Financial Statements

Asseco Business Solutions S.A.

for the year ended 31 December 2018

Financial Statements of Asseco Business Solutions S.A.

Financial Statements of Asseco Business Solutions S.A. for the year ended 31 December 2018

These separate financial statements for the year ended 31 December 2018 were approved for publication by the Management Board of Asseco Business Solutions S.A. on 27 February 2019.

The Management Board:

Wojciech Barczentewicz	President of the Management Board	Signature Not Verified Document signed by Wojciech Juliusz Barczentewicz Date: 2019.02.26 16:49:59 CET
Piotr Masłowski	Vice-President of the Management Board	Signature Not Verified Document signed by Piotr Jerzy Masłowski Date: 2019.02.26 16:55:31 CET
Andreas Enders	Vice-President of the Management Board	Signature Not Verified Digitally signed by Andreas Enders Date: 2019.02.26 17:23:55 CET
Mariusz Lizon	Member of the Management Board	Signature Not Verified Document signed by Mariusz Paweł Lizon Date: 2019.02.27 09:21:12 CET

Person responsible for bookkeeping:

Artur Czabaj	Chief Accounting Officer

Signature Not Verified

Document signed by Artur Czabaj

Date: 2019.02.27 08:11:11 CET

Profit and loss account and statement of comprehensive income of Asseco Business Solutions S.A.

PROFIT AND LOSS ACCOUNT	Notes	12 months to 31 December 2018 PLN thou.	12 months to 31 December 2017 *(restated)** PLN thou.
Operating revenues	1.1	254,690	212,793
Own cost of sales	1.2	(145,790)	(117,811)
Allowance for impairment of trade receivables	1.2	(271)	(330)
Gross profit on sales		**108,629**	**94,652**
Cost of sales	1.2	(13,386)	(11,773)
Administrative expenses	1.2	(19,041)	(20,765)
Net profit on sales		**76,202**	**62,114**
Other operating income		809	534
Other operating expenses		(434)	(460)
Operating profit		**76,577**	**62,188**
Financial income	1.3	414	1,374
Financial expenses	1.3	(862)	(1,568)
Gross profit		**76,129**	**61,994**
Income tax	1.4	(13,560)	(11,856)
Net profit		**62,569**	**50,138**
Net income per ordinary share (in PLN):			
basic from net profit	1.5	1.87	1.50
diluted from net profit	1.5	1.87	1.50

TOTAL INCOME:	Notes	12 months to 31 December 2018 PLN thou.	12 months to 31 December 2017 *(restated)** PLN thou.
Net profit		**62,569**	**50,138**
Items that may be reclassified to profit and loss account:		-	-
Items not subject to reclassification to profit and loss account:		**(187)**	**(63)**
Actuarial gains/losses		(229)	(78)
Income tax on remaining comprehensive income		42	15
Other comprehensive income total:		**(187)**	**(63)**
TOTAL COMPREHENSIVE INCOME FOR PERIOD		**62,382**	**50,075**

** Restatement of comparative data is provided in Section II.5*

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Balance sheet of Asseco Business Solutions S.A.

ASSETS	Notes	31 December 2018 PLN thou.	31 December 2017 *(restated)** *PLN thou.*
Non-current assets			
Property, plant and equipment.	2.1	20,334	17,851
Intangible assets	2.2	277,429	279,689
including goodwill from merger	2.2	*252,879*	*252,879*
Assets under contracts with customers and long-term receivables	2.5	1,085	772
Deferred tax assets	1.4	1,896	4,259
Prepaid expenses and accrued income	2.4	34	63
		300,778	**302,634**
Current assets			
Inventories	2.6	390	476
Assets from contracts	2.5	565	-
Trade receivables	2.5	46,359	43,938
Tax liabilities under corporate income tax		-	144
Other receivables	2.5	321	1,260
Prepaid expenses and accrued income	2.4	918	1,327
Other assets		131	291
Cash and short-term deposits	2.7	12,800	8,014
		61,484	**55,450**
TOTAL ASSETS		**362,262**	**358,084**

** Restatement of comparative data is provided in Section II.5*

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Balance sheet of Asseco Business Solutions S.A.

LIABILITIES	Notes	31 December 2018 *PLN thou.*	31 December 2017 *(restated)** *PLN thou.*
TOTAL EQUITY			
Subscribed capital	2.8	167,091	167,091
Premium		62,543	62,543
Retained earnings		68,895	49,957
		298,529	**279,591**
Long-term liabilities			
Bank loans, debt securities	2.9	6,701	13,352
Finance lease obligations	2.10	4,502	918
Provisions	2.12	1,809	1,434
		13,012	**15,704**
Short-term liabilities			
Bank loans, debt securities	2.9	6,650	17,578
Finance lease obligations	2.10	1,688	555
Liabilities under contracts with customers	2.11	11,134	-
Trade liabilities	2.11	5,029	5,759
Tax liabilities under corporate income tax	2.11	1,551	4,496
Budgetary commitments and other liabilities	2.11	12,178	9,104
Provisions	2.12	882	426
Accrued expenses	2.13	11,537	15,047
Deferred income	2.13	72	9,824
		50,721	**62,789**
TOTAL LIABILITIES		**63,733**	**78,493**
TOTAL EQUITY AND LIABILITIES		**362,262**	**358,084**

** Restatement of comparative data is provided in Section II.5*

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Statement of changes in equity of Asseco Business Solutions S.A.

	Notes	Subscribed capital	Surplus from the sale of shares above their nominal value	Retained earnings	Equity total
As at 1 January 2018		**167,091**	**62,543**	**49,957**	**279,591**
Profit in reporting period		-	-	62,569	**62,569**
Total of other comprehensive income in reporting period		-	-	(187)	**(187)**
Dividend for 2017	1.6	-	-	(43,444)	**(43,444)**
As at 31 December 2018		**167,091**	**62,543**	**68,895**	**298,529**
As at 1 January 2017		**167,091**	**62,543**	**45,374**	**275,008**
Profit in reporting period		-	-	50,138	**50,138**
Total of other comprehensive income in reporting period		-	-	(63)	**(63)**
Dividend for 2016	1.6	-	-	(42,441)	**(42,441)**
Other transactions		-	-	(3,051)	**(3,051)**
As at 31 December 2017 (restated)*		**167,091**	**62,543**	**49,957**	**279,591**

** Restatement of comparative data is provided in Section II.5*

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Statement of cash flows of Asseco Business Solutions S.A.

	Notes	12 months to 31 December 2018 PLN thou.	12 months to 31 December 2017 (restated)* PLN thou.
Cash flow from operating activities			
Profit before tax		76,129	61,994
Adjustments:		**18,021**	**14,477**
Amortisation/Depreciation	1.2	18,557	14,145
Changes in working capital	3.1	(1,007)	1,341
Interest income/expenses		676	(82)
Other financial income/expenses		(170)	(866)
Investment gain/(loss)		(31)	(61)
Other adjustments		(4)	-
Cash generated from operating activities		**94,150**	**76,471**
(Paid income tax) / Income tax returns received		(13,956)	(12,496)
Net cash from operating activities		**80,194**	**63,975**
Cash flow from investing activities			
Receipts:			
Receipts from the sale of fixed assets and intangible assets	3.2	451	976
Repaid loans	3.2	54	88
Interest received		-	505
Other receipts		351	412
Outflows:			
Purchase of fixed assets and intangible assets	3.2	(3,568)	(4,894)
Expenses related to ongoing development projects	3.2	(9,804)	(8,572)
Acquisition of shares/stock in subsidiaries		-	(102,636)
Loans granted		-	(54)
Net cash used in investing activities		**(12,516)**	**(114,175)**
Cash flow from financing activities			
Receipts:			
Receipts from obtained loans	3.3	-	20,000
Outflows:			
Dividend paid	3.3	(43,444)	(42,441)
Expenses related to loans	3.3	(6,651)	-
Repayment of finance lease obligations	3.3	(1,195)	(308)
Interest paid	3.3	(674)	(335)
Net cash from financing activities		**(51,964)**	**(23,084)**
Change in net cash and cash equivalents		**15,714**	**(73,284)**
Cash and cash equivalents at 1 January		(2,914)	70,370
Cash and cash equivalents as at 31 January	2.7	**12,800**	**(2,914)**

** Restatement of comparative data is provided in Section II.5*

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Additional explanation to the financial statements

I. Basic information

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

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

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

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company's shares. The parent of the entire Group is Asseco Poland S.A., holding, directly and through subsidiaries, 96.41% of shares in Asseco Enterprise Solutions a.s.

As regards Asseco Business Solutions S.A., the decision of maintaining control over the 12 months ended 31 December 2018 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 S.A.), there are only two shareholders holding more than 5% of votes at the General Meeting; the second largest shareholder holds approx. 13.5% of votes;

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- 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 2014 to 2018, the percentage of shareholders present at the General Meetings ranged from 58.77% to 76.2%. This means that shareholders' activity is relatively low or moderate. Considering that Asseco Enterprise Solutions a.s. currently holds 46.47% of the total number of votes at the General Meeting, the attendance would have to exceed 92.93% for Asseco Enterprise Solutions a.s. not to have the absolute majority of vote at the General Meeting. In the opinion of the Management Board, such a level of attendance is highly unlikely.

Given the above, in the opinion of Asseco Business Solutions S.A., despite the lack of an absolute majority in the share capital of the Company, Asseco Enterprise Solutions a.s. may influence the development and current operational activities of the Company.

Issuer's organization and composition changes

On 2 January 2018, the District Court in Lublin registered the merger of Asseco Business Solutions S.A. with Macrologic S.A. ("Macrologic").

The merger of the companies was conducted under Article 492(1)(1) of the Code of Commercial Companies (merger by acquisition), i.e. by the transfer of entire Macrologic's assets to Asseco BS. As a result of the merger, Macrologic S.A. was dissolved without liquidation. The merger was carried out in accordance with Article 515(1) of the Code of Commercial Companies and Partnerships, i.e. without increasing the share capital of Asseco BS and without exchanging Macrologic's shares for shares in the share capital of Asseco BS.

As at 31 December 2017, Asseco Business Solutions S.A. held a 100% interest in the capital of Macrologic S.A.

Detailed effects of the merger on these financial statements are described in Chapter II(5) below.

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

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 2018. 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.

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 2018 and the comparative period from 1 January to 31 December 2017.

2. Statement of conformity

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

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

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 terms of the accounting rules applied by the Company between the standards which entered into force and the IFRS approved by the EU.

These separate financial statements present a true financial situation of the Company as at 31 December 2018, its results and cash flows for the year ended 31 December 2018.

