

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

Good day, ladies and gentlemen. We warmly welcome you to the conference dedicated to the Asseco Group's results for Q1 2020. We continue our online presentations. Due to the current COVID-19 situation we cannot meet yet. Let's hope that at the next conference we will be able to meet you in person as always.

The today's conference will include the presentations of the following persons: Rafał Kozłowski - CFO, Vice President of Asseco Poland and Marek Panek – Vice President of Asseco Poland. We will begin our presentation by highlighting the events that took place in the Group in Q1. In the second part we will move on to the presentation of financial results, and at the end we will be available to answer any questions sent through a chat. Each of you can ask a question there and at the very end we will try to answer all the questions asked during the presentation.

We will begin by presenting the Asseco Group's operations in Q1. Let me ask Vice President Marek Panek to start his presentation.

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

Thank you for the floor and for the introduction. I welcome you all very warmly. Artur has not mentioned that he will present too. I guess he wants it to be some kind of surprise because he has a few slides ready and at the end he will share with you our activities related directly to the pandemic. I will traditionally present the activities of the Asseco Group in Q1 2020. I am very sorry that we cannot be in the same room with you, looking into each other's eyes. All the more so because we bring very good news, as I think most of you have already read our report and share the opinion that the first quarter was very good indeed, which is confirmed by the financial results – increase by 19% in revenues and by 13% in operating profit. All the above is a result of our foundations, of the fact that we base our operations on proprietary software and services. I think this is of great importance nowadays. We would also like to emphasize our strong diversification of business in all dimensions, regardless of individual sectors, countries. We operate in different dimensions and I think this has also contributed to these very positive results. We, as Asseco, the entire Group, have reacted to the pandemic relatively quickly and have taken a lot of measures to ensure safety of our employees and continuity of our Company's operations as well as continuity of our clients' operations, ensuring the execution of contracts. I think we have done very well in all of these areas. We have moved to remote work practically seamlessly and we serve our customers almost as we did before the pandemic. We will talk about this in more detail later in our presentation.

You can see on the screen the basic figures characterizing Q1 2020. The revenues from sales exceeded PLN 2.9 billion, which marked a 19% increase compared to the previous year. In the area which is most important to us, i.e. the proprietary software and services, the growth was similar in percentage terms, also amounting to 19%, which brought us over PLN 2.35 billion in revenues. EBITDA was at the level of PLN 420 million, which marked a 14% increase in relation to the previous year. The non-IFRS operating profit, after a 13% growth, amounted to PLN 316 million. Non-IFRS net profit increased by 6% and reached PLN 95 million. I think we should be satisfied with these figures, given that the first signs of the pandemic were already visible in Q1.

Once again, we would like to point to a strong sectorial diversification of our Group's revenues. The pie chart shows how the revenues were distributed among the individual sectors in which we operate, i.e. 40% - general business, 36% - banking and finance, 24% - public institutions. On the bars, in turn, we can see how sales in these sectors increased in individual first quarters of subsequent years. I think we all see how nicely it has grown.

As far as the geographical distribution of our revenues is concerned, 10% of revenues are generated in Poland. One could say "only 10%", but this is largely the result of our very dynamically developing activity on foreign markets. Formula Systems accounts for 64% of the Group's total revenues, while Asseco International for 26%. We can see on the bars how the sales looked like in the last few years.

As for the operating profit and its geographical distribution, it looked a little different. With a 10% share of Polish sales, operating profit was by 15% higher there, which means that the Polish operations are slightly more profitable than those of the Formula Systems segment, because there, with a 64% share in sales, 58% of operating profit comes from this segment. In turn, in Asseco International, this proportion is very similar and 27% of the Group's operating profit comes from this part of business. When we look at the bar chart, we can see the distribution of operating profit in the Asseco Group over the last few years.

I will give a brief description of the individual geographical regions in which we operate. I will start with Poland. Here, we recorded a 3% growth, but I think it needs to be commented on because it was uneven across the various business divisions of Asseco Poland and our companies operating in Poland. We recorded much higher revenues from the public institutions sector - a 20% increase. Banking also grew faster than those previously-mentioned 3% and here we had new contracts and have been strengthening our market position. On the other hand, we made no secret of the fact that we had lower sales in the general business segment due to the completion of two large telecommunications projects, namely one in Orange and one with Huawei in Polkomtel. Let me comment on this later. We have been observing increased interest in digital solutions in connection with COVID-19 not only in Asseco Poland, but also in other segments of our Group. I will also talk about it later, so I will not go into details here for now.

In the next segment, namely Formula Systems, we see a very significant, 25% increase in sales. In more detail, about one third comes from organic growth, and here all the companies in the Formula Group have experienced such growth. One third is a result of acquisitions that took place in the previous year and we saw their consequence – the sales growth - already in the first quarter of this year. In turn, the remaining third is a result of exchange rate differences, which worked to our advantage in this quarter. We would like to emphasize that Formula had a lot of acquisitions in the previous year and we commented on those acquisitions when presenting the annual results. This M&A activity is continued by Formula also this year, first acquisitions have already taken place.

