

Transcript from broadcast of Asseco's Q1-Q3 2022 earnings conference call**Artur Wiza – Vice President of the Management Board, Asseco Poland (AW)**

Good day to you all. We would like to welcome you to the conference on the Asseco Group's results for the three quarters of 2022. My name is Artur Wiza and I will chair today's meeting. We will begin with a presentation by Vice President Marek Panek covering the Group's operations for nine months. Later we will move on to the financial part, which will be presented by Vice President Karolina Rzońca Bajorek. Today we also have a guest speaker whom you know and who has often been at our conferences. It's Rafał Kozłowski, this time in the role of the Vice President of Asseco International, and most importantly the President of Asseco Enterprise Solutions. Rafał will present our activities in the ERP area.

We will start the meeting with a presentation of our business operations, and at the end we will move to a Q&A session. You have the opportunity to ask questions in our system during the conference, and we will try to answer them at the end. I will now ask Marek to start our presentation.

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

We welcome you very warmly. Thank you for choosing to come and be present with us in our conference room. I also welcome those who are with us on the other side of the Internet connection. As Artur said, we are sticking to our usual presentation order and will traditionally start with my part, that is, the characterization of the Asseco Group's business in the first three quarters of 2022. We make no secret of the fact that it was a very good period for us, and if you have had a chance to analyze our report, which we published yesterday, the numbers you have seen confirm this. We are very pleased with them. After a growth of 24%, we reached nearly PLN 13 billion in revenues. Non-IFRS operating profit grew to almost PLN 1.5 billion, and that was an increase of 15%. When it comes to non-IFRS net profit, we exceeded PLN 400 million. These figures are the result of our strategy, which we have consistently pursued since the beginning of our operations. It is based primarily on developing our proprietary software and providing related services. As you will recall, our business is well diversified geographically and by sectors, which also contributes to maintaining good results. We are also continuing our M&A policy. During the period under review, 10 new companies joined our Group. We also pay attention to our selective approach to projects. Here I am referring particularly to tenders in the public sector, but not only. We are very cautious and conservative. This means that we try to take part in those projects where we are guaranteed of successful implementation. We simply feel that we know how to do it and that we can make money on them. I think this is especially important these days. We choose projects that actually bring us value. We build long-term relationships with clients. A large part of our contracts are multi-year agreements, and many of our clients have worked with us for more than 20 years. This is important in our business, because it allows us to generate a steady stream of revenues related to the maintenance and development of our solutions.

We have been seeing increased interest in digitization among our customers for a long time, and this is obviously helping us and providing a long-term revenue stream and backlog for future periods. On the other hand, we are keeping a close and very cautious eye on what is going on around us. In recent quarters, we have been dealing with the pandemic. Now it has been overshadowed by other events. There is a war going on across our border, we are facing high inflation, we are seeing changes in the labor market. These are things that are constantly on our minds and to which we are somehow constantly trying to react. We manage the risks that are associated with these extraordinary events. These are events that we have not faced before in our history, and certainly not on this scale. It certainly makes us look to the future with caution.

The basic numbers that characterize our business in the three quarters of 2022 are more than PLN 12.8 billion in sales revenues, or 24% growth. Let's remember that the dynamics presented are strongly influenced by exchange rates. In the case of sales revenues, 43% of the increase is explained by the change in exchange rates. Please keep this effect in mind when I discuss the results in individual sectors. This does not change the fact that we are growing very dynamically.

Sales in our core business, which is proprietary software and related services, account for nearly PLN 10 billion. This is a 22% increase versus the previous year. Non-IFRS EBITDA amounted to PLN 1.9 billion, 17% more than last year. Non-IFRS EBIT reached nearly PLN 1.5 billion, up 15%. Non-IFRS net profit exceeded PLN 400 million. In a moment Karolina will deal with the results in a more detailed manner. And I will focus on discussing what happened in the various geographic segments of our Group.

Let me start with the Asseco Poland segment. In this area we see a 12% growth, which is not in any way affected by the exchange rates. This is practically organic growth; a small part of it is related to acquisitions. Here we would like to draw attention to two aspects. First, I emphasize the high dynamics of sales to public institutions, including the healthcare sector. We have been emphasizing this for several quarters. This is the result of a number of long-term contracts we have signed with large state institutions, including the Social Security Institution (ZUS), the Ministry of Justice, the National Health Fund (NFZ), the Agency for Restructuring and Modernization of Agriculture (ARiMR) and several others. These are customers that we have been working with for years, and recently we have also signed new contracts for development, maintenance, and are currently implementing them.

We also highlight the good results at our company Asseco Data Systems and at ComCERT, which is engaged in cyber security activities. You can see that this is an extremely important topic today, and this part of our business is growing very rapidly.