3. Functional currency and presentation currency

These financial statements are presented in the Polish złoty ("PLN") and all values, unless specified otherwise, are given in thousands of PLN. The functional currency of Asseco Business Solution S.A. is also the Polish złoty.
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 2018: 1 EUR = 4.3000 PLN
- ✓ the exchange rate effective on 31 December 2017: 1 EUR = 4.1709 PLN
- ✓ the exchange rate effective on 31 December 2018: 1 USD = 3.7597 PLN
- ✓ the exchange rate effective on 31 December 2017: 1 USD = 3.4813 PLN

4. Professional judgement and estimates

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

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

5. Restatement of comparative data

On 2 January 2018, Asseco Business Solutions S.A. merged with Macrologic S.A. Asseco BS took control over Macrologic S.A. on 14 June 2017. Details of the transaction were described in the consolidated financial statements of the Asseco Business Solutions Group for the year ended 31 December 2017 (in points 2 and 20 of Explanatory Notes to those statements) published on 6 March 2018.

The merger of the companies, with Asseco Business Solutions S.A. As the acquiring company and Macrologic S.A. As the target company, was conducted under Article 492(1)(1) of the Code of Commercial Companies and Partnerships (merger by acquisition), i.e. by the transfer of Macrologic's entire assets to Asseco BS. Macrologic S.A. was dissolved without liquidation. Because Asseco Business Solutions S.A. was the only shareholder of Macrologic S.A.
capable of exercising the rights from Macrologic's shares, the merger was carried out pursuant to Article 515§ of the Code of Commercial Companies and Partnerships, i.e. without increasing the share capital of Asseco Business Solutions S.A. and

without the swapping of Macrologic's shares for shares in the share capital of Asseco Business Solutions S.A.

Due to the nature of the transaction (merger of entities under joint control), the Issuer decided to apply the predecessor accounting method. In the variant pursued by the Company, this method involves the combination of assets and liabilities as well as revenues and costs of both merged companies. Comparative data for the previous reporting periods is restated in such a way as if the merger occurred on the date of the Company's takeover of the target company.

As a result of the settlement of the merger with the predecessor accounting method, no new goodwill is created in excess of the amounts previously recognised in the consolidated financial statements upon the taking of control. In addition, comparative data was restated as a result of recognition of adjustment reducing the fair value of intangible assets of Macrologic S.A. as at the date of taking of control, thus increasing goodwill by PLN 5,371 thousand. The impact of the settlement of the merger on equity is presented in retained earnings.

As from 1 January 2018, the Company changed the manner of classifying certain items of receivables and liabilities, in particular the method of classifying trade receivables/liabilities and others. As from 1 January 2018, the Company decided that all items of receivables related to the recognition of receipts from sales would be presented as trade receivables. Thus, as from 1 January 2018, trade receivables have included the following categories:

- receivables from issued invoices,
- receivables from non-invoiced deliveries,
- receivables from the balance sheet valuation of IT contracts.

The last two categories had been presented by the Company in the "other receivables" category until 31 December 2017.

The change in the presentation of receivables was linked to the necessary changes in the presentation of liabilities.

In particular, the following transfers were made:

- liabilities from the valuation of IT contracts and liabilities from non-invoiced deliveries have been classified as trade liabilities since 1 January 2018;
- provisions for other expenses previously presented as accruals and deferred income have been classified as trade liabilities since 1 January 2018.

After 1 January 2018, for the purpose of the cash flow statement, the Company adopted a principle of not recognizing in the balance of cash and cash equivalents of overdraft facilities, that were regarded as an element of financing, and restricted cash. In addition, several insignificant changes have been introduced in the presentation and aggregation of data in the cash flow statement without affecting its classification under cash flows from operating, investing and financing activities.

The impact of the changes discussed above on comparative data is presented in the tables below:

PROFIT AND LOSS ACCOUNT	12 months to 31 December 2017 (published)	Impact of merger with Macrologic S.A.	12 months to 31 December 2017 (restated)
Operating revenues	184,179	28,614	212,793
Own cost of sales	(101,686)	(16,455)	(118,141)
Gross profit on sales	**82,493**	**12,159**	**94,652**
Cost of sales	(8,416)	(3,357)	(11,773)
Administrative expenses	(15,918)	(4,847)	(20,765)
Net profit on sales	**58,159**	**3,955**	**62,114**
Other operating income	566	(32)	534
Other operating expenses	(367)	(93)	(460)
Operating income	**58,358**	**3,830**	**62,188**
Financial income	1,370	4	1,374
Financial expenses	(1,194)	(374)	(1,568)
Profit before tax	**58,534**	**3,460**	**61,994**
Income tax (current and deferred tax expense)	(11,250)	(606)	(11,856)
Net profit	**47,284**	**2,854**	**50,138**

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ASSETS	31 December 2017 (published)	Impact of the settlement of merger with Macrologic S.A.	Changes in presentation	31 December 2017 (restated)
Non-current assets				
Property, plant and equipment.	10,801	7,050	-	17,851
Intangible assets	181,923	97,766	-	279,689
including goodwill from merger	*170,938*	*81,941*	-	252,879
Investment in subsidiaries	102,349	(102,349)	-	-
Long-term receivables	599	173	-	772
Deferred tax assets	2,728	1,531	-	4,259
Prepaid expenses and accrued income	63	-	-	63
	298,463	**4,171**	-	**302,634**
Current assets				
Inventories	375	101		476
Trade receivables	36,093	6,653	1,192	43,938
Tax liabilities under corporate income tax	-	144		144
Other receivables	1,403	1,049	(1,192)	1,260
Prepaid expenses and accrued income	811	516		1,327
Cash and short-term deposits	4,598	3,416		8,014
Other assets	291	-		291
	43,571	**11,879**	**-**	**55,450**
TOTAL ASSETS	**342,034**	**16,050**	**-**	**358,084**

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LIABILITIES	31 December 2017 (published)	Impact of merger with Macrologic S.A.	Changes in presentation	31 December 2017 (restated)
TOTAL EQUITY				
Subscribed capital	167,091	-	-	167,091
Premium	62,543	-	-	62,543
Retained earnings	49,999	(42)	-	49,957
	279,633	**(42)**	**-**	**279,591**
Long-term liabilities				
Bank loans, debt securities	13,352	-	-	13,352
Finance lease obligations	-	918	-	918
Provisions	1,077	357	-	1,434
	14,429	**1,275**	**-**	**15,704**
Short-term liabilities				
Bank loans, debt securities	17,578	-	-	17,578
Finance lease obligations	-	555	-	555
Trade liabilities	3,640	505	1,614	5,759
Tax liabilities on corporate income tax	4,370	126	-	4,496
Budgetary commitments and other liabilities	7,506	2,484	(886)	9,104
Provisions	401	25	-	426
Accrued expenses	14,157	1,618	(728)	15,047
Deferred income	320	9,504	-	9,824
	47,972	**14,817**	**-**	**62,789**
TOTAL LIABILITIES	**62,401**	**16,092**	**-**	**78,493**
TOTAL EQUITY AND LIABILITIES	**342,034**	**16,050**	**-**	**358,084**

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CASH FLOW STATEMENT	12 months to 31 December 2017 (published)	Impact of merger with Macrologic S.A.	Changes in presentation	12 months to 31 December 2017 (restated)
Cash flow from operating activities				
Profit before tax	58,534	3,460	-	61,994
Adjustments:	**10,772**	**3,705**		**14,477**
Amortisation/Depreciation	10,985	3,160	-	14,145
Changes in working capital	950	391	-	1,341
Interest income/expenses	(106)	24	-	(82)
Income/expenses on financial assets	(866)	-	-	(866)
Gain (loss) on investing activities	(191)	130	-	(61)
Net cash from financing activities	**69,306**	**7,165**	**-**	**76,471**
Income tax paid	(11,491)	(1,005)	-	(12,496)
Net cash from operating activities	**57,815**	**6,160**	**-**	**63,975**
Cash flow from investing activities				
Receipts:				
Receipts from the sale of fixed assets and intangible assets	298	678	-	976
Repaid loans	-	88	-	88
Interest received	502	3	-	505
Other receipts	412	-	-	412
Outflows:				
Purchase of fixed assets and intangible assets	(4,387)	(507)	-	(4,894)
Expenses related to ongoing development projects	(6,242)	(2,330)	-	(8,572)
Acquisition of shares/stock in related parties	(102,349)	(287)	-	(102,636)
Loans granted	-	(54)	-	(54)
Net cash used in investing activities	**(111,766)**	**(2,409)**	**-**	**(114,175)**
Cash flow from financing activities				
Receipts:				
Receipts from obtained loans	30,928	-	(10,928)	20,000
Outflows:			-	
Dividend paid	(42,441)	-	-	(42,441)
Repayment of finance lease obligations	-	(308)	-	(308)
Interest paid	(308)	(27)	-	(335)
Net cash from financing activities	**(11,821)**	**(335)**	**(10,928)**	**(23,084)**
Change in net cash and cash equivalents	**(65,772)**	**3,416**	**-**	**(73,284)**
Cash and cash equivalents at 1 January	70,370	-	-	70,370
Cash and cash equivalents as at 31 December 2017	**4,598**	**3,416**	**(10,928)**	**(2,914)**

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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 revenues	1.1	26
Operating expenses	1.2	30
Financial income and expenses	1.3	31
Income tax	1.4	32
Property, plant and equipment.	2.1	35
Intangible assets	2.2	39
Impairment tests	2.3	43
Prepaid expenses and accrued income	2.4	46
Assets under contracts with customers and receivables	2.5	46
Inventories	2.6	49
Share capital	2.8	50
Bank loans	2.9	51
Finance lease obligations	2.10	51
Liabilities under contracts with customers, trade liabilities and other liabilities	2.11	53
Provisions	2.12	55
Accruals and deferred income	2.13	56

The accounting rules applied to prepare these financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for newly adopted accounting standards, i.e. IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments, whose impact on these separate financial statements is described below.

i. IFRS 15 - first-time application

As from 15 January 2018, the Company implemented IFRS 15 and decided to apply the modified retrospective method, i.e. with the combined effect of the first-time adoption of the standard recognised on the first adoption date.

When choosing the implementation method, the Company decided not to translate comparative data. This means that the data as at 31 December 2017 and for the 12 months ended 31 December 2017 was prepared based on the effective standards: IAS 18 *Revenue*, IAS 11 *Construction Contracts* and interpretations related to the recognition of revenues before the entry into force of IFRS 15.

Practical exemptions allowed by IFRS 15 applied on the date of transition

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In accordance with the selected method of implementing IFRS 15, the Company also decided to resort to a practical solution – in relation to all changes in contracts that took place before the earliest period presented in these financial statements the period – of not transforming the agreements due to their amendments.

The impact of the implementation of IFRS 15 on the net assets of Asseco Business Solutions was negligible. Therefore, the Company did not recognise the adjustment of retained earnings as at 1 January 2018. The changes in the Company as at 1 January 2018, however, included a change in the classification of receivables and presentation of this item in accordance with the division into assets from contracts with customers and receivables set out in IFRS 15. A similar approach was adopted to the item of liabilities and prepayments and accrued income presented as at 31 December 2017, which, in accordance with IFRS 15, in justified cases, was reclassified as of 1 January 2018 to liabilities under contracts.

