

Transcript from broadcast of Asseco's Q1-Q3 2021 earnings conference call**Artur Wiza – Vice President of the Management Board, Asseco Poland (AW):**

Good day. We would like to welcome you to our 9-month 2021 results conference call. During today's meeting, we will present to you issues concerning our business and our finances. The conference will be divided into three parts. In the first part Marek Panek, Vice President of Asseco Poland, will present the operations of our Group. In the second part, Vice President Karolina Rzońca-Bajorek will present the financial results. The third part will be devoted to a question and answer (Q&A) session. On the platform used for this broadcast, at the bottom, you will find a chat window through which you can send your questions during the presentation. At the end, we will try to answer all these questions. I would like to invite you to the first part of the presentation.

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

Good day. I would like to welcome you very warmly. It is my pleasure to tell you what happened in the Asseco Group in the first three quarters of 2021. It was a very successful period for us. I hope that those of you who have read our interim report share this opinion.

I will traditionally start with the summary slide. I think it will seem familiar to most of you, because indeed the trends we've been seeing, the things we're highlighting on this slide have been virtually unchanged since the beginning of 2021. The third quarter was a continuation of the trends we've seen so far. When you look at the core levels of the profit and loss statement, you can be pleased because these are really solid increases - at the revenue level by 18%, at the non-IFRS operating profit level by 24%, and at the non-IFRS net profit level even by 27%. This is a result of the increased interest in digitization observed on the market. We have accelerated the digitization processes in all institutions and as a result we have constantly something to do. This year was a period of really hard work for us, the effects of which you can see in the figures presented. We see solid, double-digit revenue growth in all geographic segments and sectors of our business. We are strengthening our position on foreign markets, in other words, we are not slowing down when it comes to acquisitions. In the reporting period we were joined by 14 new companies. We look into the future with some optimism. We record a double-digit increase in the portfolio of orders in each geographical segment in which we operate.

Going into details, I will start with the basic numbers. Sales revenues, having grown by 18%, reached nearly PLN 10.3 billion. I remember that only two years ago we were happy to exceed PLN 10 billion in annual revenues, and today we have already reached this level after three quarters. I think this is a reason for satisfaction. In our core business, i.e. proprietary software and services, we achieved sales of over PLN 8.1 billion, which means 16% growth. EBITDA, after an increase of 16%, amounted to almost PLN 1.6 billion. Non-IFRS operating profit amounted to PLN 1.3 billion and was 24% higher than in the same period last year. Non-IFRS net profit grew by 27% and reached PLN 386 million. I think we can all be satisfied with these results. We, as the Management Board, certainly are. We are happy and optimistic about the end of this year and we also start budgeting for next year.

We traditionally show you our diversification and breakdown of sales by the different sectors in which we operate. As you can see, the general business sector is the leader, accounting for 41% of our sales, banking and finance was responsible for 35% and public institutions for 24%. Of course, this structure is not any kind of target. It is just to show that we are well diversified, that our sales are distributed very stably among the individual sectors. On the bar chart you can see how the sales in particular sectors have grown over the last 5 years.

In terms of breakdown of sales revenues by the markets in which we operate, the Formula Systems segment was the leader and accounted for 64% of total sales, followed by the Asseco International segment with 25% and the Asseco Poland segment with 11%. This results from the fact that our geographical expansion, acquisitions of companies outside Poland are a good concept and now they bring measurable effects. You can see on the bar chart that we have been growing successfully in each of our segments for years.

As far as the contribution of individual segments to the non-IFRS operating profit is concerned, the proportions are slightly different. The Formula Systems segment accounted for 57% of operating profit, slightly less than its share in revenues. Whereas, the Polish segment, with 11% share in revenues, generated a 17% share in non-IFRS operating profit, which proves that this business in Poland is slightly more profitable. In the case of the Asseco International segment, the shares are at a similar level: 25% in sales and 26% in non-IFRS operating profit.