As far as the Asseco International segment is concerned, we have a 12% increase in sales. Here we would like to highlight the very dynamic growth of Asseco South Eastern Europe. If you attended the meeting with Piotr Jeleński, you know the details. Here we saw increases in practically all the segments, but we especially emphasize the payments segment, where this sales growth was the highest. We also have significant sales growth in Denmark and Spain. In Denmark, this applies to our company Peak Consulting, which recorded very dynamic growth. Although it is a very small company, this growth was so dynamic that it is noticeable in this 12% growth of the entire segment. In Spain, in turn, we recorded a very high sales in our distribution part. There was a very high sales of notebooks and iPads in connection with the transition of our customers to remote work, which drove our sales in the first quarter. Our leader boasts that it anticipated this situation and "boosted its stock" beforehand, i.e. bought this equipment in advance. Indeed, one could say that its bet was accurate because everything was sold out in the first quarter.

As far as the individual sectors in which we operate are concerned, I will also give a brief overview. We will start with banking and finance. Throughout the Group, we see that the sales in this segment exceeded PLN 1 billion,

which marks an increase of 11% compared to Q1 2019. The largest contributor was Formula - over PLN 720 million and 14% growth. Here, we would like to emphasize the share of Sapiens and Matrix. Sapiens grew in all segments in which it operates. The company points to, as we do, the increase in sales in the United States, new contracts signed, as well as projects executed (that had been signed last year). Here we can say that the company works as if nothing happened, although of course this is remote work, but it has been used to remote work for a long time because Sapiens operates very internationally. Some of its development centers are located in India, some in Israel, the implementations are executed in the US, so this is a very natural mode of operation for the company.

Asseco International recorded a 5% growth, mainly thanks to the dynamic growth of sales in the area of payments generated by Asseco South Eastern Europe and acquisitions that were completed in the previous year.

In Poland, we generated PLN 110 million in revenues, which marks a 5% increase. Here, I think, a broader comment is needed. We are pleased with the result because in Poland we have a very large share of recurring revenues. We have a lot of medium and small size projects that we run in parallel. For example, in the Commercial Banks Division we have about 200 projects which are carried out in parallel. They may be medium, sometimes even small in size, but together they have significant impact on our results. What I think is very positive are new contracts signed with banks. Recently we have also signed an interesting contract with Allegro for a core system to handle its financial activities. This is Allegro's new idea and we are glad that we have been selected for this project. We have an agreement with one of the largest brokerage offices in Poland. We cannot officially give the name, but I think most of you guess what kind of entity it is. This is also an interesting project that will allow us to develop our Capital Market Division. What I would like to mention now and comment on later is the attempt to enter the German market, which we read about in yesterday's Puls Biznesu. This is indeed a very interesting project for us. We have been working on it for over two years and I think we have found a partner with whom we have high chances to do something on the German market. As I said, I will comment on it a little bit later.

In the general business sector we exceeded PLN 1.15 billion in sales and this was a very dynamic – 25% – increase compared to last year. Again, the Formula Group is a very large contributor and the fastest growing one – PLN 738 million and 35% growth is really impressive. There are several reasons for this growth. First of all, the large sales is related to the preparation of customers for remote work. It can be said that when the pandemic was announced and the customers realized that they had to switch to remote work, they "rushed" en masse to Matrix to purchase the equipment necessary for the remote work. Above all, software was in demand, i.e. Microsoft Teams, Zoom, other solutions of this type, VPNs plus all the services that helped these customers make the remote working model effective. Matrix has fully taken advantage of this and we are pleased to see that this has resulted in a large increase in its sales. One should also remember the effect of the acquisitions made last year and the exchange rate differences, which in the case of Formula gave us one third of the growth.

As far as Asseco International is concerned, we have a 19% increase here. I have already commented on what happened in Spain, i.e. increased sales of equipment for remote working. ASEE also recorded a significant growth in the general business segment, although it resulted mainly from the infrastructure and software of third parties, so from the business which is a bit less profitable but which of course we are also willing to run.

Poland needs a comment, because you can see a 22% drop in sales. Here we are dealing with the following situation: very good results in the utilities sector, so we continue maintenance activities, carry out projects for our existing customers and implement two large projects signed last year - a project in Tauron and a project at PGNiG. It can be said that the power sector had a very good quarter. On the other hand, we recorded declines

in the telecommunications sector. We completed two large projects, which were still in progress in Q1 2019. The project in Orange and in Polkomtel, in which we were Huawei's subcontractor. However, we are happy because we have very good prospects for the cooperation with Grupa Cyfrowy Polsat, primarily with Polkomtel. At the end of the first quarter, we signed an agreement which allows us to provide services and carry out projects until detailed agreements are signed. They are under preparation and I hope that they will be signed soon, which will give us a few years' perspective of a solid cooperation with this client.