Our second segment is Formula Systems, and here we see a very dynamic 29% growth in sales. On the other hand, let's remember that Formula reports in dollars, and we convert this to zlotys. Therefore, the currency effect is most visible in this part. We explain 53% of the increase by exchange rates. On the other hand, it should be emphasized that Formula's companies have grown very dynamically and all have double-digit, solid sales revenue growth. We do not see any reason for concern here.

Formula is very active in the M&A area. Of the 10 companies that joined our Group, 7 were entities purchased by Formula Group companies.

In the case of the Asseco International segment, we see an 18% increase in sales revenues. The effect of foreign exchange rates is also evident here, although far less than in Formula. Roughly 20% of this growth is the effect of foreign exchange rates. The rest, on the other hand, is organic growth, and acquisitions are also responsible for a small part. In this area, we again emphasize two things. The development of sales of ERP solutions - but I will stop here, as Rafał will say a lot more about this. The second area worth highlighting is the business of Asseco South Eastern Europe, where we see dynamic growth especially in the payment business.

At the bottom of the slide, you can see how revenues grew in each segment over the three quarters of the last 5 years. What is noteworthy is that each of them recorded sales increases during this period.

Asseco is also diversified by sectors. The share of individual sectors in revenues remains fairly stable. After three quarters, 42% of sales came from the general business sector, with banking and finance was responsible for 34% of revenues. The remaining 24% was generated in the public institutions sector. In a manner similar to the previous slide, in the bar chart you can see how revenues grew in each sector over the three quarters of the last 5 years.

I will now discuss the elements that influenced our results presented in each sector. We will start with banking and finance, where we observed a 22% increase in sales at the Group level. Formula Group is the largest contributor to this sector's revenues. Of the Group's PLN 4.4 billion in total sales, Formula is responsible for PLN 3 billion. Such a large share is not surprising, given that sales generated by Formula account for 67% of the Asseco Group's revenues. The Formula Systems Group's sales to the finance and banking sector increased by 23%. Here the main players are Sapiens and Matrix. In the case of Sapiens, virtually 100% of revenues are generated from sales to the financial sector. We note that Sapiens, after a weaker period when it posted worse results in the United States due to the pandemic, has rebuilt sales and is back on track. Matrix, which serves a number of financial institutions, primarily in Israel, continued its growth. Magic also reported good sales results to the banking and finance sector.

At Asseco International, revenues from banking and finance grew by 24%, and we exceeded PLN 1 billion in sales in this segment. For this segment, we highlighted the strong performance at Payten, as well as Asseco PST, the company operating in Portuguese-speaking countries. In the case of the Portuguese, the increase in sales was supported by the acquisition last year of Finantech, which operates in the financial sector.

In the Asseco Poland segment, we had a 13% increase in revenues. We exceeded PLN 350 million in sales in the banking and finance sector, which we are very pleased with. It is worth recalling that in this area we are carrying out 3 major projects to implement core systems in banks in Poland. We continue to cooperate with a large group of our regular customers with whom we have been associated for years - providing us with a constant source of revenues - under servicing and development contracts.

Let's move on to the general business sector. In this area, we see a 28% increase in Group revenues, which reached nearly PLN 5.4 billion. We see the highest dynamics in the Formula Systems segment, also affected by the exchange rate differences. In the case of the Formula Group, the largest portion of sales in the general business sector is generated by Matrix IT and Magic Software. A large share of the presented increases was contributed by ZAP, which joined us in April last year, and whose almost 100% of revenues come from the general business sector.

Asseco International recorded a 21% increase in sales to the general business sector and is approaching PLN 1.5 billion in revenues. A large share of the growth shown was contributed by Asseco Enterprise Solutions, which Rafał will talk more about in a minute. We recorded very good results in our Spanish company, whose business is mainly related to the provision of infrastructure.

In the case of Asseco Poland, sales remained at a similar level to the three quarters a year ago. On the other hand, let's remember the higher base last year, when there was a one-time event related to the sale of third-party licenses to Polkomtel. It was responsible for about PLN 10 million higher sales in this category year-on-year. If we had excluded this effect, we would have seen increases in this area. I would like to point out that Asseco Poland in the general business sector works with energy groups. We are the largest provider of IT solutions for the energy industry. We are implementing a large project at PGNiG. Telecommunications is also an important sector for us, where we work mainly with Polkomtel, implementing a large B2C systems transformation project for this client.

In the public institutions sector, we recorded a 22% increase in the Group sales, which exceeded PLN 3 billion.

