



Financial Statements of
ASSECO BUSINESS SOLUTIONS S.A.
FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Statements

ASSECO BUSINESS SOLUTIONS S.A.

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Profit and Loss Account and Statement of Other Comprehensive Income

ASSECO BUSINESS SOLUTIONS S.A.

PROFIT AND LOSS ACCOUNT	Notes	12 months to 31 December 2021	12 months to 31 December 2020
		PLN thou.	PLN thou.
Operating income	<u>4.1</u>	307,432	282,116
Own cost of sales	<u>4.2</u>	(174,897)	(156,938)
Gross profit on sales		132,535	125,178
Cost of sales	<u>4.2</u>	(18,027)	(12,557)
Administrative expenses	<u>4.2</u>	(20,454)	(20,432)
Net profit on sales		94,054	92,189
Other operating income		697	1,298
Other operating expenses		(168)	(947)
Operating profit		94,583	92,540
Financial income	<u>4.3</u>	251	196
Financial expenses	<u>4.3</u>	(1,209)	(3,131)
Profit before tax		93,625	89,605
Tax on profit or loss	<u>4.4</u>	(12,977)	(13,199)
Net profit		80,648	76,406
Earnings per share (in PLN)			
basic from net profit	<u>4.5</u>	2.41	2.29
diluted from net profit	<u>4.5</u>	2.41	2.29

OTHER COMPREHENSIVE INCOME:	Notes	12 months to 31 December 2021	12 months to 31 December 2020
		PLN thou.	PLN thou.
Net profit		80,648	76,406
<i>Items that may be reclassified to profit and loss account:</i>		-	-
<i>Items not subject to reclassification to profit and loss account:</i>		779	(406)
Actuarial gains/losses		962	(501)
Income tax on remaining comprehensive income		(183)	95
Other comprehensive income total:		779	(406)
TOTAL COMPREHENSIVE INCOME FOR PERIOD		81,427	76,000

Balance Sheet

ASSECO BUSINESS SOLUTIONS S.A.

ASSETS	Notes	31 December 2021	31 December 2020
		PLN thou.	PLN thou.
Non-current assets			
Property, plant and equipment	<u>5.1</u>	22,287	21,100
Intangible assets	<u>5.2</u>	280,162	277,095
<i>including goodwill from merger</i>	<u>5.2</u>	252,879	252,879
Right-of-use assets	<u>5.3</u>	60,637	46,852
Assets from contracts with customers and long-term receivables	<u>5.5</u>	223	178
Deferred tax assets	<u>4.4</u>	2,647	3,588
Prepaid expenses and accrued income	<u>5.6</u>	30	19
		365,986	348,832
Current assets			
Inventory	<u>5.8</u>	409	432
Trade receivables	<u>5.5</u>	44,534	40,064
Assets from contracts with customers	<u>5.5</u>	804	1,052
Other receivables	<u>5.5</u>	86	361
Prepaid expenses and accrued income	<u>5.6</u>	1,242	2,868
Deposits with maturity of more than 3 months	<u>5.7</u>	-	40,000
Other assets	<u>5.7</u>	72	205
Cash and short-term deposits	<u>5.9</u>	42,832	6,614
		89,979	91,596
TOTAL ASSETS		455,965	440,428

Balance Sheet

ASSECO BUSINESS SOLUTIONS S.A.

LIABILITIES	Notes	31 December 2021	31 December 2020
		PLN thou.	PLN thou.
TOTAL EQUITY			
Subscribed capital	<u>5.11</u>	167,091	167,091
Premium		62,543	62,543
Retained earnings		116,859	102,318
		346,493	331,952
Long-term liabilities			
Lease liabilities	<u>5.13</u>	53,599	43,727
Provisions	<u>5.16</u>	2,548	3,249
		56,147	46,976
Short-term liabilities			
Lease liabilities	<u>5.13</u>	10,746	8,415
Trade liabilities	<u>5.14</u>	5,724	6,474
Liabilities from contracts with customers	<u>5.15</u>	15,368	14,257
Tax liabilities on corporate income tax	<u>5.14</u>	696	3,412
Budgetary commitments and other liabilities	<u>5.14</u>	12,740	14,811
Provisions	<u>5.16</u>	59	418
Accruals and deferred income	<u>5.17</u>	7,992	13,713
		53,325	61,500
TOTAL LIABILITIES		109,472	108,476
TOTAL EQUITY AND LIABILITIES		455,965	440,428

Statement of Changes in Equity

ASSECO BUSINESS SOLUTIONS S.A.

	Notes	Share capital	Surplus from the sale of shares above their nominal value	Retained earnings	Total equity
		PLN thou.	PLN thou.	PLN thou.	PLN thou.
As at 1 January 2021		167,091	62,543	102,318	331,952
Profit in reporting period		-	-	80,648	80,648
Total of other comprehensive income		-	-	779	779
Dividend for 2020	<u>4.6</u>	-	-	(66,836)	(66,836)
Other changes		-	-	(50)	(50)
As at 31 December 2021		167,091	62,543	116,859	346,493
As at 1 January 2020		167,091	62,543	86,471	316,105
Profit in reporting period		-	-	76,406	76,406
Total of other comprehensive income		-	-	(406)	(406)
Dividend for 2019	<u>4.6</u>	-	-	(60,153)	(60,153)
As at 31 December 2020		167,091	62,543	102,318	331,952

Cash flow statement

ASSECO BUSINESS SOLUTIONS S.A.

	Notes	12 months to 31 December 2021	12 months to 31 December 2020
		PLN thou.	PLN thou.
Cash flow from operating activities			
Profit before tax		93,625	89,605
Adjustments:		17,863	36,325
Amortisation/Depreciation	<u>4.2</u>	27,485	25,288
Changes in working capital	<u>6.1</u>	(10,367)	8,190
Lease interest income/expenses		-	(202)
Lease interest income/expenses		1,141	1,815
FX gains/(losses)		(193)	1,209
Other financial income/expenses		(12)	525
Investment gain/(loss)		(192)	(503)
Other adjustments		1	3
Cash generated from operating activities		111,488	125,930
(Income tax paid)		(15,002)	(12,609)
Net cash from operating activities		96,486	113,321
Cash flow from investing activities			
Receipts:			
Receipts from the sale of fixed assets and intangible assets	<u>6.2</u>	161	356
Bank deposits		40,000	24,000
Other receipts		12	205
Outflows:			
Purchase of fixed assets and intangible assets	<u>6.2</u>	(6,897)	(8,753)
Expenses related to ongoing development projects	<u>6.2</u>	(15,907)	(13,737)
Bank deposits		-	(50,000)
Other expenses		-	(249)
Net cash used in investing activities		17,369	(48,178)
Cash flow from financing activities			
Receipts:			
Receipts from obtained loans	<u>6.3</u>	934	2,186
Outflows:			
Dividend paid	<u>6.3</u>	(66,836)	(60,153)
Expenses related to loans	<u>6.3</u>	(934)	(2,186)
Repayment of lease liabilities	<u>6.3</u>	(9,660)	(12,508)
Interest paid	<u>6.3</u>	(1,141)	(1,818)
Net cash from financing activities		(77,637)	(74,479)
Change in net cash and cash equivalents		36,218	(9,336)
Cash and cash equivalents as at 1 January		6,614	15,950
Cash and cash equivalents as at 31 January	<u>5.9</u>	42,832	6,614

Additional explanation to the financial statements

I. Basic information

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

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

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

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

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

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company's shares. The parent of the entire Group is Asseco Poland S.A., holding, directly and through subsidiaries, 95.67% of shares in Asseco Enterprise Solutions a.s.

As regards Asseco Business Solutions S.A., the decision of Asseco Enterprise Solutions a.s. to maintain control over the 12 months ended 30 June 2020 in accordance with IFRS 10 was based on the following factors:

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

the second largest shareholder holds approx. 11.36% of votes, and the third largest shareholder holds 11.07% of votes;

- there is no evidence that there is or was any agreement by or among any of the shareholders as to the joint voting at the General Meeting;
- within the last five years, i.e. from 2016 to 2020, the percentage of shareholders present at the General Meetings ranged from 50.83% to 76.2%. This means that shareholders' activity is relatively low or moderate. Considering that Asseco Enterprise Solutions a.s. currently holds 46.47% of the total number of votes at the General Meeting, the attendance would have to exceed 92.93% for Asseco Enterprise Solutions a.s. not to have the absolute majority of vote at the General Meeting. In the opinion of the Management Board, such a level of attendance is highly unlikely.

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

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

2.1. Basis for the preparation

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

These financial statements have been prepared on the going concern basis for the period of no less than 12 months as of 31 December 2021. At the date of approval for publication of these financial statements, no facts or circumstances were identified that might pose a threat to the Company as a going concern.

2.2. Impact of the COVID-19 pandemic on the Company's operations

On the date of publication of these financial statements, the Management Board, based on the current analysis of risks, including in particular risks caused by the virus pandemic in Poland and in the world, concluded that the Company's operation as a going concern is not at risk for a period of at least 12 months as from 31 December 2021.

The Company is constantly monitoring the impact of the COVID-19 pandemic on the Company's operations, including its future financial position and financial results. At the time of publication of these financial statements, the Company did not report any significant impact of the pandemic crisis on its financial position and economic results, except for some organizational aspects of the Company's operations. Out of concern for the staff and clients, the Company's employees worked from home or in a hybrid model. This was to ensure business continuity and uninterrupted provision of IT services to the clients. At the time of publication of these financial statements, all Company's departments operate unperturbed, and the Company performs its contractual obligations as provided for in relevant agreements.

