Financial Statements of
ASSECO BUSINESS SOLUTIONS S.A.
for the Year Ended 31 December 2019

Financial Statements of
ASSECO BUSINESS SOLUTIONS S.A.

Profit and loss account and statement of other comprehensive income ASSECO BUSINESS SOLUTIONS S.A.

PROFIT AND LOSS ACCOUNT	Notes	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Operating income	4.1	273,860	254,690
Own cost of sales	4.2	(153,518)	(146,061)
Gross profit on sales		**120,342**	**108,629**
Cost of sales	4.2	(12,951)	(13,386)
Administrative expenses	4.2	(20,439)	(19,041)
Net profit on sales		**86,952**	**76,202**
Other operating income		941	809
Other operating expenses		(217)	(434)
Operating profit		**87,676**	**76,577**
Financial income	4.3	896	414
Financial expenses	4.3	(1,849)	(862)
Profit before tax		**86,723**	**76,129**
Tax on profit or loss	4.4	(13,284)	(13,560)
Net profit		**73,439**	**62,569**
Earnings per share (in PLN)			
basic from net profit	4.5	2.20	1.87
diluted from net profit	4.5	2.20	1.87

OTHER COMPREHENSIVE INCOME:	Notes	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Net profit		**73,439**	**62,569**
Items that may be reclassified to profit and loss:		-	-
Items not subject to reclassification to profit and loss account:		**(379)**	**(187)**
Actuarial gains/losses		(469)	(229)
Income tax on remaining comprehensive income		90	42
Other comprehensive income total:		**(379)**	**(187)**
TOTAL COMPREHENSIVE INCOME FOR PERIOD		**73,060**	**62,382**

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

Balance sheet
ASSECO BUSINESS SOLUTIONS S.A.

ASSETS	Notes	31 December 2019 *PLN thou.*	31 December 2018 *PLN thou.*
Non-current assets			
Property, plant and equipment	5.1	12,172	20,334
Intangible assets	5.2	276,091	277,429
including goodwill from merger	5.2	*252,879*	*252,879*
Right-of-use assets	5.3	51,313	-
Assets from contracts with customers and long-term receivables	5.5	881	1,085
Deferred tax assets	4.4	3,055	1,687
Prepaid expenses and accrued income	5.6	36	34
		343,548	**300,569**
Current assets			
Inventories	5.8	726	390
Trade receivables	5.5	45,290	46,359
Assets from contracts with customers	5.5	1,528	565
Other receivables	5.5	651	321
Prepaid expenses and accrued income	5.6	574	918
Other assets	5.7	14,374	131
Cash and short-term deposits	5.9	15,950	12,800
		79,093	**61,484**
TOTAL ASSETS		**422,641**	**362,053**

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

Balance sheet
ASSECO BUSINESS SOLUTIONS S.A.

LIABILITIES	Notes	31 December 2019 *PLN thou.*	31 December 2018 *PLN thou.*
TOTAL EQUITY			
Subscribed capital	5.11	167,091	167,091
Premium		62,543	62,543
Retained earnings		86,471	68,686
		316,105	**298,320**
Long-term liabilities			
Bank loans, debt securities	5.12	-	6,701
Lease liabilities	5.13	46,863	4,502
Provisions	5.16	2,499	1,809
		49,362	**13,012**
Short-term liabilities			
Bank loans, debt securities	5.12	-	6,650
Lease liabilities	5.13	8,423	1,688
Trade liabilities	5.14	6,083	5,029
Liabilities from contracts with customers	5.15	12,678	11,134
Tax liabilities on corporate income tax	5.14	2,384	1,551
Budgetary commitments and other liabilities	5.14	13,350	12,178
Provisions	5.16	421	882
Accruals and deferred income	5.17	13,835	11,609
		57,174	**50,721**
TOTAL LIABILITIES		**106,536**	**63,733**
TOTAL EQUITY AND LIABILITIES		**422,641**	**362,053**

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

Statement of changes in equity
ASSECO BUSINESS SOLUTIONS S.A.

	Notes	Share capital *PLN thou.*	Surplus from the sale of shares above their nominal value *PLN thou.*	Retained earnings *PLN thou.*	Total equity *PLN thou.*
As at 1 January 2019		**167,091**	**62,543**	**68,686**	**298,320**
Impact of IFRS 16	2.5.i	-	-	(5,148)	**(5,148)**
As at 1 January 2019 (after recognition of IFRS impact)		**167,091**	**62,543**	**63,538**	**293,172**
Profit in reporting period		-	-	73,439	**73,439**
Total of other comprehensive income		-	-	(379)	**(379)**
Dividend for 2018	4.6	-	-	(50,127)	**(50,127)**
As at 31 December 2019		**167,091**	**62,543**	**86,471**	**316,105**
As at 1 January 2018		**167,091**	**62,543**	**49,957**	**279,591**
Profit in reporting period		**-**	**-**	62,569	**62,569**
Total of other comprehensive income		-	-	(187)	**(187)**
Dividend for 2017	4.6	-	-	(43,444)	**(43,444)**
Other adjustments		-	-	(209)	**(209)**
As at 31 December 2018		**167,091**	**62,543**	**68,686**	**298,320**

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

Cash flow statement

ASSECO BUSINESS SOLUTIONS S.A.

	Notes	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Cash flow from operating activities			
Profit before tax		86,723	76,129
Adjustments:		**31,239**	**18,021**
Amortisation/Depreciation	4.2	24,507	18,557
Changes in working capital	6.1	6,013	(1,007)
Lease interest income/expenses		94	676
Lease interest income/expenses		1,720	-
FX gains/(losses)		(306)	-
Other financial income/expenses		(501)	(170)
Investment gain/(loss)		(181)	(31)
Other adjustments		(107)	(4)
Cash generated from operating activities		**117,962**	**94,150**
(Income tax paid)		(12,521)	(13,956)
Net cash from operating activities		**105,441**	**80,194**
Cash flow from investing activities			
Receipts:			
Receipts from the sale of fixed assets and intangible assets	6.2	392	451
Repaid loans		-	54
Other receipts		-	351
Outflows:			
Purchase of fixed assets and intangible assets	6.2	(4,607)	(3,568)
Expenses related to ongoing development projects	6.2	(11,289)	(9,804)
Bank deposits		(14,000)	-
Net cash used in investing activities		**(29,504)**	**(12,516)**
Cash flow from financing activities			
Receipts:			
Receipts from obtained loans	6.3	21,593	-
Outflows:			
Dividend paid	6.3	(50,127)	(43,444)
Expenses related to loans	6.3	(34,944)	(6,651)
Repayment of lease liabilities	6.3	(7,480)	(1,195)
Interest paid	6.3	(1,829)	(674)
Net cash from financing activities		**(72,787)**	**(51,964)**
Change in net cash and cash equivalents		**3,150**	**15,714**
Cash and cash equivalents as at 1 January		12,800	(2,914)
Cash and cash equivalents as at 31 January	5.9	**15,950**	**12,800**

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

Additional explanation to the financial statements

I. Basic information

Basic information about the Company	
Name	**Asseco Business Solutions S.A.**
Registered office	**ul. Konrada Wallenroda 4c, 20-607 Lublin**
Registration no. KRS:	**0000028257**
Business ID REGON:	**017293003**
Tax ID NIP:	**522-26-12-717**
Basic activity	**Information technology**

Asseco Business Solutions S.A. ("the Company," "Issuer," "Asseco BS") was established under a Notarial Deed dated 18 May 2001. The Company was established for an indefinite period of time.

Asseco Business Solutions S.A. is part of the international Asseco Poland S.A. Group, a Europe-leading vendor of proprietary software. The Group is a constellation of enterprises engaged in the advancement of information technology and is present in over 50 countries around the world, including most European countries and the USA, Canada, Israel, and Japan.

The comprehensive offering of Asseco Business Solutions S.A. includes ERP systems that support business processes in SMEs, a suite of applications for small-company management, programs optimizing the HR area, mobile SFA applications for the mobile workforce marketed Europe-wide, data exchange platforms, and programs handling factoring transactions.

Asseco Business Solutions S.A. operates a Data Centre whose capacity parameters meet the highest standards of security, reliability and effectiveness of systems operation. All products designed by Asseco BS are based on the knowledge and expertise of experienced professionals, proven project methodology and the use of tomorrow's information technology tools. With the original high quality products and related services, the software from Asseco BS has been successful in supporting the operations of tens of thousands of companies for many years. Asseco BS's track record covers dozens of completed software deployments in Poland and in most European countries.

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company's shares. The parent of the entire Group is Asseco Poland S.A., holding, directly and through subsidiaries, 95.66% of shares in Asseco Enterprise Solutions a.s.

As regards Asseco Business Solutions S.A., the decision of maintaining control over the 12 months ended 31 December 2019 in accordance with IFRS 10 was based on the following factors:

- decisions at the General Meeting are taken by a simple majority of votes present at the meeting;
- the Company's shareholding is dispersed and, apart from Asseco Enterprise Solutions a.s. (a subsidiary of Asseco Poland), there are only two shareholders holding more than 5% of votes at the General Meeting; the second largest shareholder holds approx. 13.5% of votes;

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

- there is no evidence that there is or was any agreement by or among any of the shareholders as to the joint voting at the General Meeting;
- within the last five years, i.e. from 2015 to 2019, the percentage of shareholders present at the General Meetings ranged from 58.77% to 76.2%. This means that shareholders' activity is relatively low or moderate. Considering that Asseco Enterprise Solutions a.s. currently holds 46.47% of the total number of votes at the General Meeting, the attendance would have to exceed 92.93% for Asseco Enterprise Solutions a.s. not to have the absolute majority of vote at the General Meeting. In the opinion of the Management Board, such a level of attendance is highly unlikely.

Given the above, in the opinion of Asseco Business Solutions S.A., despite the lack of an absolute majority in the share capital of the Company, Asseco Enterprise Solutions a.s. controls the Company within the meaning of IFRS 10.

II. Basis for the preparation of these financial statements and the accounting rules (policies)

2.1. Basis for the preparation

These interim condensed financial statements have been prepared in accordance with the historical cost accounting model, except for financial assets measured at fair value through profit or loss or through other comprehensive income, financial liabilities measured at fair value through profit or loss.

While preparing these financial statements, it was assumed that the Company would continue its business activity in the foreseeable future. At the date of approval for publication of these financial statements, no facts or circumstances were identified that might pose a threat to the Company as a going concern.

2.2. Statement of conformity

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU ("IFRS EU").

The IFRS include standards and interpretations approved by the International Accounting Standards Board and by the International Financial Reporting Interpretations Committee ("IFRIC").

The scope of the separate financial statements complies with the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognition as equivalent of the information required by the laws of a non-member state (Journal of Laws of 2018, item 757) ("Regulation") and covers the reporting period from 1 January to 31 December 2019 and the comparative period from 1 January to 31 December 2018.

On the day of approval of these financial statements for publication, taking into consideration the EU's ongoing process of introducing the IFRS and activities conducted by the Company, there is no difference in the accounting rules applied by the Company between the IFRS, which entered into force, and the IFRS adopted by the EU .

This separate financial statements present a true financial situation of the Company as at 31 December 2019, its results and cash flows for the year ended 31 December 2019.

2.3. Functional currency and presentation currency

These financial statements are presented in the Polish złoty ("PLN") and all values, unless specified otherwise, are given in thousands of PLN. The functional currency of Asseco Business Solution S.A. is also the Polish złoty. Possible differences in the total amounts of up to PLN 1 thousand result from the accepted roundings.

Transactions denominated in currencies other than the Polish złoty are translated into Polish złotys at the rate applicable on the date of transaction.

As at the balance sheet date:

- monetary items are translated using the closing rate, i.e. the average exchange rate for the currency announced by the National Bank of Poland on this day,
- non-cash items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the original transaction,

- non-cash items measured at fair value in a foreign currency are translated using the exchange rate on the date of determining the fair value.

For the purpose of the balance sheet valuation, the following EUR and USD rates were adopted (and parallel rates for other currencies quoted by the National Bank of Poland):

- ✓ the exchange rate effective on 31 December 2019: 1 EUR = 4.2585 PLN
- ✓ the exchange rate effective on 31 December 2018: 1 EUR = 4.3000 PLN
- ✓ the exchange rate effective on 31 December 2019: 1 USD = 3.7977 PLN
- ✓ the exchange rate effective on 31 December 2018: 1 USD = 3.7597 PLN

2.4. Professional judgement and estimates

The preparation of financial statements in concert with the IFRS requires estimates and assumptions that affect the amounts indicated in the financial statements. Although the estimates and assumptions are based on the Company's Management's best knowledge of the current activities and events, the actual results may differ materially from those projected.

The relevant items of explanatory notes show the main areas which were of crucial importance in terms of the professional judgement of the management in the process of application of the accounting rules (policies), in addition to the accounting estimates; thus, any change in estimates in these areas could have a significant impact on the Company's results in the future.

The table below contains a list of estimates applied by the Company with an indication of the note with the description of the applicable rules.

Selected estimates	**Note**	**Page number**
Operating income	4.1	19
Tax on profit or loss	4.4	25
Property, plant and equipment	5.1	30
Intangible assets	5.2	33
Right-of-use assets	5.3	38
Impairment tests	5.4	41
Assets from contracts with customers, trade receivables and other receivables	5.5	44
Lease liabilities	5.13	55
Trade and other liabilities	5.14	55
Provisions	5.16	58
Accruals and deferred income	5.17	61

In the 12 months ended 31 December 2019, there were no major changes to the method of making estimates compared with the data described in the financial statements for the 12 months ended 31 December 2018.

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2.5. Accounting rules applied

The table below contains a list of accounting rules applied by the Company with an indication of the note with the description of the applicable rules.

The accounting rules applied to prepare these financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for a newly adopted accounting standard, i.e. IFRS 16 Leases, whose impact on these separate financial statements is described below.

i. IFRS 16 - first-time application

The Company adopted IFRS 16 Leases as from 1 January 2019 in accordance with the transitional provisions contained therein. The impact of adoption of the standard on the Company's data is presented in the table below.

The Company plans to apply IFRS 16 retrospectively with reference to the cumulative effect of the first application as an adjustment to the opening balance of retained earnings as at 1 January 2019. In accordance with C8(b) of IFRS 16, in relation to individual lease agreements, the Company measured right-of-use assets or in the carrying amount, as if IFRS 16 had been applied from the effective date of the lease agreement or in the amount equal to the appropriately calculated lease liability on the first day of application of the standard, i.e. 1 January 2019.

As at 31 December 2018, the Company was a party to both agreements that were classified as operating lease in accordance with IAS 17 (liabilities under such agreements were disclosed in the financial statements as off-balance sheet liabilities), agreements classified as finance lease.

Of greatest impact on these financial statements was the translation of agreements that, until 31 December 2018, had been considered operating leases (and the liabilities thereunder had been disclosed as off-balance sheet liabilities); these were primarily office lease agreements.

To translate the agreements, the Company used the marginal lending rate calculated as the total of the investment credit margin achievable by the Company as at 31 December 2018 appropriately secured on the leased asset and the quota rate for IRS instruments for the lease agreement currency. Both the margin and the interest rate swap (IRS) were selected to match the lease terms.

Practical exemptions allowed by IFRS 16 applied on the date of transition

- The Company did not apply IFRIS 16 to agreements that had not been previously identified as lease agreements in accordance with IAS 17 and IFRIC 4,
- The Company applied a single discount rate to the portfolio of leases a similar nature,
- Operating lease agreements, with the remaining lease term shorter than 12 months as at 1 January 2019, were treated as short-term lease and, thus, the recognition of such agreements did not change,
- Operating lease agreements, for which the underlying asset is of low value (i.e. below USD 5 thousand - ca. PLN 19 thousand, e. g. office equipment), were not translated and their recognition did not change,
- The Company used the knowledge gained after the fact in determining the lease term (for example, if the agreement had provided for the option of extension or termination),
- The Company excluded the initial direct costs from the valuation of a right-of-use asset on the date of first application,
- The Company did not separate lease and non-lease items.

Impact of adoption of IFRS 16 as from 1 January 2019

The table below presents the impact of adoption of IFRS 16 on the Company's balance sheet as at 1 January 2019.

Impact of IFRS 16 on balance sheet	1 January 2019 PLN thou.
Assets	
Right-of-use assets	45,092
including assets previously recognized in property, plant and equipment	*(7,175)*
Deferred tax assets*	8,412
Liabilities	
Tax liability*	7,204
Lease liabilities	44,273
- long-term	38,990
- short-term	5,283
Net impact on equity, including:	**(5,148)**
Retained earnings	(5,148)

(*) The amounts of assets and provisions have been presented in a spaced style for information purposes. Ultimately, they were disclosed in the financial statements on balance, in accordance with the Company's accounting policy.