Traditionally, on this slide I am presenting you with a short business summary of what is happening in the individual segments. Sales of the entire Group increased by 18% and reached almost PLN 10.3 billion. It is worth emphasizing that in this period there was practically no effect of exchange rate differences, it was almost non-visible. In the previous reporting periods we had such periods, when the exchange rate differences significantly affected the increase in sales. However, this year the increase in revenues was thanks to organic growth and acquisitions, which we completed last year and this year. Starting with Poland, I would like to draw your attention to three elements. Sales of the Polish segment increased by 11%. Here, we highlight the continuation of important projects in the public administration sector - multi-year projects that we signed between 2019 and 2021. Their impact is really visible in the results of the public sector in Poland. The healthcare market is also doing very well. Already today I can say that this will be a record year for this area in Asseco Poland. We are happy because we have increasingly more work, projects, and increasingly more hospitals and medical practices choose our solutions. The third thing that needs to be emphasized is the strengthening of the position of our subsidiary Asseco Data Systems in two areas. The first one is the Smart City area. You will remember here the Silesian Public Services Card (ŚKUP) project that we have been implementing for many years. At present, this project has "got a second life" – we have signed a new agreement for development and maintenance of this system. We have also started a large project in the "Tricity" area - Innobaltica. Let us not forget that via Asseco Data Systems we also offer trust services (electronic signature) and this is an area where we develop very rapidly. As far as the Formula Systems segment is concerned, we generated a 21% increase in revenues. Actually, we can be satisfied with all the companies of the Formula Group - all of them have grown and reported higher sales. Over 50% of this growth resulted from our organic expansion; whereas, over 40% resulted from the acquisitions completed last year and this year. In the Asseco International segment you can see a 14% increase in sales. In the case of this segment, we emphasize two points. The first one is a significant increase in sales of ERP solutions. The Asseco Enterprise Solutions Group recorded a solid double-digit growth. Also the business of Asseco SEE is doing very well in all the business areas, namely payments, banking and dedicated solutions.

Turning now to the different sectors in which we operate, we will start with banking and finance. In this case, we have 12% growth across the Group. Our sales exceeded PLN 3.5 billion. The largest contributor is the Formula Systems segment which - after a 13% increase - reached PLN 2.4 billion in revenues. As far as the Formula Group companies are concerned, it is worth mentioning Sapiens International. We may talk a little less about this company, but please remember that it is an excellent company which currently has over 600 clients. Sapiens has the capacity to acquire as many as 25-30 clients a year, which means that approximately every 2 weeks it acquires a new client for an often very large project. I would also like to emphasize that Sapiens is currently doing very well in Europe. As a reminder, this is a company with Israeli roots, which had a lot of business in the US. For some time

now it has also been very active in Europe. Today, over 50% of Sapiens's revenues come from the European market. Sapiens has recently made several acquisitions in this market - companies in Germany, Spain, and Denmark. As a result, the position of Sapiens on the European market is getting increasingly stronger. Additionally, Magic Software and Matrix IT performed very well in the banking and finance sector, although - especially in the case of Magic Software - this scale of business was much smaller than that of Sapiens. In the case of the Asseco International segment, we achieved a 15% increase in sales to PLN 851 million. As I said earlier, Asseco SEE is the part of Asseco that has the greatest contribution here. Here we emphasize the highest growth in the area of payments, or in the company you know as Payten. Asseco CE is also doing well in the banking and finance segment. The company has new projects in the insurance area - an agreement with an international player has been signed and is currently being implemented. We are also pleased with the growth of sales in our Portuguese subsidiary Asseco PST, further supported by the company's acquisition in April this year. This was a purchase of Finantech, a small Portuguese company. As far as Poland is concerned, you can observe flat sales. We are pleased with a few things about this segment. First, we are pursuing long-term development and maintenance contracts, which represent a very serious stream in our revenues and provide us with security. It might seem that the time for replacing core systems has passed, maybe not irrevocably, but there are increasingly fewer of these projects. All the more reason for us to be very happy as we are currently implementing such projects. This year we have three new large implementations of core systems in Poland. Thanks to this we are building a development and maintenance stream for the years to come.