The Company is monitoring the current situation in individual sectors of the economy and is seeking opportunities to take advantage of new market opportunities, which also emerge on the market of IT products and services because of the pandemic.

Asseco Business Solutions S.A. has sufficient financial resources to continue its operations, including regular settlement of current liabilities. The Company has not reported any adverse impact of the pandemic on its liquidity and meets its obligations under loan agreements on time. The Company has not decided to take advantage of the Anti-crisis Shield mechanism offered by the state aid; has not applied for deferment of tax liabilities; and has not amended its lease agreements. In addition, in January, and next in November 2021, the Company concluded an annex to its credit facility agreement changing the repayment date of the overdraft facility. This is described in detail in Note 5.12 of these financial statements.

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

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

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

2.3. Statement of conformity

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

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

The scope of the separate financial statements complies with the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognition as equivalent of the information required by the laws of a non-member state (Journal of Laws of 2018, item 757) ("Regulation") and covers the reporting period from 1 January to 31 December 2021 and the comparative period from 1 January to 31 December 2020.

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

This separate financial statements present a true financial situation of the Company as at 31 December 2021, its results and cash flows for the year ended 31 December 2021.

2.4. Functional currency and presentation currency

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

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

As at the balance sheet date:

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

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

- ✓ the exchange rate effective on 31 December 2021: 1 EUR = 4.5994 PLN
- ✓ the exchange rate effective on 31 December 2020: 1 EUR = 4.6148 PLN
- ✓ the exchange rate effective on 31 December 2021: 1 USD = 4.0600 PLN
- ✓ the exchange rate effective on 31 December 2020: 1 USD = 3.7584 PLN

2.5. Professional judgement and estimates

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

The relevant items of explanatory notes show the main areas which were of crucial importance in terms of the professional judgement of the management in the process of application of the accounting rules (policies), in addition to the accounting estimates;

thus, any change in estimates in these areas are likely to have a significant impact on the Company's results in the future.

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

Selected estimates	Note	Page number
Operating income	<u>4.1</u>	17
Tax on profit or loss	<u>4.4</u>	23
Property, plant and equipment	<u>5.1</u>	28
Intangible assets	<u>5.2</u>	31
Right-of-use assets	<u>5.3</u>	37
Impairment tests	<u>5.4</u>	41
Assets from contracts with customers, trade receivables and other receivables	<u>5.5</u>	43
Lease liabilities	<u>5.13</u>	53
Trade and other liabilities	<u>5.14</u>	56
Provisions	<u>5.16</u>	59
Accrued expenses	<u>5.17</u>	61

In the 12 months ended 31 December 2021, there were no major changes to the method of making estimates compared with the data described in the financial statements for the 12 months ended 31 December 2020.

2.6. Accounting rules applied

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

Selected accounting rules	Note	Page number
Operating income	<u>4.1</u>	17
Operating expenses	<u>4.2</u>	21
Financial income and expenses	<u>4.3</u>	23
Tax on profit or loss	<u>4.4</u>	23
Property, plant and equipment	<u>5.1</u>	28
Intangible assets	<u>5.2</u>	31
Right-of-use assets	<u>5.3</u>	37
Impairment tests	<u>5.4</u>	41
Assets from contracts with customers, trade receivables and other receivables	<u>5.5</u>	43
Prepayments and accrued income	<u>5.6</u>	47

Other assets	<u>5.7</u>	48
Inventories	<u>5.8</u>	50
Cash	<u>5.9</u>	50
Share capital	<u>5.11</u>	51
Bank loans and issue of securities	<u>5.12</u>	52
Lease liabilities	<u>5.13</u>	53
Trade and other liabilities	<u>5.14</u>	56
Liabilities from contracts with customers	<u>5.15</u>	58
Provisions	<u>5.16</u>	59
Accrued expenses	<u>5.17</u>	61

The accounting rules used to prepare these financial statements are consistent with those applied in preparing the annual financial statements of the Company for the year ended 31 December 2020.

The amended standards and interpretations applicable for the first time in 2021 do not have a significant impact on the Company's financial statements.

Other changes to the International Financial Reporting Standards effective from 1 January 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform: Phase 2*

These amendments have been approved for use by the European Union. The Company has analysed the impact of the IBOR reform on its financial statements.

The WIBOR rate has already been adjusted to the relevant regulation, and the Company is no longer exposed to the risk resulting from the IBOR reform. The new rate is an equivalent of the previous one. Hence, only a prospective adjustment of the effective interest rate is made for instruments based on a floating rate.

Following the current decisions of bodies implementing the reform, only the LIBOR rate will be replaced with a risk-free rate based on the overnight rate. The IBOR reform also affects other reference rates, which, however, will continue to be quoted and after a reform.

- Amendments to IFRS 4: *Insurance Contracts: Deferred Application of IFRS 9 Financial Instruments until 1 January 2023*
- Amendments to IFRS 16 *Leases: Covid-19-Related Rent Concessions*.

Lessee may choose a practical solution of not to assess whether a rent concession granted directly due to the Covid-19 pandemic and meeting certain conditions should be regarded as a change to lease. Lessor who so decides recognises all change to lease payments resulting from a rent concession in the same way as they would recognise a change under IFRS 16 if the change were not a change to the lease. In March 2021, the Council extended the availability of the practical mechanism regarding rent concessions until June 2022. The change has been effective since 1 April 2021 with the option of early application.

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

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

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

- IFRS 14: *Regulatory Deferral Accounts* (published on 30 January 2014) – as decided by the European Commission, the process of approving the standard in its preliminary version will not be initiated before the final version of the standard is ready; not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10 and IAS 28: *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 2014); the work intended to approve these amendments have been postponed by the EU for an unlimited period of time. The date of entry into force has been postponed by the IASB for an indefinite period of time;
- IFRS 17 *Insurance Contracts* (published on 18 May 2017), including Amendments to IFRS 17 (published on 25 June 2020) – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current* – postponed effective date (published on 23 January 2020 and on 15 July 2020, respectively) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3: *Changes to References to the Conceptual Framework* (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16: *Property, plant and equipment: Proceeds before Intended Use* (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37: *Onerous Contracts: Costs of Fulfilling a Contract* (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- *Amendments resulting from the review of IFRS 2018-2020* (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and Practice Statement 2: *Disclosure of Accounting Policies* (published on 12 February 2021) – applicable to annual periods beginning on or after 1 January 2023; not approved by the EU until the date of approval of these financial statements;
- Amendments to IAS 8: *Definition of Accounting Estimates* (published on 12 February 2021) – not approved by the EU until the date of approval of these financial statements – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (published on 7 May 2021) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2023;
- Amendment to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and 9 – Comparative Information* (published on 9 December 2021) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2023.

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

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

2.8. Error adjustment

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

III. Information on operating segments

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

For management purposes, the Company was divided into segments based on manufactured products and rendered services. Based on that, the Management Board have identified the ERP systems segment which accounts for more than 93% of total Company's revenues. Other activities do not meet the quantitative thresholds imposed by IFRS 8 and are not isolated as segments. Changes in the size and significance of developed products and provided services may result in a change of composition of operating segments. **The ERP Systems** segment includes ERP solutions for enterprise management, in-house SFA and FFA mobile solutions intended for companies operating through mobile workforce, and sales support systems for the retail industry. The solutions are based on the Oracle and Microsoft technology, and in the case of Macrologic S.A., on the original MacroBASE database system. The IT applications support business processes and information flow and are able to handle most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production, and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. The technological capacity of the systems enable their deployment in various network architectures (including WAN) and combination with specialized software and hardware. None of the customers accounted for 10% or more of the Company's revenue.

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

The Management Board monitors the operating results in separate segments in order to make decisions about allocating resources, assessing the impact of this allocation, and performance. The basis for the assessment of performance is profit or loss on operating activities, which to some extent, as explained in the table below, are measured differently than the profit or loss from operations in the financial statements. The financing of the Company (including financial income and expenses) and income tax are monitored at the Company level; hence these items are not allocated to the segments.

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

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

12 months to 31 December 2021	ERP segment	Unallocated	Total
	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>
Sales to external customers	285,038	22,394	307,432
Gains on reported segment sales	91,937	2,117	94,054
Amortisation/Depreciation	(27,157)	(185)	(27,342)
Intangible assets recognised during the settlement of combination allocated to segment	1,358	-	1,358
Goodwill from combinations assigned to segment	252,879	-	252,879

12 months to 31 December 2020	ERP segment	Unallocated	Total
	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>
Sales to external customers	267,793	14,323	282,116
Gains on reported segment sales	91,245	944	92,189
Amortisation/Depreciation	(24,930)	(192)	(25,122)
Intangible assets recognised during the settlement of combination allocated to segment	1,670	-	1,670
Goodwill from combinations assigned to segment	252,879	-	252,879

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

4.1. Structure of operating income

Selected accounting rules

The Company recognises revenues in the amount of remuneration which, as expected by the Company, is payable in exchange for the transfer of promised goods or services in accordance with Five Step Model.