	(IAS 18 and IAS 11) As at 31 December 2017	Change due to the application of IFRS 15	(IFRS 15) As at 1 January 2018
	PLN thou.	PLN thou.	PLN thou.
Assets			
Assets under contracts with customers	-	324	324
Trade receivables	43,938	(324)	43,614
Other receivables	1,260	-	1,260
Liabilities			
Liabilities under contracts with customers	-	10,141	10,141
Trade liabilities	5,759	(512)	5,247
Accruals	9,824	(9,629)	195

Due to the fact that the Company applied a modified retrospective approach with the combined effect of the first-time application of IFRS 15 recognised on 1 January 2018, the table below shows a comparison of selected items of the balance sheet as at 31 December 2018 with the corresponding balance sheet items on the same day prepared in accordance with the rules effective prior to the implementation of IFRS 15 in the Company, i.e. in accordance with IAS 18, IAS 11 and their valid interpretations. The Company was not influenced by the changes of the described standards in terms of the value of revenues and individual levels of the result.

	(IFRS 15) As at 31 December 2018	Change due to the application of IFRS 15	(IAS 18 and IAS 11) As at 31 December 2018
	PLN thou.	PLN thou.	PLN thou.
Assets			
Assets under contracts with customers	565	(565)	-
Trade receivables	46,359	565	46,924
Liabilities			
Liabilities under contracts with customers	11,134	(11,134)	-
Trade liabilities	5,029	17	5,046
Accruals	72	11,117	11,189

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ii. IFRS 9 - first-time application

The Company implemented IFRS 9 as of 1 January 2018 without adjusting the comparative data, which means that the pieces of data for 2017 and 2018 are not comparable because they were prepared using different accounting rules as provided in the notes. Adjustments related to the adaptation to IFRS 9 were made on 1 January 2018 and involved exclusively the reclassification of financial assets and liabilities in accordance with the division imposed by IFRS 9. The Company did not consider it necessary to take into account any impact on retained earnings in connection with the application of the new standard. Data presented as at 31 December 2017 was prepared on the basis of IAS 39.

The impact of the reclassifications mentioned above is presented in the table below.

- **Financial assets**

As from 1 January 2018, the Company has been qualifying financial assets to one of the three 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 table below presents the impact of the application of IFRS 9 on the change in the classification of financial assets as at 1 January 2018 (excluding assets under contracts with customers, receivables and cash).

	31 December 2017 IAS 39			1 January 2018 IFRS 9		
		Financial assets			Fair value settled through:	
	Valuation at amortised cost	Measured at fair value through profit or loss	Available-for-sale	Valuation at amortised cost	Profit or loss	Other comprehensive income
Loans, including:						
Financial assets, including:	-	**291**	-	-	**291**	-
forward contracts to EUR and USD	-	291	-	-	291	-
Total	-	**291**	-	-	**291**	-

In addition to the change in classification, IFRS 9 also introduces 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.

As a consequence, as from 1 January 2018, the Company has been using the following approaches to estimate write-downs due to impairment of financial assets:

- 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.

As regards trade receivables, the Company applies a simplified approach. It involves the application of a provision matrix based on historical data regarding the payment of receivables by contractors. Due to the nature of trade receivables and assets under contracts, the impairment write-down – despite the introduction of changes provided for by the standard – remained at a level similar to the value of the write-down calculated according to the rules effective before 1 January 2018, and, as a consequence, the adjustment of retained earnings of the Company was not included in connection with the implementation of IFRS 9.

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iii. Other changes in the International Financial Reporting Standards in force from 1 January 2018

Other changes in the International Financial Reporting Standards effective from 1 January 2018 have no material impact on these financial statements.

The Company has not opted for early application of any other standard, interpretation or amendment that has been published but has not yet entered into force.

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

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

- **IFRS 16 Leases**

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. The new standard sets out the rules for recognitions, valuations, presentations and disclosures concerning lease. All lease transactions confer on the lessee the right to take advantage of an asset and payment liability. Thus, IFRS 16 lifts the classification of operating lease and finance lease in accordance with IAS 17 and introduces one model for the recognition of lease by the lessee. The lessee will be obliged to recognise: (a) assets and liabilities for all lease transactions concluded for a period longer than 12 months, except when the asset is of low value; and (b) depreciation of the leased asset separately from interest on the lease liability in the statement of results.
IFRS 16 largely iterates the regulations of IAS 17 regarding the recognition of lease by the lessor. As a consequence, the lessor continues to classify operational lease and finance lease separately and differentiates the recognition accordingly.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

The amendment to IFRS 9 is effective for annual periods beginning on or after 1 January 2019, with the option of earlier application. As a result of the amendment to IFRS 9, entities will be able to measure financial assets with the so-called prepayment feature with negative compensation at amortised cost or at fair value through other comprehensive income, if a specific condition is met, instead of measuring at fair value through profit or loss.

- **IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on of after 1 January 2021.
The new IFRS 17 Insurance Contracts will replace the current IFRS 4 which permits a variety of practices as regards the settlement of insurance contracts. IFRS 17 will fundamentally change the accounting practices for all entities that deal with insurance contracts and investment contracts.
On the date of these financial statements, the new standard had not yet been approved by the European Union.

- **Amendments to IAS 28 Investments in Associates and Joint Ventures** The change applies to annual periods beginning on or after 1 January 2019. Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that in relation to long-term shares in an associate or joint venture, to which the equity method does not apply, companies apply IFRS 9. In addition, the IASB also published an example illustrating the application of the requirements of IFRS 9 and IAS 28 to long-term shares in an associate or joint venture.

On the date of these financial statements, the new standard had already been approved by the European Union.

- **IFRIC 23: Uncertainty over Income Tax Treatments**

IFRIC 23 clarifies the requirements concerning recognition and measurement contained in IAS 12 in a situation of uncertainty related to the recognition of income tax. The requirements apply to annual periods beginning on or after 1 January 2019.

- **Annual amendments to IFRS 2015-2017**

In December 2017, the International Accounting Standards Board published “Annual Amendments to IFRS 2015-2017” which modified four standards: IFRS 3 Business Combinations, IFRS 11

Joint Arrangements, IAS 12 Income Tax and IAS 23 Borrowing Costs. The amendments contain explanations and clarify the standard guidelines concerning recognition and valuation. On the date of these financial statements, the amendments had not yet been approved by the European Union.

- **IAS 19 Employee Benefits**

Amendments to IAS 19 apply to annual periods beginning on or after 1 January 2019. The amendments to the standard define requirements related to the recognition of modifications, limitations or settlements of defined benefit plans.
On the date of these financial statements, the amendment had not yet been approved by the European Union.

- **Changes in references to the IFRS Conceptual Framework**

Changes in the references to the IFRS Conceptual Framework will apply as of 1 January 2020.

- **IFRS 3 Business Combinations**

As a result of the amendment to IFRS 3, the definition of "business" has been modified. The currently binding definition was narrowed and is likely to result in more acquisitions to be qualified as a purchase of assets. Amendments to IFRS 3 apply to annual periods beginning on or after 1 January 2020.
On the date of these financial statements, the amendment had not yet been approved by the European Union.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The IASB have published a new definition of "materiality." The amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards but are not expected to have a significant impact on the preparation of financial statements. The requirement is obligatory for annual periods beginning on or after 1 January 2020.
On the date of these financial statements, the amendments had not yet been approved by the European Union.

- **IFRS 14 Regulatory Deferral Accounts**

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (as of 1 January 2016 or later) to recognise amounts resulting from rate-regulated activities in accordance with the accounting rules applied so far. To improve comparability with entities that already apply IFRS and do not recognise such amounts, according to published IFRS 14, the amounts from rate-regulated activities should be presented in a separate item both in the statement of financial position as well as in the profit and loss account and statement of other comprehensive income. The European Union has decided not to approve IFRS 14.

- **Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures**

The amendments resolve the issue of the existing inconsistency between IFRS 10 and IAS 28. Recognition depends on whether non-cash assets sold or contributed to an associate or joint venture are "business."
In the event that non-cash assets are a "business," the investor will show a full profit or loss on transaction. If the assets do not meet the definition of a business, the investor will recognise profit or loss excluding the part representing the shares of other investors.
The amendments were published on 11 September 2014. The International Accounting Standards Board has not been determined the effective date for the amended regulations.
On the date of these financial statements, the approval of this agreement had been postponed by the European Union.

The Management Board is analysing the impact of the amendments described above on the Company's financial statements, but on the date of these financial statements, they do not expect the impact to be significant.

IFRS 16 *Leases*

IFRS 16 Leases applies to periods beginning on 1 January 2019. The standard introduces one model of the lease recognition in the lessee's accounts. In general, IFRS 16 provides for the recognition of all lease agreements in a model similar to that of financial lease under IAS 17. The new standard replaces current standard IAS 17 and interpretations of IFRIC 4, SIC 15 and SIC 27. The Company will implement the new standard as from its effective date. The Company plans to apply IFRS 16 retrospectively with reference to the cumulative effect of the first application as an adjustment to the opening balance of retained earnings as at 1 January 2019. In accordance with C8(b) of IFRS 16, in relation to individual lease agreements, the Company will measure assets due to the right of use or the carrying amount, as if IFRS 16 had been applied from the effective date of the lease agreement or in the amount equal to the appropriately calculated lease liability on 1 January 2019.

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.

On the date of transition to IFRS 16, the Company recognises an asset due to the right of use and lease liability. The Company recognises interest cost and depreciation separately.

Practical exceptions upon translation

By applying this standard retrospectively, the Company benefits from the following exemptions:

- The Company does not apply this standard to contracts that were not previously identified as lease agreements in accordance with IAS 17 and IFRIC 4,
- The Company applies a single discount rate to the portfolio of leases a similar nature,
- Operating lease agreements, with the remaining lease term shorter than 12 months as at 1 January 2019, are treated as short-term lease and, thus, the recognition of such agreements does not change,
- Operating lease agreements, for which the underlying asset is of low value (e.g. office equipment), is not translated and their recognition does not change,
- The Company uses the knowledge gained after the fact in determining the lease term (for example, if the agreement provides for the option of extension or termination),
- The Company excludes the initial direct costs from the valuation of an asset due to the right of use on the date of first application,
- The Company does not separate lease and non-lease items.
-

The table below presents the expected capital impact of the implementation of IFRS 16 as at 31 December 2018:

31 December 2018	Adjustments in PLN thou.
Assets	***46,182***
Assets from right of use	37,805
Deferred tax assets	8,377
Liabilities	***51,271***
Tax liability	7,183
Lease liabilities	44,088
- long-term	38,911
- short-term	5,177
Net impact on equity, including:	**(5,089)**
Retained earnings	(5,089)

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

The Company analysed current operating lease agreements and identified the categories of agreements not recognised as lease before but likely to meet the definition of lease in accordance with IFRS 16. The table below shows the reconciliation of lease liabilities:

	Lease liabilities *PLN thou.*
Operating lease liabilities as at 31 December 2018 (IAS 17)	**2,493**
Financial lease liabilities as at 31 December 2018 (IAS17)	***6,190***
Discount value at marginal lending rate	6 021
Short-term lease	725
Adjustment resulting from a change in Company's judgement on the use of the option of extension or termination	*48,341*
Lease liabilities as at 1 January 2019	**50,278**

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

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III. Information on operating segments

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

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

The ERP Systems segment includes ERP solutions for enterprise management, in-house SFA and FFA mobile solutions intended for companies operating through mobile workforce, and sales support systems for the retail industry. The solutions are based on the Oracle and Microsoft technology, and in the case of Macrologic S.A., on the original MacroBASE database system. These applications support business processes and information flow processes, covering most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. The technological capacity of the systems enable their deployment in various network architectures (including WAN) and combination with specialized software and hardware.