Another of the discussed sectors is the general business sector, where we achieved 26% growth at the Group level, with sales reaching almost PLN 4.2 billion. Israel grew at the fastest rate - by 30% - and achieved sales of PLN 2.7 billion. In this segment, Matrix IT is the main player, followed by Magic Software. Let us also remember that Formula Systems made a new acquisition in April this year. It was ZAP, a company operating primarily in the general business sector, which in the two quarters when Formula Systems was with us added almost PLN 100 million in sales. Let me remind you that this is a new business which we have not dealt with before – something on the borderline of e-commerce, portals for retail consumers. This is a business we strongly believe in and which, as we observe, is developing very nicely. In the Asseco International segment we recorded an 18% growth and here again I would like to emphasize the very good situation in the ERP sector, where all our companies - German, Czech, Slovak, and Polish - are doing very well. Our German business grew the most dynamically as it recorded an over 25% increase in revenues. Furthermore, it is worth mentioning the good sales performance of Asseco CEIT. This is perhaps not a large Slovak company, and it operates in the area of Industry 4.0. Last year, as a result of the pandemic, this company had a slightly more difficult time, as the automotive industry – where the majority of our customers come from - experienced downtimes, production stops, and stalled projects. We are glad that today everything is back to normal, back on track and the company is regaining its former potential. In the Polish segment we generated 18% growth and PLN 268 million in sales. We emphasize the continuation of cooperation with the Polsat Plus Group, i.e. the execution of a major project involving the transformation of the Group's IT systems. This cooperation is going well, there are first effects in the form of the production launch of certain elements of the system. We also reported higher sales of trust services by Asseco Data Systems, namely electronic signatures, which are marketed just to the general business sector.

In the public institutions sector the Group recorded a 16% increase in sales which exceeded PLN 2.5 billion. Traditionally, the largest contributor was the Formula Group with almost PLN 1.5 billion in sales increasing by 20%. Here the main player is Matrix IT, which implements a number of government projects. We are glad that finally, after several years of political turmoil and inability to pass a budget, it has been normalized. The budget for next

year has been approved. This creates new opportunities for projects in the public sector in which Matrix IT will hopefully participate and benefit from. In the Asseco International segment we recorded flat sales. Here, the main players are Asseco CE and Asseco SEE, which reported revenues close to last year's levels. Whereas, in Poland we recorded a significant, 18%, growth. This is thanks to the implementation of multi-year projects for clients such as the Social Insurance Institution (ZUS), the National Health Fund (NFZ), the Agency for Restructuring and Modernisation of Agriculture (ARiMR), the Agricultural Social Insurance Fund (KRUS), and the Ministry of Justice. These are contracts signed in 2019-2021 and which we will also implement next year. I would like to emphasize again the good situation in the area of healthcare and the Smart City projects, i.e. ŚKUP and Innobaltica.

We do not stop when it comes to searching for new companies. These searches resulted in our acquisitions performed this year. In the first three quarters of 2021, the Asseco Group was joined by 14 new companies. As you can see, these were mostly acquisitions in the US and European markets, made through Formula in Israel and Asseco SEE in Europe. In the rectangles marked with a dotted line we have indicated the companies that joined us last quarter.

All of the competence areas in which we operate are doing well - the larger ones such as banking and finance, ERP, payments, insurance, as well as those that are smaller in terms of revenue but no less important such as cloud solutions, cyber security and robotics. In their case, we occupy an increasingly significant position in the overall market.

On this slide, we wanted to remind you about our Asseco Cloud. It is because we have already announced that we are establishing such a company. This is the company to which we have transferred all our resources related to cloud operations in the broad sense of the word. Asseco Cloud commenced its operations in September. Earlier, we informed you about certain preparations for operations, about the establishment of this company, and today its operations have become a fact. Asseco Cloud has 5 data centers in the cities you can see on the slide displayed. They house more than 500 modern servers. What is very important - today, we have over 400 clients who use our services. More than 90% of this business is based on subscription services, which is what we most often mean by the cloud – payment for a service in the form of a subscription. We have more than 90 qualified people on board with certificates confirming their high competence in what they do.

The last slide in my part of the presentation is the backlog, which is 17% higher than what we showed you in the same period last year. This gives us some optimism, allows us to think optimistically about the end of the year. We are currently in the budgeting phase and we are already thinking how the year 2022 will look like.

That's all from my side. Thank you very much and I give the floor to Karolina.