The Company sells licences and broad IT services and distinguishes the following types of receipts:

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

a) Sale of licence and own services

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

▪ Comprehensive IT projects

As regards this type of revenues, a greater part of them is raised from comprehensive IT projects in which the Company undertakes to provide a fully functional IT system. Such a system is of greatest value to the customer as it is the final product containing own licences and related essential services (e.g. modification or implementation). In practice, in the case of such contracts, the Company is almost always required to provide comprehensive goods or services to its customers. They include the supply of: own licences and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts usually provide for a separate obligation of performance consisting in providing the client with a functional IT system.

Revenues related to the obligation to provide a fully functional IT system are recognised by the Company in the period in which such a system is developed. For in accordance with IFRS 15, revenues may be recognised during the transfer of control over the provided services/goods, unless, as a result of such operations, assets are created of alternative use and, at the same time, for the entire duration of the contract, the entity enjoys an enforceable right to receive remuneration for its performance. In the opinion of the Management Board, in the case of delivering comprehensive IT projects, their alternative use from the vendor's point of view is excluded because these systems, along with the accompanying implementation services, are of a tailored nature. At the same time, the conducted analysis shows that practically in all cases for contracts concluded by the Company the criterion of having an enforceable right to remuneration for performance throughout the duration of the contract is met. This means that the receipts from sales of comprehensive IT systems in which own licences and own services are sold are recognised according to the degree of progress (a method based on expenditure and percentage of cost progress) in the period when the customer takes control over goods/services sold. A special case is relatively small IT projects shorter than 12 months. The revenues earned from such projects is not considered significant by the Management Board; if so, the revenue is recognised in accordance with the practical exception permitted by IFRS 15, i.e. on the basis of the right to invoice.

▪ Sale of own licences without significant accompanying services

Part of Company's revenues are revenues from the sale of licences for proprietary ERP software. If own licences for the software are sold separately, i.e. they do not go with significant modification and/or implementation services, and therefore the sale of own licence is a separate obligation to perform, the Company considers whether the promise to grant a licence is aimed at providing the customer with: the right to access the intellectual property of the entity in the form existing throughout the period of licence validity; or the right to use the intellectual property of the entity in the form existing at the time of granting the licence.

The vast majority of own licences sold by the Company separately, and thus constituting a separate obligation to perform, are licences conferring the right to use intellectual property, which means that the revenue from the sale of such licences is recognised once at the moment of transfer of control over the licence to the customer. This means that in the case of own licences sold without significant accompanying services, regardless of the licence period, the moment of recognising revenue is the moment of transfer of control, which, consequently, leads to a one-time recognition of revenue at that moment. However, there are also cases of selling licences that grant the right to

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

▪ **Maintenance services and guarantees**

Within the category of own licences and own services, presented are also the revenues from own maintenance services, including revenues from guarantees. In the opinion of the Management Board, revenues from maintenance services are, in principle, a separate obligation of performance where the customer uses the goods/services as they are supplied to them, which, consequently, leads to the recognition of the relevant revenues on the supplier's side during the period of service provision. In all cases where both the maintenance service and the extended guarantee service are provided simultaneously, the revenue is recognized over time because the customer uses the service as it is supplied.

b) Sale of licences and external services

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

c) Sale of hardware

In the category of revenues from the sale of hardware, presented are the revenues from contracts with customers for the supply of infrastructure. The revenues in this category are generally recognised upon transfer of control over hardware.

In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

Variable pay

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

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

Allocation of transaction price to obligations of performance

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

Other practical exceptions applied in the Company

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

Estimates

As described above, the Company fulfils its obligations of performance, a greater part of which, specifically consisting in the delivery of a fully functional IT system, is subject to valuation according to the degree of progress. Such valuation requires the estimation of future costs and revenues in order to measure the degree of project progress. The degree of progress is determined as the ratio of incurred expenses (to further the progress) to planned expenses, or as the ratio of man-days worked in relation to the total working time. The valuation and thus the recognition of revenue each time requires professional judgement and a significant number of estimates.

In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

Operating income in the year ended 31 December 2021 and in the comparative period was as follows:

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Operating income by type		
Licences and own services	284,249	266,043
Licences and external services	14,584	11,484
Equipment and infrastructure	8,599	4,589
Operating income total	307,432	282,116

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

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Income from contracts with customers recognized in accordance with IFRS 15		
From goods or services provided at a specified time, including:	56,571	50,240
<i>ERP segment</i>	35,048	36,631
<i>Unallocated</i>	21,523	13,609
From goods or services provided over time, including:	250,861	231,876
<i>ERP segment</i>	249,990	231,162
<i>Unallocated</i>	871	714
Operating income total	307,432	282,116

ii. Other obligations of performance

As at 31 December 2021, 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 2021 all main obligations of performance involving the supply of a comprehensive IT system (measured according to progress) result from contracts expiring before 31 December 2022. In the case of agreements for the maintenance of IT systems, most of them were concluded for an indefinite period with a notice period shorter than 12 months; therefore, the Company recognises the obligations of performance under such agreements as short-term and thus subject to the above-mentioned practical exception.

iii. Structure of operating income by country of generation

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Poland	266,053	245,375
ROW, including:	41,379	36,741
- United Kingdom	8,712	5,656
- France	8,071	9,015
- Germany	6,761	6,985
- The Netherlands	5,722	6,294
- Romania	3,621	3,346
- Luxembourg	1,517	1,315
- United States	1,155	250
- Italy	1,132	972
- Spain	624	277
- Switzerland	482	19
- Bulgaria	488	339
- Czech Republic	448	462
- Sweden	406	-
- Austria	372	445
- Croatia	328	458
- Baltic States (Lithuania, Latvia, Estonia)	159	109
- others	1,381	799
Total	307,432	282,116

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

iv. Operating income from R&D services developed in the house

Information on net turnover from the sale of R&D services referred to in Article 17(2)(1)(a) of the Act of 30 May 2008 on Certain Forms of Supporting Innovative Activities (consolidated text: Journal of Laws of 2021, item 706, as amended).

Revenues from R&D account for 31% of the net turnover from the sales of goods and products achieved by the Company, plus revenues from financial operations.

	12 months to 31 December 2021
	PLN thou.
Operating income	307,432
including: turnover from R&D	94,714

4.2. Structure of operating expenses

Selected accounting rules

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

- a) wages and salaries and social security contributions,
- b) payments for short-term absences (e.g. paid holiday leave or paid sick leave),
- c) withdrawals from income and bonuses,
- d) non-cash benefits for currently employed personnel (e.g. medical care, housing or company cars).

However, classification of expenses by function is used for presentation purposes in the profit and loss account.

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

The Cost of Goods Sold is the cost of purchasing goods or services from subcontractors (excluding personnel outsourcing) used to carry out projects. The costs relate to both revenues presented as own revenues (regarding revenues from services rendered by subcontractors, if the use of external resources is authorized by the Company which treats external resources as a substitute for own resources) and external revenues (services that must be provided by external resources – most often software or hardware producers).

The costs related to the Employee Capital Plans (PPK) are the costs of post-employment benefits in the form of a defined contribution plan and are recognized under Pension benefit costs (the relevant liability is disclosed in budgetary commitments).

Operating expenses in the year ended 31 December 2021 and in the comparable period were as follows:

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Operating expenses		
Value of goods and external services sold	(20,323)	(14,568)
Employee benefits	(135,914)	(126,865)
Amortisation/Depreciation	(27,342)	(25,122)

External services *	(22,644)	(17,813)
Other	(7,155)	(5,559)
Total	(213,378)	(189,927)
Own cost of sales	(174,907)	(156,963)
Cost of sales	(18,027)	(12,557)
Administrative expenses	(20,454)	(20,432)
Impairment/Reversal of impairment for credit losses in relation to trade receivables	10	25
Total	(213,378)	(189,927)

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

i. Costs of employee benefits

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Wages and salaries	(112,418)	(105,699)
Employee benefits, including:	(21,998)	(19,727)
Social security costs	(18,862)	(17,322)
Other costs of employee benefits	(1,498)	(1,439)
Total costs of employee benefits in:	(135,914)	(126,865)
- own cost of sales	(108,813)	(101,585)
- cost of sales	(11,664)	(8,741)
- administrative expenses	(15,437)	(16,539)
Total costs of employee benefits	(135,914)	(126,865)

ii. Reconciliation of amortisation/depreciation costs

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

	Note	12 months to 31 December 2021	12 months to 31 December 2020
		PLN thou.	PLN thou.
Depreciation allowance for the year resulting from the table of fixed asset movement	<u>5.1</u>	(5,553)	(4,606)
Depreciation allowance for the year resulting from the table of intangible asset movement	<u>5.2</u>	(13,361)	(13,007)
Depreciation allowance for the year resulting from the table of movement of right-of-use assets	<u>5.3</u>	(8,578)	(7,676)
Capitalisation of depreciation costs for ongoing R&D projects		7	1
Total depreciation allowance recognised in cash flow statement		(27,485)	(25,288)
Depreciation costs of rented real property included in other operating expenses		143	166
Total depreciation allowance recognised in operating expenses		(27,342)	(25,122)

4.3. Financial income and expenses

Selected accounting rules

Interest income is interest on granted loans, investment in securities held to maturity, bank deposits and other facilities.

Interest income is recognised in accordance with the effective interest method in the profit and loss account. Upon the sale of investment in traded debt, the Company recognises cumulative profit/loss from valuation in the financial result.

Interest costs resulting from the financing obtained by the Company are calculated according to the effective interest rate.