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. Commercial activity not attributable to sales assigned to the ERP segment. It is the sale of goods, third-party software and services outside the ERP segment.

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

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

The table below shows the key values reviewed by the main decision-making body in the Company, i.e. the Management Board. The Management Board does not analyse cash flows divided into operating segments. 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 2018	ERP segment	Unallocated	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
Sales to external customers	238,071	16,619	254,690
Settlements between segments	-	-	-
Gains on reported segment sales	**74,705**	**1,497**	**76,202**
Amortisation/Depreciation	(18,485)	(72)	(18,557)
Intangible assets recognised during the settlement of combination assigned to segment	2,295	-	2,295
Goodwill from combinations assigned to segment	252,879	-	252,879

12 months to 31 December 2017 (restated)	ERP segment	Unallocated	Total
	PLN thou.	*PLN thou.*	*PLN* thou.
Sales to external customers	200,793	12,000	212,793
Settlements between segments	-	-	-
Gains on reported segment sales	**61,439**	**675**	**62,114**
Amortisation/Depreciation	(14,095)	(50)	(14,145)
Intangible assets recognised during the settlement of combination assigned to segment	2,608	-	2,608
Goodwill from combinations assigned to segment	252,879	-	252,879

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IV. Explanatory notes to the financial statements

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

1.1. Structure of revenues on sales

Selected accounting rules

The data for 2017 was prepared in accordance with the then applicable standards on revenue recognition, primarily IAS 18 and IAS 11. The accounting rules based on these standards are described in Section 9 of the Consolidated Financial Statements for 2017 published on 6 March 2018.
On 1 January 2018, IFRS 15 began to apply. It had repealed IAS 11 Construction Contracts, IAS 18 Revenues and the related interpretations.
The new standard introduces the so-called five-step model of recognising revenues from contracts with customers. In accordance with IFRS 15, 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.
Asseco Business Solutions sells licences (IT software) and provides broadly understood IT services. It reports the following types of revenues:

- *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.

- ***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 the 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.

- ***Comprehensive IT projects***

Part of Company's revenues are 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 involve a separate obligation to perform by providing the customer with a fully 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 revenues from comprehensive IT systems in which own licences and own services are sold are recognised according to the degree of 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; for them, the revenue is recognised in accordance with the practical exception permitted by IFRS 15, i.e. on the basis of the right to invoice.

- ***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 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. As from 1 January 2018, 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. 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 to the Company in exchange for 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 discussed in the section, Selected accounting rules. The Company fulfils its obligations of performance, 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 operating cash flows 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.

All revenues from the basic operating activity in the Company in 2018 were recognised in accordance with IFRS. 15. Operating revenues in the year ended 31 December 2018 and in the comparative period was as follows:

	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Operating revenues		
Licences and own services	237,146	197,335
Licences and external services	11,409	8,894
Equipment and infrastructure	6,135	6,564
Total	**254,690**	**212,793**

Data for the period of 12 months ended 31 December 2018 presented in the table above was prepared in accordance with the requirements of IFRS 15. As mentioned above in "Selected accounting rules
- IFRS 15 - first-time application, the Company used the method of presenting comparative data as provided in IFRS 15 and did not decide to restate the data for 2017.

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i. Revenues from contracts with customers in total operating income according to the method of recognition in income statement

	12 months to 31 December 2018 *PLN thou.*
Operating revenues recognised in accordance with IFRS 15	
From goods or services provided at a specified time, including:	45,788
ERP segment	32,382
Unallocated	13,406
From goods or services provided over time, including:	208,902
ERP segment	205,689
Unallocated	3,213
Operating revenues total	**254,690**

ii. Other obligations of performance

As at 31 December 2018, 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 2018 all obligations of performance involving the supply of a comprehensive IT system (measured according to progress) result from contracts expiring before 31 December 2019. 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. Geographic information

	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 *PLN thou.*
Poland	224,043	186,858
ROW, including:	30,647	25,935
– The Netherlands	7,935	7,873
– France	11,769	6,341
- Romania	3,181	2,189
- Germany	2,312	3,140
- United Kingdom	1,657	1,691
– Spain	335	430
- Italy	1,260	366
- Turkey	197	203
- Czech Republic	443	624
- the Baltics (Lithuania, Latvia, Estonia) and Russia	85	183
- others	1,473	2,895
	254,690	**212,793**

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

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1.2. Structure of operating expenses

Selected accounting rules

The Company records its expenses by type. Company's employee benefits include:

a) wages and salaries and social security contributions,

b) payments for short-term absences (e.g. paid holiday leave or paid sick leave),

c) withdrawals from income and bonuses,

d) non-cash benefits for currently employed personnel (e.g. medical care, housing or company cars).

For presentation purposes in the financial statements, however, a comparative system is used.

Own cost of sales includes costs directly related to the purchase of goods sold and preparation of services sold. Costs of sales include commercial costs and marketing costs (including sponsorship). Administrative expenses include costs related to the management of the Company and administration costs. The cost of employee benefits includes all forms of Company's benefits offered in return for work performed by employees or for the termination of employment.

Operating expenses in the year ended 31 December 2018 and in the comparative period were as follows:

	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Operating expenses		
Value of goods and external services sold	(15,527)	(12,610)
Employee benefits	(111,387)	(95,560)
Amortisation/Depreciation	(18,557)	(14,145)
External services	(26,102)	(22,428)
Other	(6,915)	(5,936)
Total	**(178,488)**	**(150,679)**
Own cost of sales	(145,790)	(117,811)
Cost of sales	(13,386)	(11,773)
Administrative expenses	(19,041)	(20,765)
Allowance for impairment of trade receivables	(271)	(330)
Total	**(178,488)**	**(150,679)**

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

i. Costs of employee benefits

	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Wages and salaries	(92,812)	(80,348)
Employee benefits, including:	(17,504)	(14,392)
Social security costs	*(15,222)*	*(12,759)*
Other costs of employee benefits	(1,071)	(820)
Total costs of employee benefits	**(111,387)**	**(95,560)**

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	12 months to 31 December 2018 PLN thou.	12 months to 31 December 2017 (restated) PLN thou.
- own cost of sales	(89,190)	(74,336)
- cost of sales	(8,456)	(7,368)
- administrative expenses	(13,741)	(13,856)
Total costs of employee benefits	**(111,387)**	**(95,560)**

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 tables (2.1) and intangible assets (2.2):

	Note	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Depreciation allowance for the year resulting from the table of fixed asset movement	2.1	(6,334)	(5,341)
Depreciation allowance for the year resulting from the table of intangible asset movement	2.2	(12,423)	(9,133)
Reduction of depreciation cost due to settlement of subsidies to internally created licences		195	228
Capitalisation of depreciation costs for ongoing R&D projects		5	101
Total depreciation allowance recognised in cash flow statement		(18,557)	(14,145)
Total depreciation allowance recognised in operating expenses		**(18,557)**	**(14,145)**

1.3. Financial income and expenses

Selected accounting rules:

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

Financial income in the year ended 31 December 2018 and in the comparative period was as follows:

Financial income	IFRS 9 12 months to 31 December 2018 *PLN thou.*	IAS 39 12 months to 31 December 2017 (restated) *PLN thou.*
Interest income on bank deposits measured at effective interest rate	51	508
Positive exchange differences	193	-
Net profits from realisation and/or valuation of derivative instruments	170	866
Total	**414**	**1,374**

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Financial expenses in the year ended 31 December 2018 and in the comparative period was as follows:

Financial expenses	IFRS 9 12 months to 31 December 2018 *PLN thou.*	IAS 39 12 months to 31 December 2017 (restated) *PLN thou.*
Interest cost on bank loans, debt securities and liabilities	(667)	(753)
Interest cost on finance lease	(185)	(27)
Other interest expense	(10)	(141)
Negative exchange rates	-	(317)
Costs directly attributable to company acquisition	-	(321)
Other financial expenses	-	(9)
Total	**(862)**	**(1,568)**

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

1.4. Income tax

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.

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

	12 months to 31 December 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Current income tax	(11,155)	(12,913)
Deferred income tax	(2,405)	1,057
Tax expense reported in the profit and loss account	**(13,560)**	**(11,856)**

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,

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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 require more judgement when assessing the tax effects of individual transactions.

The GAAR clause should apply to transactions made after its entry into force and the transactions that were carried out prior to its entry into force but for which the advantages were or are still being achieved after the date of entry of the clause into force. The adoption of these regulations will enable the Polish tax inspection bodies to challenge the legal arrangements and agreements pursued by the taxpayer, such as the restructuring and reorganisation of the Company.

The Management Board of the Company considered the impact of transactions that could potentially be covered by GAAR on deferred tax, tax value of assets and provisions for tax risk. In the opinion of the Management Board, the analysis did not show the necessity to adjust the disclosed current and deferred income tax items; however, in the opinion of the Management Board, in the case of GAAR, there is inherent uncertainty that the tax authorities may interpret these provisions differently, will change their approach to their interpretation, or the regulations may change, which may affect the capacity of realising deferred tax assets in future periods and the possible payment of additional tax for past periods.

Provisions on tax on goods and services, corporate income tax, personal income tax or social security contributions are subject to frequent changes; as a result, no reference can be made to well-established case-law. The current rules and regulations are not always clear, which may cause additional differences in interpretation. Tax settlements are subject to control by tax authorities. If any irregularities in tax settlements are detected, the taxpayer is obliged to pay the amount of arrears along with statutory interest due. Payment of outstanding liabilities does not always discharge from criminal and fiscal liability. These phenomena prove that the tax risk in Poland is higher than that in countries with more developed tax systems. 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.

The effective tax rate in the 12 months ended 31 December 2018 was 18 % compared to 19% in the comparative period.