Formula Systems was responsible for nearly PLN 2 billion in revenues from this area, and sales here grew by 30%. Revenues from the public institutions sector in the Formula Systems segment are generated mainly by Matrix IT, which serves many public institutions in Israel.

In the Asseco International segment, sales remained at a similar level to last year, which we are very pleased with, given the slowdown in the Czech Republic and Slovakia that we have been signaling for several quarters now. In addition, in the Czech Republic we are running a difficult project in one of the ministries. Like last year, we came close to reaching PLN 500 million in sales in this area.

The Asseco Poland segment generated a solid 18% growth in sales to public institutions, achieved purely organically. We generated PLN 640 million in revenues, which was influenced by the issues mentioned earlier, i.e. long-standing cooperation with many public institutions in Poland, including the health service. ComCERT, which generates a large portion of its revenues from the public sector, is growing dynamically.

On the next slide, we discuss the acquisitions we made. As I mentioned, 10 new companies joined our Group during the three quarters of 2022. 7 of them were purchased by Formula Group companies. One company was acquired by Asseco PST in Angola. This is not a large acquisition, but it complements well the competence and market position of our partners in Portugal. One acquisition was carried out by Asseco South Eastern Europe. One acquisition was carried out in Poland, which we have already mentioned at previous conferences, as it was a transaction finalized in the first quarter.

Finally, I will discuss the consolidated order book, which relates to proprietary software and services. This is the most conclusive approach because it relates to our core business. We are showing the data in two views: at fixed exchange rates and at floating exchange rates, so that the effect of exchange rate differences can be assessed. Looking at fixed exchange rates, the increase in the backlog was 10% over the figures presented a year ago, and is similar in all the segments in which we operate. By contrast, in the floating exchange rates, the increase was 19%. In this case, it varies more across our business segments, precisely because of these exchange rate differences. The backlog makes us optimistic. We are already at the end of the year, and we can say that it will be a good or even very good year for the Asseco Group. At the same time, as I mentioned at the beginning, we are cautiously looking to the future. Thank you for your attention. I now turn the floor over to Karolina.

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

Good day to you all. Let me start with a few comments about our profit and loss statement. Revenue growth for the three quarters of 2022 compared to the three quarters of 2021 reached 24%. 49% of this growth is purely organic, 8% is acquisitions, and the remainder is foreign exchange, mainly from the Formula Systems segment. Non-IFRS EBITDA amounted to PLN 1.9 billion, with a profitability of 14.9%. We expected a decrease in this profitability compared to the three-quarter period of 2021 – the drop amounted to 1.0 p.p. We observe a similar situation on the non-IFRS operating profit line. Profitability of 11.5% is the figure we expected, and I think it will be representative of the whole year. Operating profit was PLN 1.35 billion, bearing in mind that in the second quarter we included the impact of two significant one-off events. Of the PLN 147 million you see in the M&A and non-recurring events line, the majority relates to the second quarter, specifically the sale of the company by Matrix IT (this is a positive effect) and the write-down of assets at Tecsisa in Spain. Operating profit margin was 10.6%. We believe that these are very good results, given the environment in which we operate. What we see below

operating profit is a stable interest result thanks to the fact that the majority of our debt is taken out at fixed rates. We do not expect a significant increase in this item this year. Also noticeable is the impact of hyperinflation in the Turkish market, which had a direct positive impact of PLN 23 million on the Asseco South Eastern Europe Group. The effective tax rate in the nine-month period of 2022 was 21.2%, but in the third quarter alone it was lower due to the settlement of a tax loss on one transaction in Asseco Poland. We achieved a non-IFRS net profit of PLN 409 million, a 6% year-on-year increase. This is a result of presenting the result for shareholders at this level net of those places where minority shareholders have a significant stake, i.e. Formula Systems or Asseco South Eastern Europe. Therefore, the dynamics on this line are lower.

Let's now move on to discuss the performance of individual companies. We are pleased with the results of Asseco Poland. Non-IFRS operating profit after three quarters of 2022 amounted to PLN 150 million. After a period of very intensive work and efforts in the public administration segment, we are back to a certain norm in this area, i.e. good results. At the same time, there was some decline in profitability, which we expected. Asseco Data Systems also achieved good results during the reporting period. I would like to draw attention to the remaining companies, where we can see very strong growth in non-IFRS operating profit for the three quarters of 2022. Included here are smaller companies, e.g. Asseco Cloud, ComCERT, which, in line with our expectations, are performing very well and, when consolidated, add to the growth of the segment. In the third quarter, we also accounted for the sale of real estate, which was included in operating profit in the amount of PLN 13.5 million.

In the Formula Systems segment, we saw increases in every segment and in virtually every geographic area. We are very pleased with Formula's performance.