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

Thank you, Marek. Good day to you. A quick look at our profit and loss statement summary after 9 months of 2021. It confirms what we already told you after the first half of the year - very similar trends for the whole period. You can see that after three quarters, we increased revenues by 18%. In Q3 alone, this growth reached 19%. As Marek has already mentioned we exceeded cumulatively PLN 10 billion on the top line, and PLN 8.1 billion are revenues from proprietary software and services. It is also confirmed that the EBITDA dynamics is a bit lower than EBIT dynamics – 16% vs. 23%. This is due to the fact that CAPEX expenses naturally weakened a bit during the pandemic period and, consequently, depreciation expenses, a component of EBITDA, grew more slowly. In Q3 alone, EBIT grew by 25%. It is important to remember that Q3 2020 was the start of building on this good momentum caused by increased

demand for our services as a result of pandemic-related needs identified by customers. Therefore, the dynamics observed in the third quarter of this year are very satisfactory.

In terms of the rest of the profit and loss statements, this trend that I talked about after the first half of the year – that is, the lower in the profit and loss statement, the higher the growth rates - has been maintained. This is a consequence of the fact that our operations, which are on average more profitable and which we consolidate with a higher percentage on the bottom line, are growing faster. Hence, at the level of net profit, which for the third quarter of 2021 alone amounted to PLN 120 million, the year-on-year increase was 33%. When analyzing the level of net profit on a year-to-date basis, it should be remembered that in Q2 2021 we had the one-off effect in the form of the settlement of the sale of shares in R-Style Softlab. This impact is visible in the M&A version – the presented PLN 12 million is largely thanks to the settlement of this transaction, which had a positive impact at this level in the amount of PLN 23 million. On the level of net profit this influence amounted to PLN 18 million. The effective tax rate should also be commented on. After three quarters of this year, the effective tax rate was lower than in the corresponding period last year. This is thanks to the fact that this year we account for innovation relief throughout the year, while last year – you will remember that we had a very low effective tax rate in the parent company in Q4 2020. – we accounted for the IP BOX allowance on a one-time basis in the fourth quarter results.

In terms of presenting the financial results of the regions and subsidiaries, we see that in the parent company we have an impressive increase in non-IFRS operating profit, amounting to nearly PLN 50 million. These are very good results, to a large extent driven by the situation in the public administration and healthcare sectors. In the public administration sector in Asseco Poland we have very stable results. During his part of the presentation, Marek mentioned new projects that we managed to successfully implement already in the period under discussion or acquire and which will contribute to our results in the coming quarters. When analyzing the banking and finance sector, it is important to remember that we are still in the phase of heavy investment in cloud solutions. You will remember that we talked about the fact that we are building a Common IT Platform (WPI) for cooperative banks. We are investing in new solutions there. Some of these investments are already included in the profit and loss statement this year. Hence the flatter results in this area. In the general business sector we also observe a stable situation. We are happy because in the period just reported we "delivered" large projects in this area. In the case of Asseco Data Systems, Marek has already mentioned the good results in the area of Smart City and trust, but I think it is worth mentioning that this year will be successful also in the area of training, both in terms of services and software. Other companies – they are stable, in line with expectations. Here we have a "sowing phase" in the cloud area, that is the first quarter of Asseco Cloud's initial operations. We also have a phase of reforming the strategy at ComCERT, that is in the area of cybersecurity. I think that when summing up the whole year 2021 for you, we will tell you more about these smaller companies. As you can see, in the Formula Systems segment we have recorded growth in each of our product lines. We are observing a slight improvement in profitability in non-IFRS terms. When analyzing our profitability one has to remember about the costs of SBP and PPA, which weigh on our results. In Matrix IT, a slight slowdown persists in the US, mainly in banking. On the other hand, Magic Software, which is a bit undervalued, reported very good results in the placement segment on this market. As far as Sapiens is concerned, we should note very good results in Europe, especially in the L&P segment. In the US, the results were a bit flat. As far as the Asseco International segment is concerned – we see a generally stable situation in Asseco CE. There are some question marks when it comes to the public institutions segment. We need to keep in mind the rather dynamic political situation which always has some effect on our operations in the public institutions segment. On the other hand, we need to emphasize the fantastic results of the ERP segment, which recorded double-digit growths. The star player in this area is Asseco Solutions in Germany. We will probably invest