As far as the sector of public institutions is concerned, here we exceeded PLN 700 million in sales, which marks a 23% growth, also very dynamic. In Formula the increase reached 32%, mainly thanks to Matrix. I do not know if you remember, but we signalled that last year Matrix signed several new, significant contracts in the public sector, e.g. with the Ministry of Education, the health service, and this resulted in such an increase in sales. One should not also forget about acquisitions and exchange rate differences. All this has contributed to this very impressive growth.

When it comes to Asseco International, we have already commented on the sales growth in Asseco South Eastern Europe. Peak Consulting, a small company, has been growing very dynamically recently and we are happy about that too.

On the Polish market, in turn, we also see a very nice 20% growth. I would like to remind you of what took place last year, namely the large, long-term contracts that we signed, among others, 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). These are projects whose revenues are already visible in the first quarter of this year, and I would like to remind you that these are long-term, multi-million złoty projects, which we will probably talk about every quarter. We are glad that we have also signed new contracts in these difficult times, among others with ZUS or the Ministry of Justice. This strengthens us on the market and - despite the difficult situation - gives us good prospects. The situation is similar in the health service. I would like to emphasize that we practically did not stop projects in hospitals, although hospitals were the places particularly exposed to the effects of the virus, the places of special risk. Despite this, projects were carried out there. Many times, our implementation experts even visited those places personally, of course, in compliance with all safety standards.

As far as acquisition activities are concerned, three new companies joined the Asseco Group in Q1 2020. One company, operating in the area of electronic payments, strengthened Asseco South Eastern Europe Group, and two companies were welcomed by Formula Group, one purchased by Sapiens in Germany (a provider of technology for the insurance sector), while the other one was purchased directly by the Formula Systems holding. It operates in the area of aerial maps, satellite images and general information technology applications in maps and geographical applications.

Now let me comment more broadly on our entry into the German banking market. Of course, it may be too early to talk about the entry with projects, although we are holding our first commercial talks. For two years we have been talking to a very large, significant German company called adesso. It is listed on the German stock exchange and has revenues of about EUR 450 million, which makes it a very significant company, even on German terms. Together with adesso we have come to the conclusion that it is worth doing something together in the banking sector. It does not have its own solutions, own software for the banking sector. It has cooperated with many banks rather in dedicated projects, but it has also been thinking for a long time about selling core systems in Germany. In its opinion, this is the right moment to act. We know the German market. We have cooperated for many years with German institutions operating in Poland, such as Deutsche Bank, Volkswagen Bank or Mercedes Bank,

so we know the German culture well and it suits us very well. Moreover, we see that the German banking sector is very outdated in terms of IT solutions. It is dominated by several dozen-year-old solutions, still written in the COBOL technology. We have felt that sooner or later the temptation to replace that technology would come, and according to our partners from adesso that moment has come. They feel that now many banks will think about replacing core systems and for this reason they will be looking for an interesting, modern solution. It happens that we complement each other perfectly. We have a solution that of course will still need to be adapted and invested on our part, but adesso has access to the market and know-how, knows how to make these adaptations. I think that the joint venture we have set up - a company called adesso banking solutions - where we have a 50% stake each, will find its place on the German market and we believe that we will complete several projects together. It is also worth noting that we have really come across professional people who know how to sell, how to navigate the market, so if we do not succeed with them, we will probably not succeed with anyone. This is how we see it so far.

We would like to emphasize the development of our competence areas, we talk about them every quarter. We are glad that nothing has stopped us here, that all the areas have been developing: ERP, payments, insurance or even those new areas such as cloud solutions or cyber security, which have become particularly important during the pandemic and are increasingly popular with our customers.

The consolidated order backlog - we traditionally show it and compare it with what we showed in the same period last year. We see that the growth of the backlog is significant - 20% in terms of total revenues and 18% in terms of proprietary software and services. This is obviously encouraging and optimistic, although we are naturally cautious. While the second quarter still looks pretty good, we are cautious, because we are not quite sure what will happen in the second half of the year. Rafał will later talk about the challenges and risks that may occur in connection with the pandemic. We enjoy this backlog, but we are cautious, especially in the context of the second half of the year. However, let's remember that the backlog was mainly based on contracts signed earlier this year with our large clients. These are often long-term contracts and we believe that the vast majority of them will be carried out regardless of the ongoing pandemic.

At the end we would like to present a slide related to our dividend. Largely thanks to you, a dividend of PLN 250 million, i.e. PLN 3.01 per share, was passed at the General Meeting of Shareholders which took place this week. It will be paid out on June 17. The record date will be June 5. We would like to emphasize that we have already paid out over PLN 2.2 billion in dividends so far, and we will add the PLN 250 million that will be paid this year in June. We are a dividend company. I do not know how other companies will behave this year, but I think there are few companies that pay as generous dividends as we do.

For my part, that is all. If there are any questions, I will be happy to answer them. I give the floor to Rafał.