In the Asseco International segment, especially in the Central European market, operating profit is down in the three quarters of 2022 versus the corresponding period in 2021. This is due to the difficult contract executed in Central Europe, which we mentioned earlier. This decline is offset to some extent by the Asseco South Eastern Europe Group, or Southeastern Europe market, where we see increases. When analyzing the Western European market, we can also see the effect of the one-time transactions we discussed at the conference after H1 2022. We are talking about the write-down of receivables at Asseco PST, which is our company operating in Angola, among other countries.

We are pleased with the improvement in cash flow in the third quarter of 2022. In LTM terms, we were able to cash 74% of the Group's EBIT, and we see an improvement on a third-quarter 2022 to third-quarter 2021 basis. We have already talked about the expected improvement in cash flow. I think it will be the same in the fourth quarter. It's important to keep in mind that growing business involves increasingly more working capital, hence some temporary freezing of cash just in working capital. Our inventories are growing, but when analyzing inventory turnover ratios or receivables collection, there is nothing alarming in any of the segments. The level of cash flow presented is in line with our expectations and natural for how our business is growing.

As for the liquidity situation, we have PLN 3.3 billion in the Group cash, net cash in each segment. The Asseco Poland segment is still debt-free. There is relatively little debt in the Asseco International segment. Relatively larger in the Formula Systems Segment, but as I said - safe, because mostly at fixed rates, and also oscillating around the 1x net debt/EBITDA ratio. We don't see anything worrying here. We enjoy a very stable liquidity situation. Thank you.

Rafał Kozłowski – President of the Management Board, Asseco Enterprise Solutions, Vice President of the Management Board, Asseco International (RK)

Thank you for the invitation and the opportunity to share with you what we are doing in the ERP segment at Asseco Enterprise Solutions. One of the big advantages of the Asseco Group is its geographic and sector diversification. On the one hand, they provide an opportunity to offset weaker periods in one place with those places where those periods are better. On the other hand, as we look at sector diversification itself, let's remember that in the history of building the Asseco Group, we have been able to acquire many companies that are very strong in local markets. One of the premises of building the Asseco Group is to enable these companies to work more closely together. Such an example is the sector of companies that provide ERP software to their customers. To date, the strongest representation of this sector has been built by Asseco in the diagram presented on the slide, i.e. in 7 countries. You know the company Asseco Business Solutions, which operates in Poland. We also have very strong players in the German-speaking market, starting with Germany, Austria, but also in northern Italy. Then, of course, there are companies from the Czech Republic and Slovakia. All these companies are part of Asseco Enterprise Solutions. I have been at the head of it for some time. One of the tasks I have set for myself, and this is also the task I received from President Adam Góral, is to bring about better and more intensive cooperation between these entities. However, it should be remembered that this industry is quite specific, i.e. the software we provide to our customers is strongly related to local specifics, as well as to the legal regulations in force in a given territory. Hence, there is no need, or on the contrary, we are in favor of not making unnecessary centralization, but maintaining this local specialization. And this is one of the competitive advantages against global ERP software providers. On the other hand, there are many aspects of doing business, defining new directions, providing new functionalities, where international cooperation should function and become stronger. Let's remember that small and mid-sized entities are mostly indicated here. We have shown at the level of Asseco Business Solutions that the combination of several small entities is justified, because in such a group there is strength and much better results can be achieved. This can be seen on the Polish market. We firmly believe that at the level of the group structure of Asseco Enterprise Solutions, working together wisely, we can achieve similar results in the medium term.

There are two sub-segments in the business of Asseco Enterprise Solutions. One focuses on ERP software, that is, software that supports the management of companies. We have 13 ERP systems in 7 countries. We reach 700,000 users, 70,000 customers. The other class of solutions, on the other hand, are SFA solutions that support the sales process. Here we have the Mobile Touch system from Asseco Business Solutions. We reach 55,000 users, 130 clients already on a very global scale, as we serve 50 countries. The entire Asseco Enterprise Solutions Group has 2,000 specialists who are ready to assist clients in their services.

What are our challenges, what are we focusing on and what is important to us? Before I go into details, I want to remind you what the specifics of this market are. Well, we are producers of software that is not a project, not a dedicated solution for one or a few customers. It is the production of real products that are delivered to many customers. As I presented on the previous slide, there are already many of these customers. That's the strength and stability we have, and that's why we're able to not only provide services to them, but to keep building new functionalities, improving existing software, and delivering value to existing customers, as well as trying to get new ones. We look at this as a stable way of building a customer base and value for customers in the long term.

Today we set three areas as important from the perspective of what we want to deliver in the coming years. The aspect of moving to the cloud everything we deliver to our customers is very important. What does this mean?