The above impact is related to the fact that the Company rents office space, which was previously recognised as operating lease in accordance with IAS 17. Due to the fact that almost all lease agreements are concluded for periods longer than 12 months, the Company performed adequate translation and reclassification of the liabilities previously disclosed as off-balance sheet liabilities to lease liabilities using the marginal lending rate. The impact on retained earnings results from the fact that some of the agreement are translated as if IFRS 16 were in force from the moment of their conclusion.

In the amount of right-of-use assets presented in the balance sheet as at 31 December 2019, in addition to the amount of PLN 37,917 thousand included in the above table, also assets were included that were previously recognized as part of the balance of property, plant and equipment (the balance as at 1 January 2019 was PLN 7,175,000), and which, until 31 December 2018, had been recognized as property, plant and equipment used under finance lease in accordance with IAS 17.

In the table below, the Company presents the reconciliation of lease liability under IAS 17 as at 31 December 2018 with the liability estimated as at 1 January 2019 in accordance with IFRS 16:

	Lease liabilities ***PLN thou.***
Liabilities recognized in the balance sheet as at 31 December 2018 - finance lease liabilities (IAS 17)	**6,190**
Liabilities (and changes thereto) not recognized in balance sheet as at 31 December 2018, including:	**44,273**
Operating lease liabilities (IAS 17)	2,493
Discount value at marginal lending rate	(6,021)
Short-term lease (a practical exception resulting in non-recognition of the liability as at 1 January 2019)	(725)
Adjustment resulting from a change in Company's judgement on the use of the option of extension or termination	48,526
Lease liabilities as at 1 January 2019	**50,463**

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The weighted average marginal interest rate of the lessee applied to the lease liabilities recognised in the financial statement as at 1 January 2019 is 4.03% for PLN and 2.82% for EUR.

Impact of implementation of IFRS 16 on the profit and loss account for the year ended 31 December 2019

The table below shows the impact of IFRS 16 on the profit and loss account for the 12 months ended 31 December 2019.

Impact of IFRS 16 on profit and loss account	Year ended 31 December 2019 (as in IFRS 16)	Adjustment due to application of IFRS 16	Year ended 31 December 2019 (without application of IFRS 16 - amounts in accordance with IAS 17)
	PLN thou.	*PLN thou.*	*PLN thou.*
Operating income (in total)	274,801	-	274,801
Operating expenses (in total)	(187,125)	(1,823)	(188,948)
including depreciation of leased assets	(6,633)	5,307	(1,326) *
Profit (loss) from operating activities	**87,676**	**(1,823)**	**85,853**
Financial income and expenses	(953)	1,465	512
Gross profit/(loss)	**86,723**	**(358)**	**86,365**
Income tax (current and deferred tax expense)	(13,284)	68	(13,216)
Net profit/(loss) from business operations	**73,439**	**(290)**	**73,149**

** depreciation of assets under finance lease in accordance with IAS 17*

In June 2019 the International Financial Reporting Interpretations Committee ("IFRIC") addressed the following issues related to the application of IFRS 16: subsurface rights, lessee's incremental borrowing rate, as well as the terms of lease agreements and the period of economic useful life of investment in external fixed assets and decided not to add them to the standard amendment agenda. The Company analysed the Committee's arguments and concluded that the Company's accounting and reporting policies covering the above considerations are in line with the Committee's opinion.

ii. Other changes in the International Financial Reporting Standards in force from 1 January 2019

- Interpretation of IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-Term Interests in Associates and Joint Ventures
- Amendments resulting from the review of IFRS 2015-2017:
  - ✓ IFRS 3 Business Combinations - for step acquisitions
  - ✓ IFRS 11 Joint Arrangements - with regard to exercising joint control over joint operation
  - ✓ IAS 12 Income Taxes - with regard to the tax effects of dividends
  - ✓ IAS 23 Borrowing Costs - the amendments have no material impact on these financial statements of the Company.

2.6. New standards and interpretations that have been published and not yet in force

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet in force:

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – as decided by the European Commission, the process of approving the standard in its preliminary version will not be initiated before the final version of the standard is ready; not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2016,
- Amendments to IAS 10 and IAS 28 *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 2014); the work intended to approve these amendments have been postponed by the EU for an unlimited period of time. The date of entry into force has been postponed by the IASB for an indefinite period of time;
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) – applicable to annual periods beginning on or after 1 January 2021; not approved by the EU until the date of approval of these financial statements;
- Amendments to References to the Conceptual Framework of the International Financial Reporting Standards (published on 29 March 2018) – applicable to annual periods beginning on or after 1 January 2020;
- Amendment to IFRS 3 *Business Combination* (published on 22 October 2018) – applicable to annual periods beginning on or after 1 January 2020; not approved by the EU until the date of approval of these financial statements;
- Amendments to IAS 1 and IAS 8: Definition of materiality (published on 31 October 2018) – applicable to annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published on 26 September 2019) – applicable to annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 Presentation of Financial Statements: Division of liabilities into current and non-current (published on 23 January 2020) – not approved by the EU until the date of approval of these financial statements; effective date not defined.

Effective dates are based on the standards published by the Financial Reporting Council. The dates of application in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of EU's approval for application.

The amendments have no material impact on these financial statements of the Company.

III. Information on operating segments

In accordance with IFRS 8, an operating segment is a distinguishable component of the Company, for which separate financial information is available that is reviewed regularly by the operations management responsible for the resource allocation and assessment of performance.

For management purposes, the Company was divided into segments based on manufactured products and rendered services. Based on that, the Management Board have identified the ERP systems segment which accounts for more than 95% of total Company's revenues. Other activities do not meet the quantitative thresholds imposed by IFRS 8 and are not isolated as segments. Changes in the size and significance of developed products and provided services may result in a change of composition of operating segments.

The ERP Systems segment includes ERP solutions for enterprise management, in-house SFA and FFA mobile solutions intended for companies operating through mobile workforce, and sales support systems for the retail industry. The solutions are based on the Oracle and Microsoft technology, and in the case of Macrologic S.A., on the original MacroBASE database system. These applications support business processes and information flow processes, covering most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. The technological capacity of the systems enable their deployment in various network architectures (including WAN) and combination with specialized software and hardware. None of the customers accounted for 10% or more of the Company's revenue.

The **Unallocated** item shows sales that cannot be allocated to the Company's main business segment, the cost of goods sold (COGS) related to unallocated sales and the operating costs of the organisational unit responsible for unallocated sales.

The financing of the Company (including financial income and expenses) and income tax are monitored at the Company level, hence these items are not allocated to the segments.

Transfer prices used in transactions between operating segments are determined on the arm's length basis as in transactions with unrelated parties.

The table below shows the key values reviewed by the main decision-making body in the Company, i.e. the Management Board. The Management Board does not analyse cash flows by segment, either.

Apart from goodwill and the value of intangible assets recognised during the settlement of combination with other companies, the assets of Asseco Business Solutions S.A., are not, in principle, assigned to individual segments and are not reviewed by the Management Board.

12 months to 31 December 2019	ERP segment *PLN thou.*	Unallocated *PLN thou.*	Total *PLN thou.*
Sales to external customers	256,703	17,157	273,860
Settlements between segments	-	-	-
Gains on reported segment sales	**85,534**	**1,418**	**86,952**
Amortisation/Depreciation	(24,206)	(216)	(24,422)
Intangible assets recognised during the settlement of combination allocated to segment	1,982	-	1,982
Goodwill from combinations assigned to segment	252,879	-	252,879

12 months to 31 December 2018	ERP segment *PLN thou.*	Unallocated *PLN thou.*	Total *PLN thou.*
Sales to external customers	238,071	16,619	254,690
Settlements between segments	-	-	-
Gains on reported segment sales	**74,705**	**1,497**	**76,202**
Amortisation/Depreciation	(18,485)	(72)	(18,557)
Intangible assets recognised during the settlement of combination allocated to segment	2,295	-	2,295
Goodwill from combinations assigned to segment	252,879	-	252,879

Financial Statements for the Year Ended 31 December 2019 acc. to IFRS (in PLN thousand)

IV. Explanatory notes to the profit and loss account and statement of other comprehensive income

4.1. Structure of operating income

Selected accounting rules

IFRS 15 has established a model for recognizing revenues from contracts with customers, the so-called five step model. In accordance with the standard, revenues are recognised in the amount of remuneration which, as expected by the Company, is payable in exchange for the transfer of promised goods or services to the customer.
The Company sells licences and broad IT services and distinguishes the following types of receipts:

- *receipts from the sale of licences and/or own services,*
- *receipts from the sale of licences and/or external services, and*
- *receipts from the sale of hardware.*

a) Sale of licence and own services

As part of "Licences and/or own services," revenues from contracts with customers are presented, their object being to provide own software and/or software-related services.

- ***Comprehensive IT projects***

As regards this type of revenues, a greater part of them is raised from comprehensive IT projects in which the Company undertakes to provide a fully functional IT system. Such a system is of greatest value to the customer as it is the final product containing own licences and related essential services (e.g. modification or implementation). In practice, in the case of such contracts, the Company is almost always required to provide comprehensive goods or services to its customers. They include the supply of: own licences and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts usually provide for a separate obligation of performance consisting in providing the client with a functional IT system.
Revenues related to the obligation to provide a fully functional IT system are recognised by the Company in the period in which such a system is developed. For in accordance with IFRS 15, revenues may be recognised during the transfer of control over the provided services/goods, unless, as a result of such operations, assets are created of alternative use and, at the same time, for the entire duration of the contract, the entity enjoys an enforceable right to receive remuneration for its performance. In the opinion of the Management Board, in the case of delivering comprehensive IT projects, their alternative use from the vendor's point of view is excluded because these systems, along with the accompanying implementation services, are of a tailored nature. At the same time, the conducted analysis shows that practically in all cases for contracts concluded by the Company the criterion of having an enforceable right to remuneration for performance throughout the duration of the contract is met. This means that the receipts from sales of comprehensive IT systems in which own licences and own services are sold are recognised according to the degree of progress (a method based on expenditure and percentage of cost progress) in the period when the customer takes control over goods/services sold. A special case is relatively small IT projects shorter that 12 months. The revenues earned from such projects is not considered significant by the Management Board; if so, the revenue is recognised in accordance with the practical exception permitted by IFRS 15, i.e. on the basis of the right to invoice.

- ***Sale of own licences without significant accompanying services***

Part of Company's revenues are revenues from the sale of licenses for proprietary ERP software. If own licences for the software are sold separately, i.e. they do not go with significant modification and/or implementation services, and therefore the sale of own licence is a separate obligation to perform, the Company considers whether the promise to grant a licence is aimed at providing the customer with: the right to access the intellectual property of the entity in the form existing throughout the period of licence validity; or the right to use the intellectual property of the entity in the form existing at the time of granting the licence.
The vast majority of own licences sold by the Company separately, and thus constituting a separate obligation to perform, are licences conferring the right to use intellectual property, which means that the revenue from the sale of such licences is recognised once at the moment of transfer of control over the licence to the customer. This means that in the case of own licences sold without significant accompanying services, regardless of the licence period, the moment of recognising revenue is the moment of transfer of control, which, consequently, leads to a one-time recognition of revenue at that moment. However, there are also cases of selling licences that grant the right to

access intellectual property. Such licences are, in principle, sold for a definite period of time. In such a case, revenues are recognised in the period in which the Company is obliged to provide software modifications and major updates.

- ***Maintenance services and guarantees***

Within the category of own licences and own services, presented are also the revenues from own maintenance services, including revenues from guarantees. The accounting policy regarding the recognition of revenues from maintenance services has not changed after the introduction of IFRS 15. In the opinion of the Management Board, such services are, in principle, a separate obligation of performance where the customer uses the goods/services as they are supplied to them, which, consequently, leads to the recognition of the relevant revenues on the supplier's side during the period of service provision. In all cases where both the maintenance service and the extended guarantee service are provided simultaneously, the revenue is recognized over time because the customer uses the service as it is supplied.

b) Sale of licences and external services

As part of "Licenses and/or external services," presented are the revenues from the sale of external licenses and provision of services which, for technological or legal reasons, must be rendered by subcontractors (hardware and licence maintenance and outsourcing services provided by their vendors) . Revenues from the sale of external licences are generally recognised as revenues from the sale of goods, which means that upon transfer of control over the licence, the revenue is recognised on a one-time basis.

c) Sale of hardware

In the category of revenues from the sale of hardware, presented are the revenues from contracts with customers for the supply of infrastructure. The revenues in this category are generally recognised upon transfer of control over hardware. In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

- ***Variable pay***

In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes in the transaction price a part or the entire amount of variable remuneration only to the extent in which there is a high probability of no reversal of a significant part of the amount of previously recognised accumulated revenues when the uncertainty as to the amount of variable remuneration is no more.

The Company is a party to many contracts that provide for contractual penalties for the non-performance or improper performance of contractual obligations. The expected contractual penalties may, therefore, cause the fixed remuneration provided for in the contract to be subject to changes. When estimating the remuneration payable to the Company under contracts, the Company expected the expected value of payment by taking into account the probability of payment of contractual penalties and other items that could potentially reduce the remuneration. So, this may result in a decrease in the value of revenues as opposed to an increase in the value of provisions and relevant costs, as has been the case so far. In addition to contractual penalties, there are no other significant factors that may affect the amount of remuneration (such as rebates or discounts); however, if identified, they would also affect the amount of revenues recognised in the Company.

- ***Allocation of transaction price to obligations of performance***

The Company allocates a transaction price to each obligation of performance (or separate goods or separate services) in an amount that reflects the amount of remuneration which, in accordance with the Company's expectations, is payable in exchange for the transfer of promised goods or services to the customer.

- ***Other practical exceptions applied in the Company***

In justified cases, the Company also applies a practical solution permitted by IFRS 15, namely if the Company has the right to receive remuneration from a customer in the amount directly corresponding to the value of the Company's previous performance for the customer (for example in the case of a service contract under which the entity charges the customer a fixed amount for each hour of the service performed), the Company may recognise revenue in the invoiceable amount.

Estimates

As described above, the Company fulfils its obligations of performance, a greater part of which, specifically consisting in the delivery of a fully functional IT system, is subject to valuation according to the degree of progress. Such valuation requires the estimation of future costs and revenues in order to measure the degree of project progress. The degree of progress is determined as the ratio of incurred expenses (to further the progress) to planned expenses, or as the ratio of man-days worked in relation to the total working time. The valuation and thus the recognition of revenue each time requires professional judgement and a significant amount of estimates. In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

Operating income in the year ended 31 December 2019 and in the comparative period was as follows:

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Operating income by type		
Licences and own services	255,085	237,146
Licences and external services	13,190	11,409
Equipment and infrastructure	5,585	6,135
Operating income total	**273,860**	**254,690**

i. Income from contracts with customers in total operating income according to the method of recognition in profit and loss account

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Income from contracts with customers recognized in accordance with IFRS 15		
From goods or services provided at a specified time, including:	48,031	45,788
ERP segment	*31,748*	*32,382*
Unallocated	*16,283*	*13,406*
From goods or services provided over time, including:	225,829	208,902
ERP segment	*224,955*	*205,689*
Unallocated	*874*	*3,213*
Operating income total	**273,860**	**254,690**

ii. Other obligations of performance

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As at 31 December 2019, the Company analysed the total amount of the transaction price attributed to the obligations of performance which remained unfulfilled (or partially unfulfilled) at the end of the reporting period and decided to use the practical exception for the obligations of performance under contracts whose anticipated original term is one year or less. As a result of the analysis, it was found that as at 31 December 2019 all obligations of performance involving the supply of a comprehensive IT system (measured according to progress) result from contracts expiring before 31 December 2020. In the case of agreements for the maintenance of IT systems, most of them were concluded for an indefinite period with a notice period shorter than 12 months; therefore, the Company recognises the obligations of performance under such agreements as short-term and thus subject to the above-mentioned practical exception.

iii. Income by country

	12 months to 31 December 2019	12 months to 31 December 2018
	PLN thou.	*PLN thou.*
Poland	241,908	224,043
ROW, including:	31,952	30,647
– France	9,017	11,769
– The Netherlands	7,350	7,935
- Germany	5,038	2,312
- Romania	3,389	3,181
- United Kingdom	2,737	1,657
- Italy	1,071	1,260
– Spain	533	335
- Czech Republic	452	443
- Turkey	197	197
- the Baltics (Lithuania, Latvia, Estonia) and Russia	81	85
- others	2,087	1,473
Total	**273,860**	**254,690**

This information on revenue is based on data on customers' headquarters.