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

I am taking over. Good day. Let's move on to the first slide. The Group's profit and loss statement for Q1 2020. As already mentioned several times here, revenues of PLN 2.92 billion, marking a 19% growth year-on-year. Marek has already commented a little on how much of this growth comes from exchange rate differences. This is of course important, but we are also very pleased with the business dynamics. EBITDA of PLN 420 million after the first quarter, 14.4% profitability at this level. Non-IFRS operating profit, i.e. excluding depreciation related to the acquired companies, is PLN 316.4 million - a 13% year-on-year increase. IFRS operating profit amounted to PLN 250 million and its profitability was 8.6%. It is slightly lower than in the comparable period a year ago,

but I would not draw far-reaching conclusions here. I think that we will have a chance to work on this profitability in the following quarters.

The next slide shows the reconciliation of the operating result we see at the top (both non-IFRS and according to the standards) and the net profit at the bottom. And, of course, a significant item is the result on finance activity, with the interest expense for the first quarter reaching - PLN 19.6 million, noticeably higher year-on-year interest. Foreign exchange transactions - here a very good change compared to the previous period. Last year we had a loss in this area, this year we have quite a significant profit, reaching nearly PLN 10 million. In fact, it was affected by the change in the functional currency in Formula Systems itself, in the holding, which took place at the end of Q1 2019. The remaining elements from the finance activity amount to - PLN 10 million, and these are mainly dividends, which are distributed to minority shareholders plus the value of buyouts of minority shareholders. Gross profit is PLN 230 million, which marks a 15% year-on-year increase. The tax is nearly PLN 52 million, a slightly higher effective tax rate, reaching 22.5%, but again nothing worrying is happening here. It is more a change in the structure of profits, i.e. geographical origin. The net profit 100% for the entire Group amounted to PLN 176 million, while the non-IFRS attributed to the parent company is nearly PLN 95 million. The net profit in the report at the bottom is PLN 81.7 million.

The next slide presents the data from the previous tables, but broken down by business segments. Why don't we start with the Asseco Poland segment. We can observe the sales that we have already commented on. It increased by 3% year on year, while operating profit is at a similar level as in the previous year. Here, once again, we should pay attention to what Marek has already mentioned, namely that out of the three business sectors on the Polish market, two have been performing very well and we see an improvement there (finance and banking and public administration). General business fares slightly worse. However, in our opinion, that may change in the future and turn into a positive direction. One should remember that our cooperation with Cyfrowy Polsat was not strongly visible in Q1. Furthermore, we ended our cooperation with Huawei, which boosted our results in Q1 2019 and we still had Orange then. These contracts are over, but the current contact with Polkomtel was signed at the end of Q1, and it is affecting Q1 to some extent, but this impact is still insignificant. I would like you to be aware that the next quarters may bring a positive change in this area.

As you can see, Asseco Data Systems also had a weaker result, and here I would like to draw your attention to one issue - the high base of 2019. This is related to the electronic signature. One should remember that last year, new regulatory provisions related to the electronic signing of financial statements came into force, which greatly increased our sales of signatures. This is done once every 2 years, thus having seasonal effect on our results. Generally, we are satisfied with the developments in Asseco Data Systems.

Formula Systems - we see very significant, 25% growth in revenues and it is actually each of the companies in this segment that is growing so dynamically. We also see very high growth at the level of operating profit itself, both in Sapiens but also in Matrix, and we were not used to the latter. It is the result of the following: the contracts signed in 2018-2019 with the administration, especially public administration, and the very intensive sales at the end of the quarter associated with the transition of companies to remote working. Many institutions needed Matrix's services urgently. Asseco International – it has been commented on extensively, so I do not think I need to repeat these details. We are very satisfied with the first quarter and we are looking forward to what will happen in the next one.

I would like to focus on cash generation for a moment - the average for the whole Group is 78%. The contribution of the individual segments is the following: Formula Systems segment - 97% and this is a very good conversion, Asseco International is slightly weaker - 36%, this is not very satisfactory, but on the other hand when looking at the last four quarters of this conversion, these figures look completely different and are closer to 100%. In the Asseco Poland segment, we have a very positive conversion at the level of 80%.

The last slide contains information about the liquidity position. At the very top, we see that cash is PLN 2.6 billion, net cash is nearly PLN 1.5 billion, and net operating assets are PLN 2.2 billion, with the Formula segment accounting for PLN 1.2 billion, the Asseco International segment for PLN 460 million and the Asseco Poland segment for PLN 479 million. These PLN 479 million do not include an obligation to pay a dividend, and PLN 250 million should be deducted here. Then we will know the balance of operating assets including the dividend payment.