It is related to the technological “stack” we are dealing with in particular places, countries and for particular products. Some of these “stacks” are more modern, some less so. This is also a certain barrier to providing the service from the cloud, but we are working a lot on it. For the first four products, we already have this real readiness to provide services from the cloud or deliver software from the cloud. These are Softlab, WAPRO, Macrologic and SPIN. SPIN is a Slovak solution, the others are Polish solutions. There is some interest in sourcing our software from the cloud, although the on-premise method of delivery to the customer still prevails. For the other products this direction has also been taken and work is underway.

The second element that we are very focused on is expanding the range of functionality that our products have, particularly the use of modern algorithms, whether related to artificial intelligence (AI) or, more specifically, machine learning. Where is the challenge here? It's about delivering real value from these technologies, not just merely technologies. Customers will be happy to hear that we'll use the most cutting-edge technologies in our solutions, but in a moment they'll move on to asking what they'll get out of it and why it might be useful to them. And they will certainly ask why they should pay for it. So we focus on how to generate real value for the customer through technology. We have a number of areas that are interesting and that we have already been able to build for our customers. Here I also see a very great value in cooperation between the various companies that are part of the Asseco Enterprise Solutions holding company, because we can share the experience of attempts that have been made in one place and not yet in another, share knowledge of certain “blind alleys” that someone entered and then had to withdraw. These are the kinds of elements that will bring us value in the medium term. I will give an example of the applications of these algorithms. As I said, it's very important that they have to be practical. I will start not with ERP solutions, but with SFA solutions. Asseco Business Solutions in the FMCG field has built a solution to support sales representatives who represent suppliers in their contact with stores where goods produced by these suppliers are sold. It is designed to facilitate and significantly accelerate the collection of information on the quality of goods displayed at these vendors. It uses computer vision technology, a solution that interprets a graphic image into business value. What is this based on? Well, up until now the sales representative, using a tablet, wrote down manually information on what was displayed, on which shelves, at what prices, whether the goods are well exposed, whether they are not accidentally covered up, etc. Today, all this is done automatically – the representative takes a picture of the shelf and you can say that in real time the information about all that I said is read out and very quickly suggestions are generated as to what should be improved, what should be included. An amazing technological achievement, but above all, also a great value for the customer. The customer shortens the time spent in a particular store, much more precisely identifies the activities that need to be done, how to improve the way goods are displayed to increase sales. This is what we focus on.

I will also provide examples of the application of these technologies in the area of ERP solutions. I will show two of them, but there are many more of these examples. A certain issue is configuring the windows in which users of a given system operate. Classic systems are constructed in such a way that they propose in advance a certain layout of the window with the information that shows up for the user in such a window. Often this information is redundant for them or some information is missing. We came up with the idea that this process should be automatically verified by AI-class systems. The systems track the user's behavior in our systems and suggest the windows the user uses most often and suggest hiding the other windows. If the user reaches for some additional information,

it is brought up automatically on the screen the user uses on a daily basis. This sounds kind of like “fireworks,” but there are two practical advantages. The first - this makes it very easy for users to function in our ERP system and increases satisfaction in using the solution. The second - it has made it possible to go one step further. The

system tracks user behavior and doesn't just look statically at what screen is being used, but what next steps the user is taking. And this is just a step to more automation of the company's processes. After a while, the system automatically suggests which processes can be automated because the user behaves in a predictable and repeatable way. And that's another step toward eliminating a lot of manual work, and giving the people using the system time to focus on tasks that artificial intelligence doesn't or can't help with for now. And indeed this added value for individuals is much more important.

On the other hand, the second category of systems are, for example, algorithms that allow to optimize the company's inventory by analyzing various phenomena related not only to the internal environment of the company, but also to external aspects, such as temperature, championships that are happening in the country, etc. Everything is taken into account and allows us to actually anticipate demand for the products in question, thereby ordering in advance enough goods or materials that will be necessary for us. On the other hand, one of the challenges we encountered here is how to not only build these additional functionalities, but how to monetize them. That is, when will the customer actually want to pay for it? What kind of payment model should we adopt so that it is interesting to us as a company, but also acceptable to the customer? If the customer is not obliged to pay for something directly, we don't really know if we are generating value for them. Here, too, we have different experiences, we have tried different methods. We have some ideas at the moment. We are trying to generate a business model based on recurring monthly fees related to the number of users of a solution. This is succeeding for us. I would also add that most of these solutions I mentioned are already offered from the cloud, i.e. even if a customer has an on-premise solution, when using these additional solutions, they still do it through cloud technology. This is also our way of moving out of the more traditional technology stack into cloud-related technologies.