a bit more there in the fourth quarter and hire new employees. The sales pipeline is being built very well there, hence the decision to acquire new resources. In other companies operating in this area we also observe growth in results. The South Eastern European market, i.e. Asseco SEE - very good results in the areas of payments and banking as well as in dedicated solutions; good and improving profitability resulting also from better sales mix (more licenses sold). Commenting on the situation on the West European market, one has to mention the "correct", in line with expectations, results of Asseco PST - increases in revenues and profitability. In the case of the West European market, you may be a little surprised to learn that we posted higher revenues and a higher operating profit on non-IFRS financial instruments, while net profit contributed to Asseco Poland's non-IFRS performance was fairly flat. This is a result of the fact that in Q3 2020 we had a weaker Polish zloty, which resulted in a positive effect on foreign exchange translation and on our euro exposure that we have in Asseco Western Europe. It was a scale of PLN 5 million. If we took this off, these dynamics will be similar, in line with expectations.

As far as cash flow is concerned and the indicator which we analyze at the Group level, i.e. the EBIT cash flow over the last 12 months, it is at a safe level of 82%. Let me remind you that we talk about a safe level of this ratio when it is in the range of 80-120%. The ratio is slightly worse in the Formula Systems segment, which is primarily driven by Matrix IT. This is a temporary effect and Matrix IT explains it by perturbations in the public budget which has just been approved - these payments from the public institutions segment should be released in the coming quarters. In the Asseco International and Asseco Poland segments, we see that the metrics are at a decent level, having improved in Q3 2021. It is worth remembering that Q4 2020 was a period when quite a lot of funds, especially public funds, came into the companies and our cash flow in each segment exceeded 160%. Then, operating cash flow overtook EBIT, and now, for these three quarters of 2021, this trend was the opposite - cash flow chased EBIT. In our opinion, this is natural, typical for fast growth, for the dynamic development of the public sector, which simply pays later.

On the last slide, we are presenting you with a quick look at our liquidity position. As at September 30, 2021, the Group had cash and cash equivalents in excess of PLN 2.7 billion. Debt increased only in the Formula Systems segment. In the case of the Asseco Poland and Asseco International segments, we observe a very stable level of debt. In the case of the Formula Systems segment, the debt level is safe. The Israelis are getting out of their bank debt and replacing it with cost-fixed debt in the form of bonds.

That's all for my part. Thank you very much.

AW:

Thank you very much Karolina for your presentation on our finances. We will now move on to the third part of our meeting. We will try to answer all of your questions. We already have some questions waiting for us, while you can still send them in. We will start with the first question for Marek.

Investor 1:

Can we expect a positive announcement regarding customer acquisition in the banking sector in Germany later this year?

MP:

Let me remind you that last year we established a joint venture with a major German player, Adesso, with the objective to promote Asseco Poland's solutions on the German market. We continue our efforts; we work on it,

meet with our customers, and make a lot of presentations. We are happy because the reception of what we show is very positive. The fact is, and this is probably why this question came up, that we have not yet informed you about any winning project. Indeed, there is none yet. However, we are not giving up. We knew from the beginning that this is an undertaking that requires patience. We are patient and we are doing a lot of work, hoping that it will bring results. As I've said in the past - we have the best possible people on board. If we don't do it with them, we probably won't do it with anyone else. We believe that sooner or later it will bring results. The truth is that replacing a core system is always a landmark decision for a bank. You also have to keep in mind that this is the German market – the core systems that operate there are often 30-year-old. When someone has to replace a system after 30 years, they really approach it very carefully, they think about it for a long time. These processes just take so long. What else are we seeing? These old core systems, often COBOL-based, are now strongly supported by modern front-end solutions for customers and bank branch employees. We try to address this side as well, so apart from core systems we also try to promote front end solutions so that we can reach the customer in one way or another.

AW:

Marek is right. It is not a matter of the fact that we have not won any tenders. We have not been unsuccessful in any of the pending proceedings, but simply need to work on these issues for longer.

Investor 2:

How many cooperative banks use your products?