The next section we would like to discuss in more detail, and I think the market interest is also great in it, is the impact of COVID-19 on the Asseco Group. We have prepared 4 slides. The first slide, a general one, focuses on the situation we have been dealing with in the last month or month and a half, that is during the first weeks of the pandemic. We have focused, like most companies, on ensuring continuity of operations and on ensuring that our customers are served and that we fulfil our obligations under the signed contracts. This has really worked. We quickly moved on to remote working, actually the efficiency of our work did not decrease. These are our observations. Only in a few places of our Group - for example in the Sopot Water Park - we have noticed the direct impact of the pandemic - the water park has been closed. The second element to which we have paid great attention from the very beginning has been the monitoring of the Group's liquidity situation, verifying whether we have been exposed due to the debt in our balance sheet, whether the companies have ensured cash for the following months and quarters if the situation were to be more difficult. We continue to assess that the situation is healthy. This is the result of our conservative monetary and financial policy in the Group as a whole, and it really pays off in situations like the one we face today. The last issue that we have implemented very quickly and focus on is very close contact with the clients of our companies, but also within the Group, between companies, regions, we exchange information, monitor the situation on an ongoing basis and simply try to analyze and react to it very quickly.

The next slide shows how we look at the reality we are dealing with. We observe, of course, two elements. On the one hand, these are the challenges and opportunities that are ahead of us. On the other hand, we see the risks. We prefer to look at opportunities and there are indeed many of them. First of all, we see a very strong trend related to the digitization of companies. The whole situation is kind of a trigger, a phenomenon that has drawn even more attention to the needs of digitization of individual companies, our potential customers, and indeed there are many inquiries in this area. We try to respond to these inquiries and we see here a great opportunity for our Group. I would also like to add that we have a lot of solutions in this area.

Another element, also related to trends and market expectations, are issues related to remote operation and customer service. Here, too, there are a lot of these solutions in our Group and we try to be a partner for our customers. These are undoubtedly hot topics. We see a great deal of interest here, even a change of customers' interest in the solutions they worked on a year ago vs. the ones they focus on today. The last area, but not less significant than the previous two, is cybersecurity and cloud solutions. What is this cybersecurity about? Our observations of what is happening on the market, the observations of the Internet, because we have companies that are involved in protecting and monitoring the security on the Internet, indicate that the activity of cyber-terrorists will intensify greatly. There is a lot of such activity. Please remember that many companies, having

switched to remote work, have made many compromises when it comes to security. They are prepared to work remotely, but they are not 100% secure, and it is this cybersecurity that is still such an Achilles heel. For us, this is a chance. We have an offer in this area, we know how to approach it. We will try to help our clients. Cloud solutions have two essential features that help in this situation. One is the issue of access data security, which is built into the cloud architecture. It is simply received together with services provided. The second element is that when we talk about securing business continuity, we do not have the risks of "cutting out" server rooms in companies due to the "infection" of the whole building. Such risks do not exist because the security regimes for large server rooms that provide cloud services are much higher than the normal standard. These are the chances.

Of course, we see a lot of risks too. We try to weigh one with another, but it is not easy. We still do not see it today, but we are afraid of delays in decisions to start new IT projects when it comes to individual customers. Just as we think that in the areas I have mentioned while talking about opportunities clients do not think twice and really make decisions quite quickly, in other areas they may not be so eager to do the same and we do not know what to expect here. That is why we are already talking about it today, we are pointing it out.

Another element is related to the liquidity of our customers. We see what is going on, that all the world's governments are working at the moment to ensure liquidity on global markets. These are very good initiatives from our perspective. We will see what the effect of this activity will be. One of the risks we seriously look at is the issue of our clients' liquidity. We are trying to prepare ourselves for this. First of all, we monitor developments in this area intensively. As I said, today we are not yet observing the problems coming from this direction. Last but not least, the overall impact of the pandemic and the government's aid efforts on global economies and the budgetary situation

of individual countries is no less important. Here we are a little afraid, we will see how the situation develops. What is comforting to us, however, is that if the state, institutions, state agencies are to invest in anything, we believe that they will be investing in digitization, in access to online services. Here we are looking for our chances. We hope that these risks and threats can be translated into opportunities.

That is probably all I would like to say for now, of course there are many factors and trends, and it is hard to say how they will affect our Company.

AW:

Let me add to what Rafał has just said that each of our companies immediately started to work on preparing themselves to manage a possible coronavirus crisis. We will show you on the example of Poland how we have approached it, as the question often arises how such large organizations prepare and react to such situations.

We immediately appointed a crisis team and our dedicated experts took care of the preparation of any scenario that might occur. We should remember that the coronavirus situation in Poland began in early March. We made a decision to send employees to work remotely, depending on the emerging risk, already between March 10 and 17, and around March 17 we decided that all our employees who could work remotely would switch to that mode. 95% of our employees were able to work outside our offices without any problems. Of course, those employees who stayed in the offices were most often related to the maintenance of the infrastructure, servers or in some cases those were the people who had to work at our customers' venues. We quickly took care of the safety of our employees. The second issue, which was the most important for us, was of course to secure the continuity of our customers' operations, because, as you know, our customers also include important institutions or companies that operate in the country. Therefore, it was important for these companies to maintain continuity of operations.