	12 months to 31 December 2018	12 months to 31 December 2017 (restated)
Accounting income	**76,129**	**61,994**
Applicable corporate income tax rate	19%	19%
Income tax at applicable statutory tax rate	14,465	11,779
Use of deductible tax relief*	(1,210)	(260)
Leasehold interest	(266)	(65)
Amortisation/Depreciation	236	133
SFRD	156	135
Subsidies	(37)	(44)
Representation expenses	109	87
Other fixed differences	107	91
According to effective tax rate:	**13,560**	**11,856**

**The tax relief used are related to R&D activities.*

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	Provision for deferred tax		Deferred tax assets		Total income for period
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	12 months to 31 December 2018
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
Property, plant and equipment.	598	529	81	79	(67)
Intangible assets	386	460	-	-	74
Financial instruments valued at fair value through profit or loss (IFRS 9) /Assets available for sale (IAS 39)	21	55	-	-	34
Inventories	-	-	29	28	1
Assets under contracts with customers and trade receivables	107	62	338	314	(21)
Cash	1	-	5	-	4
Provisions	-	-	356	217	139
Trade liabilities	72	-	-	154	(226)
Financial liabilities	187	-	-	-	(187)
Other liabilities	-	-	138	18	120
Accrued expenses	-	-	2,331	2,859	(528)
Deferred income	10	73	-	1,769	(1,706)
Deferred tax gross provisions	**1,382**	**1,179**			**(203)**
Deferred tax gross assets			**3,278**	**5,438**	**(2,160)**
Deferred tax net assets (+)/provision (-)	**-**	**-**	**1,896**	**4,259**	**-**
Change in deferred tax in the reporting period, including:					**(2,363)**
change in deferred tax recognised directly in other comprehensive income					**42**
change in deferred tax recognised in profit and loss account					**(2,405)**

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1.5. 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 2018 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 2018	12 months to 31 December 2017 (restated)
Weighted average number of issued shares used in the calculation of basic earnings per share (in pcs)	33,418,193	33,418,193
Net profit for the reporting period (in PLN thou.)	**62,569**	**50,138**
Net profit per share (in PLN)	1.87	1.50

1.6. Information on dividends paid

In 2018 the Company paid dividend for 2017. Pursuant to the decision of the Ordinary General Meeting of Asseco Business Solutions S.A. adopted on 23 April 2018, part of the net profit for the financial year 2017 in the amount of PLN 43,444 thousand was allocated for the payment of dividend at PLN 1.3 per share. The remaining amount of net profit in the amount of PLN 3,840 thousand was recognised under retained earnings. The dividend date was set on 15 May 2018 and the dividend payment date on 5 June 2018. The amount of the net profit from the merger with Macrologic S.A. in the amount of PLN 2,854 thousand was recognised under retained earnings.

In 2017 the Company paid dividend for 2016. Pursuant to the decision of the Ordinary General Meeting of Asseco Business Solutions S.A. adopted on 20 April 2017, part of the net profit for the financial year 2016 in the amount of PLN 42,441 thousand was allocated for the payment of dividend at PLN 1.27 per share. The remaining amount of net profit in the amount of PLN 5 thousand was recognised under profit/loss from previous years. The dividend date was set on 12 May 2017 and the dividend payment date on 01 June 2017.

2. Explanatory notes to the balance sheet

2.1. 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

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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.

Estimates:

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

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

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

The Company reviews annually the adopted periods of economic useful life based on current estimates. During the 12 months ended 31 December 2018, the Company did not substantially change the method of making estimates, but it verified the depreciation rates for means of transport used in the Company, extending them from 5 to 7 years. The depreciation amount recognised in the profit and loss account amounted to PLN 968 thousand. If the Company applied the former rate, the depreciation amount would be PLN 1,353 thousand.

Changes in net worth of property, plant and equipment in the period of 12 months ended 31 December 2018 and in the comparative period were attributed to the following movements:

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

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	Land and buildings	Computers and other office equipment	Means of transport	Other fixed assets	Fixed assets under construction	In total
As at 01 January 2017, including decommitment and write-downs	**1,186**	**5,193**	**4,914**	**428**	**-**	**11,721**
Increase through:	**379**	**4,405**	**7,618**	**72**	**-**	**12,474**
Purchase and upgrade	52	3,660	85	47	-	**3,844**
Merger with Macrologic	327	745	7,533	25	-	**8,630**
Decrease through:	**(337)**	**(3,532)**	**(2,383)**	**(92)**	**-**	**(6,344)**
Depreciation allowance for reporting period	(297)	(3,501)	(1,463)	(80)	-	**(5,341)**
Sales and liquidation	(40)	(31)	(920)	(12)	-	**(1,003)**
As at 31 December 2017, including decommitment and write-downs	**1,228**	**6,066**	**10,149**	**408**	**-**	**17,851**
As at 01 January 2017						
Gross	2,294	16,238	8,451	2,093	-	**29,076**
Decommitment and impairment loss	(1,108)	(11,045)	(3,537)	(1,665)	-	**(17,355)**
Carrying value as at 01 January 2017	**1,186**	**5,193**	**4,914**	**428**	**-**	**11,721**
As at 31 December 2017						
Gross	2,587	18,257	12,852	2,148	-	**35,844**
Decommitment and impairment loss	(1,359)	(12,191)	(2,703)	(1,740)	-	**(17,993)**
Carrying value as at 31 December 2017	**1,228**	**6,066**	**10,149**	**408**	**-**	**17,851**

Financial Statements for the Year Ended 31 December 2018 acc. to IFRS (in PLN thousand)

2.2. 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;*
- *how 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 recognised at purchase price less accumulated depreciation and accumulated impairment losses. Any expenditure carried forward for the next period are amortized over the expected period of obtaining revenue from the sale of the project.

Useful life periods are presented in the table below:

Type	Period (in years)
Acquired licences and software	2-5 years
Internally generated software	2-5 years
Customer relations	8 years
Other	2-5 years

Amortization allowance 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 (including goodwill) and those that are not used are tested annually for possible impairment. Other intangible assets are tested for impairment if there are indications that such impairment may have occurred. If the carrying amount exceeds the estimated recoverable amount (the higher of the following two values: net selling price or value in use), the value of these assets is reduced to the level of recoverable amount.
Gains or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net sales proceeds and the carrying amount of an asset and are recognised in the profit or loss account in other operating cost or income upon the derecognition of this asset.

Estimates:

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of an intangible asset.

The Company reviews annually the adopted periods of economic useful life based on current estimates. In 2018, 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.

Changes in net worth of intangible assets in the period of 12 months ended 31 December 2018 and in the comparative period were attributed to the following:

	Goodwill	Internally generated software	Costs of unfinished development work	Purchased computer software, patents, licences and other intangible assets	Customer relations	In total
As at 1 January 2018, including decommitment and write-downs	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**
Increase through:	**-**	**12,093**	**9,809**	**354**	**-**	**22,256**
Purchase and upgrade	-	-	-	354	-	**354**
Capitalisation of costs of development projects	-	-	9,809	-	-	**9,809**
Transfers from costs of unfinished development work	-	12,093	-	-	-	**12,093**
Decrease through:	**-**	**(11,436)**	**(12,093)**	**(674)**	**(313)**	**(24,516)**
Depreciation allowance for reporting period	n/a	(11,436)	n/a	(674)	(313)	**(12,423)**
Transfer to internally generated software	-	-	(12,093)	-	-	**(12,093)**
Net value as at 31 December 2018	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**
As at 1 January 2018						
Gross	252,879	65,284	3,173	8,087	2,764	**332,187**
Decommitment and impairment loss	-	(44,663)	(604)	(7,075)	(156)	**(52,498)**
Net value as at 1 January 2018	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**
As at 31 December 2018						
Gross	252,879	77,376	889	8,441	2,764	**342,349**
Decommitment and impairment loss	-	(56,098)	(604)	(7,749)	(469)	**(64,920)**
Net value as at 31 December 2018	**252,879**	**21,278**	**285**	**692**	**2,295**	**277,429**

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	Goodwill	Internally generated software	Costs of unfinished development work	Purchased computer software, patents, licences and other intangible assets	Customer relations	In total
As at 01 January 2017, including decommitment and write-downs	**170,938**	**9,245**	**699**	**421**	**163**	**181,466**
Increase through:	**81,941**	**19,882**	**13,703**	**1,062**	**2,601**	**119,189**
Purchase and upgrade	-	-	-	1,050	-	**1,050**
Capitalisation of costs of development projects	-	-	8,664	-	-	**8,664**
Transfers from costs of unfinished development work	-	11,833	-	-	-	**11,833**
Taking control over Macrologic	81,941	8,049	5,039	12	2,601	**97,642**
Decrease through:	**-**	**(8,506)**	**(11,833)**	**(471)**	**(156)**	**(20,966)**
Depreciation allowance for reporting period	n/a	(8,506)	n/a	(471)	(156)	**(9,133)**
Transfer to internally generated software	-	-	(11,833)	-	-	**(11,833)**
Net value as at 31 December 2017	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**
As at 01 January 2017						
Gross	170,938	45,402	1,303	7,025	163	**224,831**
Decommitment and impairment loss	-	(36,157)	(604)	(6,604)	-	**(43,365)**
Net value as at 1 January 2017	**170,938**	**9,245**	**699**	**421**	**163**	**181,466**
As at 31 December 2017						
Gross	252,879	65,284	3,173	8,087	2,764	**332,187**
Decommitment and impairment loss	-	(44,663)	(604)	(7,075)	(156)	**(52,498)**
Net value as at 31 December 2017	**252,879**	**20,621**	**2,569**	**1,012**	**2,608**	**279,689**

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

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

Costs of completed development works

Major projects implemented in the year ended 31 December 2018 were:

- Macrologic ERP

The project covers the development of a modern IT system supporting a comprehensive management of all business areas; it supports the work of personnel running the business, enables easy identification of barriers and optimises less efficient processes. The development phase launched in June 2017. The total value of outlays expended to 31 December 2018 as intangible assets amounted to PLN 5,872 thousand, of which PLN 3,682 thousand was spent in 2018 PLN. The project was completed before 31 December 2018.

- Mobile Touch 8.0

The project covers the development of the multi-platform SFA/CRM application Mobile Touch intended for mobile devices, including tablets and smartphones, and running on iOS (Apple) and Android. The development phase began in January 2018. The total value of outlays expended to 31 December 2018 as intangible assets amounted to PLN 2,755 thousand, all of which was spent in 2018. The project was completed before 31 December 2018.

2.3. 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 having provided for the effects of taxation, 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 this case, the carrying value of an asset is increased to its recoverable amount. 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.
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 amortized. At the date of acquisition, goodwill acquired is allocated to each cash-generating unit that can benefit from the merger synergy. Each unit or 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. 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, the 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.

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

	As at 31 December 2018 PLN thou.	As at 31 December 2017 PLN thou.
book value of net assets	298,529	279,591
Market capitalisation	932,367	902,291
Above (+)/below (-) market capitalisation over net assets	**633,838**	**622,700**

However, in accordance with the requirements of IAS 36, an annual goodwill impairment test was conducted. For the purpose of the test, all goodwill was allocated to the cash-generating unit corresponding to the lowest level in the Company on which goodwill is monitored for internal management needs, i.e. to the ERP segment.

The value in use of the segment is assessed using a discounted free cash flow for firm model (FCFF).