MP:

You probably remember that we once started with cooperative banks. It is a very important sector for us and one in which we are strongly rooted. I will not give you an exact number of all the cooperative banks in Poland right now - I think there are 500-600 of them - but we have over 400 banks as clients. I look at it from the Group's perspective because we should remember that apart from Asseco Poland, which has always been and continues to be active in this sector, we have a company called ZUI Novum, which also provides solutions for this sector. Looking from the Group's perspective - over 400 Polish cooperative banks use our solutions. It is also worth emphasizing the gradual change in the model of selling solutions to these banks. We are following the latest trends and customer expectations by strongly promoting cloud solutions. What makes us extremely happy is that we already have our first customers. We have prepared the platform. We have the first production implementations behind us. I think that in the long run this model will prevail. Of course it has its good sides - these are long-term contracts ensuring stable stream of income. However, let's remember that the consequence of changing this model is that at the time of this change the revenues may be flattened. We do not sell licenses and implementation services. We have to spend resources ourselves on preparing the platform, on implementing the bank into it, and then, over time, we recover it in monthly fees.

Investor 1:

Do you see any threats to business growth over the next 12-18 months? In which areas could performance possibly weaken and why?

MP:

Today we do not see such threats. You can see it after three quarters - all the areas in which we operate are doing quite well. We are in the budgeting stage at the moment. What I mentioned earlier - we are preparing for 2022.

We are currently making a budget of revenues and costs. We'll be able to talk a lot more about that at our conference in March because we'll be presenting the backlog for 2022 as usual. To answer your question directly – I don't see any significant risks. Subscription sales is not just banking. We also promote this model in other sectors. Therefore, for a while there may be such an effect that there will be a flattening of revenues. However, I do not treat this as a threat. It is more about building a long-term perspective.

AW:

The relationship with our customers is very good. We do not have any spectacular "departures". We run a normal business, we gain new customers. We do not see any major threat here.

Investor 3:

The payroll fund in 9 months of 2021 grew by about 17% y/y, while the number of employees grew by about 6% y/y. This would mean that on a like-for-like basis, the payroll growth rate is about 10% y/y. Can you confirm this? How do you see the outlook for salary pressure in the coming quarters? Do you expect wage growth to accelerate?

KR-B:

Commenting still on these numbers that we are comparing – I assume that we are talking about numbers on a consolidated basis – in the salary fund one should take off the significant impact of SBP. It is a scale of about PLN 25 million. Underneath in the report it is also written how the average salary is developing. It is the level of 8% y/y. This does not change the fact, the general conclusion that the salary fund is growing dynamically. This is a challenge, especially in the context of the formal and legal changes which are ahead of us and which will have to be handled next year. But only after the budgeting period will we be able to quantify this and comment on specific values. We see the pressure. The New Order and the fact that net salaries of employees who earn on average more than PLN 12.5 thousand gross per month will be negatively affected by it will affect Asseco Poland's employees to a considerable extent. However, we should also remember that legal changes generate demand for changes in ERP systems. Someone also from the side of public institutions has to program them. We see it as a threat, but also as an opportunity – just like the pandemic and the phenomena surrounding it.

Investor 1:

Can you tell us how much customer churn in the area of healthcare customer solutions in Poland is?

KR-B:

I assume that if we talk about churn rate, we are talking about the mMedica area. Although this area is B2B, there are a lot of small customers there. In the mMedica area alone it is a scale of about 9 thousand customers. As a rule, these clients stay with us. I don't know the exact number, but what I can say for sure is that the mMedica customer base, in terms of number, is quite stable. But in the area of hospitals the base is growing and we observe this trend. As far as the revenues are concerned, these are two-digit dynamics when it comes to comparable two periods. It seems that the situation here is very stable, if not growing.

Investor 4:

What % of total revenues after 9 months of 2021 are revenues worked out under the Polsat Group project? How has this changed y/y?

KR-B:

We often get questions about this number. It is in our financial statements, in the note on sales to related parties. We have sales to Grupa Polsat Plus included there, and we could probably use this figure. For 9 months of 2021 this is a scale of over PLN 80 million. This is actually a nearly 100% increase compared to the comparable reporting period last year.

