Asseco International segment 120% and in the Asseco Poland segment slightly less, 82%, but this is also a very good result for this time of year. Here it must be remembered that the growth in revenues and business in public administration entails a certain natural consequence, i.e. engaging working capital. This is also the case here. Some of the money is still frozen either in MSR valuations or simply in receivables. We are hoping that in the following quarters this will turn into cash and this conversion rate will look better.

In the whole Group the cash balance as at September 30, 2020 amounted to nearly PLN 2.4 billion. Net cash amounted to PLN 1.5 billion. Net operating capital, i.e. all short-term assets minus liabilities, was over PLN 2.1 billion. This is a very safe cash and operating capital position. If we trace individual segments, we can see that there is no segment in which this situation would look different. We are very happy about that because, as Marek mentioned, if at the beginning of the pandemic we had tried to say what the situation of the Group would look like, we would probably not be so optimistic in estimating the amounts – but, as you can see on the slides, we have actually reached these levels.

This concludes the financial part. I will now give the floor to Artur Wiza, who will lead the Q&A session.

**AW:**

Thank you very much, Marek and Rafał, for commenting on the results and presenting our activities. We are waiting for your questions, which can be asked in the chat window on both mobile devices and computers.

**Question 1:**

What do acquisition projects in the Group look like at the moment?

**MP:**

I thought this question was going to be addressed to me because this is the area I deal with in Asseco. As I mentioned during the presentation, we did not slow down these activities. We talk to many companies. We undertake many acquisition processes. I have to tell you that the whole process is not the same now. Nothing can replace relations, especially with new companies, during direct meetings. However, we have to manage somehow. I have to tell you that we have a lot of talks, also on the Polish market. It turns out that there are still interesting companies that fit in productively or competently with what we already have in Asseco. These are not yet such topics that we will finish tomorrow or the day after tomorrow. I am glad because these talks are really positive. I have an impression that something can happen and that we will come to you with some interesting information.

**Question 2:**

Where do the good results of Asseco Data Systems come from?

**RK:**

Indeed, that is why I emphasized it also in my presentation, it is a good year for Asseco Data Systems. Let me remind you that a few years ago we established Asseco Data Systems by merging several companies. We knew that it would take a while to integrate these companies, rearrange them, prepare for a decent market expansion, but we are not surprised by what we are dealing with today. It is our hard, consistent work that has brought such results. Most of the business divisions of this company are functioning very well now and have very good results in 2020.

I especially pointed out the electronic signature, but it is not the only field that has determined such good results. We have very nice software for universities, prepared specially for them. A few new schools started using it last year and this year and this can be seen in the results. We also conduct activities dedicated to local governments. They also bring quite decent results. Also in Asseco Data Systems there were several initiatives that have really worked.

**Question 3:**

ERP segment (Asseco Business Solutions) – what do you expect from the end of the year, considering the high base from Q4 2019?

**RK:**

We are expecting a good year. However, we are not expecting any dynamic growth y/y. Indeed, we see, I don't want to say “a slow down” because this is rather not what we are dealing with, but a certain period of taking a deep breath by some customers. But it should be a very decent year.

**Question 4:**

Asseco Data Systems – very strong results for the second quarter in a row. What are the prospects for 2021 of this business?

**RK:**

Maybe I will not elaborate here because I've already talked a little about it – we are positive regarding 2021. We keep our fingers crossed and hope that it will be as good as 2020.

**Question 5:**

I would like to ask for a comment on a potential contract for a toll collection system in the Pomeranian Voivodeship for PLN 130 million. What will be the share of hardware? What could be the margin versus the public segment?

**RK:**

We would not like to talk about details yet. We are still in the process of formalizing this contract, so we do not want to reveal all the details. But we are really counting on this project. It is an interesting extension of our activities related to digitization of cities and implementation of the system for settlement of fees that we have been building for several years. We intend to earn money on this project. Of course, there is quite a large share of hardware, but there is also a large share of programming services.

**Question 6:**

What is the initial backlog for 2021?

**RK:**

We do want to provide such information yet. In fact, we will provide it in full after the publication of the results for 2020, i.e. around March. However, just as we look at 2021 initially, it looks different in different industries, in different places. Some clients are not changing much and we see similar dynamics and expectations to those we

have been dealing with this year. In some places, on the other hand, we see a slight, maybe not a slowdown, but a stoppage and reflection on the clients' side. We will watch carefully what we can expect here.

**Question 7:**

What are the prospects for 2021? Especially in the public and banking sectors? Are there any segments where demand is falling?