Financial income in the 12 months ended 31 December 2021 and in the comparable period were as follows:

Financial income	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Interest income on bank deposits measured at effective interest rate	58	196
Positive exchange differences	181	-
Net profits from realisation and/or valuation of derivative instruments	12	-
Total	251	196

Financial expenses in the 12 months ended 31 December 2021 and in the comparable period were as follows:

Financial expenses	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Interest cost on bank loans, debt securities and trade liabilities	-	(4)
Interest cost on lease	(1,141)	(1,815)
Other interest expense	(68)	(5)
Negative exchange rates	-	(782)
Losses from realisation and/or valuation of derivative instruments	-	(525)
Total	(1,209)	(3,131)

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

4.4. Tax on profit or loss

Selected accounting rules

The Company recognises and measures current and deferred income tax assets or liabilities by applying the requirements of IAS 12 Income tax based on profit (tax loss), taxable amount, unrelieved tax losses, unused tax reliefs and tax rates, while taking into account an assessment of the uncertainty associated with tax settlements.

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.

Estimates

On each balance sheet date, the Company assesses the realisability of deferred tax assets. This assessment requires professional judgement and estimates.

If, in the Company's opinion, it is likely that the Company's approach to a tax or taxes is accepted by the tax authority, the Company will determine its taxable profit (tax loss), tax base, unused tax losses, unused tax relief, and tax rates taking into account the approach to taxation planned or applied in its tax return. In accordance with IAS 23, by assessing this likelihood, the Company assumes that the tax authorities authorized to audit and challenge the adopted tax approach will carry out such an audit and will have access to all information.

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

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

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

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Current income tax	(12,269)	(13,637)
Deferred tax	(708)	438
Tax expense reported in the profit and loss account	(12,977)	(13,199)

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

On 15 July 2016, Polish tax law was amended to include changes that allow for the General Anti-Abuse Rule ("GAAR"). The GAAR is to prevent the use of artificial schemes created in order to avoid the payment of tax in Poland. GAAR defines tax avoidance as an operation carried out with a view to achieving a tax advantage contrary, in the specific circumstances, to the object and purpose of tax law. According to GAAR, such an operation does not result in a tax advantage if the scheme of action has been artificial. Any occurrence of (i) unfounded dividing of an operation, (ii) the involvement of intermediate parties despite the lack of commercial or economic grounds, (iii) of mutually exclusive or compensating elements, and (iv) other activities of a similar effect to the previously mentioned, can be treated as a factor typical of artificial schemes addressed by GAAR. The new regulations will require more judgement when assessing the tax effects of individual transactions.

The GAAR clause should apply to transactions made after its entry into force and the transactions that were carried out prior to its entry into force but for which the advantages were or are still being achieved after the

date of entry of the clause into force. The adoption of these regulations will enable the Polish tax inspection bodies to challenge the legal arrangements and agreements pursued by the taxpayer, such as the restructuring and reorganisation of the Company.

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

Provisions on tax on goods and services, corporate income tax, personal income tax or social security contributions are subject to frequent changes; as a result, no reference can be made to well-established case-law. The current rules and regulations are not always clear, which may cause additional differences in interpretation. Tax settlements are subject to control by tax authorities. If any irregularities in tax settlements are detected, the taxpayer is obliged to pay the amount of arrears along with statutory interest due. Payment of outstanding liabilities does not always discharge from criminal and fiscal liability. The phenomena described above cause that tax settlements are encumbered with a relatively high risk. Tax settlements may be subject to inspection for five years starting from the end of the year of submission of tax returns. As a result, the amounts indicated in the financial statements are subject to change at a later date after their final determination by tax authorities.

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

	12 months to 31 December 2021	12 months to 31 December 2020
	PLN thou.	PLN thou.
Accounting income	93,625	89,605
Applicable corporate income tax rate	19%	19%
Income tax at applicable statutory tax rate	17,789	17,025
Use of tax-deductible tax allowances (R&D relief)	(1,874)	(1,876)
Difference due to different income tax rate (IP BOX relief)	(3,505)	(2,237)
SFRD	228	191
Representation expenses	3	2
Other fixed differences	336	94
Income tax calculated at effective tax rate	12,977	13,199
Effective income tax rate	14%	15%

The Company carried out R&D works as part of its business activity. As a result, an intellectual property right was created, i.e. the author's economic right to a computer program, which was recognized as a qualified IP right within the meaning of corporate income tax law. The Company's 2021 income from fees or charges due under licence agreements related to qualified IP, and multiplied by the Nexus ratio, was taxed with a preferential CIT rate under the IP Box relief.

	Provision for deferred tax		Asset from deferred tax		Total income for period 12 months to 31 December 2021 PLN thou.
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	
	PLN thou.	PLN thou.	PLN thou.	PLN thou.	
Property, plant and equipment	691	611	-	2	(82)
Intangible assets	208	267	-	-	59
Right-of-use assets	9,515	7,260	-	-	(2,255)
Inventories	-	-	34	21	13
Trade receivables	2	34	351	475	(92)
Assets from contracts with customers	2	100	-	-	98
Cash	3	-	-	-	(3)
Provisions	-	-	494	626	(82)
Trade liabilities	14	13	20	-	19
Financial liabilities	264	122	10,481	8,387	1,952
Other liabilities	-	-	522	171	351
Accruals and deferred income	-	-	1,460	2,326	(866)
Accrued charges	16	13	-	-	(3)
Deferred tax gross provisions	10,715	8,420	-	-	(2,295)
Deferred tax gross assets	-	-	13,362	12,008	1,404
Deferred tax net assets (+)/ provision(-)			2,647	3,588	
Change in deferred tax in the reporting period, including:					(891)
<i>change in deferred tax recognised directly in other comprehensive income</i>					<i>(183)</i>
<i>change in deferred tax recognised in profit and loss account</i>					<i>(708)</i>

4.5. Earnings per share

Selected accounting rules

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

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

In the period of 12 months ended 31 December 2021 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 2021	12 months to 31 December 2020
Weighted average number of issued ordinary shares used to calculate basic earnings per share	33,418,193	33,418,193
Net profit for the reporting period (in PLN thou.)	80,648	76,406
Net profit per share (in PLN)	2.41	2.29

4.6. Information on dividends paid

Pursuant to the decision of the General Meeting of Shareholders of Asseco Business Solutions S.A. dated 9 June 2021, the Company paid a dividend for 2020. Part of the net profit for the year 2020 in the amount of PLN 66,836 thousand was earmarked for the payment of the dividend in the amount of PLN 2.0 per share. The remaining part of net profit in the amount of PLN 9,570 thousand was transferred to supplementary capital and recognised under retained earnings. The dividend date was set on 18 June 2021 and the dividend payment date on 29 June 2021.

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

V. Explanatory notes to the balance sheet

5.1. Property, plant and equipment

Selected accounting rules

Property, plant and equipment, other than land, are carried at cost less decommitment and impairment loss. Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of machinery and equipment when incurred, if the criteria of their recognition in the value of assets are met. Costs incurred after the date of commissioning of the asset to be used, such as maintenance and repair costs, are charged to profit or loss when incurred.

Property, plant and equipment at the time of purchase are divided into components which are items of significant value to which a specific period of economic useful life may be assigned. Components are also the cost of overhauls.

Investment in progress concern the tangible assets in the course of construction or assembly and are disclosed at purchase price or production cost, less any impairment losses. Assets under construction are not subject to depreciation until the end of construction.

The item of property, plant and equipment may be derecognised from the balance sheet if sold, or if there are no expected economic benefits resulting from its further use. Any gain or loss resulting from the derecognition of the asset from the balance sheet (calculated as the difference between the net sales proceeds and the carrying value of the asset) are recognized in profit or loss for the period in which such derecognition was made.

Borrowing costs, which can be directly attributed to the purchase, construction or production of an asset that requires a significant amount of time to prepare for its intended use or sale, are activated by the Company as part of cost of that asset. All other borrowing costs are recognized as costs of the period in which they were incurred.

Estimates

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

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

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

Every year the Company reviews assumed economic useful lives based on current estimates concerning the estimated useful life of an asset.

In the 12 months ended 31 December 2021, there were no major changes in the manner of making estimates.

In 2021, there were no significant changes to the amortization rates applied by the Company.