We canceled all the meetings, conferences, congresses and trainings we were supposed to organize for our clients and we moved on to online operation. We continue to do so, just like this conference. In addition to normal conferences and customer meetings, we also conduct a lot of training courses all the time and these courses are conducted online. We have introduced all the security features that are important. As Rafał has said, we have prepared ourselves for remote operation. Earlier, we were not processing all documents digitally, but we have now implemented all necessary procedures that have allowed us to maximize the effectiveness of those processes, which are now digital. This has also translated into support for our customers, because they expect it too.

Not only have we prepared ourselves and not only implemented activities related to ensuring continuity of our customers' operations, but we have also actively provided help in the fight against the pandemic. Right away, at the very beginning, we allocated PLN 1 million for this purpose, because institutions from the health care sector were most in need. Krzysztof Groyecki, who is the Vice President responsible for this sector and works very closely with hospitals, with the NFZ, with the Ministry of Health, started to work closely with those people, also in terms of this assistance. Not only did we allocate funds for assistance and purchase of resources that were necessary and important for the operation of hospitals, but we also started to prepare systems that were to support the situation related to the pandemic. Among other things, we added information about people in quarantine to the eWUŚ system very quickly. We also introduced to systems a number of improvements and functionalities that enabled us to serve patients in medical facilities. If we look at the demand for remote functioning, we have seen a large increase in interest in electronic signature. Due to the fact that in Poland all rights related to the use of, for example, videoconferencing for the possibility of obtaining this signature still do not work and are not fully operational, we started to cooperate with the Ministry of Digitization on speeding up work on the creation and later handling of documents remotely and digitally. First of all, a very large project that we did in the first days and that worked very quickly was to introduce tools to support remote education. Over 20 universities have benefited from this solution. Together with Google and the National Cloud Operator, we have provided the universities with tools so that students could continue their learning remotely. We continue to work in this area and continue to help. With this slide we would like to finish the issue related to the actions we have taken during this period. We are still working remotely. As far as the time of our remote work is concerned, we have not yet determined how long it will last, but we are preparing for a situation in which there will be opportunities to return to office. Some of the employees are already working there and are available, especially at customer meetings where needed.

Q&A session

AW:

We will now move on to the next part of our meeting, the Q&A session. Please ask your questions through the panel which is available to you. I will now move on to the questions we have already got and we will try to answer them.

Question 1:

How much revenues did Payten generate in 2019? Can you tell us about this company's prospects for the next year or two?

RK:

Please, give me a second. I thought it was about the first quarter.

MP:

Rafał, why don't you look for it, and I will comment on the business issues in the meantime. Payten is a company we strongly believe in. This is Piotr Jeleński's "child" and I think that if you asked him such a question, he would be able to answer it much more broadly. This company has very positive prospects, especially at this time when we are seeing a significant increase in payments over the Internet - and the company to some extent bases its business on the number of transactions. I think that this is one of the reasons why this company has been growing so quickly. The revenues in the first quarter were significantly higher than last year. This growth, if I remember correctly, was as high as 40%. This shows that this business has been developing very strongly. I would also like to remind you that at some point we decided to transfer all of Asseco's related assets to Payten. A good example here is the Spanish company Necoplus, which we transferred last year, or even 2 years ago, to Asseco South Eastern Europe, or Payten. This business is not only about Internet payments. I would like to remind you that under the Payten brand we also understand everything that is related to ATMs, POS and, above all, Internet payments. We believe that this is a company with very positive prospects, so we decided to separate it. We have also made acquisitions - even in the first quarter of this year we made another acquisition, which strengthens Payten in the Balkans. It seems that everything is going in the right direction. Rafał, have you checked the level of revenues yet?

RK:

Yes, of course - PLN 368 million in the whole 2019.

MP:

You could say that this is already a significant and visible scale of business.

Question 2:

In your opinion, will the Polish health service, after the epidemic, have more or less funds for investment?

RK:

It is difficult to be clear here, because we are not the owners of these funds, but I think that the health service, like other segments of the public administration, or the economy in general, must invest and this money must simply be found in these sectors. That is what we are counting on. The pandemic has highlighted some of the elements that need to be invested in by the health care authorities, like working with patients remotely. So far it has been underdeveloped. We hope the works will accelerate in this area. It seems to us that health is always a very important element in the functioning of every state and here there should not be much change. If any, just for the better.

AW:

Additionally, we can also say that we can see that these IT implementations – and I am talking about health monitoring devices and so on - not only improve the operation of hospitals and medical facilities, but also have a very good impact on settlements. We can see that the whole digitization process in hospitals brings a lot of improvements. Therefore, the question remains whether hospitals will have more resources. But when it comes to needs, yes, those needs are still there and growing.

Question 3:

Can you tell us more about what you expect from working with adesso on the German market? When could the first contracts on this market be signed? What will their implementation look like (which company will be the "leader" of the projects)? What will be the financial engagement of Asseco in the coming quarters?