The third area we focus on is the area related to improving UI, UX, i.e. the aesthetic feel of the customer related to how the system looks and whether it is user-friendly. We also focus on the ergonomics of using this system, i.e. how many times you have to click to complete a certain process, how difficult it is to retrieve certain information, etc. What's more, each of the elements I've stated, i.e. working on the technological upgrading and on moving our solutions to the cloud, adding new functionalities, and working on the graphical interface and ergonomics of the solutions, are places where each system must work independently. International cooperation and work in the teams I launched after coming to the Asseco Enterprise Solutions Group are also invaluable here. They allow people to benefit much more from each other's experience, knowledge and accelerate the necessary development. Our position in the ERP market is very strong in each of the countries presented. The products you are familiar with are largely not new, but we make sure they are modern and win over the competition. This is our strength – we develop those systems we have and try to be at the forefront of creating innovative solutions all the time. We are succeeding in this. Thank you.

AW

Thank you very much. I would like to mention that Asseco Business Solutions, which is an important part of the Asseco Enterprise Solutions Group, this year took first place in the category of ERP system producers in the Computerworld TOP200 ranking, which has been published in Poland for 20 years. We congratulate you and are, of course, happy that Asseco Business Solutions has made its contribution when it comes to building Asseco's position as a leader in digitization in Poland. Now, let's move on to the Q&A session. Thank you once again, Karolina,

Marek and Rafał. I will try to read the questions coming in one by one. Those present in the room are also encouraged to ask them.

Investor 1

Are you planning acquisitions in the ERP area?

RK

Asseco is always thinking about acquisitions, and this is a process that Marek can say more about. This process is ongoing all the time. On the other hand, focusing on ERP – at the moment we are finalizing one small acquisition in the Czech Republic. Of course, we are looking around the market all the time. We had some ideas, but for various reasons, except for the one example I mentioned, we didn't reach an agreement with the other side of the deal. We are interested in acquisitions in this area and are working on it.

Investor 2

The rate of the wage growth in the third quarter and after 9 months of 2022 is now clearly above 20%. Can I ask for the breakdown of this +20% – what is the wage increase and what is the headcount increase?

KR-B

Looking at the nominal values of labor costs presented in the report in three quarters of 2022 compared to three quarters of 2021, the increase in the Group was 24%. However, I think in our case, first of all, it makes sense to look at segments, and secondly, to take off the effect of exchange rate differences. As for the 24% growth, the breakdown by segments would look like this: Poland – 11%, Asseco International – 16%, Formula Systems – 27%. On the other hand, if we fix the exchange rates, that is, we would count these increases in fixed exchange rates, then, of course, in Poland this 11% will not change, in Asseco International it will be 14%, and in the Formula segment only 11%. This is the situation with overall labor costs.

If we want to look at our headcount, it grew by 9% in 9 months of 2022 compared to 9 months of 2021. The most dynamic growth was in Formula. So we are looking at average per capita wages. In variable exchange rates, the dynamics of average salary growth at the Group level reached 14%, and by segment it will be 11% in Poland, 9% in Asseco International and 14% in the Formula Systems segment, respectively. What may come as a surprise is when looking at the dynamics at the level of average salaries in constant exchange rates, they decline even further. In the Formula Systems segment, this dynamic is totally negative. So, in constant exchange rates, the average salary across the Group increased by 2%, with Poland up 11%, Asseco International up 7%, and the Formula Systems segment down 1%. This negative dynamic is related to the labor market situation in the United States, but also to Formula's return to hiring in countries where human resources are a bit cheaper, such as India. Hence the negative dynamic, which may even come as a bit of a shock these days.

AW

It's worth mentioning that the increases Karolina has just mentioned are in line with what we planned at the beginning of the year. Let's also remember that at the beginning of the year we had a large contract in Poland, in connection to which we proved at the National Board of Appeals that these costs would increase, while our competitor claimed that it did not anticipate such increases. Therefore, this is a state in line with our predictions for this year.

Another question also concerns the labor market.

Investor 2

Can you comment on the current situation in the IT labor market? Is the pressure on salaries slowly easing? Do you see a reduction in the activity of competitors, especially foreign ones, in terms of recruiting your specialists?

MP

Maybe I will answer. We also talk about this with our colleagues from abroad, from different companies in different countries, and we have the impression that we have probably already passed this peak in terms of pressure and salary increases. The situation is stabilizing. We signaled this in the previous quarter, because we spoke with Guy from Israel, and in Israel this has changed dramatically. While just a year or two ago you saw a lot of start-ups, a lot of investment, a lot of money in the market that was available for development, which often resulted in overpaying employees and paying practically any money for specialists, this has now ended. Maybe not quite yet, but it is clear that this effect is not there today. We read in the press about what is happening in the United States, about mass layoffs in various technology companies. These are just signals, of course, but I think it will gradually come to us. At Asseco, we have always had a rotation well below the market, and in the last period it was below 10%. Of course, like everyone else, we felt wage pressure, but this is slowly stabilizing.

