Financial Statements of

ASSECO BUSINESS SOLUTIONS S.A.

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020	12 months to 31 December 2019
		PLN thou.	*PLN thou.*
Operating income	4.1	282,116	273,860
Own cost of sales	4.2	(156,938)	(153,518)
Gross profit on sales		**125,178**	**120,342**
Cost of sales	4.2	(12,557)	(12,951)
Administrative expenses	4.2	(20,432)	(20,439)
Net profit on sales		**92,189**	**86,952**
Other operating income		1,298	941
Other operating expenses		(947)	(217)
Operating profit		**92,540**	**87,676**
Financial income	4.3	196	896
Financial expenses	4.3	(3,131)	(1,849)
Profit before tax		**89,605**	**86,723**
Tax on profit or loss	4.4	(13,199)	(13,284)
Net profit		**76,406**	**73,439**
Earnings per share (in PLN)			
basic from net profit	4.5	2.29	2.20
diluted from net profit	4.5	2.29	2.20

OTHER COMPREHENSIVE INCOME:	Notes	12 months to 31 December 2020	12 months to 31 December 2019
		PLN thou.	*PLN thou.*
Net profit		**76,406**	**73,439**
Items that may be reclassified to profit and loss:		-	-
Items not subject to reclassification to profit and loss account:		(406)	**(379)**
Actuarial gains/losses		(501)	(469)
Income tax on remaining comprehensive income		95	90
Other comprehensive income total:		**(406)**	**(379)**
TOTAL COMPREHENSIVE INCOME FOR PERIOD		**76,000**	**73,060**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Balance Sheet
ASSECO BUSINESS SOLUTIONS S.A.

ASSETS	Notes	31 December 2020 PLN thou.	31 December 2019 PLN thou.
Non-current assets			
Property, plant and equipment	5.1	21,100	12,172
Intangible assets	5.2	277,095	276,091
including goodwill from merger	5.2	*252,879*	*252,879*
Right-of-use assets	5.3	46,852	51,313
Assets from contracts with customers and long-term receivables	5.5	178	881
Deferred tax assets	4.4	3,588	3,055
Prepaid expenses and accrued income	5.6	19	36
		348,832	**343,548**
Current assets			
Inventories	5.8	432	726
Trade receivables	5.5	40,064	45,290
Assets from contracts with customers	5.5	1,052	1,528
Other receivables	5.5	361	651
Prepaid expenses and accrued income	5.6	2,868	574
Deposits with maturity of more than 3 months	5.7	40,000	14,015
Other assets	5.7	205	359
Cash and short-term deposits	5.9	6,614	15,950
		91,596	**79,093**
TOTAL ASSETS		**440,428**	**422,641**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Balance Sheet
ASSECO BUSINESS SOLUTIONS S.A.

LIABILITIES	Notes	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
TOTAL EQUITY			
Subscribed capital	5.11	167,091	167,091
Premium		62,543	62,543
Retained earnings		102,318	86,471
		331,952	**316,105**
Long-term liabilities			
Lease liabilities	5.13	43,727	46,863
Provisions	5.16	3,249	2,499
		46,976	**49,362**
Short-term liabilities			
Lease liabilities	5.13	8,415	8,423
Trade liabilities	5.14	6,474	6,083
Liabilities from contracts with customers	5.15	14,257	12,678
Tax liabilities on corporate income tax	5.14	3,412	2,384
Budgetary commitments and other liabilities	5.14	14,811	13,350
Provisions	5.16	418	421
Accrued expenses	5.17	13,713	13,835
		61,500	**57,174**
TOTAL LIABILITIES		**108,476**	**106,536**
TOTAL EQUITY AND LIABILITIES		**440,428**	**422,641**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Statement of Changes in Equity

ASSECO BUSINESS SOLUTIONS S.A.

	Notes	Share capital	Surplus from the sale of shares above their nominal value	Retained earnings	Total equity
		PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
As at 1 January 2020		**167,091**	**62,543**	**86,471**	**316,105**
Profit in reporting period		-	-	76,406	**76,406**
Total of other comprehensive income		-	-	(406)	**(406)**
Dividend for 2019	4.6	-	-	(60,153)	**(60,153)**
As at 31 December 2020		**167,091**	**62,543**	**102,318**	**331,952**
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**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Cash flow statement
ASSECO BUSINESS SOLUTIONS S.A.

	Notes	12 months to 31 December 2020 PLN thou.	12 months to 31 December 2019 PLN thou.
Cash flow from operating activities			
Profit before tax		89,605	86,723
Adjustments:		**36,325**	**31,239**
Amortisation/Depreciation	4.2	25,288	24,507
Changes in working capital	6.1	8,190	6,013
Lease interest income/expenses		(202)	94
Lease interest income/expenses		1,815	1,720
FX gains/(losses)		1,209	(306)
Other financial income/expenses		525	(501)
Investment gain/(loss)		(503)	(181)
Other adjustments		3	(107)
Cash generated from operating activities		**125,930**	**117,962**
(Income tax paid)		(12,609)	(12,521)
Net cash from operating activities		**113,321**	**105,441**
Cash flow from investing activities			
Receipts:			
Receipts from the sale of fixed assets and intangible assets	6.2	356	392
Bank deposits		24,000	-
Other receipts		205	-
Outflows:			
Purchase of fixed assets and intangible assets	6.2	(8,753)	(4,607)
Expenses related to ongoing development projects	6.2	(13,737)	(11,289)
Bank deposits		(50,000)	(14,000)
Other expenses		(249)	-
Net cash used in investing activities		**(48,178)**	**(29,504)**
Cash flow from financing activities			
Receipts:			
Receipts from obtained loans	6.3	2,186	21,593
Outflows:			
Dividend paid	6.3	(60,153)	(50,127)
Expenses related to loans	6.3	(2,186)	(34,944)
Repayment of lease liabilities	6.3	(12,508)	(7,480)
Interest paid	6.3	(1,818)	(1,829)
Net cash from financing activities		**(74,479)**	**(72,787)**
Change in net cash and cash equivalents		**(9,336)**	**3,150**
Cash and cash equivalents as at 1 January		15,950	12,800
Cash and cash equivalents as at 31 January	**5.9**	**6,614**	**15,950**

Financial Statements for the Year Ended 31 December 2020 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 Business Solutions 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, 95.67% of shares in Asseco Enterprise Solutions a.s.

As regards Asseco Business Solutions S.A., the decision of Asseco Enterprise Solutions a.s. to maintain control over the 12 months ended 30 June 2020 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;

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

the second largest shareholder holds approx. 11.37% of votes, and the third largest shareholder holds 11.28% of votes;

- 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 2020, the percentage of shareholders present at the General Meetings ranged from 50.83% 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.

These financial statements have been prepared on the going concern basis for the period of no less than 12 months as of 31 December 2020. 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. Impact of the COVID-19 pandemic on the Company's operations

On the date of publication of these financial statements, the Management Board, based on the current analysis of risks, including in particular risks caused by the virus pandemic in Poland and in the world, concluded that the Company's operation as a going concern is not at risk for a period of at least 12 months as from 31 December 2020.

The Company is constantly monitoring the impact of the COVID-19 pandemic on the Company's operations, including its future financial position and financial results. At the time of publication of these financial statements, the Company did not report any significant impact of the pandemic crisis on its financial position and economic results, besides some organizational aspects of the Company's operations. As a consequence of entry into force of the Act of 2 March 2020 on special solutions related to the prevention, combating and eradication of COVID-19, other infectious diseases and crisis situations caused by them (Journal of Laws of 2020, item 374) and as a result of measures pursued by the Polish authorities, as well as out of concern for the Company's personnel and clients, the Company has taken steps to enable most of its employees to perform the so-called remote work so as to ensure business continuity and continuity of provision of IT services to the Company's customers. At the time of publication of these financial statements, all Company's departments operate unperturbed, and the Company performs its contractual obligations as provided for in relevant agreements.

In view of the situation, the Company attempted to minimize the possible negative impact of the pandemic on its financial results during 2020, including by reducing costs and expenses. At the same time, the Company is monitoring the current situation in individual sectors of the economy and is seeking opportunities to take advantage of new market opportunities, which also emerge on the market of IT products and services because of the pandemic.