MP:

Let me answer that question. I already see another question related to adesso, so maybe I will talk more broadly and try to answer both questions right away. The situation is the following - we have met a very professional team. As we have repeatedly emphasized, in our business people are the most important. We see the value in those people, we see how they behave, how professionally they approach what they do, how they behave in negotiations. We have no doubt that there will be no problems as far as this area is concerned. Then, of course, there is a market risk. We have to make our first sales there and we also like the pragmatic approach of the Germans to this issue. We have first customers, but we also try to make a proper selection. Among these potential clients we have small or very small banks, but we do not want to pick every possible client in the first stage, although maybe it would be even easier. We know that we need a first, solid reference, which will be financially significant, because some income from this will be needed for the start-up, development, and investment financing work, because we will incur some costs due to the adaptation of the system. This pragmatic approach suits us very well. We would like to emphasize - and this is what we have faced on every market - the most difficult thing is to get the first reference. We have to have a bit of luck, we have to find the right client, because we also know that along the way we will face certain topics, some things we may not have foreseen at the start. These will be difficult projects, but we believe that with this team, which is on the one hand very professional and committed to what we want to do together, and on the other hand, as we believe, it has the knowledge and ability to help us, we will succeed there. Will the first contracts appear this year? Difficult to say. We are taking part in several proceedings, one of which is advanced. For the time being, we believe this may be the first reference. Is it going to happen? Well, difficult to predict. We have competition there, of course, and we are going to participate in this competitive race. What are our first impressions? There were meetings, workshops, of course. There was also an evaluation of our system and it is very positive, which we are very happy about. But I cannot say what the final decision will be. As far as the competitors are concerned - there is SAP, which has several solutions, there are some inhouse solutions in German banks, which are older and will hopefully be slowly pushed out of the market. We still have big players like Temenos there. We also have companies that today provide solutions for fintechs (e.g. Mambo), but I think they will get interested in the banking sector. There is competition, but I think we are prepared for it.

AW:

We still have Avaloq, Sopra Banking and FIS there. As Marek has emphasized, of great significance are very good relations with the owners of adesso, i.e. people who are behind the idea of our cooperation. Marek, could you please tell everybody about these owners and their very good relations with Adam.

MP:

Yes, that is right. I had a chance to be at the meeting with Adam and the main owner - a very nice man. I think they have become very fond of each other. This is the culture that suits us, very healthy approach to business, very pragmatic. This sentence has already been said today, but I will say it again - we think that if we do not succeed with them, it will mean that it is simply impossible.

Question 4:

What impact do you expect the cooperation with Cyfrowy Polsat will have on the results in the whole 2020 and 2021?

Question 5:

What work is carried out under the preliminary contract with CPS? How are the negotiations on the final agreement progressing and when is it planned to be signed?

RK:

They are progressing positively but I would not like to give details of cooperation with individual clients. This is sensitive information. In the first quarter we focused on creating an agreement that would allow us to start working. We called it a bridging agreement. It is an agreement that regulates the rules of cooperation for the next few months. We started working on the systems that are ordered by Polkomtel. However, these works will obviously last much longer and most probably there will be no such thing as one large contract. We are talking here about several detailed contracts, which will precisely define what is to be done, when, on what terms and, of course, for what money. We are counting on that. I will try to get away a little bit from the answer as to how much revenues are to be expected in 2020-2021 from this cooperation. First of all, because we are focusing on the real deal with Cyfrowy Polsat or Polkomtel on what is to be done and we want to start doing it as soon as possible. We want the client to be satisfied with what we are doing. However, the revenues, the effects, they will come after this work. We are counting on it. For now, it all looks very good and I will repeat it once again - at the end of the first quarter we signed a bridge contract, at the moment we are working on detailed contracts and probably with time we will inform you when we sign these contracts.

Question 6:

Could you please give an update on the sales of Polish core banking systems (def3000) on markets outside Poland and Germany?

MP:

def3000 – I will try to answer that question. We have a lot of references regarding our core system in Poland and I think we are the undisputed leader here. We have always dreamt of exporting this system outside Poland and we have had some first successful projects behind us. We informed about it last year and even earlier – we implemented a core system in Gibraltar, in a start-up bank. We executed a similar project in Germany. A part of our core system, responsible for treasury, operates in Austria in Sberbank. The first projects are behind us. They have brought us some experience, but we want more. It has always been our dream. We believe that our system is prepared for exports. We see no shortcomings when we compare ourselves with the largest players on the market. We believe, I emphasize again, that we will be able to fight with the help of our German partners on the German market.

AW:

As far as the Polish market is concerned, first of all, there may not be any spectacular projects in new banks or system upgrades in large banks, but such work is performed for our existing clients and Asseco Core Banking is still being modernized and developed. Additionally, we are developing a product we call Bank out of the Box. This is

a solution that we address to financial entities. Among other things, it has paved the way to our cooperation with Allegro. This solution is addressed to institutions, financial institutions and banks that want to launch banking operations and new systems in new financial entities very quickly. It is based on a subscription model and is also available in the cloud. This is our response to further expansion, because we can see that such potential is not only visible in Poland, but also and above all on foreign markets. Increasingly more customers are looking for this type of solutions. What distinguishes the Bank out of the Box solution is a very fast start-up. We will show more about it at the Asseco Banking Forum in the autumn. Advanced work and talks with clients on this topic are already underway. Additionally, we are developing a very interesting solution for cooperative banks based on the same infrastructure - the Common IT Platform. Within its framework, we are developing a core system, but also working on solutions related to Internet channels that support sales.