Investor 5:

The backlog for 2021 in Poland indicates a strong revenue last quarter of the year. What profitability do you expect in Poland in the coming quarter?

KR-B:

We expect similar profitability that we have seen after 9 months of 2021. As we look at the dynamics and compare Q4 2021 and Q4 2020, it's important to keep in mind what I said earlier - Q4 2020 was a period of full "bloom" for all of these contracts, especially in the government sphere, which was a result of increased demand for our solutions and services. As a result, the dynamics will probably not be as impressive as they were when comparing three quarters of 2021 to three quarters of 2020 and Q3 2021 alone to Q3 2020. It's certainly the case that the organizational effort on these projects and the utilization of our employees on these projects, the ratio that we're seeing, will hold up. Our work on profitability is bearing fruit.

Investor 6:

How do you separate and divide areas of activity and competencies between companies within the Formula Systems Group and other companies of the Asseco Poland Group in order to avoid competition with each other on foreign markets in the area of new contracts and M&A and to avoid cannibalization of sales?

MP:

Let me start this way - we have been with Formula Systems for more than 10 years, since the acquisition took place at the end of 2010. During this time we have not had any problems of disturbing each other, of competing. We try to cooperate. We had, we have, and I hope we will have examples of good cooperation in conducting projects. Let us remember that Formula Systems operates to a large extent on markets where we are not present - over 50% of Magic Software's revenues come from the US, about 40% of Sapiens International's revenues also come from the US. Matrix IT is a company which generates over 90% of its revenues in Israel, the remaining part is generated in the US. Practically, we do not interfere with each other in business. A good example of cooperation is our insurance team moving to Sapiens. A few years ago our team in Poland that implemented projects for the insurance sector was spun off and sold to Sapiens. Today, these people have been given a second life and are very much involved in Sapiens projects across Europe. They work on projects e.g. in Scandinavia or Germany. I think this is the proof of successful cooperation. The question was also about M&A. In this case it is similar. We do not interfere with each other, we help each other. From time to time we send proposals of interesting companies that we talk to and we feel that for some reasons they do not suit us, but we think they might be interesting for Sapiens International or Magic Software, for example. The Spanish acquisition of Sapiens is a good example. We helped them in this process. To sum up - we cooperate more than we interfere.

AW:

I also remember that when we used to look for companies for acquisitions, Tia came up, which was eventually acquired by Sapiens.

Investor 3:

Do you expect to maintain a double-digit (about 14%-16%) revenue growth rate in 2022, assuming current exchange rates?

KR-B:

I will repeat myself at this point - the budgeting process is still ahead of us and we would prefer to discuss both the backlog and other major assumptions for 2022 in detail at the 2021 wrap-up conference. At the moment we are really in the first phase of budgeting and we cannot say much at this point.

Investor 3:

Do you maintain a soft guidance regarding EBIT margin of around 9.5-10% in 2021, given that after 9 months of 2021 EBIT margin is 10.65%? Do you expect to maintain an EBIT margin of around 10% in 2022, given possible pressure on certain cost elements?

KR-B:

I think I can confirm the guidance for this year - oscillating around 10%. We know the sales mix, so we are rather sure about that. As for 2022, pressure and formal-legal conditions are one thing, but there will probably also be some opportunities. We see that in our business areas there will be something to do next year. I would wait with any comment, but this is probably how we will set ourselves goals.

Investor 7:

Do you expect public sector revenues to decline in 2022 in Poland?

KR-B:

At the moment, as you know, a lot of energy is going into the issues connected with competition, fight for public tenders in Poland to be held in a very transparent way. Efforts of our business division responsible for this area and proceedings before the National Board of Appeal (KIO) make the situation very dynamic. Today we are at such a point that it is difficult to give a verdict. Probably two years ago we would have been a bit more pessimistic, but the situation has shown that it is worthwhile not to give up and to fight for these tenders to be held according to the principles of fair play, not to enter the "grey areas" and for everything to be held in a transparent manner. Public institutions have identified their needs in the area of digitization and I think that this trend will stay with us. We are a company that can - and we have proved it many times - respond to such needs. We are able to execute large contracts with a very tight time regime. This is done with tremendous effort by our people, but we have proven that we can do it. We often get requests to comment on media reports about building IT resources for public institutions. Wherever the money has to be on time, has to be paid accurately, where the time regime is difficult - we do not fail. I think that experience shows that we are worth relying on.