4.2. Structure of operating expenses

Selected accounting rules

The Company records its expenses by type.
Company's employee benefits include:
a) wages and salaries and social security contributions,
b) payments for short-term absences (e.g. paid holiday leave or paid sick leave),
c) withdrawals from income and bonuses,
d) non-cash benefits for currently employed personnel (e.g. medical care, housing or company cars).
For presentation purposes in the financial statements, however, a comparative system is used.
Own cost of sales includes costs directly related to the purchase of goods sold and preparation of services sold. Costs of sales include commercial costs and marketing costs (including sponsorship). Administrative expenses include costs related to the management of the Company and administration costs. The cost of employee benefits includes all forms of Company's benefits offered in return for work performed by employees or for the termination of employment.
The Cost of Goods Sold is the cost of purchasing goods or services from subcontractors (excluding personnel outsourcing) used to carry out projects. The costs relate to both revenues presented as own revenues (regarding revenues from services rendered by subcontractors,

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if the use of external resources is authorized by the Company which treats external resources as a substitute for own resources) and external revenues (services that must be provided by external resources - most often software or hardware producers).
Costs related to the Employee Pension Plans (PPE) are the costs of post-employment benefits payable under defined contribution plans and are recognized under Pension benefit costs.

Operating expenses in the year ended 31 December 2019 and in the comparable period stood as follows:

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Operating expenses		
Value of goods and external services sold	(16,272)	(15,527)
Employee benefits	(119,651)	(111,387)
Amortisation/Depreciation	(24,422)	(18,557)
External services	(19,430)	(26,102)
Other	(7,133)	(6,915)
Total	**(186,908)**	**(178,488)**
Own cost of sales	(153,312)	(145,790)
Cost of sales	(12,951)	(13,386)
Administrative expenses	(20,439)	(19,041)
Trade receivables impairment loss	(206)	(271)
Total	**(186,908)**	**(178,488)**

In external services, the major items are “rents and rental fees" and "personnel outsourcing".

i. Costs of employee benefits

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Wages and salaries	(100,347)	(92,812)
Employee benefits, including:	(18,182)	(17,504)
Social security costs	*(15,915)*	*(15,222)*
Other costs of employee benefits	(1,122)	(1,071)
Total costs of employee benefits in:	**(119,651)**	**(111,387)**
- own cost of sales	(95,090)	(89,190)
- cost of sales	(8,496)	(8,456)
- administrative expenses	(16,065)	(13,741)
Total costs of employee benefits	**(119,651)**	**(111,387)**

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ii. Reconciliation of amortisation/depreciation costs

The table below presents the reconciliation of the depreciation allowance recognised in the profit and loss account with fixed assets movement table (5.2) and intangible assets table (5.3) and right-of-use assets (5.3).

	Note	12 months to 31 December 2019 PLN thou.	12 months to 31 December 2018 PLN thou.
Depreciation allowance for the year resulting from the table of fixed asset movement	5.1	(4,931)	(6,334)
Depreciation allowance for the year resulting from the table of intangible asset movement	5.2	(12,945)	(12,423)
Depreciation allowance for the year resulting from the table of movement of right-of-use assets	5.3	(6,633)	-
Reduction of depreciation cost due to settlement of subsidies to internally created licences		-	195
Capitalisation of depreciation costs for ongoing R&D projects		2	5
Total depreciation allowance recognised in cash flow statement		**(24,507)**	**(18,557)**
Depreciation costs of rented real property included in other operating expenses		85	-
Total depreciation allowance recognised in operating expenses		**(24,422)**	**(18,557)**

4.3. Financial income and expenses

Selected accounting rules

Interest income is interest on granted loans, investment in securities held to maturity, bank deposits and other facilities.
Interest income is recognised in accordance with the effective interest method in the profit and loss account. Upon the sale of investment in traded debt, the Company recognises cumulative profit/loss from valuation in the financial result.
Interest costs resulting from the financing obtained by the Company are calculated according to the effective interest rate.

Financial income in the 12 months ended 31 December 2019 and in the comparable period was as follows:

Financial income	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Interest income on bank deposits measured at effective interest rate	117	51
Positive exchange differences	278	193
Net profits from realisation and/or valuation of derivative instruments	501	170
Total	**896**	**414**

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Financial expenses in the 12 months ended 31 December 2019 and in the comparable period were as follows:

Financial expenses	**12 months to 31 December 2019** *PLN thou.*	**12 months to 31 December 2018** *PLN thou.*
Interest cost on bank loans, debt securities and trade liabilities	(109)	(667)
Interest cost on lease	(1,720)	(185)
Other interest expense	(20)	(10)
Total	**(1,849)**	**(862)**

Exchange gains and losses are presented net (as a surplus of positive over negative or vice versa).
The increase in the cost of interest on lease results from the application of the new IFRS 16 Leases as from 1 January 2019, as a result of which the existing operating lease agreements and property rental agreements are recognized as lease agreements.

4.4. Tax on profit or loss

Selected accounting rules

Income tax includes current tax and deferred tax. Current income tax is a fixed sum on the basis of tax regulations. It is calculated on taxable profit for a given period and recognised as a liability in the paid amount or as a receivable if the amount already paid for current income tax exceeds the payable amount. Deferred tax assets and liabilities are treated in their entirety as long-term and are not discounted. They are subject to offset if there is a legally enforceable right to offset the recognised amounts.
Deferred tax assets and deferred tax provisions are calculated using tax rates to be effective at the time of realization of particular asset or release of particular provision, based on tax rates (and tax legislation) legally or practically effective as at the balance sheet date.
The Company recognises and measures current and deferred tax assets and liabilities by applying the requirements of IAS 12 Income Tax and taking into account the assessment of uncertainties related to tax settlements. The value of a deferred tax asset is subject to verification upon each balance sheet date in terms of the possibility of obtaining future tax profits that would enable its realisation.

Estimates

On each balance sheet date, the Company assesses the realisability of deferred tax assets.

If, in the Company's opinion, it is likely that the Company's approach to a tax or taxes is accepted by the tax authority, the Company will determine its taxable profit (tax loss), tax base, unused tax losses, unused tax relief, and tax rates taking into account the approach to taxation planned or applied in its tax return. By assessing this likelihood, the Company assumes that the tax authorities authorized to audit and challenge the adopted tax approach will carry out such an audit and will have access to all information.

If the Company determines that it is not likely that the tax authority accepts the Company's approach to a tax or taxes, then the Company will reflect the effects of uncertainty in recognition of its tax in the period which was covered by the determination. The Company recognizes its income tax liability using one of the following two methods, depending on which of them better reflects the way in which uncertainty can occur:

- *The Company determines the most likely scenario - a single amount among the possible results or*
- *The Company recognizes the expected value - it is the total of probability-weighted amounts among the possible results.*

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The main components of the corporate income tax burden (current and deferred):

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Current income tax	(13,354)	(11,155)
Deferred tax	70	(2,405)
Tax expense reported in the profit and loss account	**(13,284)**	**(13,560)**

All revenues and costs in the Company are classified as part of the core business. The Company did not carry out transactions that would be classified as capital activities.

On 15 July 2016, Polish tax law was amended to include changes that allow for the General Anti-Abuse Rule ("GAAR"). The GAAR is to prevent the use of artificial schemes created in order to avoid the payment of tax in Poland. GAAR defines tax avoidance as an operation carried out with a view to achieving a tax advantage contrary, in the specific circumstances, to the object and purpose of tax law. According to GAAR, such an operation does not result in a tax advantage if the scheme of action has been artificial. Any occurrence of (i) unfounded dividing of an operation, (ii) the involvement of intermediate parties despite the lack of commercial or economic grounds, (iii) of mutually exclusive or compensating elements, and (iv) other activities of a similar effect to the previously mentioned, can be treated as a factor typical of artificial schemes addressed by GAAR. The new regulations will require more judgement when assessing the tax effects of individual transactions. The GAAR clause should apply to transactions made after its entry into force and the transactions that were carried out prior to its entry into force but for which the advantages were or are still being achieved after the date of entry of the clause into force. The adoption of these regulations will enable the Polish tax inspection bodies to challenge the legal arrangements and agreements pursued by the taxpayer, such as the restructuring and reorganisation of the Company.

The Management Board of the Company considered the impact of transactions that could potentially be covered by GAAR on deferred tax, tax value of assets and provisions for tax risk. In the opinion of the Management Board, the analysis did not show the necessity to adjust the disclosed current and deferred income tax items; however, in the opinion of the Management Board, in the case of GAAR, there is inherent uncertainty that the tax authorities may interpret these provisions differently, will change their approach to their interpretation, or the regulations may change, which may affect the capacity of realising deferred tax assets in future periods and the possible payment of additional tax for past periods. Provisions on tax on goods and services, corporate income tax, personal income tax or social security contributions are subject to frequent changes; as a result, no reference can be made to well-established case-law. The current rules and regulations are not always clear, which may cause additional differences in interpretation. Tax settlements are subject to control by tax authorities. If any irregularities in tax settlements are detected, the taxpayer is obliged to pay the amount of arrears along with statutory interest due. Payment of outstanding liabilities does not always discharge from criminal and fiscal liability. The phenomena described above cause that tax settlements are encumbered with a relatively high risk. Tax settlements may be subject to inspection for five years starting from the end of the year of submission of tax returns. As a result, the amounts indicated in the financial statements are subject to change at a later date after their final determination by tax authorities.

Presented below is the reconciliation of income tax to pre-tax accounting income at the statutory tax rate, with the income tax calculated according to the effective tax rate.

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	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Accounting income from continuing operations	**86,723**	**76,129**
Applicable corporate income tax rate	19%	19%
Income tax at applicable statutory tax rate	**16,477**	**14,465**
Use of tax-deductible tax allowances (R&D relief)	(1,651)	(1,210)
Leasehold interest	-	(266)
Amortisation/Depreciation	-	236
SFRD	161	156
Subsidies	-	(37)
Representation expenses	56	109
Difference due to different income tax rate (IP BOX relief)	(1,923)	-
Other fixed differences	164	107

The effective tax rate in the 12 months ended 31 December 2018 was 15% compared to compared to 18% in the comparable period.
The lower effective tax rate in 2019 results from the use of the IP Box relief. The Company carried out R&D, including in the WAPRO Software Division. As a result, an intellectual property right was created, i.e. the author's economic right to a computer program, which was recognized as a qualified IP right within the meaning of corporate income tax law. The Company's income from fees or charges due under licence agreements related to qualified IP, and multiplied by the nexus ratio, was taxed with a preferential CIT rate under the IP Box relief.

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	Provision for deferred tax			Asset from deferred tax			Total income for period
	31 December 2019	Adjustment due to implementation of IFRS 16	31 December 2018	31 December 2019	Adjustment due to implementation of IFRS 16	31 December 2018	12 months to 31 December 2019
	PLN thou	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
Property, plant and equipment	627	-	598	-	-	81	(110)
Intangible assets	327	-	386	-	-	-	59
Right-of-use assets	7,679	7,204	-	13	-	-	(462)
Financial instruments valued at fair value through profit or loss	52	-	21	-	-	-	(31)
Inventories	-	-	-	19	-	29	(10)
Trade receivables	59	-	3	360	-	338	(34)
Assets from contracts with customers	150	-	104	-	-	-	(46)
Cash	3	-	1	-	-	5	(7)
Provisions	-	-	-	484	-	356	128
Trade	14	-	72	-	-	-	58
Financial liabilities	-	-	187	8,497	8,412	-	272
Other liabilities	-	-	-	149	-	138	11
Accrued expenses	-	-	-	2,439	-	2,122	317
Deferred income	7	-	10	12	-	-	15
Deferred tax gross provisions	**8,918**	**7,204**	**1,382**	-	-	-	**(332)**
Deferred tax gross assets	**-**	**-**	**-**	**11,973**	**8,412**	**3,069**	**492**
Deferred tax net assets (+)/ provision(-)				**3,055**	**1,208**	**1,687**	
Change in deferred tax in the reporting period, including:							**160**
change in deferred tax recognised directly in other comprehensive income							**90**
change in deferred tax recognised in profit and loss account							**70**

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4.5. Earnings per share

Selected accounting rules

Basic net profit per share for each period is calculated by dividing the net profit from continuing operations for a given period by the weighted average number of shares in the reporting period.

Diluted net profit per share for each period is calculated by dividing the net profit from continuing operations for a given period by the total weighted average number of shares in a given reporting period and all potential shares of new issuances.

In the period of 12 months ended 31 December 2019 and in the comparative period, there were no diluting instruments in the Company.

The data below covers earnings and the number of shares that were used in calculating earnings per share:

	12 months to 31 December 2019	12 months to 31 December 2018
Weighted average number of issued shares used to calculate diluted earnings per share	33,418,193	33,418,193
Net profit for the reporting period (in PLN thou.)	73,439	62,569
Net profit per share (in PLN)	**2.20**	**1.87**

4.6. Information on dividends paid

In 2019 the Company paid dividend for 2018. Pursuant to the decision of the Ordinary General Meeting of Asseco Business Solutions S.A. adopted on 13 May 2019, part of the net profit for the financial year 2018 in the amount of PLN 50,127 thousand was allocated for the payment of dividend at PLN 1.5 per share. The remaining amount of net profit in the amount of PLN 12,442 thousand was recognised under retained earnings. The dividend date was set on 31 May 2019 and the dividend payment date on 13 June 2019.

In 2018 the Company paid dividend for 2017. Pursuant to the decision of the Ordinary General Meeting of Asseco Business Solutions S.A. adopted on 23 April 2018, part of the net profit for the financial year 2017 in the amount of PLN 43,444 thousand was allocated for the payment of dividend at PLN 1.3 per share. The remaining amount of net profit in the amount of PLN 3,840 thousand was recognised under retained earnings. The dividend date was set on 15 May 2018 and the dividend payment date on 05 June 2018. The amount of the net profit from the merger with Macrologic S.A. in the amount of PLN 2,854 thousand was recognised under retained earnings.

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V. Explanatory notes to the balance sheet

5.1. Property, plant and equipment

Selected accounting rules

Property, plant and equipment, other than land, are carried at cost less decommitment and impairment loss. Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of machinery and equipment when incurred, if the criteria of their recognition in the value of assets are met. Costs incurred after the date of commissioning of the asset to be used, such as maintenance and repair costs, are charged to profit or loss when incurred.
Property, plant and equipment at the time of purchase are divided into components which are items of significant value to which a specific period of economic useful life may be assigned. Components are also the cost of overhauls.
Investment in progress concern the tangible assets in the course of construction or assembly and are disclosed at purchase price or production cost, less any impairment losses. Assets under construction are not subject to depreciation until the end of construction.
The item of property, plant and equipment may be derecognized from the balance sheet if sold, or if there are no expected economic benefits resulting from its further use. Any gain or loss resulting from the derecognition of the asset from the balance sheet (calculated as the difference between the net sales proceeds and the carrying value of the asset) are recognized in profit or loss for the period in which such derecognition was made.
Borrowing costs, which can be directly attributed to the purchase, construction or production of an asset that requires a significant amount of time to prepare for its intended use or sale, are activated by the Company as part of cost of that asset. All other borrowing costs are recognized as costs of the period in which they were incurred.

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of property, plant and equipment. Additionally, at the end of each financial year, the Company verifies the useful life of property, plant and equipment.

Depreciation is calculated on straight line basis over the estimated useful life of the asset. Useful life periods are presented in the table below:

	Period (in years)
Land and buildings	10 years
Computers and other office equipment	2-5 years
Means of transport	5-7 years
Other fixed assets	2-7 years

The Company reviews annually the adopted periods of economic useful life based on current estimates.
The Company reviews annually the adopted periods of economic useful life based on current estimates. In the 12 months ended 31 December 2019, there were no major changes in the manner of making estimates.
In 2019, there were no significant changes to the amortization rates applied by the Company.