Asseco Business Solutions S.A. has sufficient financial resources to continue its operations, including regular settlement of current liabilities. The Company has not reported any adverse impact of the pandemic on its liquidity and meets its obligations under loan agreements on time. In addition, on 1 June 2020, the Company annexed its credit facility agreement to increase the maximum value of overdraft. This is described in detail in Note 5.12 of these financial statements.

As described in Note 5.4., after the analysis, the Company does not discern any significant risk of impairment of assets, and in particular, there was no significant change in the collection of receivables, therefore the calculation of expected credit losses did not change significantly.

However, the Company cannot rule out a scenario that in the event of a prolonged pandemic and its negative impact on the domestic and global economy, this may have an adverse effect on the Company's operations or financial results, yet, at this point, it is not possible to determine to what extent or on what scale.

If the Management Board find that the Company's operations need to be adapted to new market conditions, it will take appropriate action.

2.3. 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 2020 and the comparative period from 1 January to 31 December 2019.

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 2020, its results and cash flows for the year ended 31 December 2020.

2.4. 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 upon initial recognition 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 2020: 1 EUR = 4.6148 PLN
- ✓ the exchange rate effective on 31 December 2019: 1 EUR = 4.2585 PLN
- ✓ the exchange rate effective on 31 December 2020: 1 USD = 3.7584 PLN
- ✓ the exchange rate effective on 31 December 2019: 1 USD = 3.7977 PLN

2.5. 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 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	17
Tax on profit or loss	4.4	23
Property, plant and equipment	5.1	28
Intangible assets	5.2	31
Right-of-use assets	5.3	36
Impairment tests	5.4	40
Assets from contracts with customers, trade receivables and other receivables	5.5	42
Lease liabilities	5.13	52
Trade and other liabilities	5.14	55
Provisions	5.16	58
Accrued expenses	5.17	60

In the 12 months ended 31 December 2020, 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 2019.

2.6. 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.

Selected accounting rules	Note	Page number
Operating income	4.1	17
Operating expenses	4.2	21
Financial income and expenses	4.3	22
Tax on profit or loss	4.4	23
Property, plant and equipment	5.1	28
Intangible assets	5.2	31
Right-of-use assets	5.3	36
Impairment tests	5.4	40
Assets from contracts with customers, trade receivables and other receivables	5.5	42

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Prepaid expenses and accrued income	5.6	46
Other assets	5.7	47
Inventories	5.8	47
Cash	5.9	49
Share capital	5.11	50
Bank loans and issue of securities	5.12	51
Lease liabilities	5.13	52
Trade liabilities and other liabilities	5.14	55
Liabilities from contracts with customers	5.15	57
Provisions	5.16	58
Accrued expenses	5.17	60

The accounting rules used to prepare these financial statements are consistent with those applied in preparing the annual financial statements of the Company for the year ended 31 December 2019.

The amended standards and interpretations applicable for the first time in 2020 do not have a significant impact on the Company's financial statements.

Other changes to the International Financial Reporting Standards effective from 1 January 2020

- Amendments to IFRS 3: *Definition of a Business*. As a result of the amendment to IFRS 3, the definition of "business" has been modified. The currently binding definition is narrowed and is likely to result in more acquisitions to be qualified as a purchase of assets.
- Amendments to IFRS 7, IFRS 9, and IAS 39: *Interest Rate Benchmarks Reform.* The published amendments modify some specific requirements concerning hedge accounting, mainly so that the expected reform of reference rates (IBOR reform) does not lead to the termination of hedge accounting.
- Amendments to IAS 1 and IAS 8: *Definition of Material.* The amendments clarify the definition of materiality and increase consistency between the standards.
- The Conceptual Framework of financial reporting dated 29 March 2018. The revised Conceptual Framework is used by the International Accounting Standards Board and the Interpretation Committee when working on new standards. Still, entities preparing financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not regulated under the current IFRS.
- Amendment to IFRS 16: *Leases: COVID-19-Related Rent Concessions.*

In line with the amendments to IFRS 16: *Leases: Covid-19-Related Rent Concessions*, a lessee may not assess whether a pandemic-related rent concession, which meets all specified conditions, is a lease modification. The lessee analyses whether all the criteria are met:

- changes to lease payments result in adjusted lease payments, which is substantially the same or less than the payments for the lease terms before the change;
- any reduction in lease payments only applies to payments originally due on 30 June 2021 or earlier;
- there are no significant changes to other lease terms.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

A lessor who so decides recognises all change to lease payments resulting from a rent concession in the same way as they would recognise a change under IFRS 16 if the change were not a change to the lease.

As at the balance sheet date, the Company did not identify any contracts for which it would have been able to use the solution under IFRS 16.

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

New standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee that have been published and not yet in force:

- 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 2023; not approved by the EU until the date of approval of these financial statements;
- Amendments to IAS 1: *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – postponed effective date (published on 23 January 2020 and on 15 July 2020, respectively) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2023;
- Amendment to IFRS 3: *Business Combination* (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022; not approved by the EU until the date of approval of these financial statements;
- Amendments to IAS 16: *Property, plant and equipment: Proceeds before Intended Use* (published on 14 May 2020) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37: *Onerous Contracts - Costs of Fulfilling a Contract* (published on 14 May 2020) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2022;
- Amendments resulting from the review of IFRS 3 2010-2012 (published on 14 May 2020) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 4: *Insurance Contracts* – postponed IFRS 9 (published on 25 June 2020) – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17: *Insurance Contracts* – including, inter alia, clarifications to simplify the implementation of IFRS 17 (published on 25 June 2020); applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform* – Phase 2 (published on 27 August 2020) – applicable to annual periods beginning on or after 1 January 2021.

Effective dates are based on the standards published by the Financial Reporting Council. The dates of application of the standards 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.

2.8. Error adjustment

In the reporting period, there were no events resulting in the need to correct errors.

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. The IT applications support business processes and information flow and are able to handle 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.

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 2020	ERP segment *PLN thou.*	Unallocated *PLN thou.*	Total *PLN thou.*
Sales to external customers	267,793	14,323	282,116
Gains on reported segment sales	**91,245**	**944**	**92,189**
Amortisation/Depreciation	(24,930)	(192)	(25,122)
Intangible assets recognised during the settlement of combination allocated to segment	1,668	-	1,668
Goodwill from combinations assigned to segment	252,879	-	252,879

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
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

Financial Statements for the Year Ended 31 December 2020 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 2020 and in the comparative period was as follows:

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Operating income by type		
Licences and own services	266,043	255,085
Licences and external services	11,484	13,190
Equipment and infrastructure	4,589	5,585
Operating income total	**282,116**	**273,860**

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 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Income from contracts with customers recognized in accordance with IFRS 15		
From goods or services provided at a specified time, including:	50,240	48,031
ERP segment	*36,631*	*31,748*
Unallocated	*13,609*	*16,283*
From goods or services provided over time, including:	231,876	225,829
ERP segment	231,162	*224,955*
Unallocated	714	*874*
Operating income total	**282,116**	**273,860**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

ii. Other obligations of performance

As at 31 December 2020, 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 2020 all main obligations of performance involving the supply of a comprehensive IT system (measured according to progress) result from contracts expiring before 31 December 2021. 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. Structure of operating income by country of generation

	12 months to 31 December 2020	12 months to 31 December 2019
	PLN thou.	*PLN thou.*
Poland	245,375	241,908
ROW, including:	36,741	31,952
– France	9,015	9,017
- Germany	6,985	5,038
– The Netherlands	6,294	7,350
- United Kingdom	5,656	2,737
- Romania	3,346	3,389
- Luxembourg	1,315	448
- Italy	972	1,071
- Czech Republic	462	452
- Croatia	458	308
- Austria	445	-
– Spain	277	533
- Turkey	186	197
- the Baltics (Lithuania, Latvia, Estonia) and Russia	109	81
- others	1,221	1,331
Total	**282,116**	**273,860**

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

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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).
However, classification of expenses by function is used for presentation purposes in the profit and loss account.
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. 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, 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).
The costs related to the Employee Capital Plans (PPK) are the costs of post-employment benefits in the form of a defined contribution plan and are recognized under Pension benefit costs.