Changes in net worth of property, plant and equipment in the period of the 12 months ended 31 December 2021 and in the comparable period were attributed to the following:

	Land and buildings	Computers and other office equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2021	1,950	17,416	15,259	2,633	5,284	42,542
Increase through:	3,828	6,213	154	1,717	3,601	15,513
Purchase and upgrade	20	3,050	154	152	3,601	6,977
Transfers from fixed assets under construction	3,808	3,163	-	1,565	-	8,536
Decrease through:	-	(3,728)	(533)	(262)	(8,652)	(13,175)
Sale	-	(858)	(426)	-	-	(1,284)
Liquidation	-	(3,124)	(114)	(1)	-	(3,239)
Transfers from fixed assets under construction to fixed assets	-	-	-	-	(8,536)	(8,536)
Changes in presentation	-	254	7	(261)	(116)	(116)
Gross value as at 31 December 2021	5,778	19,901	14,880	4,088	233	44,880
Decommitment as at 1 January 2021	(1,078)	(12,154)	(6,339)	(1,871)	-	(21,442)
Increase through:	(304)	(3,223)	(1,844)	(182)	-	(5,553)
Depreciation allowance for reporting period	(304)	(3,223)	(1,844)	(182)	-	(5,553)
Decrease through:	-	3,976	426	-	-	4,402
Sale	-	856	367	-	-	1,223
Liquidation	-	3,120	59	-	-	3,179
Decommitment as at 31 December 2021	(1,382)	(11,401)	(7,757)	(2,053)	-	(22,593)
Net value as at 1 January 2021	872	5,262	8,920	762	5,284	21,100
Net value as at 31 December 2021	4,396	8,500	7,123	2,035	233	22,287

	Land and buildings	Computers and other office equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2020	1,968	17,671	8,439	2,413	-	30,491
Increase through:	59	2,842	8,341	293	5,284	16,819
Purchase and upgrade	59	2,842	-	293	5,284	8,478
Transfers from right-of-use assets	-	-	8,341	-	-	8,341
Decrease through:	(77)	(3,097)	(1,521)	(73)	-	(4,768)
Sale	-	(658)	(1,478)	(27)	-	(2,163)
Liquidation	(77)	(2,439)	(43)	(46)	-	(2,605)
Gross value as at 31 December 2020	1,950	17,416	15,259	2,633	5,284	42,542
Decommitment as at 01 January 2020	(1,088)	(12,069)	(3,315)	(1,847)	-	(18,319)
Increase through:	(67)	(3,168)	(4,317)	(97)	-	(7,649)
Depreciation allowance for reporting period	(67)	(3,168)	(1,274)	(97)	-	(4,606)
Transfers from right-of-use assets	-	-	(3,043)	-	-	(3,043)
Decrease through:	77	3,083	1,293	73	-	4,526
Sale	-	654	1,261	27	-	1,942
Liquidation	77	2,429	32	46	-	2,584
Decommitment as at 31 December 2020	(1,078)	(12,154)	(6,339)	(1,871)	-	(21,442)
Net value as at 01 January 2020	880	5,602	5,124	566	-	12,172
Net value as at 31 December 2020	872	5,262	8,920	762	5,284	21,100

5.2. Intangible assets

Selected accounting rules

Acquired intangible assets

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

Goodwill

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

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

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

Internally generated intangible assets

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

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

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

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

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

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

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

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of an intangible asset. The useful life of intangible assets is assessed and considered to be limited and indefinite. Intangible assets with a limited useful life are amortized using the straight-line method based on their estimated useful life, and the amortization costs are recognized in the profit and loss account in accordance with the place of occurrence.

Useful life periods are presented in the table below:

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

The Company reviews the adopted periods of economic useful life based on current estimates annually. In 2021 there were no significant changes to the intangible asset amortization rates applied by the Company.

The cost price of an internally generated intangible asset is determined and capitalised in accordance with the Company's accounting policy. To decide the starting point for cost capitalisation is the subject of professional judgement regarding the technological and economic possibility of completing the project. This point is determined by achieving a project milestone in which the Company has reasonable assurance that it is able to complete an intangible asset so that it can be used or sold, and that future economic benefits from the use or sale will exceed the cost of generation of that intangible asset.

Thus, by determining the value of costs that may be subject to capitalisation, the Management Board assesses the current value of future cash flows generated by a given intangible asset.

Every year and at each balance sheet date, if specific conditions are met, goodwill is tested for impairment. Performing such a test requires estimation of the recoverable amount of the cash-generating unit and is mostly done using the discounted cash flow method, which requires estimations to be made of future cash flows, changes in working capital and the weighted average cost of capital.

Intangible assets recognised during the settlement of combination

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

	Customer relations	Other	Total
	PLN thou.	PLN thou.	PLN thou.
As at 1 January 2021:			
Gross	2,500	262	2,762
Decommitment	(1,092)	-	(1,092)
Net carrying value as at 1 January 2021	1,408	262	1,670
As at 31 December 2021:			
Gross	2,500	262	2,762
Decommitment	(1,404)	-	(1,404)
Net carrying value as at 31 December 2021	1,096	262	1,358
Depreciation allowance for the reporting period	312	-	312

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

Changes in net worth of intangible assets in the period of 12 months ended 31 December 2021 and in the comparative period were attributed to the following:

	Goodwill	Internally generated software	Costs of unfinished R&D work	Purchased computer software, patents, licences and other intangible assets	Intangible assets recognised during the settlement of combination	In total
	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>
Gross value as at 1 January 2021	252,879	48,946	371	5,716	2,762	310,674
Increase through:	-	15,358	15,907	521	-	31,786
Purchase and upgrade	-	-	-	521	-	521
Capitalisation of costs of R&D projects	-	-	15,907	-	-	15,907
Transfers from costs of unfinished development work	-	15,358	-	-	-	15,358
Decrease through:	-	-	(15,358)	-	-	(15,358)
Transfer to internally generated software	-	-	(15,358)	-	-	(15,358)
Net worth as at 31 December 2021	252,879	64,304	920	6,237	2,762	327,102
As at 1 January 2021	-	(27,095)	-	(5,392)	(1,092)	(33,579)
Increase through:	-	(12,753)	-	(296)	(312)	(13,361)
Depreciation allowance for reporting period	-	(12,753)	-	(296)	(312)	(13 361)
Decommitment as at 31 December 2021	-	(39,848)	-	(5,688)	(1,404)	(46,940)
Net value as at 1 January 2021	252,879	21,851	371	324	1,670	277,095
Net value as at 31 December 2021	252,879	24,456	920	549	1,358	280,162

	Goodwill	Internally generated software	Costs of unfinished R&D work	Purchased computer software, patents, licences and other intangible assets	Intangible assets recognised during the settlement of combination	In total
	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>	<i>PLN thou.</i>
Gross value as at 1 January 2020	252,879	88,410	543	8,757	2,762	353,351
Increase through:	-	13,910	13,738	275	-	27,923
Purchase and upgrade	-	-	-	275	-	275
Capitalisation of costs of R&D projects	-	-	13,738	-	-	13,738
Transfers from costs of unfinished development work	-	13,910	-	-	-	13,910
Decrease through:	-	(53,374)	(13,910)	(3,316)	-	(70,600)
Liquidation and sale	-	(53,374)	-	(3,316)	-	(56,690)
Transfer to internally generated software	-	-	(13,910)	-	-	(13,910)
Net worth as at 31 December 2020	252,879	48,946	371	5,716	2,762	310,674
As at 1 January 2020	-	(68,050)	-	(8,430)	(780)	(77,260)
Increase through:	-	(12,419)	-	(276)	(312)	(13,007)
Depreciation allowance for reporting period	-	(12,419)	-	(276)	(312)	(13,007)
Decrease through:	-	53,374	-	3,314	-	56,688
Liquidation and sale	-	53,374	-	3,314	-	56,688
Decommitment as at 31 December 2020	-	(27,095)	-	(5,392)	(1,092)	(33,579)
Net value as at 1 January 2020	252,879	20,360	543	327	1,982	276,091
Net value as at 31 December 2020	252,879	21,851	371	324	1,670	277,095

In the fourth quarter of 2020, the Company carried out a detailed verification of its register of intangible assets, as a result of which it liquidated PLN 56,688 thousand worth of intangible assets (in the same amount for gross value and decommitment, respectively). The greatest impact of this is seen in the in-house line of Software and work performed in relation to previous software releases. There is no amortization of intangible assets recognized in the statement of other comprehensive income.

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

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

Costs of unfinished R&D work

Major projects implemented in the year ended 31 December 2021 were as follows:

- Macrologic ERP WNIP 4.0

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

The project development phase began in January 2021. The total value of expenditure capitalized on intangible assets by 31 December 2021 was PLN 4,894 thousand. The project was completed on 31 December 2021.

- ABS Mobile Touch 11.0

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

The project development phase began in January 2021. The total value of expenditure capitalized on intangible assets by 31 December 2021 was PLN 3,339 thousand. The project was completed on 31 December 2021.

- ABS.IR

The ABS.IR project exploits artificial intelligence embedded in a cloud or device to recognise products and determine business parameters based on an image automatically; the project also aims to develop tools for effective image description for AI learning purposes.

The project development phase began in January 2021. The total value of expenditure capitalized on intangible assets by 31 December 2021 was PLN 1,864 thousand. The project was completed on 31 December 2021.

5.3. Right-of-use assets

Selected accounting rules

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

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

The Company recognises right-of-use assets at the beginning of lease in its balance sheet (i.e. as at the date when an asset covered by the lease agreement is made available to the Company for use). Right-of-use assets are initially recognized at cost. The cost of a right-of-use asset covers the amount of the initial valuation of lease liability, any lease payments paid on or before the initial date of the lease, less any leasing incentives received, initial direct costs incurred by the lessee, and an estimate of the costs to be incurred by the lessee in connection with the disassembly

and removal of the underlying asset. The Company measures a right-of-use asset using the cost model, i.e. less depreciation write-downs and possible losses due to impairment, but also after appropriate adjustment for recalculated lease liabilities (i.e. modifications that do not require the recognition of a separate lease).