Changes in net worth of property, plant and equipment in the period of the six months ended 31 December 2019 and in the comparable period were attributed to the following:

	Land and buildings *PLN thou.*	Computers and other office equipment *PLN thou.*	Means of transport *PLN thou.*	Other fixed assets *PLN thou.*	In total *PLN thou.*
As at 1 January 2019, including decommitment and write-downs	**995**	**5,057**	**13,864**	**418**	**20,334**
Impact on opening balance with IFRS 16	-	-	(7,175)	-	**(7,175)**
Increase through:	**29**	**3,952**	**82**	**228**	**4,291**
Purchase and upgrade	29	3,952	82	228	**4,291**
Decrease through:	**(144)**	**(3,407)**	**(1,647)**	**(80)**	**(5,278)**
Depreciation allowance for reporting period	(124)	(3,392)	(1,335)	(80)	**(4,931)**
Sales and liquidation	(20)	(15)	(312)	-	**(347)**
As at 31 December 2019, including decommitment and write-downs	**880**	**5,602**	**5,124**	**566**	**12,172**
As at 1 January 2019					
Gross	2,496	18,358	17,509	2,202	**40,565**
Decommitment and impairment loss	(1,501)	(13,301)	(3,645)	(1,784)	**(20,231)**
Carrying value as at 1 January 2019	**995**	**5,057**	**13,864**	**418**	**20,334**
As at 31 December 2019					
Gross	1,968	17,671	8,439	2,413	**30,491**
Decommitment and impairment loss	(1,088)	(12,069)	(3,315)	(1,847)	**(18,319)**
Carrying value as at 31 December 2019	**880**	**5,602**	**5,124**	**566**	**12,172**

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	Land and buildings PLN thou.	Computers and other office equipment PLN thou.	Means of transport PLN thou.	Other fixed assets PLN thou.	In total PLN thou.
As at 1 January 2018, including decommitment and write-downs	**1,228**	**6,066**	**10,149**	**408**	**17,851**
Increase through:	**38**	**2,837**	**6,177**	**97**	**9,149**
Purchase and upgrade	38	2,837	6,177	97	**9,149**
Decrease through:	**(271)**	**(3,846)**	**(2,462)**	**(87)**	**(6,666)**
Depreciation allowance for reporting period	(243)	(3,831)	(2,173)	(87)	**(6,334)**
Sales and liquidation	(28)	(15)	(289)	-	**(332)**
As at 31 December 2018, including decommitment and write-downs	**995**	**5,057**	**13,864**	**418**	**20,334**
As at 01 January 2018					
Gross	2,587	18,257	12,852	2,148	**35,844**
Decommitment and impairment loss	(1,359)	(12,191)	(2,703)	(1,740)	**(17,993)**
Carrying value as at 01 January 2018	**1,228**	**6,066**	**10,149**	**408**	**17,851**
As at 31 December 2018					
Gross	2,496	18,358	17,509	2,202	**40,565**
Decommitment and impairment loss	(1,501)	(13,301)	(3,645)	(1,784)	**(20,231)**
Carrying value as at 31 December 2018	**995**	**5,057**	**13,864**	**418**	**20,334**

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5.2. Intangible assets

Selected accounting rules

Acquired intangible assets

Intangible assets acquired in a separate transaction are recognised at acquisition price. The purchase price of intangible assets acquired in a business combination is equal to their fair value at the date of the combination.

Goodwill

Goodwill is an asset representing future economic benefit arising from assets acquired through business combination that cannot be either identified individually or recognised separately.

In separate financial statements, goodwill is a value resulting from combination of businesses under joint control. Goodwill was originally calculated as the surplus of the price paid over the acquired identifiable net assets, and in separate accounts it was recognised at the moment of merger of the acquired entities.

Business combination under joint control results in all combined entities ultimately falling under the control of the same party or parties both before and after the merger, and such a control is not temporary. In particular, this involves transactions such as the transfer of companies or ventures between Company's units or the merger of a parent entity with its subsidiary.

Internally generated intangible assets

In separate categories, the Company presents the end products of development projects ("internally generated software") and products that have not yet been completed ("cost of uncompleted development projects"). An internally generated intangible asset as a result of development (or completion of a development stage/milestone of own project) is recognised if and only if the Company is able to demonstrate:

- *the technical possibility of completing the development of an intangible asset so that it can be used or sold;*
- *the intention to complete an intangible asset;*
- *the capacity to use or sell an intangible asset;*
- *that an intangible asset will generate probable future economic benefits.*
- *the availability of technical, financial and other means necessary to complete the development and use or sale an intangible asset;*
- *that it can assess reliably the expenses incurred during the development that can be assigned to the developed intangible assets.*

The cost of internal generation of an intangible asset is the sum of expenditures incurred from the date when the intangible asset meets the recognition criteria described above for the first time. The value of expenditure previously included in costs is not subject to activation. The cost of internal generation of an intangible asset includes expenditures that can be directly allocated to the activities of designing, producing and adapting an asset for use in a manner intended by the management. These costs include, in particular: employee benefits, expenditure on materials and services used or directly consumed in the project, depreciation costs of equipment used in the development process and the cost of office space occupied by the development team.

Until the completion of development works, the cumulative costs that are in direct relation to these works will be recognised as "Cost of uncompleted development projects". Upon the completion of development works, the ultimate result of the development process is transferred to the category "Internally generated software," and from then on the Company begins to depreciate such internally generated software. Development costs that meet the above criteria are capitalized and reduced in the balance sheet by accumulated depreciation and accumulated impairment losses. Any expenditure related to completed development are amortized over the expected period of obtaining revenue from the sale of the project.

Amortization charge for intangible asset with determined use is recognized in profit or loss in weight in this category, which corresponds to the function of the intangible asset.

Intangible assets with an indefinite useful life and those that are not in use are, at least once a year and whenever there are grounds for that, verified for possible impairment. Intangible assets with an indefinite useful life, those that are not in use, and other intangible assets are subject to impairment tests whenever there are grounds for their possible impairment. If the carrying amount exceeds the estimated recoverable amount (the higher of the following two values: net selling price or value in use), the value of these assets is reduced to the level of recoverable amount.

Gains or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net sales proceeds and the carrying amount of an asset and are recognised in the profit or loss account in other operating cost or income upon the derecognition of this asset.

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of an intangible asset.
The Company reviews annually the adopted periods of economic useful life based on current estimates. In 2019, there were no significant changes to the intangible asset amortization rates applied by the Company.
Useful life periods are presented in the table below:

Type	**Period** (in years)
Acquired licences and software	2-5 years
Costs of R&D	2-5 years
Customer relations	8 years
Other	2-5 years

The cost price of an internally generated intangible asset is determined and capitalised in accordance with the Company's accounting policy. To decide the starting point for cost capitalisation is the subject of professional judgement regarding the technological and economic possibility of completing the project. This point is determined by achieving a project milestone in which the Company has reasonable assurance that it is able to complete an intangible asset so that it can be used or sold, and that future economic benefits from the use or sale will exceed the cost of generation of that intangible asset.
Thus, by determining the value of costs that may be subject to capitalisation, the Management Board assesses the current value of future cash flows generated by a given intangible asset. Every year and at each balance sheet date, if specific conditions are met, goodwill is tested for impairment. Performing such a test requires estimation of the recoverable amount of the cash-generating unit and is mostly done using the discounted cash flow method, which requires estimations to be made of future cash flows, changes in working capital and the weighted average cost of capital.

Intangible assets recognised during the settlement of combination

The table below shows intangible assets recognized during the settlement of the merger of Asseco Business Solutions S.A. with other companies:

	Customer relations	**Generated software**	**In total**
	PLN thou.	***PLN thou.***	***PLN thou.***
As at 1 January 2019:			
Gross	2,500	262	2,762
Remission	(467)	-	(467)
Net carrying value as at 1 January 2019	**2,033**	**262**	**2,295**
As at 31 December 2019:			
Gross	2,500	262	2,762
Remission	(780)	-	(780)
Net carrying value as at 31 December 2019	**1,720**	**262**	**1,982**
Depreciation allowance for the reporting period	(313)	-	(313)

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	Customer relations *PLN thou.*	Generated software *PLN thou.*	In total *PLN thou.*
As at 1 January 2018:			
Gross	2,500	262	2,762
Remission	(154)	-	(152)
Net carrying value as at 1 January 2018	**2,346**	**262**	**2,608**
As at 31 December 2018:			
Gross	2,500	262	2,762
Remission	(467)	-	(467)
Net carrying value as at 31 December 2018	**2,033**	**262**	**2,295**
Depreciation allowance for the reporting period	(313)	-	(313)

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Changes in net worth of intangible assets in the period of 12 months ended 31 December 2019 and in the comparative period were attributed to the following:

	Goodwill	Internally generated software	Costs of unfinished R&D work	Purchased computer software, patents, licences and other intangible assets	Intangible assets recognised during the settlement of combination	In total
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
As at 1 January 2019, including decommitment and write-downs	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**
Increase through:	**-**	**11,033**	**11,291**	**316**	**-**	**22,640**
Purchase and upgrade	-	-	-	316	-	**316**
Capitalisation of costs of R&D projects	-	-	11,291	-	-	**11,291**
Transfers from costs of unfinished development work	-	11,033	-	-	-	**11,033**
Decrease through:	**-**	**(11,951)**	**(11,033)**	**(681)**	**(313)**	**(23,978)**
Depreciation allowance for reporting period	n/a	(11,951)	n/a	(681)	(313)	**(12,945)**
Transfer to internally generated software	-	-	(11,033)	-	-	**(11,033)**
Net value as at 31 December 2019	**252,879**	**20,360**	**543**	**327**	**1,982**	**276,091**
As at 1 January 2019						
Gross	252,879	77,377	889	8,441	2,762	**342,348**
Decommitment and impairment loss	-	(56,099)	(604)	(7,749)	(467)	**(64,919)**
Net value as at 1 January 2019	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**
As at 31 December 2019						
Gross	252,879	88,410	1,147	8,757	2,762	**353,955**
Decommitment and impairment loss	-	(68,050)	(604)	(8,430)	(780)	**(77,864)**
Net value as at 31 December 2019	**252,879**	**20,360**	**543**	**327**	**1,982**	**276,091**

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	Goodwill	Internally generated software	Costs of unfinished R&D work	Purchased computer software, patents, licences and other intangible assets	Intangible assets recognised during the settlement of combination	In total
	PLN thou.	PLN thou.	PLN thou.	PLN thou.	PLN thou.	PLN thou.
As at 1 January 2018, including decommitments and write-downs	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**
Increase through:	**-**	**12,093**	**9,809**	**354**	**-**	**22,256**
Purchase and upgrade	-	-	-	354	-	**354**
Capitalisation of costs of R&D projects	-	-	9,809	-	-	**9,809**
Transfers from costs of unfinished development work	-	12,093	-	-	-	**12,093**
Decrease through:	**-**	**(11,436)**	**(12,093)**	**(674)**	**(313)**	**(24,516)**
Depreciation allowance for reporting period	n/a	(11,436)	n/a	(674)	(313)	**(12,423)**
Transfer to internally generated software	-	-	(12,093)	-	-	**(12,093)**
Net value as at 31 December 2018	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**
As at 01 January 2018						
Gross	252,879	65,284	3,173	8,087	2,762	**332,185**
Decommitment and impairment loss	-	(44,663)	(604)	(7,075)	(154)	**(52,496)**
Net value as at 01 January 2018	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**
As at 31 December 2018						
Gross	252,879	77,377	889	8,441	2,762	**342,348**
Decommitment and impairment loss	-	(56,099)	(604)	(7,749)	(467)	**(64,919)**
Net value as at 31 December 2018	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**

There is no amortization of intangible assets recognized in the statement of other comprehensive income.

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The greatest share in the balance of intangible assets is the goodwill created from the merger/acquisition of Asseco Business Solutions S.A. with Safo Sp. z o.o., Softab Sp. z o.o., Softlab Trade Sp. z o.o., WA-PRO Sp. z o.o., Anica System S.A. and Macrologic S.A.

Goodwill is allocated to the cash-generating unit, which was also a separate operating segment – ERP Systems.

Costs of unfinished R&D work

Major projects implemented in the year ended 31 December 2019 were as follows:

- Macrologic ERP WNIP 2.0

The project aims to expand the ERP products of the Macrologic ERP family with the original MacroBASE technology by adding the necessary functionalities that meet the needs of the target market. It is a product targeted at large and medium-sized enterprises.

The development phase began in January 2019. The total value of outlays expended to 31 December 2019 for intangible assets amounted to PLN 4,161 thousand. The project was completed on 31 December 2019.

- ABS Mobile Touch 9.0

The project aims to extend the functional scope of the Mobile Touch solution. Implementation of AI-based solutions, such as image recognition, and the introduction of modern UX solutions.

The development phase began in January 2019. The total value of outlays expended to 31 December 2019 for intangible assets amounted to PLN 3,878 thousand. The project was completed on 31 December 2019.

5.3. Right-of-use assets

Selected accounting rules

In 2019 the Company applied IFRS 16 Leases for the first time ("IFRS 16"). IFRS 16 has introduced one model of the lease recognition in the lessee's accounts. In general, IFRS 16 provides for the recognition of all lease agreements in a model similar to that of financial lease under IAS 17. The new standard has replaced current standard IAS 17 and interpretations of IFRIC 4, SIC 15 and SIC 27.

In accordance with IFRS 16, an agreement is a lease or contains lease if it transfers the right to control an identified asset over a given period in exchange for payment. The right of control is transferred to the lessee under a concluded agreement if, throughout the entire period of use, the lessee enjoys:

- *the right to reap essentially all economic benefits from the use of the identified asset and*
- *the right to direct the use of the identified asset.*

The Company has been applying the above-mentioned principles of lease identification in agreements from the date of implementation of the standard, whereas, as discussed above, the Company used the practical exception permitted in IFRS 16 on the first day of application of the standard. Therefore, for agreements concluded before the date of first application of the new standard, the Company did not re-assess whether the given agreement is a lease or contains a lease component.

As from 1 January 2019, for agreements identified as a lease, the Company has been recognizing right-of-use assets as at the beginning of the lease in its balance sheet (i.e. as at the date when an asset covered by the lease agreement is made available to the Company for use). Right-of-use assets are initially recognized at cost. The cost of a right-of-use asset covers the amount of the initial valuation of lease liability, any lease payments paid on or before the initial date of the lease, less any leasing incentives received, initial direct costs incurred by the lessee, and an estimate of the costs to be incurred by the lessee in connection with the disassembly and removal of the underlying asset. The Company measures a right-of-use asset using the cost model, i.e. less depreciation write-downs and possible losses due to impairment, but also after appropriate adjustment for recalculated lease liabilities (i.e. modifications that do not require the recognition of a separate lease).

Estimates

At each balance sheet date, the Company assesses whether there are objective conditions that could indicate an impairment of a right-of-use asset. In addition, at the end of each financial year, the Company's Management Board makes judgements for agreements concluded for an indefinite period to determine their duration with reasonable assurance. Depreciation of right-of-use assets in the Company is generally carried out on a straight-line basis. If under a lease agreement, the ownership of the underlying asset is transferred to the Company at the end of the lease period or if the cost of a right-of-use asset takes into account that the Company will take advantage of the purchase option, the Company depreciates right-of-use assets from the initial date up to the end of the useful life of the underlying asset. Otherwise, the Company depreciates right-of-use assets from the date of inception of the lease to the end of the useful life of the asset or to the end of the lease period, whichever is earlier.

Useful life periods are presented in the table below:

	Period (in years)
Land and buildings	3-10 years
Means of transport	7 years

To estimate the possible impairment of right-of-use assets, the Company applies IAS 36 Impairment of Assets. At each balance sheet date, the Company assesses whether there are objective conditions that could indicate an impairment of a given right-of-use asset. In addition, at the end of each financial year, the Company's Management Board makes judgements for agreements concluded for an indefinite period to determine their duration with reasonable assurance.

As explained in Note 2.5 to these financial statements, the Company has implemented new IFRS 16 as of 1 January 2019. Consequently, a new item, Right-of-use assets, appeared in the Company's balance sheet beginning with 1 January. It reflects the value of the rights to use the underlying asset under lease, rent, tenancy, and other agreements of a similar nature that meet the definition of lease in accordance with IFRS 16.
As a consequence of applying the modified retrospective approach, the Company did not transform comparable data, therefore no such data for the comparable period is presented:

	Land and buildings *PLN thou.*	Means of transport *PLN thou.*	In total *PLN thou.*
As at 1 January 2019, including decommitment and write-downs (after implementing IFRS 16)	**37,917**	**7,175**	**45,092**
Increase through:	**7,433**	**6,266**	**13,699**
New lease agreements	7,036	6,266	**13,302**
Modification of existing agreements (renewal, change of interest rate)	397	-	**397**
Decrease through:	**(6,152)**	**(1,326)**	**(7,478)**
Depreciation allowance for reporting period	(5,307)	(1,326)	**(6,633)**
Early termination	(9)	-	**(9)**
Modification of existing agreements (early termination, change of interest rate)	(836)	-	**(836)**
As at 31 December 2019, including decommitment and write-downs	**39,198**	**12,115**	**51,313**
As at 1 January 2019			
Gross	37,917	7,175	**45,092**
Decommitment and impairment loss	-	-	**-**
Carrying value as at 1 January 2019	**37,917**	**7,175**	**45,092**
As at 31 December 2019			
Gross	45,350	13,441	**58,791**
Decommitment and impairment loss	(6,152)	(1,326)	**(7,478)**
Carrying value as at 31 December 2019	**39,198**	**12,115**	**51,313**

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5.4. Asset impairment tests

Selected accounting rules

At every balance sheet date, the Company carries out valuation of its non-financial assets concerning any impairment. If any such indication exists, or if it is necessary to perform an annual impairment test, the Company shall estimate the recoverable amount of an asset or cash-generating unit to which the asset is assigned.