Investor 2

If we exclude foreign exchange rates and all acquisitions, what would be the organic growth rate for the nine months of 2022?

KR-B

If we took off all the growth effect from M&A and converted revenues at fixed exchange rates, revenue growth at the Group level would be 12%. On the other hand, if we looked at non-IFRS operating profit in the same terms, that growth would be close to 6%.

Investor 2

What is the baseline scenario for EBIT profitability in 2022 and 2023?

KR-B

I mentioned the non-IFRS EBIT profitability when discussing the profit and loss statement - it is 11.5%. Today, I see no indication that the full year will not be close to this value. As for profitability for 2023, on the other hand, I would prefer to comment on that after the budgeting process is closed. We've only just started this process, so I don't yet have hard data to be able to tell you anything on this subject. Looking preliminarily at our numbers, the situation looks stable.

Investor 3

In which country/region do you currently see the greatest risk of deteriorating performance in 2023 due to a likely recession?

MP

We have not analyzed it in this way. We are at the budgeting stage, and we will be collecting information from the companies as well. This will be the moment when we will also consider whether the factors affecting business are related to the recession or whether they are completely different.

AW

The question included the strong phrase "probable recession." We keep talking about the risks we see, but we haven't even started using the above-mentioned phrase yet.

Investor 2

Asseco Poland Backlog +9%. Which segment represents the highest dynamics: public institutions, finance and banking or general business?

KR-B

The highest dynamics are in the public segment, oscillating around 12%. On the other hand, similar dynamics, which makes us very happy, are presented by the finance and banking segment, reaching around 10%. We see the lowest dynamics in our third smallest segment, the general business segment.

Investor 3

In which country have you recorded the highest growth in new orders this year?

MP

This is a difficult question because we don't measure it that way. I don't know if we have hard data.

AW

We look at revenues and what is being realized, not the number of orders.

KR-B

When analyzing revenues generated per country, we can see that there is a rebound at the Formula Systems level in the United States. So if the question is about dynamics, in the 9 months of 2022 to 9 months of 2021, the highest level was recorded in the United States. It was a double-digit figure, in the range of more than 30%. This is mainly related to the rebound in the banking area in Matrix IT. I don't know if this was the intention of the person who asked the question.

MP

This only partially answers the question, as you can get it with one order or 10,000 orders.

AW

We don't have the data to give a concrete answer to this question.

Investor 2

During the inception of Asseco Enterprise Solutions, I think it was around 2017-2018, you mentioned an IPO, (not necessarily on the WSE), as one of the options for development. Is such a scenario still under consideration, and at what time could such an IPO happen, and whether on the WSE or, for example, Frankfurt?

RK

This is one of the options, but it is not being analyzed today. At the moment we are focusing on the organic, good functioning of the companies and their delivery of value to the customer. As for attempts at a capital merger of the companies, today we are not working on anything concrete. At the same time, this is not a situation that cannot happen sometime in the future. Perhaps someday we will return to it.

Investor 3

Do cloud revenues (PLN 994 million) equate to recurring revenues?

KR-B

This is a difficult question, because it depends on how you define recurring revenues. Cloud revenues are actually revenues that are generated from Software as a Service stream. Comparing ourselves to our peers, as a rule of thumb, these revenues are considered recurring revenues, while we have the attitude not to believe that something is given once and for all, because subsequent orders have to be won anew. Therefore, I would not consider it unequivocally equivalent.

MP

I wouldn't risk such a clear-cut answer here either. Let's remember that in the cloud area we are implementing a variety of projects. These include, for example, projects involving migration to the cloud. Migration in itself is a service that is a one-off. Of course, it later makes it possible for us to generate recurring revenues from it, but this initial stage has to be completed and it is a one-time project. I wouldn't say that these are fully recurring revenues.

AW

In the cloud we are moving to a form of cooperation that is based on a subscription, but the subscription, as everyone knows, can also be terminated at some point. Previously, we used to sign a contract for a project, such as implementation and a maintenance contract for 2 or 3 years. Now signing such subscription contracts carries a certain risk, because at some point the customer, e.g. due to the market situation, can terminate such a contract. So cloud solutions carry both positive aspects and some risks.

Investor 4

Does the amount of the net profit adjustment for the third quarter of 2022, i.e. PLN 5.4 million (slide 15), take into account the sale of properties in Poland and write-downs in Angola? What were the largest amounts making up this adjustment?