Operating expenses in the year ended 31 December 2020 and in the comparable period were as follows:

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Operating expenses		
Value of goods and external services sold	(14,568)	(16,272)
Employee benefits	(126,865)	(119,651)
Amortisation/Depreciation	(25,122)	(24,422)
External services *	(17,813)	(19,430)
Other	(5,559)	(7,133)
Total	**(189,927)**	**(186,908)**
Own cost of sales	(156,963)	(153,312)
Cost of sales	(12,557)	(12,951)
Administrative expenses	(20,432)	(20,439)
Impairment/Reversal of impairment for credit losses in relation to trade receivables	25	(206)
Total	**(189,927)**	**(186,908)**

**In external services, the major items are "property maintenance expenses" and "outsourcing of personnel."*

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

i. Costs of employee benefits

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Wages and salaries	(105,699)	(100,347)
Employee benefits, including:	(19,727)	(18,182)
Social security costs	*(17,322)*	*(15,915)*
Other costs of employee benefits	(1,439)	(1,122)
Total costs of employee benefits in:	**(126,865)**	**(119,651)**
- own cost of sales	(101,585)	(95,090)
- cost of sales	(8,741)	(8,496)
- administrative expenses	(16,539)	(16,065)
Total costs of employee benefits	**(126,865)**	**(119,651)**

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 2020 PLN thou.	12 months to 31 December 2019 PLN thou.
Depreciation allowance for the year resulting from the table of fixed asset movement	5.1	(4,606)	(4,931)
Depreciation allowance for the year resulting from the table of intangible asset movement	5.2	(13,007)	(12,945)
Depreciation allowance for the year resulting from the table of movement of right-of-use assets	5.3	(7,676)	(6,633)
Capitalisation of depreciation costs for ongoing R&D projects		1	2
Total depreciation allowance recognised in cash flow statement		**(25,288)**	**(24,507)**
Depreciation costs of rented real property included in other operating expenses		166	85
Total depreciation allowance recognised in operating expenses		**(25,122)**	**(24,422)**

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 Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Financial income in the 12 months ended 31 December 2020 and in the comparable period was as follows:

Financial income	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Interest income on bank deposits measured at effective interest rate	196	117
Positive exchange differences	-	278
Net profits from realisation and/or valuation of derivative instruments	-	501
Total	**196**	**896**

Financial expenses in the 12 months ended 31 December 2020 and in the comparable period were as follows:

Financial expenses	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Interest cost on bank loans, debt securities and trade liabilities	(4)	(109)
Interest cost on lease	(1,815)	(1,720)
Other interest expense	(5)	(20)
Negative exchange rates	(782)	-
Losses from realisation and/or valuation of derivative instruments	(525)	-
Total	**(3,131)**	**(1,849)**

Exchange gains and losses are presented net (as a surplus of positive over negative or vice versa).

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

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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.*

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

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Current income tax	(13,637)	(13,354)
Deferred tax	438	70
Tax expense reported in the profit and loss account	**(13,199)**	**(13,284)**

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;

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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.

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Accounting income	**89,605**	**86,723**
Applicable corporate income tax rate	19%	19%
Income tax at applicable statutory tax rate	**17,025**	**16,477**
Use of tax-deductible tax allowances (R&D relief)	(1,876)	(1,651)
Difference due to different income tax rate (IP BOX relief)	(2,237)	(1,923)
SFRD	191	161
Representation expenses	2	56
Other fixed differences	94	164
Income tax calculated at effective tax rate	**13,199**	**13,284**
Effective income tax rate	**15%**	**15%**

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 2020 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	Provision for deferred tax		Asset from deferred tax		Total income for period
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	12 months to 31 December 2020
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
Property, plant and equipment	611	6[illegible]7	2	-	18
Intangible assets	267	3[illegible]7	-	-	60
Right-of-use assets	7,260	7,679	-	13	406
Financial instruments valued at fair value through profit or loss	-	52	-	-	52
Inventories	-	-	21	19	2
Trade receivables	34	59	475	360	140
Assets from contracts with customers	100	1[illegible]0	-	-	50
Cash	-	3	-	-	3
Provisions	-	-	626	484	142
Trade liabilities	13	14	-	-	1
Financial liabilities	122	-	8,387	8,497	(232)
Other liabilities	-	-	171	149	22
Accrued expenses	-	-	2,326	2,439	(113)
Deferred income	13	7	-	12	(18)
Deferred tax gross provisions	**8,420**	**8,918**	**-**	**-**	**498**
Deferred tax gross assets	**-**	**-**	**12,008**	**11,973**	**35**
Deferred tax net assets (+)/ provision(-)			**3,588**	**3,055**	
Change in deferred tax in the reporting period, including:					**533**
change in deferred tax recognised directly in other comprehensive income					*95*
change in deferred tax recognised in profit and loss account					*438*

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020 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 2020	12 months to 31 December 2019
Weighted average number of issued ordinary shares used to calculate basic earnings per share	33,418,193	33,418,193
Net profit for the reporting period (in PLN thou.)	76,406	73,439
Net profit per share (in PLN)	**2.29**	**2.20**

4.6. Information on dividends paid

In 2020 the Company paid dividend for 2019. Pursuant to the decision of the General Meeting of Shareholders of Asseco Business Solutions S.A. dated 28 April 2020, part of the net profit for the year 2019 in the amount of PLN 60,153 thousand was earmarked for the payment of dividend in the amount of PLN 1.8 per share. The remaining part of net profit in the amount of PLN 13,286 thousand was transferred to supplementary capital and recognised under retained earnings. The dividend date was set on 19 May 2020 and the dividend payment date on 5 June 2020.

In 2019 the Company paid dividend for 2018. Pursuant to the decision of the General Meeting of Shareholders of Asseco Business Solutions S.A. dated 13 May 2019, part of the net profit for the year 2018 in the amount of PLN 50,127 thousand was earmarked for the payment of dividend in the amount of 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 derecognised 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)
Buildings	10 years
Computers and other office equipment	3-10 years
Means of transport	7 years
Other fixed assets	5-10 years

Every year the Company reviews assumed economic useful lives based on current estimates concerning the estimated useful life of an asset.
In the 12 months ended 31 December 2020, there were no major changes in the manner of making estimates.
In 2020, 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 12 months ended 31 December 2020 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.*	Fixed assets under construc tion	In total *PLN thou.*
As at 1 January 2020, including depreciation and write-downs	**880**	**5,602**	**5,124**	**566**	**-**	**12,172**
Increase through:	**59**	**2,842**	**5,298**	**293**	**5,284**	**13,776**
Purchase and upgrade	59	2,842	-	293	5,284	**8,478**
Buyout of right-of-use asset	-	-	5,298	-	-	**5,298**
Decrease through:	**(67)**	**(3,182)**	**(1,502)**	**(97)**	**-**	**(4,848)**
Depreciation allowance for reporting period	(67)	(3,168)	(1,274)	(97)	-	**(4,606)**
Sales and liquidation	-	(14)	(228)	-	-	**(242)**
As at 31 December 2020, including depreciation and write-downs	**872**	**5,262**	**8,920**	**762**	**5,284**	**21,100**
As at 1 January 2020						
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)**
Net carrying value as at 1 January 2020	**880**	**5,602**	**5,124**	**566**	**-**	**12,172**
As at 31 December 2020						
Gross	1,950	17,416	15,259	2,633	5,284	**42,542**
Decommitment and impairment loss	(1,078)	(12,154)	(6,339)	(1,871)	-	**(21,442)**
Net carrying value as at 31 December 2020	**872**	**5,262**	**8,920**	**762**	**5,284**	**21,100**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	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 redemptions and write-downs	**995**	**5,057**	**6,689**	**418**	**13,159**
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 decommitments 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)**
Net carrying value as at 01 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)**
Net carrying value as at 31 December 2019	**880**	**5,602**	**5,124**	**566**	**12,172**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 useful life of intangible assets is assessed and considered to be limited and indefinite. Intangible assets with a limited useful life are amortized using the straight-line method based on their estimated useful life, and the amortization costs are recognized in the profit and loss account in accordance with the place of occurrence.

Useful life periods are presented in the table below:

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

The Company reviews annually the adopted periods of economic useful life based on current estimates. In 2020 there were no significant changes to the intangible asset amortization rates applied by the Company.