The recoverable amount of an asset or cash-generating unit is fair value less costs to sell the asset or unit or its value in use, depending on whichever is higher. The recoverable amount is determined for individual assets unless an asset does not generate cash flows independently, and most of them are generated independently by other assets or groups of assets. If the carrying value of an asset exceeds its recoverable value, impairment takes place and a write-down is made up to the level of estimated recoverable value. When estimating value in use, projected cash flows are discounted to their present value using a discount rate which reflects the current market estimate of time value of money and the risks specific to the asset. Impairment losses of assets used in continuing operations are recognised as an item of operating expenses.

At each balance sheet date, the Company assesses whether there is any indication that an impairment loss, which was included in previous periods for an asset, is redundant, or whether it should be reduced. If any such indication exists, the Company estimates the recoverable amount of the asset. Previously recognised impairment loss is reversed if and only if since the last impairment loss recognised, there has been a change in the estimates used to determine the recoverable amount of the asset. In such cases, the carrying value of the asset is increased to its recoverable value. The increased value cannot exceed the asset's carrying value that would have been determined (after allowing for depreciation), if in previous years no impairment loss had been recognised in respect of that asset. Reversal of impairment loss for an asset is recognized immediately as a reduction in operating expenses. After the reversal of an impairment, amortization/depreciation charge for the asset in subsequent periods is adjusted in a way that allows systematic write-down of its revised carrying value less its residual value throughout the remaining useful life.

Goodwill and impairment test

After initial recognition, goodwill is recorded at acquisition cost less any accumulated impairment losses. Impairment test is carried out annually or more frequently if there are grounds for doing so. Goodwill is not subject to amortisation. At the date of acquisition, goodwill acquired is allocated to each cash-generating units that can benefit from the merger synergy. Each unit or a group of units to which goodwill has been allocated: corresponds to the lowest level in the Company in which goodwill is monitored for internal management needs and is no larger than one operating segment determined in accordance with IFRS 8 Operating Segments. An impairment loss is determined by estimating the recoverable amount of cash-generating unit to which a given goodwill is allocated. Where the recoverable value of the cash-generating unit is less than carrying value, impairment loss is recognised. Such impairment increases the financial expenses in the Company. Reversal of a previous impairment loss is not possible.

Where goodwill forms part of the cash-generating unit and part of the activities within the unit is sold, in determining profit or loss from sales of such an activity, goodwill associated with the sold activity is included in its carrying amount. In such circumstances, sold goodwill is determined on the basis of the relative value of sold activity and the value of what remains of the cash-generating unit.

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of an intangible asset. Consideration of conditions for impairment, as well as impairment testing based on the discounted cash flow method, requires professional judgement and large-scale estimates. First of all, it concerns the estimation of future operational flows but also the estimation of the relevant discount rate.

As at 31 December 2019, as well as in the 12-month period ended 31 December 2018, the market capitalisation of Asseco Business Solutions S.A. remained at a level significantly above the book value of the Company's net assets, as shown in the table below.

	As at 31 December 2019 PLN thou.	As at 31 December 2018 PLN thou.
Book value of net assets	316,105	298,529
Market capitalisation	949,077	932,367
Above (+)/below (-) market capitalisation over net assets	**632,972**	**633,838**

However, in accordance with the requirements of IAS 36, an annual goodwill impairment test was conducted. For the purpose of the test, all goodwill was allocated to the cash-generating unit corresponding to the lowest level in the Company on which goodwill is monitored for internal management needs, i.e. to the ERP segment. The value in use of the segment is assessed using a discounted free cash flow for firm model (FCFF).

Key assumptions used to calculate the recoverable amount: ·

- The recoverable amount of the unit was estimated on the basis of use value, calculated on cash flow projections based on financial budgets approved by the Management Board and the Supervisory Board.
- A detailed forecast covered the period of 5 years, during which flows were assumed to increase in subsequent years; for the rest of the period of the unit's operation, the residual value was calculated with the assumed absence of flow increase (similarly to the test carried out last year).
- Probable increases in flows depend on the strategy for the whole Company and tactical plans of the units and take into account the conditions governing individual market; at the same time, they reflect the current and potential portfolio of orders. A potential portfolio of orders assumes the retention of current and prospecting for new customers. The envisaged increases do not depart from the average market growth.
- The discount rate (after tax) used to calculate the present value of estimated cash flows is the estimate of the weighted average Company's cost of capital. The individual components of this rate were estimated based on market data on risk-free interest rates, the value of the beta factor (deleveraged beta of 0.92 was adopted which was leveraged based on the market structure of the debt/equity) and the value of expected return from the market.

The conducted impairment tests, which involved the estimation of the value in use by applying the model of discounted free cash flow to firm (FCFF), indicated that the book value of our cash-generating units is higher than their value in use.

As a result of the test for impairment, it should be noted that on 31 December 2019, there was no need to apply impairment to goodwill.

Sensitivity analysis

Additionally, the Company carried out a sensitivity analysis in relation to the conducted impairment test. Such a sensitivity analysis examined the impact of changes in:

- discount rate applied for the residual period, i.e. for cash flows generated after 2024;
- compound annual growth rate of free cash flows (CAGR) over the period of forecast, i.e. in the years 2021-2024;

as a factor with influence on the recoverable amount of a cash-generating unit, assuming other factors remain unchanged.

The objective of such a sensitivity analysis was to find out the breakpoints showing how much the selected parameters applied in the model could be changed so that the estimated value in use of each cash-generating unit equalled its carrying value.

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The results of the conducted analysis are presented in the table below:

	Discount rate for residual period		Free cash flow to firm (FCFF)
	applied in model	limitation	limitation
Goodwill	8.45%	Non-existent	-32.83%

In addition, the table below presents an analysis of sensitivity of our models applied to calculate the recoverable amounts of cash-generating units to changes in discount rates as well as to the percentage change in the forecast free cash flows.

	Change in discount rate for the residual period (in percentage points)						
	-1.5 p.p.	-1.0 p.p.	-0.5 p.p.	0.0 p.p.	+0.5 p.p.	+1.0 p.p.	+1.5 p.p.
FCFF current value (in PLN thou.)	1,150,160	1,093,882	1,044,685	1,001,313	962,788	928,341	897,357
Above/less than unit book value (in PLN thou.)	814,458	758,180	708,983	665,611	627,086	592,639	561,655

	Change in the value of FCFF in 2020-2024 (in percentage terms)						
	-5%	-3%	-1%	0%	1%	3%	5%
FCFF current value (in PLN thou.)	951,247	971,273	991,299	1,001,313	1,011,326	1,031,352	1,051,378
Above/less than unit book value (in PLN thou.)	615,545	635,571	655,597	665,611	675,624	695,650	715,676

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5.5. Receivables and assets from contracts with customers

Selected accounting rules

***Assets from contracts with customers** confer the right to remuneration in exchange for goods or services that the entity has delivered to the customer.*

Assets from contracts with customers result from the fact that the progress of implementation contracts is more advanced than issued invoices. As regards these assets, the Company has fulfilled its obligation to perform, but the right to remuneration depends on other conditions than just the passage of time, which makes contract assets different from trade receivables.

***Trade receivables** whose maturity is usually from 14 to 30 days are recognised and presented at initially invoiced amounts, taking into account an allowance for receivables. Receivables with distant maturity dates are recognised at the present value of the expected payment less possible allowance due to expected credit loss.*

***Trade receivables from non-invoiced delivery** are for those services that were provided during the reporting period (the Company provided its contracted services) but were not invoiced before the balance sheet date. As at the balance sheet date, the Company recognises, however, that it has an unconditional right to receive its due remuneration, which is why it classifies this asset item as a receivable.*

Impairment allowances for receivables and contract assets

In estimating an allowance for trade receivables, the Company applies the simplified approach by measuring the impairment allowance at an amount equal to expected credit losses over the lifetime of receivables. In order to estimate such expected credit losses, the Company uses a provisioning matrix prepared on the basis of historical payments received from customers, where appropriate adjusted by the impact of forward-looking information. To this end, the Company divides its customers into homogeneous groups and carries out a statistical age analysis and a debt collectability analysis based on data from at least two years back. The amount of impairment loss is revised at each reporting date.

For trade receivables that are past due more than 180 days, apart from the statistical method of estimating the amount of impairment loss based on the provisioning matrix, the Company also applies an individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management exercise professional judgement taking into account the contractor's financial standing and general market conditions.

Impairment losses of trade receivables and assets from contracts with customers are included in operating activities.

In the case of other receivables and other financial assets, the Company measures the write-down on expected loan losses in the amount equal to 12-month expected loan losses. If the credit risk associated with a given financial instrument has increased significantly since initial recognition, the Company measures the write-down on expected credit loss on the financial instrument in an amount equal to the expected loan loss over the entire life cycle.

Allowances for other receivables are included in other operating activities or financing activities if a receivable was attributed to a transaction of investment disposal or other activity whose income and expenses, as a rule, fall under financing activities. Allowances for the balance of receivables resulting from accrued interest are included in financial expenses.

If the reason for allowance is no longer relevant, the whole or a part of the previously made allowance increases the value of the given asset.

Estimates

Each time, the Company exercises professional judgement involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued. Similarly, a certain number of estimates and professional judgement is needed in allocating the transaction price to individual performance obligations.

The Company estimates the allowance for receivables and assets from contracts with customers in accordance with the new requirements of IFRS 9 Financial Instruments. In the simplified approach, this requires a statistical analysis which, in principle, involves making certain assumptions and applying professional judgement.

The following table presents the balances of trade receivables as at 31 December 2019 and 31 December 2018:

	31 December 2019		31 December 2018	
	Long-term *PLN thou.*	Short-term *PLN thou.*	Long-term *PLN thou.*	Short-term *PLN thou.*
Trade receivables	**-**	**47,133**	**-**	**48,134**
from related parties, including:	-	512	-	85
Invoiced receivables	-	512	-	85
Receivables not invoiced	-	-	-	-
from other parties	-	**46,621**	**-**	**48,049**
Invoiced receivables	-	46,611	-	47,924
Receivables not invoiced	-	42	-	125
Allowance on doubtful accounts (-)	**-**	**(1,875)**	**-**	**(1,775)**
Total trade receivables	**-**	**45,290**	**-**	**46,359**

The following table presents the balances of contract assets as at 31 December 2019 and as at 31 December 2018:

	31 December 2019		31 December 2018	
	Long-term *PLN thou.*	Short-term *PLN thou.*	Long-term *PLN thou.*	Short-term *PLN thou.*
Assets from contracts with customers				
from related parties	-	-	-	-
from other parties	-	1,528	-	565
Total receivables from contracts with customers	**-**	**1,528**	**-**	**565**

Assets from contracts with customers result from the fact that the progress of implementation contracts is more advanced than issued invoices.
Change in the value of assets related to contracts with customers during the 12 months ended 31 December 2019 and in the comparable period:

	12 months to 31 December 2019 *PLN thou.*	12 months to 31 December 2018 *PLN thou.*
Total assets from contracts with customers	**565**	**324**
Reclassification to receivables	(2,750)	(3,978)
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions	3,713	4,219
Assets from contracts with customers at end of period	**1,528**	**565**

The table below shows the movement in the balance of write-downs for trade receivables and assets from contracts with customers during the 12-month period ended 31 December 2019 and in the corresponding period of the previous year.

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	12 months to 31 December 2019 PLN thou.	12 months to 31 December 2018 PLN thou.
As at 1 January	**(1,775)**	**(1,594)**
Creation (+)	(383)	(312)
Termination/use (-)	283	131
As at 31 December	**(1,875)**	**(1,775)**

Related party transactions are shown in item 5.18 of the explanatory notes to these financial statements.

The Company has an appropriate policy in place for making sales only to verified customers. As a result, in the opinion of the Management Board of the Company, there is no additional credit risk above the level specified by the allowance for receivables.

The table below presents the age structure of gross receivables (i.e. without allowances and discounts) as at 31 December 2019 and as at 31 December 2018:

	31 December 2019		31 December 2018	
	PLN thou	*%*	*PLN thou.*	*%*
Ageing of trade receivables				
Receivables undue	**37,483**	**77.00%**	**37,594**	**77.10%**
Past due receivables	**8,581**	**17.60%**	**9,439**	**19.40%**
Receivables past due up to 3 months	7,525	15.40%	8,470	17.40%
Receivables past due from 3 to 6 months	264	0.50%	406	0.80%
Receivables past due from 6 to 12 months	179	0.40%	81	0.20%
Receivables past due above 12 months	613	1.30%	482	1.00%
	46,064	**94.60%**	**47,033**	**96.50%**
Trade receivables claimed before court	**1,101**	**2.30%**	**1,101**	**2.30%**
Aged assets from contracts with customers				
Not required	1,528	3.10%	565	1.20%
Total	**48,693**	**100%**	**48,699**	**100%**

The table below presents other receivables as at 31 December 2019 and 2018:

	31 December 2019		31 December 2018	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Receivables from paid deposits	881	178	1,085	196
Other receivables	-	473	-	125
Other receivables total	**881**	**651**	**1,085**	**321**

Deposit receivables consist of deposits on the ESCROW account securing the payment of rent, tendering securities and securities of contracts as well as deposits for office rental.

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5.6. Accruals

Selected accounting rules

In accrued expenses, expenses incurred until the balance sheet date are recognised which relate to future periods (prepaid expenses) or relate to future revenues. In particular, accruals include: (i) external prepaid services (including maintenance services) to be provided in subsequent periods, (ii) prepaid insurance, subscriptions, rents, etc., and (iii) other expenses incurred in the period and related to future periods.
In addition, the Company recognizes as an asset the costs of conclusion of an agreement with a customer and the costs of performance of the agreement if the Company expects to recover such costs.

As at 31 December 2019 and in the comparative period, the balance of prepaid expenses included the following items:

	31 December 2019		31 December 2018	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Prepaid services, including:	36	574	34	918
Maintenance services and licence fees	*27*	*278*	*21*	*254*
Prepaid training	-	*87*	-	*73*
Insurance	-	*62*	-	*37*
Other services	*9*	*147*	*13*	*554*
Total	**36**	**574**	**34**	**918**

Accrued expenses as at 31 December 2019 and at the end of the comparative period consisted mainly of prepaid maintenance services and licence fees that will be recognised in the profit and loss account successively in future periods.

5.7. Other assets

Selected accounting rules

The Company qualifies financial assets to the following categories specified in IFRS 9:

- *measured at fair value through other comprehensive income*
- *valued at amortised cost*
- *measured at fair value through profit or loss.*

The Company classifies financial assets based on the Company's business model in terms of managing financial assets and the characteristics of contractual cash flows for a given financial asset. The Company reclassifies investments in debt instruments if and only if the asset management model changes.

Measurement upon initial recognition

With the exception of certain trade receivables, upon initial recognition, the Company measures a financial asset at its fair value. For financial assets that are not classified at fair value through profit or loss, the Company may, upon initial recognition, increase their fair value by transaction costs that are directly attributable to their acquisition.

Recognition and presentation of financial assets in the balance sheet for each balance sheet day

- ***Measurement of financial assets at amortized cost***

A financial asset is measured at amortized cost if both of the following conditions are met: (i) the financial asset is held in accordance with a business model whose purpose is to receive contractual cash flows; and (ii) the terms of the contract for the financial asset generate cash flows in specific periods that are only the repayment of the principal and interest on the outstanding principal amount.
The Company classifies the following into the category of financial assets measured at amortized cost: cash and cash equivalents, granted loans (meeting the SPPI classification test), assets from contracts with clients, trade receivables, services and other receivables falling under IFRS 9.

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Trade receivables with a maturity of less than 12 months are measured at the amount of payment due, less any allowance due to expected loss. Long-term receivables falling under IFRS 9 are discounted at the balance sheet date.
The Company measures financial assets at amortized cost using the effective interest method. Receipts from interest on investment in debt instruments the Company recognizes in the financial result. Upon the sale of investment in traded debt, the Company recognises cumulative profit/loss from valuation in the financial result.