**RK:**

Let's start with public administration, where we are dealing with several trends. The question can be considered in the context of the whole Group or the Polish market. In the context of the Group I have already mentioned the Slovak market, where we have the most projects from public administration, apart from Formula Systems of course. In the Formula Group and on the Israeli market, the demand has not been decreasing for the time being. What is more, the customers from the public administration segment have maintained their interest in services related to digitization, in all that has accelerated during the pandemic. However, as far as Poland is concerned, please remember that we have quite a number of agreements signed, which we have been talking about since 2019. We are implementing these agreements, so this is a backlog for us and we must deliver it normally. As far as new projects are concerned, there is a lot of work related to everything that is happening around coronavirus and various programs related to the Anti-Crisis Shield. There are also places where we see not so much a slowdown in interest, because we don't see it, but we see situations where customers take our products a bit slower. This is naturally connected with the difficulties connected with remote work. One has to take that into account, both this year and next year.

**Question 8:**

Is the contract with Cyfrowy Polsat already being implemented in the target scale?

**RK:**

We hope not. We are counting for more. In fact, I would like to emphasize that these needs, and we've been talking about it for a very long time, are wide, and not because there is something missing – quite on the contrary. This is a very modern entity that reaches for the most modern solutions and we want to take part in the implementation of solutions for this client. Currently we are focusing on signing the basic agreement we mentioned. We are already at the final stage. If we manage to do that, the next topics will be discussed.

**Question 9:**

Do good results in 2020 mean there is a chance to pay out a higher dividend y/y?

**RK:**

We do not comment on the dividend. I leave here the right of recommendation to our President. You already know us. We are quite predictable. The results are as they are and I do not want to comment on this topic for the time being.

**Question 10:**

Do you expect to maintain a similar cash generation in 2021 as in 2020?



**RK:**

Yes, this is what we expect. However, as I commented after the first quarter of this year, we still look very carefully into the future. We are still trying to understand what impact the pandemic will have on the economy, and this will translate into the situation of our clients. To this day we do not see any noticeable difference in cash flow, in our ability to collect debts. However, we have to be cautious and keep an eye on this in the future.

**Question 11:**

In the context of the backlog, it was said that some customers are not changing their approach much and some of them are slowing down/stopping. However, nothing has been mentioned about growth. Do you observe an increase in demand in some customers – and on a larger scale than the observed slowdown?

**RK:**

We see and signal this, which is also visible in our results, that there is quite a lot of interest in everything that is connected with strengthening the front ends, i.e. the access of our clients to the systems. There is indeed increasingly more work in this area and we see this interest, which is a very positive signal.

**Question 12:**

Is the company interested in Polish Sage assets put up for sale?

**MP:**

This is a very interesting question we could expect, as we have seen some articles on the subject in the press recently. I'm wondering a bit what I can say about it at all because we have certain obligations resulting from a rather restrictive confidentiality agreement. The only thing I can say is that we know about the subject and are looking into it. We are a little bit afraid that it will be a price race, a race in which we will not necessarily want to take part, because we keep our feet on the ground and do not want to overpay for a company that is otherwise interesting. In general, the whole procedure is interesting and it is worth watching what will happen there.

**Question 13:**

I would like to ask you for your comment on the progress of banking projects in Germany. Is Asseco currently participating in any tender?

**MP:**

I already mentioned it a little bit during my presentation. Please, let me emphasize that this is a really important project for us in the banking sector. In the third quarter we finalized the establishment of a joint venture with one of the larger German IT companies – adesso. It was a process preceded by about 2 years of talks. We looked at each other, we got to know each other. The adesso company got very familiar with our core system, which we decided to sell together on the German market. We strongly believe in this venture. We have a really very professional team on our partner's side. I think that if we do not do it with them, it will be difficult to do it with anyone. At the moment we are taking part in several, more or less formal, proceedings. One is advanced, but please not take this as something that could happen in a month or two. We are counting on it in the perspective of quarters. Proceedings for core systems simply take longer. I will emphasize again, because I have already mentioned it –

we are happy with the reception of the things we have presented. The German side is impressed with our solutions and we are glad that it gives a chance to appear on this very mature market.

**AW:**

It is important to emphasize what Marek has mentioned that we participate in several tenders, but this requires a longer time.

We have no further questions and will therefore conclude our presentation. Marek and Rafał, thank you very much for answering the questions. Thank you for participating in today's meeting. We already invite you to the next presentation of our results. If you have any questions, our Investor Relations Department and we, as the Management Board, are at your disposal at any time. We invite you to contact us and I hope that soon we will be able to meet in person and discuss what we are doing and we will be able to boast about the next projects we have completed. Once again, thank you very much for your participation in today's meeting. See you again.