Key assumptions used to calculate the recoverable amount: ·

- The recoverable amount of the unit was estimated on the basis of use value, calculated on cash flow projections based on financial budgets approved by the Management Board and the Supervisory Board.
- A detailed forecast covered the period of 5 years, during which flows were assumed to increase in subsequent years; for the rest of the period of the unit's operation, the residual value was calculated with the assumed absence of flow increase (similarly to the test carried out last year).
- Probable increases in flows depend on the strategy for the whole Company and tactical plans of the units and take into account the conditions governing individual market; at the same time, they reflect the current and potential portfolio of orders. A potential portfolio of orders assumes the retention of current and prospecting for new customers. The envisaged increases do not depart from the average market growth.
- The discount rate (after tax) used to calculate the present value of estimated cash flows is the estimate of the weighted average Company's cost of capital. The individual components of this rate were estimated based on market data on risk-free interest rates, the value of the beta factor (deleveraged beta of 0.97 was adopted which was leveraged based on the market structure of the debt/equity) and the value of expected return from the market.

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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 2018 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 2023;
- compound annual growth rate of free cash flows over the period of forecast, i.e. in the years 2019-2023;

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

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

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

	Discount rate for residual period		**Average rate of change in free cash flow to firm (FCFF)**	
	applied in model	**incremental**	**applied in model**	**incremental**
Goodwill	11.01%	45.37%	(2.48)%	(16.44)%

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

	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.
Current value of FCFF (in PLN thou.)	633,833	613,989	596,034	579,709	564,804	551,139	538,567
Above/less than the book value of unit (in PLN thou.)	313,954	294,110	276,155	259,830	244,925	231,260	218,688

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	change in the value of CAGR * (by percentage)						
	-5%	-3%	-1%	0%	+1%	+3%	+5%
Current value of FCFF (in PLN thou.)	550,724	562,318	573,912	579,709	585,507	597,101	608,695
Above/less than the book value of unit (in PLN thou.)	230,845	242,439	254,033	259,830	265,628	277,222	288,816

** CAGR: compound annual growth rate or cumulative annual growth rate. This measure reflects the average annual increase in a given value over a specific period.*

2.4. Prepaid expenses and accrued income

Selected accounting rules:

In accruals and deferred income, expenses incurred until the balance sheet date are recognised which relate to future periods (prepaid expenses) or relate to future revenues.

As at 31 December 2018 and in the comparative period, the balance of prepaid expenses included the following items:

	31 December 2018		31 December 2017	
	Non-current	Current	Non-current (restated)	Current (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Prepaid services, including:	34	918	63	1,327
maintenance services and licence fees	21	254	61	305
insurances	-	37	-	436
Prepaid training	-	*73*	-	*59*
other services	13	554	2	527
Expenses related to the provision of services with no revenues recognised yet	-	-	-	-
Total	**34**	**918**	**63**	**1,327**

Prepaid expenses and deferred income as at 31 December 2018 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. Prepaid services and licences do not constitute the costs of performance of contracts in accordance with IFRS 15.

2.5. Assets under contracts with customers and receivables

Selected accounting rules:

Assets under contracts with customers confer the right to remuneration in exchange for goods or services that the entity has delivered to the customer.
Assets under contracts with customers (previously presented as receivables from the valuation of IT contracts) 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.

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Trade receivables whose maturity is usually from 14 to 30 days are recognised and presented at initially invoiced amounts, taking into account an allowance for receivables. Receivables with distant maturity dates are recognised at the present value of the expected payment less
possible allowance due to expected credit loss.
Trade receivables from non-invoiced delivery are for those services that were provided during the reporting period (the Company provided its contracted services) but were not invoiced before the balance sheet date. As at the balance sheet date, the Company recognises, however, that it has an unconditional right to receive its due remuneration, which is why it classifies this asset item as a receivable.

Impairment allowances for receivables and contract assets

In estimating an allowance for trade receivables, the Company applies the simplified approach whereby the impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. In order to estimate such expected credit losses, the Company uses a provisioning matrix prepared on the basis of historical payments received from customers, where appropriate adjusted by the impact of forward-looking information.
The amount of impairment allowances is revised at each reporting date.
For trade receivables that are past due more than 180 days, apart from the statistical method of estimating the amount of impairment loss based on the provisioning matrix, the Company also applies an individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management exercise professional judgement taking into account the contractor's financial standing and general market conditions.
Impairment allowances for trade receivables and contract assets are recognised under operating expenses. Allowances for other receivables are included in other operating expenses or financial expenses if the receivable was attributed to a transaction of investment disposal or other activity whose income and expenses, as a reule, fall under financial activities. Allowances for the balance of receivables resulting from accrued interest are included in financial expenses.
If the reason for the allowance is no longer relevant, the whole or a part of the previously made allowance increases the value of the given asset, and the relevant cost items are adjusted.

Estimates:

Each time, the Company exercises professional judgement involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued. Similarly, a certain number of estimates and professional judgement is needed in allocating the transaction price to individual performance obligations.
The Company estimates the allowance for receivables and assets under 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 table below presents balances of receivables and balances of assets under contracts as at 31 December 2018 and as at 31 December 2017.

	31 December 2018		31 December 2017	
	Long-term	Short-term	Long-term (restated)	Short-term (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Trade receivables	**-**	**48,134**	**-**	**45,532**
From related parties, including:	-	**85**	**-**	**236**
Invoiced receivables	-	85	-	236
From other parties, including:	-	**48,049**	**-**	**45,296**
Invoiced receivables	-	47,924	-	44,104
Receivables not invoiced	-	125	-	868
Receivables from balance-sheet valuation of IT contracts	-	-	-	324
Allowance on doubtful accounts (-)		**(1,775)**	**-**	**(1,594)**
Total trade receivables	**-**	**46,359**	**-**	**43,938**

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Related party transactions are shown in item 2.14 of the explanatory notes to these financial statements.

The following table presents the balances of assets under contracts as at 31 December 2018. As at 31 December 2017, the absence of assets under contracts results from the implementation of IFRS 15, as outlined in item 6.i.

	31 December 2018		31 December 2017	
	Long-term	Short-term	Long-term	Short-term
Assets from contracts with customers				
Assets under contracts with customers	-	565	-	-
Total receivables under contracts with customers	**-**	**565**	**-**	**-**

Change in the value of assets related to contracts with customers during 12 months ended 31 December 2018:

	Note	12 months to 31 December 2018
		PLN thou.
Value of assets under contracts with customers at the beginning of period (by IFRS 15)		**324**
Reclassification to receivables		(3,978)
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions		*4,219*
Value of assets under contracts with customers at the end of period (by IFRS 15)		**565**

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

The table below presents the age structure of gross receivables (i.e. without allowances and discounts) as at 31 December 2018 and 2017.

	31 December 2018		31 December 2017	
Ageing of trade receivables	*PLN thou.*	%	*PLN thou.*	%
Receivables undue	**38,159**	**78.30%**	**34,428**	**75.70%**
Past due receivables	**9,439**	**19.40%**	**10,774**	**23.60%**
Receivables past due up to 3 months	*8,470*	17.40%	*9,657*	21.20%
Receivables past due from 3 to 6 months	*406*	0.80%	*89*	0.20%
Receivables past due from 6 to 12 months	*81*	0.20%	*149*	0.30%
Receivables past due above 12 months	*482*	1.00%	*879*	1.90%
	47,598	**97.70%**	**45,202**	**99.30%**
Trade receivables claimed at court	**1,101**	**2.30%**	**330**	**0.70%**
Total gross	**48,699**	**100.00%**	**45,532**	**100.00%**

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The table below presents other receivables as at 31 December 2018 and 2017:

Other receivables	31 December 2018		31 December 2017	
	Non-current	Current	Non-current (restated)	Current (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Receivables from sale of intangible fixed assets	-	-	-	88
Receivables from paid deposits	1,085	196	772	861
Granted loans	-	-	-	54
Other receivables	-	125	-	257
Other receivables total	**1,085**	**321**	**772**	**1,260**

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.

2.6. 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 realisable 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 2018	31 December 2017 (restated)
	PLN thou.	*PLN thou.*
Computer equipment, third-party licences and other goods for resale	542	622
Write-down (-)	(152)	(146)
Total	**390**	**476**

2.7. Cash

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.

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The balance of cash and cash equivalents disclosed in the cash flow statement consists of the above-defined cash and cash equivalents.

	31 December 2018 *PLN thou.*	31 December 2017 (restated) *PLN thou.*
Cash at bank in current accounts	1,387	7,978
Cash at bank in split payment accounts	60	-
Short-term deposits (overnight)	11,233	-
Cash in hand	40	36
Cash in transit	80	-
Total cash balance shown in balance sheet	**12,800**	**8,014**
Overdraft facilities used for current liquidity management	-	(10,928)
Total cash balance shown in cash flow statement	**12,800**	**(2,914)**

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.

2.8. Subscribed capital and other elements of equity

Subscribed capital

The subscribed capital as at 31 December 2018 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 2018, the share capital did not change compared to 31 December 2017. The Company's authorised capital is equal to its subscribed capital.

Supplementary capital

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

In order to present the Company's dividend capacity, the table below shows the components and balance of supplementary capital as at 31 December 2018 and as at 31 December 2017.

	31 December 2018 *PLN thou.*	31 December 2017 (restated) *PLN thou.*
Premium	62,543	62,543
Other supplementary capital	6,333	2,678
	68,876	**65,221**

Dividend capacity

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In accordance with the provisions of the Code of Commercial Companies and Partnerships, the Company is required to establish supplementary capital to cover for losses. This capital is supplemented by at least 8% of the profit for the financial year disclosed in the Company's statements until it reaches at least one third of the initial capital. As a result of exceeding the balance of supplementary capital, i.e. the value of 1/3 of the share capital, the aforementioned statutory obligation to make additional payments from profit to supplementary capital has expired. How supplementary capital (and reserve capital) is used is decided by the General Meeting. The surplus from the sale of shares above their nominal value (agio) can only be used to cover potential losses shown in the financial statements, and, therefore, it does not increase the Company's dividend capacity. Also, supplementary capital in the amount equivalent to 1/3 of share capital cannot be paid to the shareholders. At 31 December 2018, 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 72,085 thousand.

2.9. Bank loans

Selected accounting rules:

Upon first recognition, all credits and loans are posted at acquisition price corresponding to the fair value of received cash, less the costs of obtaining a credit or loan or the issuance of commercial paper facilities.
Subsequently to such initial recognition, bank credits or loans are measured at amortised 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.

	Maximum amount of debt	Effective interest rate %	Repayment date	31 December 2018		31 December 2017	
				Long-term	Short-term	Long-term (restated)	Short-term (restated)
Overdraft facilities				**-**	**-**	**-**	**10,928**
Credit on running account	45 000	WIBOR 1 mth+margin	02-04-2020	-	-	-	10 928
Credits revolving				**6,701**	**6,650**	**13,352**	**6,650**
Revolving credit	20 000	WIBOR 1 mth + margin	30-09-2020	6 701	6 650	13 352	6 650
TOTAL				**6,701**	**6,650**	**13,352**	**17,578**

As at 31 December 2018 and as at 31 December 2017, the Company has open credit lines in current accounts that offer the option of extra financing at PLN 45,000 thousand. As at 31 December 2018, there was no debt in open credit lines, while as at 31 December 2017, the debt in open credit lines amounted to PLN 10,928 thousand.