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	Other	In total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2020:			
Gross	2,500	262	2,762
Decommitment	(780)	-	(780)
Net carrying value as at 1 January 2020	**1,720**	**262**	**1,982**
As at 31 December 2020:			
Gross	2,500	262	2,762
Decommitment	(1,092)	-	(1,092)
Net carrying value as at 31 December 2020	**1,408**	**262**	**1,670**
Depreciation allowance for the reporting period	(312)	-	(312)

	Customer relations	Other	In total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 01 January 2019:			
Gross	2,500	262	2,762
Decommitment	(467)	-	(467)
Net carrying value as at 01 January 2019	**2,033**	**262**	**2,295**
As at 31 December 2019:			
Gross	2,500	262	2,762
Decommitment	(780)	-	(780)
Net carrying value as at 31 December 2019	**1,720**	**262**	**1,982**
Depreciation allowance for the reporting period	(313)	-	(313)

Changes in net worth of intangible assets in the period of 12 months ended 31 December 2020 and in the comparative period were attributed to the following:

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	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 2020, including decommitment and write-downs	**252,879**	**20,360**	**543**	**327**	**1,982**	**276,091**
Increase through:	**-**	**13,910**	**13,738**	**275**	**-**	**27,923**
Purchase and upgrade	-	-	-	275	-	**275**
Capitalisation of costs of R&D projects	-	-	13,738	-	-	**13,738**
Transfers from costs of unfinished development work	-	13,910	-	-	-	**13,910**
Decrease through:	**-**	**(12,419)**	**(13,910)**	**(278)**	**(312)**	**(26,919)**
Depreciation allowance for reporting period	n/a	(12,419)	n/a	(276)	(312)	**(13,007)**
Sales and liquidation	-	-	-	(2)	-	**(2)**
Transfer to internally generated software	-	-	(13,910)	-	-	**(13,910)**
Net value as at 31 December 2020	**252,879**	**21,851**	**371**	**324**	**1,670**	**277,095**
As at 1 January 2020						
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 01 January 2020	**252,879**	**20,360**	**543**	**327**	**1,982**	**276,091**
As at 31 December 2020						
Gross	252,879	48,946	371	5,716	2,762	**310,674**
Decommitment and impairment loss	-	(27,095)	-	(5,392)	(1,092)	**(33,579)**
Net value as at 31 December 2020	**252,879**	**21,851**	**371**	**324**	**1,670**	**277,095**

In the fourth quarter of 2020, the Company carried out a detailed verification of its register of intangible assets, as a result of which it liquidated intangible assets valued PLN 56,690 thousand (the same amount for gross value and decommitments, respectively). The greatest impact of this decision is visible in in-house software and applies to work performed in connection with previous software releases.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	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**

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

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020 were as follows:

- Macrologic ERP WNIP 3.0

The project aims to expand the ERP products of the Macrologic ERP family by adding the necessary functionalities that meet the needs of the target market. The product is intended for large and medium-sized enterprises; it expedites the management of specific corporate operations.

The project development phase began in January 2020. The total value of expenditure capitalized on intangible assets by 31 December 2020 was PLN 4,161 thousand. The project was completed on 31 December 2020.

- SL.ERP 13.0

The project aims to expand the Softlab ERP products by adding functionalities that meet the needs of the target market. Softlab ERP is expected to improve enterprise management and control thanks to the bespoke approach to business processes within the system. It is a product targeted at large and medium-sized enterprises.

The project development phase began in January 2020. The total value of expenditure capitalized on intangible assets by 31 December 2020 was PLN 1,436 thousand. The project was completed on 31 December 2020.

- ABS Mobile Touch 10.0

The project aims to extend the functional scope of the Mobile Touch solution. Mobile Touch combines sales, CRM, presentation/demonstration, management, or control function. Run on tablets or smartphones, it supports telephone and e-mail features as well as external applications. Mobile Touch is designed for enterprises which operate and generate business through extensive mobile sales forces. Providing easy, secure and quick access to information from any place and at any time, the application boosts the efficiency of everyday sales representatives' routines; as for the management, it offers a real-time monitoring of met or failed sales objectives.

The project development phase began in January 2020. The total value of expenditure capitalized on intangible assets by 31 December 2020 was PLN 4,708 thousand. The project was completed on 31 December 2020.

5.3. Right-of-use assets

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.*

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 to agreements that had not been identified earlier as lease agreements under IAS 17

and IFRIC 4. 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.

	Land and buildings	Means of transport	In total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2020, including decommitment and write-downs	**39,198**	**12,115**	**51,313**
Increase through:	**13,901**	**3,691**	**17,592**
New lease agreements	3,922	3,691	**7,613**
Modification of existing agreements (agreement renewal, change of interest rate, change of rate)	9,979	-	**9,979**
Decrease through:	**(14,888)**	**(7,165)**	**(22,053)**
Depreciation allowance for reporting period	(5,809)	(1,867)	**(7,676)**
Early termination	(72)	-	**(72)**
Modification of existing agreements (early termination, change of interest rate)	(804)	-	**(804)**
Change in judgement for lease term	(8,203)	-	**(8,203)**
Buyout of right-of-use asset	-	(5,298)	**(5,298)**
As at 31 December 2020, including decommitment and write-downs	**38,211**	**8,641**	**46,852**
As at 1 January 2020			
Gross	45,350	13,441	**58,791**
Decommitment and impairment loss	(6,152)	(1,326)	**(7,478)**
Carrying value as at 1 January 2020	**39,198**	**12,115**	**51,313**
As at 31 December 2020			
Gross	48,204	9,958	**58,162**
Decommitment and impairment loss	(9,993)	(1,317)	**(11,310)**
Carrying value as at 31 December 2020	**38,211**	**8,641**	**46,852**

In connection with the new office space lease agreement referred to in item 5.13 of these financial statements, the Company changed its judgement regarding the length of lease under two lease agreements.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	Land and buildings	Means of transport	In total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2019, including decommitment and write-downs (after IFRS 16 implementation)	**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 (agreement 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 01 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**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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

Each time, an impairment test requires the estimation of value in use of cash flow-generating units or groups of units, to which goodwill is allocated along with/or intangible assets with indefinite useful life. To calculate the recoverable amount, the Company uses the value in use model. Estimating the value in use consists in determining future cash flows generated by the unit or units and the discount rate that is subsequently used to calculate the current value of those cash flows. Where the value in use is higher than the balance sheet value of assets, the Company does not make estimates in the fair value model.

As at 31 December 2020, as well as in the 12-month period ended 31 December 2019, 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 2020 *PLN thou.*	As at 31 December 2019 *PLN thou.*
Book value of net assets	331,910	316,105
Market capitalisation	1,283,259	949,077
Surplus (+) of market capitalization over net assets	**951,349**	**632,972**

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 1.03 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 2020, 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 2025;
- compound annual growth rate of free cash flows (CAGR) over the period of forecast, i.e. in the years 2021-2025;

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

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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.

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	8.23%	N/A*	-28.39%

limitation WACC does not exist

In addition, the table below presents an analysis of sensitivity of our models applied to calculate the recoverable amounts of cash flow generating units to changes in discount rates (the applied discount rate changed in the range of 0.5 pp to 1.5 pp in plus and minus) and to the percentage change in the forecast free cash flows (the model FCFF value changed by 1%, 3% and 5% in plus and in minus).

	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.)	1,287,562	1,220,560	1,162,222	1,110.970	1,065,586	1,025,118	988,808
Above/less than unit book value (in PLN thou.)	953,668	886,666	828,328	777,076	731,692	691,224	654,914

	Change in the value of FCFF in 2021-2025 (in percentage terms)						
	-5%	-3%	-1%	0%	1%	3%	5%
FCFF current value (in PLN thou.)	1,055,421	1,077,641	1,099,860	1,110,970	1,122,079	1,144,299	1,166,518
Above/less than unit book value (in PLN thou.)	721,527	743,747	765,966	777,076	788,185	810,405	832,624

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.*

Allowance for expected credit losses in respect of receivables and contract assets

To estimate the allowance for expected credit losses in respect of trade receivables, the Company applies a simplification by measuring the allowance at an amount equal to the expected credit losses over the receivables life cycle. The Company uses a provision matrix developed

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

on the basis of historical contractor repayment data, adjusted, where appropriate, for 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 allowance for credit loss based on the provision 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.
The allowance for credit losses in relation to 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 allowance for expected credit losses in the amount equal to 12-month expected credit losses. If the credit risk associated with a given financial instrument has increased significantly since initial recognition, the Company measures the allowance for expected credit loss on the financial instrument in an amount equal to the expected loan loss over the entire life cycle.
Allowances for expected credit losses in relation to other receivables are attributed to other operating activities of financing activities if the receivable was accrued in 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 amount of estimates and professional judgement is needed in allocating the transaction price to individual performance obligations.
The Company estimates the allowance for expected credit losses on 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 2020 and as at 31 December 2019:

	31 December 2020		31 December 2019	
	Long-term *PLN thou.*	Short-term *PLN thou.*	Long-term *PLN thou.*	Short-term *PLN thou.*
Trade receivables	**-**	**41,665**	**-**	**47,165**
from related parties, including:	-	**697**	-	**512**
Invoiced receivables	-	697	-	512
from other parties	-	**40,968**	**-**	**46,653**
Invoiced receivables	-	40,879	-	46,611
Receivables not invoiced	-	89	-	42
Allowance for expected credit losses (-)	**-**	**(1,601)**	**-**	**(1,875)**
Total trade receivables	**-**	**40,064**	**-**	**45,290**

The Company has appropriate policies in place for making the sale only to verified customers. In the opinion of the Management Board, there is no need to create an additional allowance for expected credit losses. In connection with the pandemic situation in Poland and in the world, the Company implemented a process of more careful monitoring of its receivables. After the analysis, the Company does not discern any significant risk of impairment of assets, and in particular, there was no significant change in the collection of receivables, therefore the calculation of expected credit losses did not change significantly.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

The following table presents the balances of contract assets as at 31 December 2020 and as at 31 December 2019:

	31 December 2020		31 December 2019	
	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	-	1,052	-	1,528
Total receivables from contracts with customers	**-**	**1,052**	**-**	**1,528**

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 2020 and in the comparable period:

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Total assets from contracts with customers	**1,528**	**565**
Reclassification to receivables	(4,621)	(2,750)
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions	4,145	3,713
Assets from contracts with customers at end of period	**1,052**	**1,528**

The table below shows 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:

	12 months to 31 December 2020 PLN thou.	12 months to 31 December 2019 PLN thou.
As at 1 January	**(1,875)**	**(1,775)**
Creation (-)	(90)	(383)
Termination/use (+)	364	283
As at 31 December	**(1,601)**	**(1,875)**

The tables below show the age structure of receivables together with the allowance for expected credit losses as at 31 December 2020 and 31 December 2019:

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Ageing of trade receivables	31 December 2020 Gross amount PLN thou.	%	Allowance PLN thou.	%	Net amount PLN thou.	%
Receivables undue	**36,003**	**84.30%**	**-**	**-%**	**36,003**	**87.60%**
Past due receivables	**4,548**	**10.60%**	**(487)**	**30.40%**	**4,061**	**9.80%**
Receivables past due up to 3 months	3,983	9.30%	(282)	17.60%	*3,701*	9.00%
Receivables past due from 3 to 6 months	47	0.10%	-	-%	*47*	0.10%
Receivables past due from 6 to 12 months	52	0.10%	(35)	2.20%	*17*	-%
Receivables past due over 12 months	466	1.10%	(170)	10.60%	*296*	0.70%
	40,551	**94.90%**	**(487)**	**30.0%**	**40,064**	**97.40%**
Receivables claimed at court	**1,114**	**2.60%**	**(1,114)**	**69.60%**	**-**	**-%**
Aged assets from contracts with customers	**1,052**	**2.50%**	**-**	**-**	**1,052**	**2.60%**
Total	**42,717**	**100.00%**	**(1,601)**	**100.00%**	**41,116**	**100.00%**

Ageing of trade receivables	31 December 2019 Gross amount PLN thou.	%	Allowance PLN thou.	%	Net amount PLN thou.	%
Receivables undue	**37,483**	**77.00%**	**-**	**-%**	**37,483**	**80.10%**
Past due receivables	**8,526**	**17.50%**	**(719)**	**38.30%**	**7,807**	**16.60%**
Receivables past due up to 3 months	*7,518*	15.50%	-	-%	*7,518*	16.00%
Receivables past due from 3 to 6 months	*264*	0.50%	(6)	0.30%	*258*	0.60%
Receivables past due from 6 to 12 months	*158*	0.30%	(129)	6.90%	*29*	-%
Receivables past due over 12 months	*586*	1.20%	(584)	31.10%	*2*	-%
	46,009	**94.50%**	**(719)**	**38.30%**	**45,290**	**96.70%**
Receivables claimed at court	**1,156**	**2.40%**	**(1,156)**	**61.70%**	**-**	**-%**
Aged assets from contracts with customers	**1,528**	**3.10%**	**-**	**-**	**1,528**	**3.30%**
Total	**48,693**	**100.00%**	**(1,875)**	**100.00%**	**46,818**	**100.00%**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

The table below presents other receivables as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Non-current PLN thou.	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Receivables from paid deposits	178	233	881	178
Other receivables	-	128	-	473
Other receivables total	**178**	**361**	**881**	**651**

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.

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

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 2020 and in the comparative period, the balance of prepaid expenses included the following items:

	31 December 2020		31 December 2019	
	Non-current PLN thou.	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Prepaid services, including:	19	2,868	36	574
Maintenance services and licence fees	*14*	*1,334*	*27*	*278*
Prepaid training	*-*	*119*	*-*	*87*
Insurance	*5*	*982*	*-*	*62*
Other services	*-*	*433*	*9*	*147*
Total	**19**	**2,868**	**36**	**574**

Accrued expenses as at 31 December 2020 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. The growth in prepaid services is largely due to prepaid annual software licences and maintenance services, as well as vehicle insurance.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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.

Measurement upon initial recognition

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

A financial asset is measured at amortized cost if both of the following conditions are met:

(i) (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.

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 2020, 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 2020		31 December 2019	
	Long-term	Short-term	Long-term	Short-term
	PLN thou. thou.	*PLN thou.*	*PLN thou.*	*PLN*
Financial assets valued at amortized cost, including:	**-**	**40,000**	**-**	**14,015**
Deposits with original maturity below 12 months	-	40,000	-	14,015
Financial assets valued at fair value through financial result, including:	**-**	**-**	**-**	**276**
Forward currency contracts	-	-	-	276
Total	**-**	**40,000**	**-**	**14,291**

A deposit at Santander Bank Polska for the amount of PLN 15,000 thousand until 10 May 2021 bearing interest based at a fixed rate. A deposit at BGK for the amount of PLN 25,000 thousand until 28 May 2021 bearing interest based at a fixed rate. The fixed rate ranges from 0.02% to 0.18%.

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 2020, 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 2020, the Company was not a party to forward contracts. At 31 December 2019, 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 1i) *PLN thou.*	Level 2ii) *PLN thou.*	Level 3iii) *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;*

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

ii. Non-financial assets

The balance of other assets as at 31 December 2020 and as at 31 December 2019 consisted of:

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Prepayments for deliveries	205	83

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.

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 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Computer equipment, third-party licences and other goods for resale	623	896
Impairment loss of goods (-)	(191)	(170)
Total	**432**	**726**

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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Cash at bank in current accounts	6,113	2,267
Cash at bank in split payment accounts	440	214
Short-term deposits (overnight)	-	13,323
Cash in hand	10	52
Cash in transit	51	94
Total cash balance shown in balance sheet and cash flow statement	**6,614**	**15,950**

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 ("the 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.

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Cash	904	456
Liabilities to the Fund	787	449
Balance after offset	**117**	**7**
Allowances to the Fund in the financial period	**1,439**	**1,122**

5.11. Subscribed capital and other elements of equity

Share capital

The subscribed capital as at 31 December 2020 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 2020, the subscribed capital did not change compared to 31 December 2019. 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, Journal of Laws of 1029, item 505) 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020 and as at 31 December 2019.

	31 December 2020 PLN thou.	31 December 2019 PLN thou.
Premium	62,543	62,543
Other supplementary capital	31,065	18,185
	93,608	**80,728**

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 annual financial 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 2020, 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 111,441 thousand.

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.

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 1 June 2020, the Company annexed the agreement of 30 May 2017 concluded with BNP Paribas Bank Polska S.A.:
- increasing the maximum amount of debt to PLN 70,000,000 with the overdraft 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	Maximum amount of debt	Effective interest rate %	Repayment date	31 December 2020		31 December 2019	
				Long-term	Short-term	Long-term	Short-term
Overdrafts in current accounts				-	-	-	-
Credit on running account	70,000 mth	WIBOR 1 +margin	30-06-2021	-	-	-	-
TOTAL				-	-	-	-

As at 31 December 2020, the Company had open credit lines in current accounts that offer the option of extra financing at PLN 70,000 thousand. 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 2020 and in the comparable period, there was no debt in the existing credit lines.
As at 31 December 2020 and in the comparable period, no assets were used to secure bank loans.