- ***Measurement of financial assets at fair value through profit or loss***

In profit or loss, the Company recognizes changes in the fair value of financial assets classified in this category of financial assets. The profit or loss also contains receipts from interest and dividends received from equity instruments listed on an active market.

Termination of recognition

The Company derecognizes financial assets from its the accounts when: (i) the rights to obtain cash flows from financial assets expire, or (ii) the rights to obtain cash flows from financial assets are transferred, and the Company has transferred substantially all risks and benefits of their ownership.

Impairment of financial assets

IFRS 9 introduced a new concept for estimating write-downs due to impairment of financial assets. The loss model under IAS 39 is replaced with a model based on expected losses.
The expected loss model applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, except for investment in equity instruments.
To assess write-downs due to impairment of financial assets, the Company adopts the following approaches:

- *general approach,*
- *simplified approach.*

The Company applies a general approach to financial assets measured at fair value through other comprehensive income and to financial assets at amortised cost, with the exception of trade receivables and assets from contracts with customers.
In a general approach, the Company estimates a write-down due to impairment of financial assets based on a 3-stage model using the change in the credit risk of financial assets from their initial recognition.
If the credit risk of a given financial asset has not increased significantly since initial recognition (stage 1), the Company estimates an impairment loss over a 12-month horizon. If the Company identifies a significant increase in the credit risk of financial assets (stages 2 and 3), impairment loss is estimated over the life horizon of financial assets.
On each reporting day, the Company analyses whether there are conditions indicating a significant increase in the credit risk of held financial assets.
As regards trade receivables and assets from contracts with customers, the Company applies a simplified approach and does not monitor credit risk changes during the life cycle, and the impairment loss is measured at an amount equal to expected credit losses over the life cycle of the receivables.

i. Other financial assets

As at 31 December 2019, the Company had the categories and classes of financial assets listed in the table below (except for assets under contracts with customers, trade receivables and cash, which are presented in items 5.5 and 5.9 of explanatory notes to these financial statements).

	31 December 2019	31 December 2018		
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Financial assets valued at amortized cost, including:	**-**	**14,015**	**-**	**-**
Deposits with original maturity below 12 months	-	14,015	-	-
Financial assets valued at fair value through financial result, including:	**-**	**276**	**-**	**109**
Forward currency contracts	-	276	-	109
Total	**-**	**14,291**	**-**	**109**

A deposit at Santander Bank Polska for the amount of PLN 14,000 until 28 May 2020 bearing interest based on WIBOR + margin. The margin ranges from 1.58% to 1.7%.

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Changes in the method of determining the fair value of financial instruments measured at fair value and changes in the classification of financial instruments

In the 12 months ended 31 December 2019, the Company did not change the method of determining the fair value of financial instruments measured at fair value, and there were no transfers of instruments between the levels of the fair value hierarchy; no changes were made to the classification of financial instruments.

As at 31 December 2019 and 31 December 2018, the fair value of financial assets did not differ significantly from their book value.

As at 31 December 2019	Balance sheet value *PLN thou.*	Level 1 i) *PLN thou.*	Level 2 ii) *PLN thou.*	Level 3 iii) *PLN thou.*
Financial assets valued at fair value through profit or loss				
Concluded forward contracts	276	-	276	-
Total	**276**	**-**	**276**	**-**

i. *fair value is determined based on quoted prices offered for identical assets in active markets;*
ii. *fair value determined by using models for which the input data is observable either directly or indirectly on active markets;*
iii. *fair value determined by using models for which the input data is not observable either directly or indirectly in active markets*

As at 31 December 2018	Balance sheet value *PLN thou.*	Level 1 i) *PLN thou.*	Level 2 ii) *PLN thou.*	Level 3 iii) *PLN thou.*
Financial assets valued at fair value through profit or loss				
Concluded forward contracts	109	-	109	-
Total	**109**	**-**	**109**	**-**

Descriptions of fair value levels are identical to those disclosed under the table above.

ii. Non-financial assets

The balance of other assets as at 31 December 2019 and as at 31 December 2018 consisted of:

	31 December 2019 *PLN thou.*	31 December 2018 *PLN thou.*
Prepayments for deliveries	83	22

5.8. Inventories

Selected accounting rules

Inventories are valued at the lower of the following two values: purchase price/production cost or net realizable value. The purchase price or production cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, both in the current and previous year, and are determined as follows:
Materials in the acquisition price defined by the FIFO method,
Finished products and products in progress: cost of direct material and labour and an appropriate mark-up of indirect production overheads determined given the normal capacity utilization, excluding borrowing costs,
Goods in the purchase price determined by the FIFO method.
The selling net realizable price estimates the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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The category of goods mainly includes computer hardware and third-party licences for resale as part of implementation contracts or agreements to deliver equipment. Thus, most goods are purchased for the execution of concluded or highly probable contracts.

	31 December 2019 *PLN thou.*	31 December 2018 *PLN thou.*
Computer equipment, third-party licences and other goods for resale	896	542
Impairment loss of goods (-)	(170)	(152)
Total	**726**	**390**

5.9. Cash and short-term

Selected accounting rules

Cash and cash equivalents presented in the balance sheet consist of cash at bank and on hand, short-term deposits with a maturity not exceeding three months and other high-liquidity instruments.
The balance of cash and cash equivalents disclosed in the cash flow statement consists of the above-defined cash and cash equivalents. For the purposes of the cash flow statement, the Company adopted the principle of reducing the balance of cash and cash equivalents by the value of credit facilities in current accounts constituting an element of financing.

	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Cash at bank in current accounts	2,267	1,387
Cash at bank in split payment accounts	214	60
Short-term deposits (overnight)	13,323	11,233
Cash in hand	52	40
Cash in transit	94	80
Total cash balance shown in balance sheet	**15,950**	**12,800**
Overdraft facilities used for current liquidity management	-	-
Total cash balance shown in cash flow statement	**15,950**	**12,800**

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on bank deposits. Short-term deposits are made for periods from one day to three months and bear interest at a fixed interest rate.

5.10. Social assets and liabilities to the Company Social Benefit Fund

Selected accounting rules

The Act of 4 March 1994 on the Company Social Benefit Fund with amendments provides that the Company Social Benefit Fund be established by employers with over 50 full time employees. The objective of the Fund is to finance the social activities of the Company, loans to its employees and other social expenses. Allowances to the Company's Social Benefit Fund during the year are the cost of the period in which they were made. The Company offset the Fund's assets with its commitments to the Fund because these assets do not fall within the definition of Company assets.

The table below breaks down the Fund's assets, liabilities, and expenses.

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	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Cash	456	271
Liabilities to the Fund	449	269
Balance after offset	**7**	**2**
Allowances to the Fund in the financial period	**1,122**	**820**

5.11. Subscribed capital and other elements of equity

Share capital

The subscribed capital as at 31 December 2019 and in the comparative period amounted to PLN 167,091 thousand and was fully paid up. The share capital consists of 33,418,193 ordinary shares with a nominal value of PLN 5 each. The Company did not issue preference shares.

In the year ended 31 December 2019, the subscribed capital did not change compared to 31 December 2018. The Company's authorised capital is equal to its subscribed capital.

Supplementary capital

Supplementary capital (in accordance with the Code of Commercial Companies and Partnerships - CCCP) was created from the surplus of the issuance value over the nominal value, reduced by share issuance costs and profits from previous years, which were allocated to supplementary capital by the decision of the General Meeting of the Company. The reminder of supplementary capital is presented under retained earnings and relates to the settlement of results from previous years in accordance with the CCCP.

In order to present the Company's dividend capacity, the table below shows the components and balance of supplementary capital as at 31 December 2019 and as at 31 December 2018.

	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Premium	62,543	62,543
Other supplementary capital	18,185	6,333
	80,728	**68,876**

Dividend capacity

In accordance with the provisions of the Code of Commercial Companies and Partnerships, the Company is required to establish supplementary capital to cover for losses. This capital is supplemented by at least 8% of the profit for the financial year disclosed in the Company's statements until it reaches at least one third of the initial capital. As a result of exceeding the balance of supplementary capital, i.e. the value of 1/3 of the share capital, the aforementioned statutory obligation to make additional payments from profit to supplementary capital has expired. How supplementary capital (and reserve capital) is used is decided by the General Meeting.

The surplus from the sale of shares above their nominal value (agio) can only be used to cover potential losses shown in the financial statements and, therefore, it does not increase the Company's dividend capacity. Also, supplementary capital in the amount equivalent to 1/3 of share capital cannot be paid to the shareholders. At 31 December 2019, there are no other restrictions on the payment of dividend. Given the above, the Company's dividend capacity after adding the result of the current period amounts to PLN 95,188 thousand.

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5.12. Bank loans and issue of securities

Selected accounting rules

The Company classifies its financial liabilities into one of the categories:

- *measured at amortised cost,*
- *measured at fair value through profit or loss.*

The Company measures bank loans and debt securities at amortised cost. Other financial liabilities are measured at fair value through profit or loss, except for the measurement of liabilities arising from the acquisition of minority stock in subsidiaries (put options), which are accounted for in accordance with IFRS 3.

Upon first recognition, all credits and loans are posted at acquisition price corresponding to the fair value of received cash, less transaction costs that can be attributed directly to acquisition or issuance of financial liabilities.

Subsequently to such initial recognition, interest-bearing credits, loans and debt securities are measured at amortized cost using the effective interest method. Upon determination of amortised cost, the costs related to obtaining a credit or loan, the cost of issuance of commercial paper facilities as well as discounts or bonuses obtained on repayment of the liability are taken into account.

The Company removes financial liabilities from the statement of financial position when the liability ceases to exist, i.e. when the relevant contractual obligation has been fulfilled, cancelled or has expired. Differences between the book value of an expired financial liability and the amount of the payment, including all non-cash assets carried over, are recognized in profit or loss.

On 15 October 2019, the Company annexed the agreement of 30 May 2017 concluded with BNP Paribas Bank Polska S.A.:

- extension of the overdraft facility repayment deadline to 30 June 2021, and
- revolving loan for bank guarantees up to the amount of PLN 1,500 thousand PLN with the repayment date of 30 September 2021.

	Maximum amount of debt	Effective interest rate %	Repayment date	31 December 2019		31 December 2018	
				Long-term	Short-term	Long-term	Short-term
Credits on running accounts				**-**	**-**	**-**	**-**
Credit on running account	45,000 mth	WIBOR 1 +margin	30-06-2021	-	-	-	-
	45,000						
Revolving facility				**-**	**-**	**6,701**	**6,650**
Revolving credit	20,000	WIBOR 1 mth+ margin	30-09-2020	-	-	6,701	6,650
TOTAL				**-**	**-**	**6,701**	**6,650**

As at 31 December 2019, the Company had open credit lines in current accounts that offer the option of extra financing at PLN 65,000 thousand. As at 31 December 2018, the Company had open credit lines in current accounts that offer the option of extra financing at PLN 45,000 thousand. As at 31 December 2019 and in the comparable period, there was no debt in the existing credit lines.

As at 31 December 2019 and in the comparable period, no other assets were used to secure bank loans.

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5.13. Lease liabilities

Selected accounting rules

In accordance with IFRS 16, an agreement is a lease or contains lease if it transfers the right to control an identified asset over a given period in exchange for payment. The right of control is transferred to the lessee under a concluded agreement if, throughout the entire period of use, the lessee enjoys:

- the right to reap essentially all economic benefits from the use of the identified asset and
- the right to direct the use of the identified asset.

Lease liabilities - initial recognition

At the inception of the lease, the Company measures the lease liability in the amount of the current value of lease payments remaining due on that date. The Company discounts lease payments using the lease interest rate if it can be easily determined. Otherwise, the Company discounts lease payments using the marginal interest rate.

Lease payments include fixed fees (including essentially fixed lease payments) less any leasing incentives, variable lease fees that depend on the index or rate, the amount of guaranteed final value and the price in the case of taking advantage of the purchase option (if it can be stated with reasonable certainty that the Company will use this option) and fines for termination (if there is reasonable certainty that the Company will use from this option).

Variable lease payments that do not depend on index or rate are recognized immediately as the cost of the period in which an event or condition occurred that necessitated the payment.

Lease liabilities - later valuation

In subsequent periods, the lease liability is reduced by repayments and increased by accrued interest. To calculate interest, the Company uses the lessee's marginal rate which is the total of the risk-free rate (for its determination, the Company uses the quotas of relevant derivative instruments - IRS - or government bond interest rates for relevant currencies) and the Company's credit risk premiums, which is quantified based on the offering of margins for investment loans available to the Company and secured on the Company's assets.

If a lease agreement is amended, e.g. if there is a change to the period or amount of substantially constant leasing payments or a change in judgement regarding the purchase option for the leased asset, then, the lease liability is recalculated to reflect the changes. Adjustment of the value of the liability also requires adjustment of the value of right-of-use assets. ***Simplifications for short-term agreements and low-value assets***

The Company takes advantage of a practical exception regarding lease and similar agreements concluded for a period shorter than 12 months from the date of inception of the lease.

The exception regarding the rental of low-value assets is used in the Company to lease mainly IT equipment and other equipment with a low initial value. According to the IASB's guidelines, low-value items are those whose value does not exceed USD 5 thousand.

Lease payments for both exceptions are recognized in the costs of the period to which they belong, using, in principle, the straight-line method. Neither right-of-use assets nor the corresponding financial liability are recognized in this case.

Exemptions from the application of IFRS 16

The Company does not apply IFRS 16 to lease or similar agreements covering assets recognized as intangible assets. Also, IFRS 16 does not apply to intellectual property licence agreements: this area falls under IFRS 15.

The Company as a lessor

The lessor's accounting, in accordance with IFRS 16, remains substantially unchanged compared with the currently applied accounting in accordance with IAS 17. The lessor recognizes all lease agreements using the same classification principles as in the case of IAS 17, distinguishing between operating lease and finance lease.

Estimates

The adoption and application of IFRS 16 required the Company to perform various estimates and professional judgement. The relevant area concerned the assessment of lease periods, agreements for an indefinite period and extendable agreements. When determining the lease period, the Company had to consider all facts and circumstances, including business incentives to use or not to use the option of agreement extension and the option to terminate the agreement. When determining the lease period, attention was paid to the value of expenses incurred for adapting the leased asset *to individual needs and, in the case of lease of real property, to the size of the market in a specific location and the nature of the leased property.*

As at 31 December 2019, the subject of finance lease agreements with the Company as the lessee was:

- office buildings,
- vehicles.

The table below presents the balance of liabilities under leases as at 31 December 2019 and as at 31 December 2018: The data as at 31 December 2018 was recognized in accordance with IAS 17 (as described in item 2.5 to these financial statements) and represent liabilities under finance leases. However, as at 31 December 2019, the lease liability already includes both the liability under agreements regarded to date as finance lease and the liability under lease agreements regarded under IAS 17 as operating lease.

	31 December 2019 (IFRS 16)		31 December 2018 (IAS 17)	
PLN thou.	Non-current	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Real property lease	39,193	5,704	-	-
Vehicle lease	7,670	2,719	4,502	1,688
Total	**46,863**	**8,423**	**4,502**	**1,688**

<u>Real property lease</u>

The net value of the property being the subject of the lease agreement as at 31 December 2019 amounted PLN 39,198 thousand.

The minimum future cash flows and liabilities under real property lease agreements are as follows:

	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Minimum lease payments		
in less than 1 year	7,116	-
from 1 to 5 years	34,115	-
more than 5 years	9,468	-
Future minimum lease payments	**50,699**	**-**
Future interest expense	**(5,802)**	**-**
Current value of lease liabilities		
in less than 1 year	5,704	-
from 1 to 5 years	30,097	-
more than 5 years	9,096	-
Lease liability	**44,897**	**-**

The marginal interest rate for the above leases as at 31 December 2019 was 4% and did not change compared to 31 December 2018.

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Vehicle lease

The net value of motor cars being the subject of lease agreements as at 31 December 2019 amounted to PLN 12,115 thousand (at 31 December 2018: PLN 7,175 thousand).

The minimum future cash flows and liabilities under motor car lease agreements are as follows:

	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Minimum lease payments		
in less than 1 year	2,966	1,917
from 1 to 5 years	7,977	4,826
more than 5 years	-	-
Future minimum lease payments	**10,943**	**6,743**
Future interest expense	**(554)**	**(553)**
Present value of lease payments		
in less than 1 year	2,719	1,688
from 1 to 5 years	7,670	4,502
more than 5 years	-	-
Lease liability	**10,389**	**6,190**

The table below shows the amounts related to costs of lease included in the profit and loss account for the period of 12 months ended 31 December 2019:

		31 December 2019 PLN thou.
Depreciation of right-of-use assets	5.3	(6,633)
Interest cost due to lease liabilities	4.3	(1,720)
Costs associated with lease of low-value assets		(1)
Costs associated with short-term lease		(34)
Profit / loss on sublease of office space recognized as right-of-use assets		401
Total		**(7,987)**

The total cash expenditure on leases in 2019 was PLN 9,235 thousand .