The balance of the revolving facility as at 31 December 2018 amounted to PLN 13,351 thousand. The final repayment date is no later than 30 September 2020, and its interest rate is based on the floating rate WIBOR 1M plus margin. The loan liability is secured by a power of attorney to bank accounts and a declaration of submission to enforcement. No covenants were broken either in 2018 or in 2017.

As at 31 December 2018 and as at 31 December 2017, no other assets were used to secure bank loans.

2.10. Finance lease obligations

Selected accounting rules:

Lease agreements which transfer to the Company substantially all the risks and rewards of ownership of the leased asset, are considered financial lease agreements and are recognised in the balance sheet at the inception of the lease at the lower of the following two values: the fair value of an asset being the subject of lease or current value of the minimum lease payments. Lease payments are apportioned between the financial expenses (interest) and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability.

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Property, plant and equipment used under finance lease agreements are subject to depreciation over their estimated useful life or the lease term, whichever is shorter. However, if the lease agreement provides that after its termination the lessee obtains ownership of the leased asset, then such an asset shall be depreciated over its estimated useful life, i.e. following the depreciation rules applicable to similar owned assets.

Estimates

The Company classifies leases as operating or finance based on an assessment of the extent to which risks and benefits of ownership of the leased item fall in the share of the lessor and the lessee, respectively. This assessment is based on the economic substance of each transaction.

As at 31 December 2018, the subject of finance lease agreements with the Company as the lessee were vehicles.

The table below presents the balance of liabilities under finance leases as at 31 December 2018 and in the comparative period:

	31 December 2018		31 December 2017	
	Long-term	Short-term	Long-term (restated)	Short-term (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Lease of vehicles	4,502	1,688	918	555
Total	**4,502**	**1,688**	**918**	**555**

Vehicle lease

As at 31 December 2018, the net value of vehicles leased under finance lease agreements was PLN 7,175 thousand.

The net value of vehicles under finance lease on 31 December 2017 is PLN 2,039 thousand.

The total future cash flows and liabilities under vehicle lease agreements are as follows:

	31 December 2018	31 December 2017
	PLN thou.	*PLN thou.*
Minimum lease payments		
in less than 1 year	1,917	595
from 1 to 5 years	4,826	944
more than 5 years	-	-
Future minimum lease payments	**6,743**	**1,539**
Future interest expense	**(553)**	**(66)**
Current value of lease liabilities		
in less than 1 year	1,688	555
from 1 to 5 years	4,502	918
more than 5 years	-	-
Lease liability	**6,190**	**1,473**

The effective interest rate on the said financial lease as at 31 December 2018 was 4.20%, and as at 31 December 2017 it was 3.3%.

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2.11. Liabilities under contracts with customers; trade liabilities and other liabilities

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 from the date of implementation of IFRS 15 in the Company, i.e. from 1 January 2018, 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 under contracts with customers; the same applies to future revenues from services such as IT maintenance that are billable over time.
Trade liabilities and services related to operating activities are recognised and reported at the amounts due and recognised in the reporting periods to which they relate.

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 2018 and in the comparative periods, the Company's trade liabilities were as follows:

	31 December 2018		31 December 2017	
	Long-term	Short-term	Long-term (restated)	Short-term (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Trade liabilities				
To related parties, including:	**-**	**79**	**-**	**436**
Invoiced liabilities	-	40	-	422
to related parties	-	*40*	-	*422*
Liabilities not invoiced	-	39	-	14
to related parties	-	*39*	-	*14*
To other parties, including:	**-**	**4,950**	**-**	**5,323**
Invoiced liabilities	-	3,891	-	3,723
Liabilities not invoiced	-	1,059	-	1,088
Liabilities arising from the valuation of IT contracts	-	-	-	512
Trade liabilities total	**-**	**5,029**	**-**	**5 759**

Trade liabilities are not interest-bearing. Related party transactions are shown in item 2.14 of the explanatory notes to these financial statements.

The following table shows the Company's gross trade liabilities as at 31 December 2018

and 31 December 2017 by the maturity date based on contractual undiscounted payments.

	31 December 2018		31 December 2017	
	PLN thou.	*%*	*PLN thou.*	*%*
Trade liabilities				
Liabilities due	232	4.6%	16	0.3%
Liabilities undue up to 3 months	4,797	95.4%	5,743	99.7%
Liabilities undue from 3 to 6 months	-	0.0%	-	0.0%
Liabilities undue beyond 6 months	-	0.0%	-	0.0%
	5,029	**100.0%**	**5,759**	**100.0%**

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As at 31 December 2018 and in comparative periods, liabilities under contracts with customers were as follows:

	31 December		31 December	
	Long-term	Short-term	Long-term	Short-term
	PLN	*PLN*	*PLN*	*PLN*
Liabilities under contracts with		**-**	**-**	**-**
To other parties, including:	**-**	**11,134**	**-**	**-**
Prepaid expenses and accrued income from contracts with customers, including:	-	11,117	-	-
- pre-paid maintenance services	-	*3,147*	-	-
- licence fees	-	*7,970*	-	-
Liabilities arising from the valuation of IT contracts	-	17	-	-
Total liabilities under contracts with customers	**-**	**11,134**	**-**	**-**

Change in the value of liabilities related to contracts with customers during 12 months ended 31 December 2018:

	12 months to 31 December 2018
	PLN thou.
Value of liabilities under contracts with customers at the beginning of period (by IFRS 15)	**10,141**
Issue of invoices above realised obligation of performance	(23,541)
Fulfilment of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions	24,534
Value of liabilities under contracts with customers at the end of period (by IFRS 15)	**11,134**

As at 31 December 2018 and in the comparative periods, other Company's liabilities arise from the following:

	31 December 2018		31 December 2017	
	Long-term	Short-term	Long-term (restated)	Short-term (restated)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Corporate income tax liabilities	**-**	**1,551**	**-**	**4,496**
Budgetary commitments				
VAT	-	5,229	-	4,790
Personal income tax (PIT)	-	1,656	-	1,025
Social Security Institution	-	3,357	-	2,469
Other	-	70	-	53
Total budgetary commitments	**-**	**10,312**	**-**	**8,337**
Other liabilities				
Other liabilities	-	1,866	-	767
Total other liabilities	**-**	**1,866**	**-**	**767**
Total budgetary commitments and other liabilities	**-**	**12,178**	**-**	**9,104**

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2.12. 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.

Post-employment benefits

The provision for post-employment benefits is created for employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. The Company has a defined contribution plan under which it pays fixed contributions into a separate entity (in Poland –the social insurance fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Company creates the provision for post-employment benefits based on calculations made by an independent actuary. Reassessment of liabilities for employee benefits pertaining to specific benefit schemes covering actuarial gains and losses is recognized in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

Provision for contractual penalties

Provisions for contractual penalties are created in connection with pending court proceedings based on available information, including opinions of independent experts. Provisions for penalties are recognised as a reduction of revenues.

Estimates:

Each time the establishment of provisions requires professional judgement and estimates, which may be subject to significant changes in future periods.

Changes in provisions in the period of 12 months ended 31 December 2018 and in the comparative period were attributed to the following:

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

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	Provision for contractual penalties PLN thou.	Post-employment benefits PLN thou.	Provision for guarantee repairs PLN thou.	Other provisions PLN thou.	Total in PLN thou.
As at 1 January 2017 (restated)	**-**	**893**	**-**	**373**	**1,266**
Taking control of subsidiaries	**-**	414	**-**	**-**	**414**
Establishment (+)	-	134	25	-	**159**
Actuarial gains/losses (+)/(-)	-	78	-	-	**78**
Use (-)/Reversal (-)	-	(57)	-	-	**(57)**
As at 31 December 2017, including:	**-**	**1,462**	**25**	**373**	**1,860**
Short-term	-	28	25	373	**426**
Long-term	-	1,434	-	-	**1,434**

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. On the date of publication of this report, the case had still been pending.

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

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

	31 December 2018	31 December 2017
Discount rate (%)	3.20%	3.25%
Expected wage increase rate (%)	5.00%	5.00%

2.13. Accruals and deferred income

Selected accounting rules:

Provision for unused leaves

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

Provision for bonuses

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

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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.

	31 December 2018		31 December 2017	
	Long-term *PLN thou.*	Short-term *PLN thou.*	Long-term (restated) *PLN thou.*	Short-term (restated) *PLN thou.*
Accrued expenses and deferred income, including				
Provision for unused leaves	-	3,642	-	3,720
Provision for bonuses for employees and the Board	-	7,895	-	11,327
Total	**-**	**11,537**	**-**	**15,047**
Prepaid expenses and accrued income including:				
Prepaid maintenance service and licences	-	-	-	9,629
Other	-	72	-	195
Total	**-**	**72**	**-**	**9,824**

Since the implementation in the Company of IFRS 15, i.e. since 1 January 2018, accrued income from licences carrying access rights and unsettled before the balance sheet date, as well as future revenues from services such as IT maintenance, which are billable over time, are shown under liabilities under contracts with customers presented in Note 2.11.

2.14. Related party transactions

Sales to related parties: Party's name	**Transaction type**	**12 months to 31 December 2018** *PLN thou.*	**12 months to 31 December 2017** *PLN thou.*
Transactions with related parties	i		
Asseco Poland S.A.	*sale of goods and services related to the rest of activities*	2,117	1,721
Other related parties	*sale of goods and services related to the rest of activities*	239	247
TRANSACTIONS TOTAL		**2,356**	**1,968**

Purchases from related parties Party's name	**Transaction type**	**12 months to 31 December 2018** *PLN thou.*	**12 months to 31 December 2017** *PLN thou.*
Transactions with related parties		**2,174**	**2,490**
Asseco Poland S.A.	*rents and leases*	1,755	2,064
Other related parties	*rents and leases*	419	426
TRANSACTIONS TOTAL		**2,174**	**2,490**

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Party's name	Trade receivables from related parties		Trade and other liabilities towards related parties	
	31 December 2018 *PLN thou.*	31 December 2017 *PLN thou.*	31 December 2018 *PLN thou.*	31 December 2017 *PLN thou.*
Transactions with related parties	85	236	79	436
Asseco Poland S.A.	40	221	67	380
Other related parties	45	15	12	56
Transactions with the Company executives	-	-	-	-
TRANSACTIONS TOTAL	**85**	**236**	**79**	**436**

Related party transaction are held at arm's length.

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 9 thousand (in the comparative period: PLN 7 thousand). The (net) value of purchase transactions for goods and services (including rental) with related parties by the Company Executives and with the Company Executives amounted to PLN 1,878 thousand (in the comparative period: PLN 1,860 thousand).