Estimates

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

Useful life periods are presented in the table below:

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

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

	Land and buildings	Means of transport	Total
Gross value as at 1 January 2021	48,204	9,958	58,162
Increase through:	22,654	3,439	26,093
New lease agreements	19,144	3,439	22,583
Modification of existing agreements (renewal, change of interest rate)	3,480	-	3,480
Other	30	-	30
Decrease through:	(4,190)	-	(4,190)
Termination	(344)	-	(344)
Change in judgement for lease term	-	-	-
Modification of existing agreements (early termination, change of interest rate)	(3,837)	-	(3,837)
Other	(9)	-	(9)
Changes in presentation	116	-	116
Gross value as at 31 December 2021	66,784	13,397	80,181
Decommitment as at 1 January 2021	(9,993)	(1,317)	(11,310)
Increase through:	(7,085)	(1,493)	(8,578)
Depreciation allowance for reporting period	(7,085)	(1,493)	(8,578)
Decrease through:	344	-	344
Early termination	344	-	344
Decommitment as at 31 December 2021	(16,734)	(2,810)	(19,544)
Net value as at 01 January 2021	38,211	8,641	46,852
Net value as at 31 December 2021	50,050	10,587	60,637

	Land and buildings	Means of transport	Total
Gross value as at 1 January 2020	44,504	14,608	59,112
Increase through:	13,901	3,691	17,592
New lease agreements	3,922	3,691	7,613
Modification of existing agreements (renewal, change of interest rate)	9,979	-	9,979
Other	271	-	271
Decrease through:	(10,201)	(8,341)	(18,542)
Early termination	(91)	-	(91)
Change in judgement for lease term	(8,203)	-	(8,203)
Modification of existing agreements (early termination, change of interest rate)	(1,907)	-	(1,907)
Buyout of right-of-use asset	-	(8,341)	(8,341)
Gross value as at 31 December 2020	48,204	9,958	58,162
Decommitment as at 1 January 2020	(5,306)	(2,493)	(7,799)
Increase through:	(5,809)	(1,867)	(7,676)
Depreciation allowance for reporting period	(5,809)	(1,867)	(7,676)
Decrease through:	1,122	3,043	4,165
Early termination	19	-	19
Modification of existing agreements (early termination, change of interest rate)	1,103	-	1,103
Buyout of right-of-use asset	-	3,043	3,043
Decommitment as at 31 December 2020	(9,993)	(1,317)	(11,310)
Net value as at 1 January 2020	39,198	12,115	51,313
Net value as at 31 December 2020	38,211	8,641	46,852

5.4. Asset impairment tests

Selected accounting rules

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

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

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

Goodwill and impairment test

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

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

Estimates

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

As at 31 December 2021, as well as in the 12-month period ended 31 December 2020, 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.

	31 December 2021	31 December 2020
	PLN thou.	PLN thou.
Book value of net assets	346,493	331,910
Market capitalisation	1,450,350	1,283,259
Surplus (+) of market capitalization over net assets	1,103,857	951,349

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 for 2022.
- 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 0.91 was adopted which was leveraged based on the market structure of the debt/equity) and the value of expected return from the market.

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

As a result of the test for impairment, it should be noted that on 31 December 2021, 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 2026;
- compound annual growth rate of free cash flows (CAGR) over the period of forecast, i.e. in the years 2022-2026,

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		Free cash flow to firm (FCFF)
	applied in model	limitation	Limitation
Goodwill	8.76%	N/A*	-28.41%

*limitation WACC does not exist

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

	Change in discount rate for the residual period (in percentage points)						
	-1.5 p.p.	-1.0 p.p.	-0.5 p.p.	0.0 p.p.	+0.5 p.p.	+1.0 p.p.	+1.5 p.p.
FCFF current value (in PLN thou.)	1,319,953	1,257,512	1,202,627	1,154,007	1,110,636	1,071,707	1,036,572
Above/less than unitbook value (in PLN thou.)	954,951	892,510	837,625	789,005	745,634	706,705	671,570

	Change in the value of FCFF in 2022-2026 (in percentage terms)						
	-5%	-3%	-1%	0%	1%	3%	5%
FCFF current value (in PLN thou.)	1,096,307	1,119,387	1,142,467	1,154,007	1,165,547	1,118,627	1,211,707
Above/less than unitbook value (in PLN thou.)	731,305	754,385	777,465	789,005	800,545	823,625	846,705

5.5. Receivables and assets from contracts with customers

Selected accounting rules

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

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

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

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

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

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

where appropriate, for the impact of forward-looking information. To this end, the Company divides its customers into homogeneous groups and carries out a statistical age analysis and a debt collectability analysis based on data from at least two years back.

Allowance for expected credit losses on trade receivables is updated on each reporting day.

For trade receivables that are past due more than 180 days, apart from the statistical method of estimating the amount of allowance for credit loss based on the provision matrix, the Company also applies an individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management exercise professional judgement taking into account the contractor's financial standing, the type of security, the progress of contract performance, the current rating, and other relevant facts and circumstances.

The allowance for credit losses in relation to trade receivables and assets from contracts with customers are included in operating activities.

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

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

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

Estimates

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

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

The following table presents the balances of trade receivables as at 31 December 2021 and as at 31 December 2020:

	31 December 2021		31 December 2020	
	Long-term PLN thou.	Short-term PLN thou.	Long-term PLN thou.	Short-term PLN thou.
Trade receivables	-	45,969	-	41,665
from related parties, including:	-	4,108	-	697
Invoiced receivables	-	3,966	-	697
Receivables not invoiced	-	142	-	-
from other parties	-	41,861	-	40,968
Invoiced receivables	-	41,522	-	40,879
Receivables not invoiced	-	339	-	89
Allowance for expected credit losses (-)	-	(1,435)	-	(1,601)
Total trade receivables	-	44,534	-	40,064

The following table presents the balances of contract assets as at 31 December 2021 and as at 31 December 2020:

	31 December 2021		31 December 2020	
	Long-term PLN thou.	Short-term PLN thou.	Long-term PLN thou.	Short-term PLN thou.
Assets from contracts with customers				
from related parties	-	28	-	188
from other parties	-	776	-	864
Total assets from contracts with customers	-	804	-	1,052

Assets from contracts with customers result from the fact that the progress of implementation contracts is more advanced than issued invoices.

Change in the value of assets related to contracts with customers during 12 months ended 31 December 2021 and in the comparable period:

	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Value of assets from contracts with customers as at 1 January	1,052	1,528
Reclassification of an asset from contracts with customers due to acquisition of an unconditional right to payment	(3,591)	(4,621)
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions	3,343	4,145
Assets from contracts with customers at end of period	804	1,052

The table below shows movement in the balance of write-downs for forecast credit losses in relation to trade receivables and assets from contracts with customers during the 12-month period ended 31 December 2021 and in the corresponding period of the previous year:

	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
As at 1 January	(1,601)	(1,875)
Creation	(52)	(90)
Termination/use	218	364
As at 31 December	(1,435)	(1,601)

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

The tables below show the age structure of receivables together with the allowance for expected credit losses as at 31 December 2021 and 31 December 2020:

	31 December 2021					
	Gross amount		Write-down		Net amount	
	PLN thou.	%	PLN thou.	%	PLN thou.	%
Ageing of trade receivables						
Receivables undue	40,537	86.7%	-	-%	40,537	89.5%
Past due receivables	4,332	9.2%	(335)	23.4%	3,997	8.8%
Receivables past due up to 3 months	3,770	8.1%	(169)	11.8%	3,601	7.9%
Receivables past due from 3 to 6 months	203	0.4%	-	-%	203	0.4%
Receivables past due from 6 to 12 months	59	0.1%	(30)	2.1%	29	0.1%
Receivables past due over 12 months	300	0.6%	(136)	9.5%	164	0.4%
	44,869	95.9%	(335)	23.4%	44,534	98.3%
Receivables claimed at court	1,100	2.4%	(1,100)	76.6%	-	-%
Aged assets from contracts with customers	804	1.7%	-	-	804	1.7%
Total	46,773	100.0%	(1,435)	100.0%	45,338	100.00%

	31 December 2020					
	Gross amount		Write-down		Net amount	
	PLN thou.	%	PLN thou.	%	PLN thou.	%
Ageing of trade receivables						
Receivables undue	36,003	84.3%	-	-%	36,003	87.6%
Past due receivables	4,548	10.6%	(487)	30.4%	4,061	9.8%
Receivables past due up to 3 months	3,983	9.3%	(282)	17.6%	3,701	9.0%
Receivables past due from 3 to 6 months	47	0.1%	-	-%	47	0.1%
Receivables past due from 6 to 12 months	52	0.1%	(35)	2.2%	17	-%
Receivables past due over 12 months	466	1.1%	(170)	10.6%	296	0.7%
	40,551	94.9%	(487)	30.4%	40,064	97.4%
Receivables claimed at court	1,114	2.6%	(1,114)	69.6%	-	-%
Aged assets from contracts with customers	1,052	2.5%	-	-	1,052	2.6%
Total	42,717	100.0%	(1,601)	100.0%	41,116	100.00%

The table below presents other receivables as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	Non-current PLN thou.	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Receivables from paid deposits	223	43	178	233
Other receivables	-	43	-	128
Other receivables total	223	86	178	361

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

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

5.6. Accruals

Selected accounting rules

In accrued expenses, expenses incurred until the balance sheet date are recognised which relate to future periods (prepaid expenses) or relate to future revenues. In particular, accruals include: (i) external prepaid services (including maintenance services) to be provided in subsequent periods, (ii) prepaid insurance, subscriptions, rents, etc., and (iii) other expenses incurred in the period and related to future periods.

In addition, the Company recognizes as an asset the costs of conclusion of an agreement with a customer and the costs of performance of the agreement if the Company expects to recover such costs.