AW:

It is also worth mentioning one of the projects we recently completed in the banking area. Over the weekend, we finished a project which was carried out by several hundred people. It was carried out in a very difficult period of the pandemic. Two big banks were merging and we were doing this project. We cannot give the names yet, but I think you can guess which entities are involved. Our client will probably brag about this project. It has already mentioned that it was implemented with great success. It was an exceptional undertaking for us. So far in such projects we have realized works connected with IT. In this case, we were responsible for the entirety of the project – the transfer of data from one bank to another, in addition to being responsible for all processes. In the process of obtaining this contract, we competed with large consulting companies which are usually selected as the main partners for such projects. We are happy because it is a good experience, a reference, but it also proves a great trust of the client, whom we have shown that we can do such things.

Investor 3:

Third-party services in 9 months of 2021 amount to about PLN 1.4 billion, of which about PLN 1 billion are salaries of associates and subcontractors. What is the value of electricity costs? By how much do you expect energy costs to increase in 2022?

KR-B:

I don't have the exact electricity costs in my head at the moment, we can come back with an answer. What I am able to say is the fact that in budgeting we assume significant inflation in this cost category, mainly in the European operations. It could be a double-digit dynamic. However, as far as the management of this area in Asseco Poland is concerned, last year and during this year we negotiated longer energy supply contracts. A considerable portion of next year's expenditures has been contracted, at least in the parent company.

Investor 3:

Due to inflationary pressures, are you also re-pricing upward your products and services? If so, what is the scale (%) of these increases? Do they apply to all or only selected products/services? In what time horizon can such re-pricing take place?

KR-B:

This is a very good question because it helps to address two issues. One is the indicator of recurring revenues, which concerns revenues that come from maintenance contracts, outsourcing contracts. In such contracts, as a rule – and I emphasize that as a rule, because this will not apply to the area of public administration – we have clauses that allow us to adjust salaries. This indexation is usually based on the inflation rate and the average salary increase index reported by the Central Statistical Office. These mechanisms are indeed there and we will be able to use these clauses on these recurring revenues. Indeed, we take great care that these clauses are in the contracts that we sign for long periods of time. It would be irrational for us to go into a 3 or 4 year contract without that. Sometimes these issues are a source of really heated discussions with clients. And we are eager to really "defend" ourselves regarding this topic. From the point of view of the Company's economic interest, it is a necessity for us. However, when it comes to the area of tenders, which are settled based on the Public Procurement Law, there is often no space to include such clauses in contracts. Hence, when we approach a tender in the area of public administration, we think very hard about how to price our services. That is why sometimes our valuations are on average higher

than those of our competitors. This is a result of the fact that we try to be very predictive. We have experience in pricing such long-term contracts. We try to learn from them and draw conclusions. Our principle is play-to-win and not play-to-play.

Investor 4:

What are your CAPEX plans for 2022 (vs. 2021) and can they impact the dividend next year?

KR-B:

As of today, we see that the CAPEX that we have in place after 9 months of 2021 and for what we have planned until the end of the year vs. what we have budgeted has not been fully implemented. This is a certain expression of the Group companies' rationality to spend money with more caution in uncertain times. I do not expect us to budget any significant increases vs. this year. At this point, I would like to emphasize again that we will be able to give a more concrete answer at the conference summarizing the whole year.

AW:

Those were all the questions. Thank you very much Karolina for answering them. Ladies and Gentlemen – this is the end of our conference. Of course I would like to invite you to contact us not only during the conference. Our IR department and the Management Board are at your disposal. If you need anything, please do not hesitate to contact us. We will try to answer any questions you may have. I hope we have answered all your questions today. Please join us now for our 2021 full year results conference call. As always, the conference will be attended by President Adam Góral, who greets you warmly and is already waiting to meet with you and share his visions for the company's development in the coming years. With that we close our meeting today. Thank you very much for your participation in the conference and feel free to contact us. Goodbye.