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.

Lease term for renewable agreements

The Company determines the lease term as the irrevocable term, including the periods covered by the option to prolong the lease, if it can be expected with reasonable assurance that the option will be used, and the periods covered by the option to terminate the lease, if it can be expected with reasonable assurance that the option will not be used.
The Company has the option, under some lease agreements, to extend the term of asset lease. The Company applies judgement when assessing whether there is reasonable assurance of using the extension option. It means that the Company takes account of all the relevant facts and circumstances that represent an economic incentive

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

for the extension of the agreement or an economic penalty for non-extension. After the commencement date, the Company reassesses the lease term if a significant event or new circumstances occur under its control that affect its ability to use (or not use) the extension option (e.g. a change to the business strategy).

Lease period for indefinite agreements

The Company has indefinite lease agreements and agreements that have been transformed into indefinite agreements where both parties have the option to terminate. When determining the lease period, the Company uses the period of agreement enforceability. Lease ceases to be enforceable when both the lessee and the lessor exercise the right to terminate the agreement without having to obtain the other party's consent and without incurring penalties greater than negligible. The Company assesses the significance of broadly understood penalties, i.e. apart from strictly contractual or financial issues, it takes into account all other significant economic factors discouraging termination (e.g. significant investments in the subject of lease, availability of alternative solutions, relocation costs). If neither the Company as the lessee nor the lessor incurs a significant penalty for termination (broadly understood), the lease ceases to be enforceable and its period is reduced to the period of notice. However, where either of the parties, based on professional judgement, pays a significant penalty for termination (broadly understood), the Company determines the lease period as sufficiently certain (i.e. over which it can be assumed with sufficient certainty that the agreement will continue).

Lessee's incremental borrowing rate of interest

The Company is not able to easily determine the interest rate for lease contracts (real property lease); therefore, it uses the lessee's incremental borrowing rate when measuring lease liabilities. This is the interest rate that the Company would have to pay to borrow – for a similar period, in the same currency and with similar securities – funds necessary to purchase an asset of a similar value to the right-of-use asset in a similar economic environment.

Estimates

The application of IFRS 16 requires the Company to perform various estimates and professional judgement. The relevant area concerns the assessment of lease periods, agreements for an indefinite period and extendable agreements. When determining the lease period, the Company needs 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 is paid to the value of expenses incurred for adapting the leased asset to individual needs and to the size of the market in a specific location and the nature of the leased property in the case of real property lease.

As at 31 December 2020, the subject of finance lease agreements with the Company as the lessee was:

- immovable property,
- vehicles.

The table below presents the balance of liabilities under finance lease as at 31 December 2020 and as at 31 December 2019.

	31 December 2020		31 December 2019	
	Non-current	Current	Non-current	Current
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Real property lease	37,505	6,642	39,193	5,704
Vehicle lease	6,222	1,773	7,670	2,719
Total	**43,727**	**8,415**	**46,863**	**8,423**

The decreased balance of lease liabilities is attributed to the decision made in the first half of 2020 to shorten the term of two property lease agreements. In June 2020, an office space lease agreement was concluded to enter into force from March 2021. The value of future cash flows under this agreement is PLN 25,672 thousand. The agreement was concluded for 10 years. The premises will be handed over to the Company on 28 February 2021, and then the relevant assets and liabilities will be recognized on the Company's balance sheet.

Real property lease

The net value of the property being the subject of the lease agreement as at 31 December 2020 PLN 38,211 thousand (at 31 December 2019: PLN 39,198 thousand).

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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

	31 December 2020 PLN thou.	31 December 2019 PLN thou.
Minimum lease payments		
in less than 1 year	7,610	7,116
from 1 to 5 years	29,795	34,115
more than 5 years	10,805	9,468
Future minimum lease payments	**48,210**	**50,699**
Future interest expense	**(4,063)**	**(5,802)**
Current value of lease liabilities		
in less than 1 year	6,642	5,704
from 1 to 5 years	26,995	30,097
more than 5 years	10,510	9,096
Lease liability	**44,147**	**44,897**

The marginal interest rate for the above leases as at 31 December 2020 was 3% and 4% as at 31 December 2019.

Vehicle lease

The net value of motor cars being the subject of lease agreements as at 31 December 2020 amounted to PLN 8,641 thousand (at 31 December 2019: PLN 12,115 thousand).

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

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Minimum lease payments		
in less than 1 year	1,892	2,966
from 1 to 5 years	6,409	7,977
more than 5 years	-	-
Future minimum lease payments	**8,301**	**10,943**
Future interest expense	**(306)**	**(554)**
Present value of lease payments		
in less than 1 year	1,773	2,719
from 1 to 5 years	6,222	7,670
more than 5 years	-	-
Lease liability	**7,995**	**10,389**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020 and in comparable period:

		31 December 2020	31 December 2019
		PLN thou.	*PLN thou.*
Depreciation of right-of-use assets	5.3	(7,676)	(6,633)
Interest cost due to lease liabilities	4.3	(1,815)	(1,720)
Costs associated with lease of low-value assets		(1)	(1)
Costs associated with short-term lease		(5)	(34)
Profit / loss on sublease of office space recognized as right-of-use assets		172	401
Total		**(9,325)**	**(7,987)**

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

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 2020 and in the comparable periods, the Company's trade liabilities and liabilities from the valuation of Company's contracts were as follows:

	31 December 2020		31 December 2019	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
To related parties, including:	**-**	**1,040**	**-**	**56**
Invoiced liabilities	-	1,040	-	13
Not invoiced liabilities	-	-	-	43
To other parties, including:	**-**	**5,434**	**-**	**6,027**
Invoiced liabilities	-	4,411	-	4,788
Not invoiced liabilities	-	844	-	896
Provisions for contractual penalties	-	179	-	343
Trade liabilities total	**-**	**6,474**	**-**	**6,083**

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

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

The following table shows the Company's gross trade liabilities as at 31 December 2020 and 31 December 2019 by the maturity date based on contractual undiscounted payments.

	31 December 2020 *PLN thou.*	*%*	31 December 2019 *PLN thou.*	*%*
Trade liabilities				
Liabilities due	21	0.3%	67	1.1%
Liabilities undue up to 3 months	6,453	99.7%	6,016	98.9%
Liabilities undue from 3 to 6 months	-	-%	-	-%
Liabilities undue beyond 6 months	-	-%	-	-%
	6,474	**100.0%**	**6,083**	**100%**

As at 31 December 2020 and in the comparable period, other Company's liabilities were:

	31 December 2020		31 December 2019	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Corporate income tax liabilities	**-**	**3,412**	**-**	**2,384**
Others budgetary commitments				
Personal income tax (PIT)	-	2,078	-	1,896
Social contributions (SII)	-	4,276	-	3,784
Other	-	91	-	70
Other budgetary liabilities total	**-**	**11,355**	-	**11,056**
Other liabilities				
Employee liabilities	-	2,061	-	1,795
Other liabilities	-	1,395	-	499
Other liabilities total	**-**	**3,456**	**-**	**2,294**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

5.15. Liabilities from contracts with customers

Selected accounting rules

Liabilities under contracts with customers establish the entity's obligation to transfer goods and services to the customer for remuneration (or the amount of remuneration is 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.

As at 31 December 2020 and as at 31 December 2019, liabilities from contracts with customers were as follows:

	31 December 2020		31 December 2019	
	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:	-	**14,257**	-	**12,678**
Prepaid expenses and accrued income from contracts with customers	-	13,729	-	11,939
- pre-paid maintenance services	-	*3,343*	-	*3,235*
- licence fees	-	*10,386*	-	*8,704*
Liabilities from valuation of IT contracts	-	528	-	739
Total liabilities from contracts with customers	-	**14,257**	-	**12,678**

Change in the value of liabilities from contracts with customers during the 12 months ended 31 December 2020 and in the comparable period:

	12 months to 31 December 2020	12 months to 31 December 2019
	PLN thou.	*PLN thou.*
Value of liabilities from contracts as at 1 January	**12,678**	**11,134**
Issue of invoices above realised obligation of performance	38,049	34,101
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions (+)/(-)	(36,470)	(32,557)
Value of liabilities from contracts with customers at the end of period	**14,257**	**12,678**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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; there are no 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 only show provisions for non-project penalties, i.e. provisions for penalties not directly related to performance obligations and constituting rather a compensation for damage than failure to meet the performance obligation. The source of non-project penalties is the law rather than contracts and contractual penalties. Project contractual penalties, i.e. resulting from non-performance or improper performance of an obligation, are shown in "Liabilities from project-related contractual penalties (Note 5.14).