5.14. Trade and other liabilities

Selected accounting rules

Trade liabilities *related to operating activities are recognised and reported at amounts due. These liabilities arise from invoiced supplies and services and those that have not been invoiced, but which, in the opinion of the Company's Management Board, are highly probable and whose value can be determined precisely.*

Budgetary commitments *are liabilities such as taxes and public levies as well as social contributions and customs duties. These liabilities are determined in the amount of payment required in accordance with applicable regulations.*
Liabilities from project-related contractual penalties

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Project-related contractual penalties are payments for non-compliance or incorrect performance and result from contracts with customers rather than the legislation in a specific country.
Project-related contractual penalties are a variable element of remuneration and reduce the transaction price; a project-related contractual penalty liability is a kind of obligation to return (part of) the remuneration, but it is not a liability from contracts with customers.
***Other liabilities** are liabilities to employees due to unpaid remuneration as at the balance sheet date, liabilities from the purchase of fixed assets and intangible assets as well as any other liabilities.*

As at 31 December 2019 and in the comparable periods, the Company's trade liabilities and liabilities from the valuation of the Company's contracts resulted from the following:

	31 December 2019		31 December 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
To related parties, including:	**-**	**56**	**-**	**79**
Invoiced liabilities	-	13	-	40
Liabilities not invoiced	-	43	-	39
To other parties, including:	**-**	**6,027**	**-**	**4,950**
Invoiced liabilities	-	4,788	-	3,891
Liabilities not invoiced	-	896	-	1,059
Liabilities from contractual penalties	-	343	-	-
Total trade liabilities	**-**	**6,083**	**-**	**5,029**

Trade liabilities are not interest-bearing. Related party transactions are shown in item 5.18 of the explanatory notes to these financial statements.

The following table shows the Company's gross trade liabilities as at 31 December 2019 and 31 December 2018 by the maturity date based on contractual undiscounted payments.

	31 December 2019		31 December 2018	
	PLN thou.	**%**	**PLN thou.**	**%**
Trade				
Liabilities due	67	1.1%	232	4.6%
Liabilities undue up to 3 months	6,016	98.9%	4,797	954%
Liabilities undue from 3 to 6 months	-	-%	-	-%
Liabilities undue beyond 6 months	-	-%	-	-%
	6,083	**100%**	**5,479**	**100%**

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As at 31 December 2019 and in the comparable period, other Company's liabilities were:

	31 December 2019		31 December 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Corporate income tax liabilities	**-**	**2,384**	**-**	**1,551**
Others budgetary commitments				
VAT		5,306	-	5,229
Personal income tax (PIT) (SI)	-	1,896	-	1,656
Social contributions	-	3,784	-	3,357
Other **commitments**	-	70	-	70
Other liabilities total **Other budgetary**	-	**11,056**	**-**	**10,312**
Liabilities to employees	-	1,795	-	1,600
Other liabilities	-	499	-	266
Other liabilities total	**-**	**2,294**	**-**	**1,866**

5.15. Liabilities from contracts with customers

Selected accounting rules

Liabilities from contracts with customers are the unit's obligations to transfer goods and services to the customer in exchange for remuneration obtained (or due) from the customer.

As liabilities from contracts with customers presented are the liabilities arising from the valuation of IT contracts and accrued income from licences carrying access rights unsettled until the balance sheet date are disclosed within liabilities from contracts with customers; the same applies to future revenues from services such as IT maintenance that are billable over time.

Due to the large variety of performance obligations, it is difficult to determine one moment in time in which the Company generally meets its performance obligations. Most often, in the case of contracts for the implementation of a comprehensive IT system and maintenance contracts, the Company fulfils its obligations when providing services to customers. In the case of performance consisting in the delivery of a software licence to a customer (with the right to use), the Company considers the obligation of performance fulfilled at the time of granting the licence, but not earlier than at the beginning of the period in which the customer can start using this software (usually after receiving the license key), which, in the Company's opinion, is tantamount to giving the customer control over the licence.

Estimates

Each time, the Company makes a professional judgement and estimates the value of the progress of implementation contracts against issued invoices and allocation of the transaction price.

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As at 31 December 2019 and as at 31 December 2018, liabilities from contracts with customers were as follows:

	31 December 2019		31 December 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Liabilities from contracts with customers				
To related parties, including:	-	-	-	-
To other parties, including:	-	**12,678**	-	**11,134**
Prepaid expenses and accrued income from contracts with customers		11,939	-	11,117
- pre-paid maintenance services		*3,235*	-	*3,147*
- licence fees	-	*8,704*	-	*7,970*
Liabilities from valuation of IT contracts	-	739	-	17
Total liabilities from contracts with customers	**-**	**12,678**	**-**	**11,134**

Change in the value of liabilities from contracts with customers during the 12 months ended 31 December 2019 and in the comparable period:

	12 months to 31 December 2019	12 months to 31 December 2018
	PLN thou.	*PLN thou.*
Value of liabilities from contracts as at 1 January	**11,134**	**10,141**
Issue of invoices above realised obligation of performance	34,101	24,534
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions (+)/(-)	(32,557)	(23,541)
Value of liabilities from contracts with customers at the end of period	**12,678**	**11,134**

5.16. Provisions

Selected accounting rules

A provision should be recognised when the Company has an obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Onerous contracts

The Company recognises provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received therefrom.

A contract with a customer is onerous when the total amount of revenues is lower than the total of the cost of goods and services sold and production costs.

Once an onerous contract is identified (which may happen at any time during the contract execution), the entire loss expected to be incurred on such contract should be immediately recognised as a cost in the current reporting period. The amount of provision for onerous contracts is verified at each reporting date (the amount of provision should be equal to the difference between the entire expected loss and the loss already incurred till the reporting date), which may result in an increase or decrease in the provision.

Provision for warranty repairs

Provision for warranty repairs is created to cover the future expected costs of warranty or service obligations arising from implemented IT contracts, provided that the obligations to satisfy the warranty meet the definition of a standard warranty within the meaning of IFRS 15.

If the warranty meets the definition of a service (an above-standard warranty as defined in IFRS 15), i.e. the warranty has a broader scope than just ensuring the customer that the product/service complies with the specifications agreed by the parties,

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there are not provisions created for it. An above-standard warranty is an obligation to provide a service and as such should be recognized in receipts from sales and not in the category of provisions.
Provision for warranty repairs (under a standard warranty) is created in the following cases:
(i) no maintenance agreement has been concluded with the customer, or
(ii) the scope of the maintenance agreement does not cover all the expected costs associated with the performance of warranty obligations, or
(iii) the scope of the manufacturer's warranty for hardware sold is narrower than the warranty offered by the Company in the agreement with the customer.
The value of the provision recognized as at the balance sheet date is commensurate with the progress of implementation of an IT contract.
The costs associated with the provision of services arising from the warranty obligation reduce the value of the created provision when incurred. At each balance sheet date, the Company verifies the amount of provisions created for warranty repairs. If the actual fulfilment of the obligation or anticipated future costs are lower/higher than expected at the time of the initial recognition of the provision, the provision is adequately reduced/increased so as to reflect the current expectations of the Company as to the costs of fulfilling of the warranty obligation in future periods.
Post-employment benefits
The provision for post-employment benefits is created for employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. The Company has a defined contribution plan under which it pays fixed contributions into a separate entity (in Poland – the social insurance fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Company creates the provision for post-employment benefits based on calculations made by an independent actuary. Reassessment of liabilities for employee benefits pertaining to specific benefit schemes covering actuarial gains and losses is recognized in other comprehensive income and is not subject to subsequent reclassification to profit or loss.
Provision for contractual penalties
Provisions for contractual penalties are created in connection with pending court proceedings based on available information, including opinions of independent experts Provisions for penalties are recognised as a reduction of revenues.

Estimates

Note that all provisions estimated in the Company, in particular provisions for contractual penalties and onerous contracts, required professional judgement and estimates to quantify the most likely amount of future outflow of economic benefits from the Company. However, this estimate may be subject to change in the future, and the actual outflow of benefits may appear to be larger or smaller than recognized in the financial statements.

Changes in provisions in the 12 months ended 31 December 2019 and in the comparable period were attributed to the following:

	Provision for damages *PLN thou.*	Post-employment benefits *PLN thou.*	Provision for guarantee repairs *PLN thou.*	Other provisions *PLN thou.*	In total *PLN thou.*
As at 1 January 2019	**450**	**1,868**	**-**	**373**	**2,691**
Establishment (+)	-	210	-	-	**210**
Actuarial gains/losses (+)/(-)	-	469	-	-	**469**
Use (-)/Reversal (-)	450)	-	-	-	**(450)**
As at 31 December 2019, including:	**-**	**2,547**	**-**	**373**	**2,920**
Current	-	48	-	373	**421**
Non-current	-	2,499	-	-	**2,499**
As at 01 January 2018	**-**	**1,462**	**25**	**373**	**1,860**
Establishment (+)	474	177	-	-	**651**
Actuarial gains/losses (+)/(-)	-	229	-	-	**229**
Use (-)/Reversal (-)	(24)	-	(25)	-	**(49)**
As at 31 December 2018, including:	**450**	**1,868**	**-**	**373**	**2,691**
Current	450	59	-	373	**882**
Non-current	-	1,809	-	-	**1,809**

In the amount of Other provisions, a provision was established for a fine in connection with the decision of the Office of Competition and Consumer Protection dated December 2013. The fine was associated with investigations by the OCCP related to the use of abusive clauses in agreements concluded by the Company (and its legal predecessors) with the distributors of the WAPRO-branded software. In November 2016, the Court of Appeal in Warsaw changed the contested decision of the District Court and revoked the decision of the President of the Office of Competition and Consumer Protection. The Office of Competition and Consumer Protection appealed to the highest instance against the decision of the Court of Appeal. The appeal contained, inter alia, a request for the cancellation of the contested decision of that court. In March 2017, Asseco Business Solutions S.A. responded to the appeal. In accordance with the precautionary principle, the entire amount of the fine was secured by a provision created within the 2013 expenses. On 16 October 2019, the Court of Appeals issued a decision in the case referred by the Regional Court in Warsaw. The original judgement was set aside.

The provision for post-employment benefits relates entirely to retirement benefits which are to be potentially paid to the Company's employees when they go into retirement. The Company makes a severance payment in the amount of one-month average salary, as provided in the Labour Code. The provision for post-employment benefits was recognised by the Company based on calculations made by the actuary.

The main assumptions used by the actuary at the balance sheet date to calculate the amount of the liability are as follows:

	31 December 2019	31 December 2018
Discount rate (%)	2.0%	3.2%
Expected wage increase rate (%)	5.0%	5.0%

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5.17. Accruals and deferred income

Selected accounting rules

Provision for unused leaves

The Company creates a "provision" (recognised as a component of accruals) for unused holiday leaves, which relate to periods preceding the reporting date and will be used in the future, for all of the Company's employees because in Poland unused holiday leaves constitute accumulating compensated absences (absences that are carried forward and can be used in future periods if the current period's entitlement is not used in full). The amount of such provision depends on the average monthly salary and the number of leave days not used but allocated to an employee as at the balance sheet date. The Company recognises the costs of unused leaves on an accrual basis, based on estimated amounts, and discloses them in the profit and loss account under salaries (where they occur).

Provision for bonuses

An obligation under bonus plans results from employee service and not from a transaction with the Company's owners. Therefore, the cost of such plans (even if they provide for profit-sharing payments) is always recognised as an expense and not as a distribution of profit.

The Company shall recognise the expected cost of profit-sharing and bonus payments when and only when:

- *it has a current legal or constructive obligation to make such payments as a result of past events; and*
- *a reliable estimate of the obligation can be made.*

A current obligation exists when, and only when, the Company has no realistic alternative but to make the payments.

Estimates

The Company estimates the amount of liabilities based on adopted assumptions and methodology and assessing the likelihood of expending funds carrying economic benefits; as liabilities, the Company considers the amounts whose likelihood and time of expending is high on the balance sheet date. Provision for bonuses mostly depends on estimates of the result achieved by the Company at various levels.

	31 December 2019		31 December 2018	
	Non-current	Current	Non-current	Current
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Accruals including				
Provision for unused leaves	-	4,082	-	3,642
Provision for bonuses for employees and Management Board	-	9,753	-	7,895
Total	**-**	**13,835**	**-**	**11,537**
Prepaid expenses and accrued income including:				
Other	-	-	-	72
Total		**-**	**-**	**72**

5.18. Related party transactions

Revenues from related entities include revenues from the sale of IT goods and services related to existing IT projects and other activities.

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Purchases from related parties include the purchase of goods and services related to IT projects, the purchase of advisory services and rental of office space.

	Revenues		Purchases	
	12 months to 31 December 2019	12 months to 31 December 2018	12 months to 31 December 2019	12 months to 31 December 2018
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Transactions with Asseco Poland S.A.	1,339	2,117	1,664	1,755
Transactions with other related parties	835	239	93	419
Total transactions with related parties	**2,174**	**2,356**	**1,757**	**2,174**

	Trade and other liabilities and assets from contracts with customers as at		Trade and other liabilities as at	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Transactions with Asseco Poland S.A.	202	40	7,544	67
Transactions with other related parties	306	45	-	12
Total transactions with related parties	**508**	**85**	**7,544**	**79**

Transactions with related parties are held at arm's length.

As at 31 December 2019, the balance of lease liabilities with related parties committed by the Company Executives was PLN 9,812 thousand.
In 2019, the cost of interest arising from lease with related parties by the Company Executives was PLN 348 thousand.
As at 31 December 2019, the balance of unsettled receivables arising from transactions with related parties concluded by the Company Executives and with the Company Executives amounted to PLN 4 thousand. On the other hand, there were no outstanding balances of liabilities arising from transactions with related parties concluded by the Company Executives and with the Company Executives.
As at 31 December 2018, there were no outstanding balances of receivables or liabilities arising from transactions with related parties committed by the Company Executives and with the Company Executives.
According to the records of Asseco Business Solutions S.A., in the 12 months ended 31 December 2019, the value (net) of purchases transactions of goods and services (including rental) with related parties conducted by the Company Executives and with the Company Executive amounted to PLN 1,924 thousand v. PLN 1,878 in the comparable period.
The value (net) of the transactions of sales of goods and services to related entities by the Company Executives and to the Company Executives totalled PLN 37 thousand (in the comparative period: PLN 9 thousand). Note 8.5 to these financial statements presents the remuneration of the key personnel.

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VI. Explanatory notes to statement of cash flows

6.1. Cash flow from operating activities

The table below shows items that were included in the row, "Changes in working capital:"

	12 months to 31 December *PLN thou.*	12 months to 31 December *PLN thou.*
Change in inventories	(336)	86
Change in receivables and assets from contracts with customers	314	(2,511)
Change in other non-financial assets	(61)	(13)
Change in trade liabilities and liabilities from contracts with customers	2,948	3,834
Change in the balance of accruals and prepayments	3,388	(3,005)
Change in provisions	(240)	602
Total	**6,013**	**(1,007)**

6.2. Cash flow from investing activities

The table below presents details of inflows and expenses related to property, plant and equipment and intangible assets in the 12-month period ended 31 December 2019 and in the comparable period:

	12 months to 31 December PLN thou.	12 months to 31 December PLN thou.
Sale of property, plant and equipment	392	451
Acquisitions of new tangible fixed assets	(4,291)	(3,214)
Acquisition of intangible assets	(316)	(354)
Expenses for development work	(11,289)	(9,804)

6.3. Cash flow from financing activities

- Dividends paid: the item contains a dividend paid by the Company in the amount of PLN 50,127 thousand (the details of the dividend for 2018 are discussed in 4.6 of the explanatory notes).
- Expenses for repayment of loans in the amount of PLN 34,944 thousand PLN are connected with repayment of a revolving loan and an overdraft facility.