In addition to the above-mentioned balances, as at 31 December 2018 and 31 December 2017, there were no other balances of settlements with related parties.

3. Explanatory notes to statement of cash flows

3.1. 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 2018 *PLN thou.*	12 months to 31 December 2017 (restated) *PLN thou.*
Change in inventories	86	(146)
Change in receivables and assets under contracts with customers	(2,511)	(3,710)
Change in other non-financial assets	(13)	37
Change in trade liabilities and liabilities under contracts with customers	3,834	375
Change in the balance of accruals and prepayments	(3,005)	4,683
Change in provisions	602	102
Total	**(1,007)**	**1,341**

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3.2. Cash flow from investing activities

The table below shows details of inflows and outflows related to property, plant and equipment and intangible assets:

	12 months to 31 December 2018 PLN thou.	12 months to 31 December 2017 PLN thou.
Sale of property, plant and equipment	451	976
Acquisitions or property, plant and equipment	(3,214)	(3,844)
Acquisition of intangible assets	(354)	(1,050)
Expenses for development work	(9,804)	(8,572)

The table below shows details of inflows from repaid loans and outflows related to loans granted in the 12-month period ended 31 December 2018:

Name of entity	Paid loans PLN thou.	Granted loans PLN thou.
Macrologic's personnel	54	-
Total	**54**	**-**

3.3. Cash flow from financing activities

- Dividends paid: the item contains a dividend paid by the Company in the amount of PLN 43,444 thousand (the details of the dividend for 2017 are discussed in 1.6 of the explanatory notes).
- Expenses related to the repayment of loans in the amount of PLN 6,651 thousand are mainly related to the repayment of the revolving facility instalments.

Overdraft liabilities are not shown below because they reduce cash for cash flow presentation.

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

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		Interest-bearing loans and borrowings *PLN thou.*	Finance lease *PLN thou.*	Dividend liabilities *PLN thou.*
As at 1 January 2017 (restated)		-	-	-
Cash transfers	Inflows (+)	20,000	-	-
	Repayment of capital - outflow	-	(308)	(42,441)
	Repayment of interest - outflow	(308)	(27)	-
Non-cash changes	Accrued interest	310	27	-
	Declared dividend	-	-	42,441
	Company's lease liabilities Macrologic's upon merger	-	1,781	-
As at 31 December 2017		**20,002**	**1,473**	-

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

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

- **Foreign currency risk**

The Company's main functional currency is the Polish złoty; however, some IT contracts and purchases of goods 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.

Objective: 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). The Company does not apply hedge accounting.

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 effected on the basis of current rates available.

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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 2018, the Company has open forwards for the sale of the EUR for the total nominal value of PLN 13,183 thousand that will be settled no later than on 30 September 2019.

- **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 interest 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.

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

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

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

- **Counterparty credit risk**

The Company is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and good will of customers to whom the Company provides IT solutions, and secondly with the financial credibility of contractors with whom supply transactions are concluded. The maximum exposure to credit risk is limited to the book value of financial assets. The Company keeps its cash in reputable and high-ranking banks and, consequently, recognises that the credit risk is negligible.

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.

Objective: 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.

- **Financial liquidity risk**

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

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

The quantitative analysis of the Company's liquidity by individual categories of liabilities and assets was presented: for receivables in Note 2.5 for liabilities in Note 2.11 and for loans in Note 2.9 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 2018 and as at 31 December 2017, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. EUR by 10%, the Company's result would increase by PLN 615 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 615 thousand.

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

As at 31 December 2017	**Value exposed to risk**	**Impact on Company earnings**	
EUR	***PLN thou.***	**(10%)** ***PLN thou.***	**10%** ***PLN thou.***
Financial assets			
Forward contracts	291	130	(130)
Cash	1,321	132	(132)
Trade receivables	4,478	(448)	448
Liabilities			
Trade liabilities	28	3	(3)
On balance		**(183)**	**183**

As at 31 December 2018, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. USD by 10%, the Company's result would increase by PLN 8 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 8 thousand.

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

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As at 31 December 2017	Value exposed to risk	Impact on Company earnings	
USD	*PLN thou.*	(10%) *PLN thou.*	10% *PLN thou.*
Financial assets			
Cash	94	(9)	9
On balance		**(9)**	**9**

- **Sensitivity analysis - interest rate risk**

The Company avoids taking out loan facilities based on a floating interest rate. If it is necessary to conclude a loan agreement based on a floating interest rate, the Company does not have a strategy to hedge this risk. The Company's debt as at 31 December 2018 attributable to loans based on a floating interest rate amounted to PLN 13,351 thousand (PLN 30,930 thousand at the end of 2017).

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

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

The Company's debt was PLN 13,351 thousand at a floating interest rate; at the same time, the Company has deposits for the amount of PLN 11,233 at a floating interest rate, which naturally reduces exposure to the impact of interest rate variations.

The table below shows the impact of the change in the loan base rate (WIBOR 1M) on cost of interest incurred in 2017:

As at 31 December 2017	Value exposed to risk	Impact on Company earnings	
Loans based on WIBOR floating rate	*PLN thou.*	-1.0 p.p. *PLN thou.*	1.0 p.p. *PLN thou.*
Interest-bearing bank loans and borrowings	30,930	(271)	271

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

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

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

- **Other types of risk**

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

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Fair value

As at 31 December 2018, the Company had the following financial instruments measured at fair value:

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

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 in active markets;*

iii. *fair value determined by using models for which the input data is not observable either directly or indirectly in active markets*

As at 31 December 2017, the Company had the following financial instruments measured at fair value:

At at 31 December 2017	Balance-sheet value	Level 1 i)	Level 2 ii)	Level 3 iii)
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Financial assets valued at fair value through profit or loss				
Entered forward contracts	291	-	291	-
Total	**291**	**-**	**291**	**-**

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 in active markets;*

iii. *fair value determined by using models for which the input data is not observable either directly or indirectly in active markets*

The fair value of financial assets and liabilities held by the Company as at 31 December 2018 and as at 31 December 2017 does not differ significantly from their carrying value.

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

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

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

For the year ended 31 December 2017, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

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Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2017:	Revenue /(expenses) on interest	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Profit /(loss) from implementation and measurement	Total
Financial assets:	**508**	**(321)**	**(330)**	**866**	**723**
Financial assets measured at fair value through profit or loss	-	-	-	866	866
Cash and cash equivalents	503	(43)	-	-	460
Loans and receivables	5	(278)	(330)	-	(603)
Financial liabilities:	**(780)**	-	-	-	**(780)**
Financial liabilities measured at fair value through profit or loss	**(27)**	**-**	**-**	**-**	**(27)**
Interest-bearing bank loans and borrowings	(753)	-	-	-	(753)

5. Other explanatory notes

5.1. Off-balance sheet liabilities

Selected accounting rules

An operating lease is a lease agreement that does not meet the criteria to be recognised as a finance lease agreement in accordance with IAS 17. As at 31 December 2018, operating lease liabilities are recognised as off-balance sheet liabilities. Lease agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, shall be treated as operating lease. Lease payments under an operating lease shall be recognised as operating expenses in profit or loss on a straight-line basis over the lease period. Conditional lease payments are recognized as an expense in the period in which they fall due.

The Company has concluded a number of agreements for rental of office space, lease and similar which entail the following off-balance sheet commitments to make future payments:

	31 December 2018 *PLN thou.*	31 December 2017 (restated) *PLN thou.*
Liabilities due to rental of office space		
Within 1 year	1,518	1,093
From 1 to 5 years	975	187
More than 5 years	-	-
	2,493	**1,280**

In 2018 the Company's rental expenses totalled PLN 7,245 thousand, while in the comparative period it was PLN 5,436 thousand.

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5.2. Headcount

Average employment during the reporting period	12 months to 31 December 2018	12 months to 31 December 2017 (restated)
Management Board	4**	4**
Developers	764	659
Sales personnel	58	64
Administration	47	57
Total	**873**	**784**

** Average employment in the reporting period in salaried positions, i.e. employment adjusted (reduced) by FTE's for which the Company does not pay salaries (e.g. unpaid leave, maternity leave, etc.).*
** One of the Management Board members is employed under a civil-law contract.*

Employment as at:	31 December 2018	31 December 2017 (restated)
Management Board	4*	4*
Developers	794	785
Sales personnel	51	82
Administration	46	69
Total	**895**	**940**

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

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

The table below shows the remuneration of the entity authorised to audit the Company's financial statements paid or due for the year ended 31 December 2018 and 31 December 2017, divided by the type of services:

	12 months to 31 December 2018** *PLN thou.*	12 months to 31 December 2017* *PLN thou.*
Mandatory testing of annual financial statements	220	221
Total	**220**	**221**

**applies to Ernst&Young Audyt Polska Sp. z o.o. sp. k.*
***applies to PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k.*

5.4. Remuneration of the Management Board and Supervisory Board

The tables below shows paid and due remuneration of the individual Members of the Management Board of the Company for the discharge of their duties in 2018 and 2017.

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

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	Fixed remuneration items in 2017	Cost of variable remuneration components in 2017.	In addition: variable components of remuneration from 2016 paid in 2017
Wojciech Barczentewicz	420	2,264	1798
Piotr Masłowski	420	2,264	1798
Mariusz Lizon	300	1,066	844
Andreas Enders	742	385	272
	1,882	**5,979**	**4,712**

The table below presents paid and due remuneration of the Members of the Issuer's Supervisory Board for the period of 12 months of 2018 and in the comparative period:

Remuneration for period	**12 months to 31 December 2018 PLN thou.**	**12 months to 31 December 2017 PLN thou.**
Jozef Klein	63	56
Romuald Rutkowski	48	82
Adam Góral	66	63
Zbigniew Pomianek	48	43
Piotr Stępniak	48	28
Grzegorz Ogonowski*	0	11
Adam Pawłowicz**	0	15
Total	**273**	**298**

**the term of office expired in 2017*

***Adam Pawłowicz resigned as Member of the Supervisory Board effective from 24 April 2017.*

5.5. Capital management

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

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

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

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	31 December 2018 *PLN thou.*	31 December 2017 *PLN thou.*
Interest-bearing loans and borrowings	13,351	30,930
Finance lease obligations	6,190	1,473
Liabilities under contracts with customers and trade and other liabilities	28,341	14,863
Less cash and cash equivalents (-)	(12,800)	(8,014)
Net debt	**35,082**	**39,252**
Equity	298,529	279,591
Equity and net borrowings	**333,611**	**318,843**
Leverage ratio	**10.5%**	**12.3%**

5.6. Significant events after the balance sheet date

As at the date of approval of these financial statements for 12 months ended on 31 December 2018 for publication, the entire balance of the revolving facility amounting to PLN 13,351 thousand had been repaid.

5.7. Significant events concerning previous years

To the date of these financial statements for 12 months ended 31 December 2018, that is, until 27 February 2019, there were no events concerning previous years that were not, and should be, included in these financial statements.

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Asseco Business Solutions

Contact details

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