Question 7:

The dynamics of the backlog given in March on the occasion of the results for 2019 amounted to 22% in total and 18% excluding the impact of currencies. After the first quarter of 2020, the backlog growth rate decreased to 20% and 13% excluding the impact of currencies. Is the slight deterioration of the backlog dynamics after Q1 2020 the effect of COVID-19 – the lack of meetings and consequently fewer opportunities to conclude new contracts, or are these the first effects of reducing IT budgets, or maybe it is just a seasonal effect?

RK:

This is a very specific question, but the answer will be a little more general. I would not focus on the dynamics as to the exact percentage, because it really depends a little bit on when exactly we measure this backlog, at which point, and this seasonality can have an impact. I would rather look at it in the long run - what happens after the second, third quarter. We try to communicate very clearly that the situation caused by COVID-19 has an impact on our Group, but today it is not clear whether it is positive or negative. As we mentioned when discussing one of the slides, we can observe a lot of positive things, opportunities that may turn into "real" contracts, but there are also risks and threats. We see the backlog as a very good basis for the next quarters. It seems to us that the level of the backlog, combined with a healthy liquidity and cash situation, makes us reasonably well prepared for the next quarters. We will do our best to translate the chances into projects and completed implementations, but we will see how it will look like. For now, I would focus more on the fact that in 2019 we showed the backlog dynamics in the Polish segment at the level of zero or even negative figures, and in this quarter it turned into growth of +17%. We are very pleased with that. We already reported a little bit about that in the second half of 2019 and now we see the numerical effects.

Question 8:

Does the agreement/contract with adesso include the possibility/option of future capital ties with this company?

MP:

No, there was no such subject. When we were at the meeting with Adam with the main owner, we talked and presented our policy on building the Group, but there were no talks on capital ties. At this point we want to focus on cooperation in a specific sector. We focus on banking and believe that we will succeed there. Of course, we never say never, but for now we have no such ideas.

Question 9:

What is the share of revenues from the defence sector in the Asseco Group? What are the Asseco's competencies in this area and what are your chances and prospects for selling solutions to this sector (have you participated or are you participating in tenders for the supply of BMS or microdrones for the army)?

MP:

Maybe I will start with the second part, and Rafał will check the numbers in the meantime. We have competencies related to the defence sector in several places in the Group. The largest and most mature competencies are, of course, those located in Israel, because we have at least 2 companies that are very active in this area there – Matrix and TSG. Matrix has a very significant client in the form of the Ministry of Defence of Israel and runs a number of projects for it. Some of them are secret, so secret that even the CEO of Matrix is forbidden to enter the premises where the work takes place. It is really true, because we have witnessed it. Some of these projects are connected with command control or border protection. Another company operating in this area is TSG. We also have a lot of interesting solutions here, so interesting that they are exported. TSG runs several projects in Azerbaijan, Kazakhstan and probably in a few other countries in the Far East. There we really have people who have the greatest competencies. In Asseco Poland we also have a small team that deals with the defence sector. One should remember that we have been cooperating with NATO for years, or with the NATO agency called Frontex. We mainly carry out custom-made projects there, but nevertheless we have the knowledge and competencies about what is happening there. I cannot answer the question whether we have taken part in the tenders mentioned in the question. Certainly, as far as the drones are concerned, we have experience and knowledge.

RK, AW:

Yes, we have participated (in such tenders).

RK:

Please, let me add a few words, Marek. I will not give an exact figure here. Please contact me after the meeting. We do not aggregate data for the whole defence sector. We will gather information from the individual companies that operate in that area and provide that level of revenues. As Marek has mentioned, this is a very interesting area for us in Poland. We are very well prepared, we have many prototypes produced. However, there is still a real lack of orders from the Polish army, stable ones in which we could demonstrate ourselves. We are waiting a little bit for that. Actually, for some years now we have been talking about systems related to battlefield management, access to information, image analysis and so on. In all these areas we have our own, Polish solutions. We do not have to reach for the Israeli ones. A lot depends on whether there are orders.

MP:

Please remember that we also offer cyber defence solutions. Here we have a dedicated company – ComCERT, which joined us last year. This company specializes in cyber defence and cyber security solutions and this is where we have decided to develop these competences.

AW:

That was the last question we have received from you. Unfortunately, given the present conditions we will not have backstage talks, but of course we invite you to contact Rafał, Marek and me. Joanna Paczkowska-Tatomir is also at your disposal at any time. In any situation, if you have any questions about our Company, our activity, we are at your disposal. Thank you very much for your participation and time devoted. We invite you to the next results, for the second quarter. See you there!