Provisions for contractual penalties are presented in Other provisions and as a decrease of operating income.

Provisions for litigation risks and other provisions

Other provisions include mainly provisions for pending court proceedings and are based on available information, including, in particular, the opinions of lawyers and independent experts. The Company creates provisions when at the end of the reporting period it has an obligation resulting from past events that can be credibly *estimated, and when it is probable that the fulfilment of this obligation will result in the necessity to expend resources embodying economic benefits.*

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 2020 and in the comparable period were attributed to the following:

	Provision for damages	Post-employment benefits	Other provisions	In total
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
As at 01 January 2020	**-**	**2,547**	**373**	**2,920**
Establishment (+)	-	246	-	**246**
Actuarial gains/losses (+)/(-)	-	501	-	**501**
As at 31 December 2020, including:	**-**	**3,294**	**373**	**3,667**
Current	-	45	373	**418**
Non-current	-	3,249	-	**3,249**
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**

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. On 2 July 2020, the District Court in Warsaw reduced the fine imposed on Asseco Business Solutions and waived mutual costs of proceedings between the parties. On 17 August 2020, the Company filed appeals against the judgement to the District Court.

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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020	31 December 2019
Discount rate (%)	1.3%	2.0%
Expected wage increase rate (%)	**5.0%**	**5.0%**

5.17. Accrued expenses

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		31 December	
	Long-term	Short-term	Long-term	Short-term
	PLN	*PLN*	*PLN*	*PLN*
Expenses due and unpaid, including:				
Provision for unused leaves	-	3,414	-	4,082
Provision for bonuses for employees and Management Board	-	10,299	-	9,753
Total	**-**	**13,713**	**-**	**13,835**

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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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.

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

	Revenues		Purchases	
	12 months to 31 December 2020	12 months to 31 December 2019	12 months to 31 December 2020	12 months to 31 December 2019
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Transactions with Asseco Poland S.A.	3,108	1,339	3,277	1,664
Transactions with other related parties	493	835	26	93
Total transactions with related parties	**3,601**	**2,174**	**3,303**	**1,757**

	Trade and other liabilities and assets from contracts with customers as at		Trade and other liabilities, lease liabilities and other liabilities at	
	12 months to 31 December 2020	12 months to 31 December 2019	12 months to 31 December 2020	12 months to 31 December 2019
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Transactions with Asseco Poland S.A.	467	202	16,680	7,544
Transactions with other related parties	230	306	9	-
Total transactions with related parties	**697**	**508**	**16,689**	**7,544**

As at 31 December 2020, the balance of lease liabilities with related parties committed by the Company Executives was PLN 14,700 thousand.

As at 31 March 2020, the cost of interest on lease with related parties committed by the Company Executives was PLN 348 thousand compared to PLN 348 thousand in 2019.

As at 31 December 2020, the balance of unsettled receivables arising from transactions with related parties concluded by the Company Executives and with the Company Executives amounted to PLN 1 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.

As at 31 December 2020 and 31 December 2019, there were no outstanding balances of liabilities arising from transactions with related parties concluded 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 2020, 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 2,008 thousand v. PLN 1,924 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 18 thousand (in the comparative period: PLN 37 thousand).

Note 8.5 to these financial statements presents the remuneration of the key personnel.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Change in inventories	294	(336)
Change in receivables and assets from contracts with customers	6,695	314
Change in other non-financial assets	(122)	(61)
Change in trade liabilities and liabilities from contracts with customers	1,686	2,948
Change in the balance of accruals and prepayments	(609)	3,388
Change in provisions	246	(240)
Total	**8,190**	**6,013**

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 2020 and in the comparable period:

	12 months to 31 December 2020 *PLN thou.*	12 months to 31 December 2019 *PLN thou.*
Sale of property, plant and equipment	356	392
Acquisitions of new tangible assets	(8,478)	(4,291)
Acquisition of intangible assets	(275)	(316)
Expenses for development work	(13,737)	(11,289)

6.3. Cash flow from financing activities

- Dividends paid: the item contains a dividend paid by the Company in the amount of PLN 60,153 thousand (the details of the dividend for 2019 are discussed in 4.6 of the explanatory notes).
- Expenses for repayment of loans in the amount of PLN 2,186 thousand PLN are connected with repayment of a revolving loan and an overdraft facility.

In 2020 the total cash outflow due to the repayment of lease liabilities amounted to PLN 14,329 thousand, of which:

- PLN 12,508 thousand was the repayment of liabilities recognized as lease liabilities,
- PLN 1,815 thousand was the payment of interest accrued on the above-mentioned liabilities,

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

- PLN 6 thousand was the repayment of lease liabilities covered by the practical exception concerning short-term and low-value leases.

		Bank loans, credits *PLN thou.*	Lease *PLN thou.*	Dividend liabilities *PLN thou.*
As at 1 January 2020		**-**	**55,286**	-
Cash transfers	Inflows (+)	2,186	-	-
	Repayment of capital - outflow	(2,186)	(12,508)	(60,153)
	Repayment of interest - outflow	(3)	(1,815)	-
Non-cash changes	Accrued interest	3	1,815	-
	New commitments	-	17,570	-
	FX differences included in financial income/expenses	-	1,209	-
	Declared dividends	-	-	60,153
	Reduced commitments	-	(9,415)	-
		-	-	-
As at 31 December 2020		**-**	**52,142**	**-**

		Bank loans, credits *PLN thou.*	Lease *PLN thou.*	Dividend liabilities *PLN thou.*
As at 1 January 2019 (after recognition 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**	-

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 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

- **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).

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 2020, the Company was not a party to currency forward contracts.

- **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.

Measures: 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 Company's objective is to maintain balance between continuity and flexibility of financing by using various sources of funding, such as overdraft facilities and loans.

The Company's measures concerning liquidity management consist in planning and monitoring cash flows. On a weekly basis, the Company monitors cash, working capital, and debt in order to secure funds for ongoing operations.

Liquidity management in the Company focuses on securing adequate immediate liquidity by having cash resources at high-ranking banks (current accounts and time deposits with different maturity dates) and open credit lines that were not used during the reporting period. Open credit lines are disclosed in Note 5.12, which lists the maximum amount of secured but unused debt and the borrowing interest rate. All Company's bank debt and maturity dates are disclosed in the same note. Note 5.9, however, shows cash and cash equivalents held by the Company as at 31 December 2020.

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 2020 and as at 31 December 2019, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming an uptrend in the PLN/EUR exchange rate by 10%, the Company's result would increase by PLN 1,900 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 1,900 thousand.

As at 31 December 2020	Value exposed to risk	Impact on Company earnings	
EUR	*PLN thou.*	(10%)	10%
Financial assets			
Cash	114	(11)	11
Trade receivables	6,511	(651)	651
Liabilities			
Trade liabilities	93	9	(9)
Lease liabilities	25,533	2,553	(2,553)
On balance		**1,900**	**(1,900)**

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 liabilities	425	42	(42)
Lease liabilities	24,318	2,432	(2,432)
On balance		**1,920**	**(1,920)**

As at 31 December 2020, 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 21 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 21 thousand.

As at 31 December 2020	Value exposed to risk	Impact on Company earnings	
USD	*PLN thou.*	(10%)	10%
Financial assets			
Cash	165	(16)	16
Trade receivables	48	(5)	5
On balance		**(21)**	**21**

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN 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)**

- **<u>Sensitivity analysis - interest rate risk</u>**

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. At 31 December 2020 and at 31 December 2019, the Company had no credit debt.

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

- **<u>The methods adopted in carrying out a sensitivity analysis</u>**

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%.