KR-B

In this item we have M&A and one-off events, but we refer to non-IFRS net profit. We adjust this item for PPA, SBP and M&A. We do not consider the write-down of receivables as a one-time event. The nature of our business is that sometimes a receivable has to be written down, so the Angola write-downs are not included here. We show them in the classic International Accounting Standard (IAS) result. The same is true for the sale of fixed assets. So neither the sale of real estate nor the write-downs in Angola are included in this amount. In this item we have the usual M&A shown, mainly in Israel, that is, the conversion of contingent payments for controlling stakes in acquired companies, and this is a positive adjustment. There is also an adjustment here for the sale of a company in Asseco South Eastern Europe - this is about one of the entities that was disposed of this year and the transaction ended with a loss of around PLN 3 million.

AW

Thank you very much. That was the last question we got online, but we still have a question from the floor.

Investor 5

The question is about the contract at ZUS. What does it look like in terms of the number of contracts and how is it implemented?

AW

We are implementing these projects, and all orders are going according to plan. We have the details of the projects in the report - all the numbers, contracts, orders that were under this project signed and implemented. We do not have any delays or problems in the implementation of this project, also it seems that everything is according to plan. I do not know what other details you are interested in regarding this project. For us, this is an important client, but at the same time it is one of the many projects we are implementing.

MP

It is worth adding that we are feeling the time pressure on this project and the pressure of the fact that there is a lot of work to be done here. We have carried out 500+, 300+ programs, aid to those affected by the (river) Oder contamination, aid to Ukrainians - these are special projects that we did not anticipate at all some time ago. In addition to the previously planned assignments under the development agreement, we have added these projects.

KR-B

These projects go beyond the stream of the development agreement.

MP

The effect is that people in our teams are really overworked. We have increased our workforce, but let's also keep in mind how big it is and how long it takes to prepare people to effectively join the team. It is not easy. There is indeed a lot of work, but we are happy because we are meeting with appreciation from the customer. Despite the

time pressure, we deliver solutions on time. We manage to work effectively and this cooperation is really going very well.

AW

Marek mentioned various projects. It is worth highlighting the 500+ project. Previously, payments from this program were made by the local administration, but now they are made by ZUS. Previously, this was done by almost 10,000 people, at the moment the payments are carried out by dozens of people at ZUS. This automation has resulted in huge savings, which ZUS actually counts in hundreds of millions, if not even billions of zlotys. We are implementing a lot of projects that have accelerated digitization. We have heard a lot of positive information about solutions such as e-leaves, e-prescriptions, etc. The digitization process of e-government is speeding up and improving the convenience for citizens.

Investor 5

The question is about DXC and the selection of DXC's bid in the tender organized by the Agency for the Restructuring and Modernization of Agriculture (ARiMR). Do you see DXC-like companies participating in other public tenders?

AW

In this case, not the best, but the cheapest bid won. This is a signal to us. When comparing our offer to the bids of Comarch, which has competed with us for contracts in the public sector for some time - our prices have not been so different. And in the case of this tender – one shall look at the difference between Comarch's price, ours and DXC's. We are surprised by this amount, especially considering the current labor market. Our comment is that, of course, we will appeal. On the other hand, do we see such situations elsewhere? We don't see it, but the last 5 years have shown us that with such projects, the winners, who quoted very low amounts, had very big problems with their implementation. We already signaled a few years ago that we avoid such projects, such contracts, because in the public sector you can have a problem later because of this. The most important thing is to get the project done, and the penalties are absolute, and it costs money. You can ask this question to DXC, how they calculated that they are able to complete the project at such a price.

Investor 2

The current consensus is for EBIT and net profit to grow by 5% y/y in 2023. Are such dynamics the base case scenario for you today?

KR-B

As I said, we would like to speak about 2023 a little later. Today we don't have the data to talk about this yet. I would prefer to comment on it at the next conference.

Investor 2

Could the uncertain economic/political situation affect the 2022 dividend?

KR-B

We always leave the privilege of announcing dividends to our President. On the other hand, from a strictly financial point of view and perception, it should be said that today the stable liquidity situation of our Group gives no reason to think any differently about our dividend policy.

AW

With this answer we end our meeting, and would like to invite you to the next one. It will cover the fourth quarter and the whole of 2022. We always invite the President to this meeting as well, so there will be an opportunity to ask him questions. Of course, you are also welcome to contact us directly. We are always open to this. Thank you again for your participation in today's conference. Thank you very much Karolina, Marek and Rafał for presenting our activities for 9 months, and we cordially invite you to the 2022 summary. See you there.

KR-B, AW, MP

Thank you.