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		Bank loans, credits PLN thou.	Lease PLN thou.	Dividend liabilities PLN thou.
As at 1 January 2019		**13,351**	**6,190**	-
Impact of adoption of IFRS 16 on opening balance		-	44,273	-
As at 1 January after taking into account the impact of IFRS 16		**13,351**	**50,463**	-
Cash transfers	Inflows (+)	21,593	-	-
	Repayment of capital - outflow	(34,944)	(7,480)	(50,127)
	Repayment of interest - outflow	(109)	(1,720)	-
Non-cash changes	Accrued interest	109	1,720	-
	New commitments	-	13,699	-
	FX differences included in financial income/expenses	-	(306)	-
	Declared dividends	-	-	50,127
	Reduced commitments	-	(1,090)	-
As at 31 December 2019		-	**55,286**	-

		Bank loans, credits PLN thou.	Lease PLN thou.	Dividend liabilities PLN thou.
As at 1 January 2018		**20,002**	**1,473**	**-**
Cash transfers	Inflows (+)	-	-	-
	Repayment of capital - outflow	(6,651)	(1,195)	(43,444)
	Repayment of interest - outflow	(491)	(183)	-
Non-cash changes	Accrued interest	491	185	-
	New commitments	-	5,935	-
	Declared dividends	-	-	43,444
	Reduced commitments	-	(25)	-
As at 31 December 2018		**13,351**	**6,190**	**-**

VII. Explanatory notes to the objectives and principles of financial risk management

Asseco Business Solutions S.A. is exposed to various types of risks arising either from the macroeconomic situation in Poland as well as from microeconomic situation within its own organization. The main market factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign exchange rates against the Polish złoty and (ii) changes in market interest rates.

- **Foreign currency risk**

The Company's main functional currency is the Polish złoty; however, some IT contracts and a property lease agreement are denominated in a foreign currency (EUR and USD).

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Consequently, the Company is exposed to fluctuations in its financial performance resulting from differences in foreign currency exchange rates versus the Polish złoty in the period from concluding a contract until it is invoiced or paid for.

Identification: According to the Company's contracting procedures,
each agreement that is concluded or denominated in a foreign currency is subject to special registration.

Measurement: Exposure to foreign currency risk is measured by the value of a contract concluded in a foreign currency, on the one hand, and, on the other, by the nominal amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require systematic updates of project implementation schedules as well as of cash flows generated under individual projects.

Purpose: The purpose of counteracting the risk of fluctuations in foreign currency exchange rates is to reduce their negative impact on the financial results of projects.

Contracts settled in foreign currencies are hedged with simple derivatives such as currency forward contracts (deliverable or non-deliverable, depending on a type of hedged contract).

Foreign currency risk hedges are matched by purchasing suitable financial instruments to offset the impact of changes in the risk-causing factor on the Company's financial performance (the changes in embedded instruments and concluded instruments are balanced out). However, due to a considerable variability in project implementation schedules and the resulting variability in cash flows, the Company is prone to changes in its exposure to foreign exchange risk. Therefore, the Company dynamically transfers its existing hedging instruments or concludes new ones with the objective to ensure the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with the reference to the parameters as at the contract effective date (spot rate and swap points), while transfer or conclusion of new instruments in the financial market may only be carried out only based on currently valid rates. Hence, it is possible that the value of financial instruments will not be matched, and the Company's financial result will be potentially exposed to the foreign currency risk.

As at 31 December 2019, the Company has open forwards for the sale of the EUR for the total nominal value of PLN 11,490 thousand that will be settled no later than on 31 December 2020.

- **Interest rate risk**

The Company is exposed to the risk of interest rate changes primarily in two areas of its business activity: (i) change in the value of interest charged on loans granted to the Company, which are based on variable interest rates, and (ii) change in the valuation of concluded derivative instruments, which are based on the forward interest rate curve.

Identification: The interest rate risk arises and is recognised by the Company at the time of concluding a transaction or a financial instrument based on a floating rate.

Measurement: The Company measures its exposure to the interest rate risk by preparing the statements of total amounts of all of its financial instruments based on a floating interest rate. Additionally, the Company maintains records of debt planned to be incurred during the next 12 months, and in the case of long-term instruments –for their effective period.

Purpose: The purpose of risk mitigation is to minimise the costs of concluded financial instruments based on a floating rate.

Actions: In order to reduce its interest rate risk, the Company may: (i) try to avoid incurring liabilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Company gathers and analyses the current market information concerning its present exposure to the interest rate risk. In the current situation, the Company does not hedge against changes of interest rates due to low predictability of the repayment schedules of its liabilities based on a floating interest rate.

- **Counterparty credit risk**

The Company is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and good will of customers to whom the Company provides IT solutions, and secondly with the financial credibility of contractors with whom supply transactions are concluded. The maximum exposure to credit risk is limited to the book value of financial assets.

Identification: The risk is identified each time when concluding contracts with clients, and afterwards during the settlement of payments.

Measurement: Determination of this type of risk requires the knowledge of complaints or pending judicial proceedings against a client already at the time of signing an agreement. Every two weeks the Company is obliged to control the settlement of payments under the concluded contracts, inclusive of the profit and loss analysis for individual projects.

Purpose: Minimising the amount of uncollectible receivables.

The risk control involves monitoring of the timely execution of bank transfers and, if needed, sending a reminder of outstanding payment, or turning receivables over to debt collection agencies.

A quantitative analysis of credit risk for receivables is presented shown in Note 5.5.

- **Financial liquidity risk**

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool, which considers the maturity of its assets and liabilities as well as projected cash flows from its operations.

The Company aims to maintain a balance between the continuity and flexibility of financing through the use of various sources of funding.

The quantitative analysis of the Company's liquidity by individual categories of liabilities and assets was presented: for receivables in Note 5.5 for liabilities in Note 5.14 and for loans in Note 5.12 of the explanatory notes to these financial statements.

- **Sensitivity analysis - currency risk**

The Company attempts to conclude contracts with its customers in the Polish currency in order to avoid exposure to the risk of fluctuations in foreign currency exchange rates versus the Polish złoty.

As at 31 December 2019 and as at 31 December 2018, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. EUR by 10%, the Company's result would increase by PLN 1,920 thousand. On the other hand, the weakening of the PLN v. EUR by 10% would result in a decrease in the Company's financial result by PLN 1,920 thousand.

As at 31 December 2019	Value exposed to risk	Impact on Company earnings	
EUR	PLN thou.	(10%)	10%
Financial assets			
Forward contracts	276	(119)	119
Cash	1,524	152	(152)
Trade receivables	5,877	(588)	588
Liabilities			
Trade	425	42	(42)
Lease liabilities	24,318	2,432	(2,432)
On balance		**1,920**	**(1,920)**

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As at 31 December 2018	Value exposed to risk	Impact on Company earnings	
EUR	PLN thou.	(10%)	10%
Financial assets			
Forward contracts	109	48	(48)
Cash	885	(88)	88
Trade receivables	5,806	(581)	581
Liabilities			
Trade	63	6	(6)
On balance		**(615)**	**615**

As at 31 December 2019, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. USD by 10%, the Company's result would increase by PLN 22 thousand. On the other hand, the weakening of the PLN v. USD by 10% would result in a decrease in the Company's financial result by PLN 22 thousand.

As at 31 December 2019	Value exposed to risk	Impact on Company earnings	
USD	PLN thou.	(10%)	10%
Financial assets			
Cash	216	22	(22)
On balance		**22**	**(22)**

As at 31 December 2018	Value exposed to risk	Impact on Company earnings	
USD	PLN thou.	(10%)	10%
Financial assets			
Cash	7	(1)	1
Trade receivables	67	(7)	7
On balance		**(8)**	**8**

- **Sensitivity analysis - interest rate risk**

The Company avoids taking out loan facilities based on a floating interest rate. If it is necessary to conclude a loan agreement based on a floating interest rate, the Company does not have a strategy to hedge this risk. As at December 31, 2019, the Company did not have any loan debt while at the end of 2018 the loan debt amounted to PLN 13,351 thousand.

The table below shows the impact of the change in the loan base rate (WIBOR 1M) on cost of interest incurred in 2019:

As at 31 December 2019	Value exposed to risk	Impact on Company earnings	
Deposits based on floating rate	PLN thou.	-1.0 p.p.	1.0 p.p.
Term deposits	27,338	11	(11)

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The table below shows the impact of the change in the loan base rate (WIBOR 1M) on cost of interest incurred in 2018:

As at 31 December 2018 Loans and deposits based on WIBOR floating rate	Value exposed to risk PLN thou.	Impact on Company earnings -1.0 p.p.	 1.0 p.p.
Term deposits	11,233	4	(4)
Bank loans	13,351	(266)	266

Company's assets and other liabilities based on a floating interest rate are not analysed for interest rate risk due to their insignificance.

- **The methods adopted in carrying out a sensitivity analysis**

The percentages which were subject to a sensitivity analysis - which aims to identify fluctuations in exchange rates that may affect the entity's financial result - amount to +/- 10%. The sensitivity analysis assumes that the exchange rate on the balance sheet date will increase or decrease by this percentage. Interest rate risk is analysed at the values of +/- 15%.

- **Other types of risk**

For other types of risk, no sensitivity analysis is performed due to their nature and no option of full qualification.

- **Items of revenue, expenses, profit and loss included in the profit and loss account**

As at 31 December 2019, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2019:	Income /(expenses) on interest	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Profit /(loss) from implementation and measurement	Total
Financial assets:	**117**	**(36)**	**(206)**	**501**	**376**
Financial assets measured at fair value through profit or loss	-	-	-	501	501
Cash and cash equivalents	113	1	-	-	114
Trade and other receivables	4	(37)	(206)	-	(239)
Financial liabilities:	**(1,829)**	**314**	**-**	**-**	**(1,515)**
Lease liabilities	(1,720)	306	-	-	(1,414)
Trade	-	8	-	-	8
Bank loans	(109)	-	-	-	(109)

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As at 31 December 2018, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2018:	Income /(expenses) on interest	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Profit /(loss) from implementation and measurement	Total
Financial assets:	**51**	**188**	**(271)**	**170**	**138**
Financial assets measured at fair value through profit or loss	-	-	-	170	170
Cash and cash equivalents	44	50	-	-	94
Loans and receivables	7	138	(271)	-	(126)
Financial liabilities:	**(852)**	**5**	**-**	**-**	**(847)**
Lease liabilities	(185)	-	-	-	(185)
Trade	-	5	-	-	5
Bank loans	(667)	-	-	-	(667)

VIII. Other explanatory notes

8.1. Off-balance sheet liabilities

Selected accounting rules

Off-balance sheet commitments *they are primarily contingent liabilities understood us: a possible commitment that arises as a result of past events, the existence of which will be confirmed only when one or more uncertain future events occur that are not wholly under control of the entity, or a current commitment that arises as a result of past events but is not recognized in the financial statements because: (i) it is unlikely that the fulfilment of the obligation necessitates an outflow of economic benefits, or (ii) the amount of the obligation (liability) cannot be measured reliably enough.*

Contingent liabilities are not recognized in the statement of financial position, however, information on contingent liabilities is disclosed, unless the likelihood of an outflow of economic benefits is negligible.

Lease agreements subject to exceptions

The Company takes advantage of a practical exception regarding lease and similar agreements concluded for a period less than 12 months from the date of commencing the lease.

The exception regarding the rental of low-value assets is used in the Company to lease mainly IT equipment and other equipment with a low initial value. According to the IASB's guidelines, low-value items are those whose value does not exceed USD 5 thousand.

Lease payments for both exceptions are recognized in the costs of the period to which they belong, using, in principle, the straight-line method. Neither right-of-use assets nor the corresponding financial liability are recognized in this case.

The table below presents off-balance sheet lease liabilities subject to exceptions as at 31 December 2019. The data as at 31 December 2018 was recognized in accordance with the provisions of IAS 17 and represent off-balance sheet liabilities from operating leases.

	31 December 2019 IFRS 16 PLN thou.	31 December 2018 IAS 17 PLN thou.
Liabilities due to rental of office space		
Within 1 year	4	1,518
From 1 to 5 years	9	975
More than 5 years	-	-
Total	**13**	**2,493**

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8.2. Seasonality and cyclicality

The distribution of the Company's operating income in the quarters of the year is subject to low seasonality. Income in the fourth quarter is usually slightly higher than in the other quarters because most of it is generated by the sale of IT services to large enterprises and public institutions. In the last months of the year, such customers often make larger investment purchases of equipment and licences.

8.3. Headcount

Average employment during the reporting period	12 months to 31 December	12 months to 31 December
Management Board	4**	4**
Developers	784	782
Sales personnel	42	44
Administration	43	46
Total	**873**	**876**

**Average employment in the reporting period in salaried positions, i.e. Employment adjusted (reduced) by FTEs for which the Company does not pay remuneration (e.g. unpaid leave, maternity leave, etc.).*
** One of the Board members is employed on the basis of a civil-law contract.*

Employment as at:	31 December 2019	31 December 2018
Management Board	4*	4*
Developers	817	794
Sales personnel	49	51
Administration	47	46
Total	**917**	**895**

** One of the Management Board members is employed under a civil-law contract.*

8.4. Information on the remuneration of the entity authorised to audit the financial statements

The following table shows the remuneration of the entity authorized to audit accounts paid or payable for the year ended 31 December 2019 and 31 December 2018 by type of service:

	12 months to 31 December 2019 PLN thou.	12 months to 31 December 2018 PLN thou.
Mandatory audit of the annual financial statements and review of the condensed semi-annual financial statements	185	220

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8.5. Remuneration of key personnel

The tables below shows remuneration of the key personnel of the Company for the discharge of their duties in 2019 and 2018.

	Fixed remuneration items in 2019	Cost of variable remuneration items in 2019	In addition: variable components of remuneration from 2018 paid in 2019
	PLN thou.	PLN thou.	PLN thou.
Wojciech Barczentewicz	420	3,076	189
Piotr Masłowski	420	3,076	189
Mariusz Lizon	300	1,432	85
Andreas Enders	758	850	656
	1,898	**8,434**	**1,119**

** the amounts reflect the time shift of the payment of variable remuneration components relative to the accrual method of recognition of provisions in the costs of the year which they concerned*

	Fixed remuneration items in 2018	Cost of variable remuneration items in 2018	In addition: variable components of remuneration from 2017 paid in 2018
	PLN thou.	PLN thou.	PLN thou.
Wojciech Barczentewicz	420	2,634	2,106
Piotr Masłowski	420	2,634	2,106
Mariusz Lizon	300	1,232	982
Andreas Enders	747	700	362
	1,887	**7,200**	**5,556**

** the amounts reflect the time shift of the payment of variable remuneration components relative to the accrual method of recognition of provisions in the costs of the year which they concerned*

The table below presents paid and due remuneration of the Members of the Issuer's Supervisory Board for the period of 12 months of 2019 and in the comparative period:

Remuneration for period	12 months to 31 December	12 months to 31 December
	PLN thou.	PLN thou.
Jozef Klein	84	63
Romuald Rutkowski	48	48
Adam Góral	66	66
Zbigniew Pomianek	48	48
Piotr Stępniak	48	48
Total	**294**	**273**

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8.6. Capital management

The main objective of the Company's capital management is to maintain creditworthiness and secure capital indicators that would support the Company's operation's and increase value for its shareholders.

The Company manages the capital structure and introduces modifications in response to changing economic conditions. In order to maintain or adjust capital structure, the Company may amend the payment of dividend to shareholders, return capital to shareholders or issue new shares.

The Company monitors the status of capitals using the leverage ratio, which is calculated as the ratio of net debt to the total of capitals plus net borrowing. As regards net debt, the Company includes interest-bearing loans and borrowings, lease liabilities, trade liabilities and other liabilities less cash and short-term deposits.

	31 December 2019 PLN thou.	31 December 2018 PLN thou.
Bank loans and debt securities	-	13,351
Lease liabilities	55,286	6,190
Trade and other liabilities	32,111	28,791
Less cash and cash equivalents (-)	(15,950)	(12,800)
Net debt	**71,447**	**35,532**
Equity	316,105	298,529
Equity and net borrowings	387,552	334,061
Leverage ratio	**18.4%**	**10.6%**

The change in leverage ratios in 2019 compared to the previous year results from an increase in lease liabilities due to the implementation of IFRS 16 in the Company. The leverage ratio is within the limits set by the Company's Management Board.

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8.7. Significant events after the balance sheet date

To the date of these financial statements for 12 months ended 31 December 2019, there had been no significant events after the balance sheet date that should be included in these financial statements.

8.8. Significant events concerning previous years

To the date of these financial statements for 12 months ended 31 December 2019, there were no events concerning previous years that were not, and should be, included in these financial statements.

Management Board's approval for publication

These financial statements for the year ended 31 December 2019 were approved for publication by the Management Board of Asseco Business Solutions S.A. on 27 February 2020.

The Management Board:

President of the Management Board	Wojciech Juliusz Barczentewicz
Vice-President of the Management Board	Piotr Jerzy Masłowski
Vice-President of the Management Board	Andreas Enders
Member of the Management Board	Mariusz Paweł Lizon

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