As at 31 December 2021 and as at 31 December 2020, the balance of active accruals comprised the following items:

	31 December 2021		31 December 2020	
	Non-current PLN thou.	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Prepaid services, including:				
Maintenance services and licence fees	23	393	14	1,334
Prepaid training	-	84	-	119
Insurance	2	62	5	982
Other services	5	703	-	433
Total	30	1,242	19	2,868

Accrued expenses as at 31 December 2021 and at the end of the comparative period consisted mainly of prepaid maintenance services and licence fees that will be recognised in the profit and loss account successively in future periods.

5.7. Other assets

Selected accounting rules

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

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

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

Measurement upon initial recognition

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

Measurement upon initial recognition

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

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

(i) the financial asset is held in accordance with a business model whose purpose is to receive contractual cash flows; and (ii) the terms of the contract for the financial asset generate cash flows in specific periods that are only the repayment of the principal and interest on the outstanding principal amount.

The Company classifies the following into the category of financial assets measured at amortized cost: cash and cash equivalents, granted loans (meeting the SPPI classification test), assets from contracts with clients, trade receivables, services and other receivables falling under IFRS 9.

Trade receivables with a maturity of less than 12 months are measured at the amount of payment due, less any allowance due to expected loss. Long-term receivables falling under IFRS 9 are discounted at the balance sheet date.

The Company measures financial assets at amortized cost using the effective interest method. Receipts from interest on investment in debt instruments the Company recognizes in the financial result. Upon the sale of investment in traded debt, the Company recognises cumulative profit/loss from valuation in the financial result.

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

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

Termination of recognition

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

Impairment of financial assets

The expected loss model applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, except for investment in equity instruments.

To assess write-downs due to impairment of financial assets, the Company adopts the following approaches:

- general approach,
- simplified approach.

The Company applies a general approach to financial assets measured at fair value through other comprehensive income and to financial assets at amortised cost, with the exception of trade receivables and assets from contracts with customers.

In a general approach, the Company estimates a write-down due to impairment of financial assets based on a 3-stage model using the change in the credit risk of financial assets from their initial recognition.

If the credit risk of a given financial asset has not increased significantly since initial recognition (stage 1), the Company estimates an impairment loss over a 12-month horizon. If the Company identifies a significant increase in the credit risk of financial assets (stages 2 and 3), impairment loss is estimated over the life horizon of financial assets.

On each reporting day, the Company analyses whether there are conditions indicating a significant increase in the credit risk of held financial assets.

As regards trade receivables and assets from contracts with customers, the Company applies a simplified approach and, because of that, it does not monitor credit risk changes during the life cycle, and the impairment loss is measured at an amount equal to expected credit losses over the life cycle of the receivables.

i. *Other financial assets*

As at 31 December 2021, the Company did not possess the categories and classes of financial assets listed in the table below (except for assets under contracts with customers, trade receivables and cash, which are presented in items 5.5 and 5.9 of explanatory notes to these financial statements).

	31 December 2021		31 December 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Financial assets valued at amortized cost, including:	-	-	-	40,000
Deposits with original maturity below 12 months	-	-	-	40,000
Financial assets valued at fair value through financial result, including:	-	-	-	-
Forward currency contracts	-	-	-	-
Total	-	-	-	40,000

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

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

In the 12 months ended 31 December 2021, the Company did not change the method of determining the fair value of financial instruments measured at fair value, and there were no transfers of instruments between the levels of the fair value hierarchy; no changes were made to the classification of financial instruments.

As at 31 December 2021 (and as at 31 December 2020), the Company was not a party to forward contracts.

ii. *Non-financial assets*

The balance of other assets as at 31 December 2021 and as at 31 December 2020 consisted of:

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Prepayments for deliveries	72	205

5.8. Inventories

Selected accounting rules

Inventories are valued at the lower of the following two values: purchase price/production cost or net realizable value. The purchase price or production cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, both in the current and previous year, and are determined as follows:

Materials in the acquisition price defined by the FIFO method,

Finished products and products in progress: cost of direct material and labour and an appropriate mark-up of indirect production overheads determined given the normal capacity utilization, excluding borrowing costs,

Goods in the purchase price determined by the FIFO method.

The selling net realizable price estimates the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Computer equipment, third-party licences and other goods for resale	690	623
Impairment loss of goods (-)	(281)	(191)
Total	409	432

5.9. Cash and short-term

Selected accounting rules

Cash and cash equivalents presented in the balance sheet consist of cash at bank and on hand, short-term deposits with a maturity not exceeding three months and other high-liquidity instruments.

The balance of cash and cash equivalents disclosed in the cash flow statement consists of the above-defined cash and cash equivalents. For the purposes of the cash flow statement, the Company adopted the principle of reducing the balance of cash and cash equivalents by the value of overdraft facilities, which were regarded as an element of financing of current operation, and restricted cash. The Company recognises only those revolving loans and demand features as a cash equivalent which are an integral part of the cash management of the Company. The Company consistently applies this approach, including, in particular, classifying revolving facilities as cash equivalents for the purpose of presentation in the statement of cash flows, when the bank balance fluctuates frequently, and the Company's management use the overdraft facility for the purpose of current liquidity management.

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Cash at bank in current accounts	22,220	6,113
Cash at bank in split payment accounts	526	440
Short-term deposits	20,017	-
Cash in hand	21	10
Cash in transit	48	51
Total cash balance shown in balance sheet and cash flow statement	42,832	6,614

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

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

Selected accounting rules

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

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

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Cash	1,053	904
Liabilities to the Fund	1,042	787
Balance after offset	11	117
Allowances to the Fund in the financial period	1,498	1,439

5.11. Subscribed capital and other elements of equity

Share capital

The subscribed capital as at 31 December 2021 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 2021, the subscribed capital did not change compared to 31 December 2020. The Company's authorised capital is equal to its subscribed capital.

Supplementary capital

Supplementary capital (in accordance with the Code of Commercial Companies and Partnerships – CCCP, Journal of Laws of 1029, item 1526) 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 2021 and as at 31 December 2020.

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Premium	62,543	62,543
Other supplementary capital	41,363	31,065
	103,906	93,608

Dividend capacity

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

The surplus from the sale of shares above their nominal value (agio) can only be used to cover potential losses shown in the financial statements and, therefore, it does not increase the Company's dividend capacity. Also, supplementary capital in the amount equivalent to 1/3 of share capital cannot be paid to the shareholders. At 31 December 2021, 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 124,864 thousand.

5.12. Bank loans and issue of securities

Selected accounting rules

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

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

The Company measures bank loans and debt securities at amortised cost.

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

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

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

On 1 January 2021, the Company annexed the agreement of 30 May 2017 concluded with BNP Paribas Bank Polska S.A.:

- extension of the overdraft facility repayment deadline to 31 October 2022, and
- revolving loan for bank guarantees up to the amount of PLN 1,500 thousand PLN with the repayment date of 30 September 2022.

On 9 November 2021, the Company annexed the agreement to extend the repayment date of the overdraft facilities until 31 October 2023 and the repayment date of the renewable limit for bank guarantees until 31 October 2023.

	Maximum amount of debt	Effective interest rate %	Repayment date	31 December 2021		31 December 2020	
				Long-term	Short-term	Long-term	Short-term
Overdrafts in current accounts				-	-	-	-
Credit on running account	70,000 mth	WIBOR 1 +margin	31-10-2023	-	-	-	-
TOTAL				-	-	-	-

As at 31 December 2021, the Company had open credit lines in current accounts that offer the option of extra financing at PLN 70,000 thousand. As at 31 December 2020, the Company had open credit lines in current accounts that offer the option of extra financing at PLN 70,000 thousand. As at 31 December 2021 and as at 31 December 2020, there was no debt in the existing credit lines.

As at 31 December 2021 and as at 31 December 2020, no other assets were used to secure bank loans.

5.13. Lease liabilities

Selected accounting rules

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

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

Lease liabilities - initial recognition

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

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

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

Lease liabilities – later valuation

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

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

Lease term for renewable agreements

The Company determines the lease term as the irrevocable term, including the periods covered by the option to prolong the lease, if it can be expected with reasonable assurance that the option will be used, and the periods covered by the option to terminate the lease, if it can be expected with reasonable assurance that the option will not be used.

The Company has the option, under some lease agreements, to extend the term of asset lease. The Company applies judgement when assessing whether there is reasonable assurance of using the extension option. It means that the Company takes account of

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

Lease period for indefinite agreements

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

Lessee's incremental borrowing rate of interest

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

Estimates

The recognition of lease agreements in the Company requires various types of estimates and professional judgement. The relevant area concerns the assessment of lease periods, agreements for an indefinite period and extendable agreements. When determining the lease period, the Company needs to consider all facts and circumstances, including business incentives to use or not to use the option of agreement extension and the option to terminate the agreement. When determining the lease period, attention is paid to the value of expenses incurred for adapting the leased asset to individual needs and to the size of the market in a specific location and the nature of the leased property in the case of real property lease.

As at 31 December 2021, the subject of finance lease agreements with the Company as the lessee was:

- immovable property,
- vehicles.

The table below presents the balance of liabilities under finance lease as at 31 December 2021 and as at 31 December 2020.