- **<u>Other types of risk</u>**

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

- **<u>Items of revenue, expenses, profit and loss included in the profit and loss account</u>**

As at 31 December 2020, 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 2020:	Interest income/ (expense)	Gains/(losses) from exchange rates	Total
Financial assets:	**196**	**454**	**650**
Cash and cash equivalents	-	158	158
Loans and receivables	196	296	492
Financial liabilities:	**(1,818)**	**(1,236)**	**(3,054)**
Lease liabilities	(1,815)	(1,209)	(3,024)
Trade liabilities	-	(27)	(27)
Credits	(3)	-	(3)

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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
Loans and receivables	4	(37)	(206)	-	(239)
Financial liabilities:	**(1,829)**	**314**	**-**	**-**	**(1,515)**
Lease liabilities	(1,720)	306	-	-	(1,414)
Trade liabilities	-	8	-	-	8
Credits	(109)	-	-	-	(109)

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 exemptions – 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.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

Contingent liabilities as at 31 December 2020 and as at 31 December 2019 are shown in the table below:

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Receivables arising from performance guarantee		
Liabilities due up to 3 months	-	-
Liabilities due from 3 to 12 months	310	-
Liabilities due from 1 to 5 years	-	-
Liabilities due after 5 years	-	-
Total	**310**	**-**

In the opinion of the Management Board, the probability of meeting the liabilities resulting from the guarantees shown in the table above is negligible. None of the guarantees meet the definition of a financial guarantee under IFRS 9.

The table below presents off-balance sheet commitments under finance leases as at 31 December 2020 and as at 31 December 2019.

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Liabilities due to lease of office space		
Within 1 year	20	4
From 1 to 5 years	7	9
More than 5 years	-	-
Total	**27**	**13**

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 2020	12 months to 31 December 2019
Management Board	3	4**
Developers	800	784
Sales personnel	55	42
Administration	48	43
Total	**906**	**873**

**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.).*

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

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

Employment as at:	**31 December 2020**	**31 December 2019**
Management Board	3	4*
Developers	853	817
Sales personnel	51	49
Administration	41	47
Total	**948**	**917**

** One of the Management Board members was 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 2020 and 31 December 2019 by type of service:

	12 months to 31 December 2020 *PLN thou.*	**12 months to 31 December 2019** *PLN thou.*
Mandatory audit of the annual financial statements and review of the condensed semi-annual financial statements	195	185

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 2020 and 2019.

	Fixed remuneration items in 2020 *PLN thou.*	**Cost of variable remuneration items in 2020** *PLN thou.*	**In addition: variable components of remuneration from 2019 paid in 2020** *PLN thou.*
Wojciech Barczentewicz	420	3,210	307
Piotr Masłowski	420	3,213	307
Mariusz Lizon	300	1,494	138
Andreas Enders**	522	-	848
	1,662	**7,917**	**1,293**

** 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*
*** Mr Andreas Enders served as the VP of the Management Board of the Company until 28 August 2020. The remuneration disclosed in the table concerns the period of performing the function of member of the Management Board.*

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	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*

The table below presents paid and due remuneration of the Members of the Issuer's Supervisory Board for the period of 12 months of 2020 and in the comparative period:

Remuneration for period	12 months to 31 December 2020	12 months to 31 December 2019
	PLN thou.	*PLN thou.*
Jozef Klein	84	84
Romuald Rutkowski	48	48
Adam Góral	66	66
Zbigniew Pomianek	48	48
Piotr Stępniak	48	48
Total	**294**	**294**

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. The Company's net borrowing includes interest-bearing loans as well as lease liabilities, less cash and bank deposits.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)

	31 December 2020 *PLN thou.*	31 December 2019 *PLN thou.*
Lease liabilities	52,142	55,286
Less cash and cash deposits	(46,614)	(29,965)
Net debt	**5,528**	**25,321**
Equity	331,952	316,105
Equity and net borrowings	337,480	341,426
Leverage ratio	**1.6%**	**7.4%**

The leverage ratio is within the limits set by the Company's Management Board.

8.7. Significant events after the balance sheet date

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

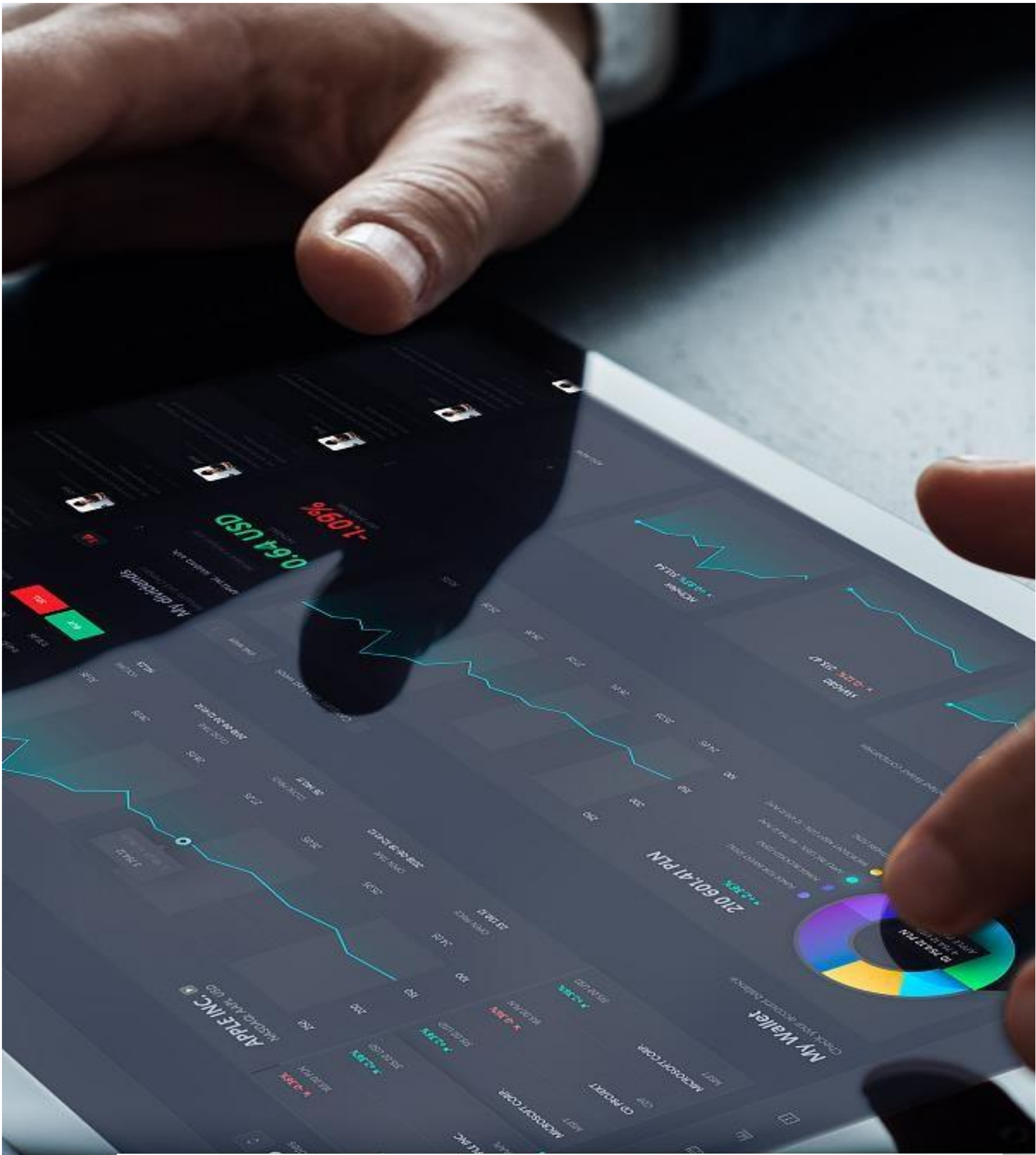
- increasing the maximum amount of debt to PLN 70,000,000 with the overdraft repayment date until 31 October 2022; and

- revolving loan for bank guarantees up to the amount of PLN 1,500 thousand PLN with the repayment date of 30 September 2022.

8.8. Significant events concerning previous years

To the date of these financial statements for 12 months ended 31 December 2020, there were no events concerning previous years that were not, and should be, included in these financial statements.

Financial Statements for the Year Ended 31 December 2020 acc. to IFRS (in PLN thousand)



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 25 February 2021.

The Management Board:

President of the
Management Board

Vice-President of the
Management Board

Member of the
Management Board

The person responsible for bookkeeping

Chief Accounting
Officer

Solutions for demanding business.

Contact details

www.assecobs.pl.
assecobs.pl/en/investor-relations