	31 December 2021		31 December 2020	
	Non-current PLN thou.	Current PLN thou.	Non-current PLN thou.	Current PLN thou.
Real property lease	47,051	8,113	37,505	6,642
Vehicle lease	6,548	2,633	6,222	1,773
Total	53,599	10,746	43,727	8,415

The higher balance of lease liabilities results from the conclusion in June 2020 of an office lease agreement (which entered into force in March 2021). The agreement was concluded for 10 years.

Real property lease

The net value of the property being the subject of the lease agreement as at 31 December 2021 PLN 50,050 thousand (at 31 December 2020: PLN 38,211 thousand).

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

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Minimum lease payments		
in less than 1 year	9,115	7,610
from 1 to 5 years	36,761	29,795
more than 5 years	13,670	10,805
Future minimum lease payments	59,546	48,210
Future interest expense	(4,382)	(4,063)
Current value of lease liabilities		
in less than 1 year	8,113	6,642
from 1 to 5 years	33,787	26,995
more than 5 years	13,264	10,510
Lease liability	55,164	44,147

The weighted average incremental interest rate under the above lease at 31 December 2021 was 2.7% and at 31 December 2020 it was 3%.

Vehicle lease

The net value of motor cars being the subject of lease agreements as at 31 December 2021 amounted to PLN 10,587 thousand (at 31 December 2020: PLN 8,641 thousand).

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

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Minimum lease payments		
in less than 1 year	2,779	1,892
from 1 to 5 years	6,722	6,409
more than 5 years	-	-
Future minimum lease payments	9,501	8,301
Future interest expense	(320)	(306)
Present value of lease payments		
in less than 1 year	2,633	1,773
from 1 to 5 years	6,548	6,222
more than 5 years	-	-
Lease liability	9,181	7,995

The table below shows the amounts related to costs of lease included in the profit and loss account for the period of 12 months ended 31 December 2021 and in comparable period:

		31 December 2021	31 December 2020
		PLN thou.	PLN thou.
Depreciation of right-of-use assets	5.3	(8,578)	(7,676)
Interest cost due to lease liabilities	4.3	(1,141)	(1,815)
Costs associated with lease of low-value assets		(20)	(1)
Costs associated with short-term lease		(313)	(5)
Profit / loss on sublease of office space recognized as right-of-use assets		174	172
Total		(9,878)	(9,325)

5.14. Trade and other liabilities

Selected accounting rules

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

Budgetary commitments are liabilities such as taxes and public levies as well as social contributions and customs duties. These liabilities are determined in the amount of payment required in accordance with applicable regulations.

Liabilities from project-related contractual penalties

Project-related contractual penalties are payments for non-compliance or incorrect performance and result from contracts with customers rather than the legislation in a specific country.

Project-related contractual penalties are a variable element of remuneration and reduce the transaction price; a project-related contractual penalty liability is a kind of obligation to return (part of) the remuneration, but it is not a liability from contracts with customers.

Other liabilities are liabilities to employees due to unpaid remuneration as at the balance sheet date, liabilities from the purchase of fixed assets and intangible assets as well as any other liabilities.

As at 31 December 2021 and as at 31 December 2020, the Company's trade liabilities were as follows:

	31 December 2021		31 December 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
To related parties, including:	-	363	-	1,040
Invoiced liabilities	-	363	-	1,040
To other parties, including:	-	5,361	-	5,434
Invoiced liabilities	-	4,211	-	4,411
Liabilities not invoiced	-	1,150	-	844
Provisions for contractual penalties	-	-	-	179
Total trade liabilities	-	5,724	-	6,474

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

The following table shows the Company's gross trade liabilities as at 31 December 2021 and 31 December 2020 by the maturity date based on contractual undiscounted payments.

	31 December 2021		31 December 2020	
	PLN thou.	%	PLN thou.	%
Trade and other				
Liabilities due	48	0.8%	21	0.3%
Liabilities undue up to 3 months	5,676	99.2%	6,453	99.7%
Liabilities undue from 3 to 6 months	-	-%	-	-%
Liabilities undue beyond 6 months	-	-%	-	-%
	5,724	100.0%	6,474	100.0%

As at 31 December 2021 and as at 31 December 2020, other Company's liabilities arose from the following:

	31 December 2021		31 December 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Corporate income tax liabilities	-	696	-	3,412
Others budgetary commitments				
VAT		5,596	-	4,910
Personal income tax (PIT) (SI)	-	3,034	-	2,078
Social contributions	-	1,067	-	4,276
Other	-	115	-	91
Other budgetary liabilities total	-	9,812	-	11,355
Other liabilities				
Liabilities to employees	-	2,000	-	2,061
Other liabilities	-	928	-	1,395
Other liabilities total	-	2,928	-	3,456

5.15. Liabilities from contracts with customers

Selected accounting rules

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

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

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

Estimates

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

As at 31 December 2021 and as at 31 December 2020, liabilities from contracts with customers were as follows:

	31 December 2021		31 December 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Liabilities from contracts with customers				
To related parties, including:	-	323	-	-
Liabilities arising from the valuation of IT contracts	-	323	-	-
To other parties, including:	-	15,045	-	14,257
Prepaid expenses and accrued income from contracts with customers	-	14,596	-	13,729
- pre-paid maintenance services	-	3,612	-	3,343
- licence fees	-	10,984	-	10,386
Liabilities from valuation of IT contracts	-	449	-	528
Total liabilities under contracts with	-	15,368	-	14,257

Change in the value of liabilities from contracts with customers during 12 months ended 31 December 2021 and in the comparable period:

	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Value of liabilities from contracts as at 1 January	14,257	12,678
Issue of invoices above realised obligation of performance	40,469	38,049
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions (+)/(-)	(39,358)	(36,470)
Value of liabilities from contracts with customers at the end of period	15,368	14,257

5.16. Provisions

Selected accounting rules

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

Onerous contracts

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

An onerous contract is a contract with a customer in which the total amount of revenues is lower than the total of the cost of goods and services sold (COGS) and production costs.

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

Provision for warranty repairs

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

If the warranty meets the definition of a service (an above-standard warranty as defined in IFRS 15), i.e. the warranty has a broader scope than just ensuring the customer that the product/service complies with the specifications agreed by the parties; there are no provisions created for it. An above-standard warranty is an obligation to provide a service and as such should be recognized in receipts from sales and not in the category of provisions.

Provision for warranty repairs (under a standard warranty) is created in the following cases:

- (i) no maintenance agreement has been concluded with the customer, or
- (ii) the scope of the maintenance agreement does not cover all the expected costs associated with the performance of warranty obligations, or
- (iii) the scope of the manufacturer's warranty for hardware sold is narrower than the warranty offered by the Company in the agreement with the customer.

The value of the provision recognized as at the balance sheet date is commensurate with the progress of implementation of an IT contract.

The costs associated with the provision of services arising from the warranty obligation reduce the value of the created provision when incurred. At each balance sheet date, the Company verifies the amount of provisions created for warranty repairs. If the actual fulfilment of the obligation or anticipated future costs are lower/higher than expected at the time of the initial recognition of the provision, the provision is adequately reduced/increased so as to reflect the current expectations of the Company as to the costs of fulfilling of the warranty obligation in future periods.

Post-employment benefits

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

Provision for contractual penalties

Provisions for contractual penalties only show provisions for non-project penalties, i.e. provisions for penalties not directly related to performance obligations and rather constituting a compensation for damage than failure to fulfil or improper fulfilment of the performance obligation. The potential amount of non-project contractual penalties and the moment of their occurrence are not known to the Company. The source of non-project penalties is the law rather than contracts and contractual penalties.

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

Provisions for litigation risks and other provisions

Other provisions include mainly provisions for pending court proceedings and are based on available information, including, in particular, the opinions of lawyers and independent experts. The Company creates provisions if, at the end of the reporting period, it has an obligation resulting from past events, and this obligation can be reliably estimated, and when it is probable that the fulfilment of this obligation will require the use of funds that offer economic benefits.

Estimates

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

Changes in provisions in the 12 months ended 31 December 2021 and in the comparable period were attributed to the following:

	Provision for compensations	Benefits after employment period	Other provisions	Total
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
As at 1 January 2021	-	3,294	373	3,667
Establishment (+)	-	275	-	275
Actuarial gains/losses (+)/(-)	-	(962)	-	(962)
Use (-)/Reversal (-)	-	-	(373)	(373)
As at 31 December 2021, including:	-	2,607	-	2,607
Current	-	59	-	59
Non-current	-	2,548	-	2,548
As at 01 January 2020	-	2,547	373	2,920
Establishment (+)	-	246	-	246
Actuarial gains/losses (+)/(-)	-	501	-	501
As at 31 December 2020, including:	-	3,294	373	3,667
Current	-	45	373	418
Non-current	-	3,249	-	3,249

In the amount of Other provisions, a provision was established for a fine in connection with the decision of the Office of Competition and Consumer Protection dated December 2013. The fine was associated with investigations by the OCCP related to the use of abusive clauses in agreements concluded by the Company (and its legal predecessors) with the distributors of the WAPRO-branded software. In November 2016, the Court of Appeal in Warsaw changed the contested decision of the District Court and revoked the decision of the President of the Office of Competition and Consumer Protection. The Office of Competition and Consumer Protection appealed to the highest instance against the decision of the Court of Appeal. The appeal contained, inter alia, a request for the cancellation of the contested decision of that court. In March 2017, Asseco Business Solutions S.A. responded to the appeal. In accordance with the precautionary principle, the entire amount of the fine was secured by a provision created within the 2013 expenses. On 16 October 2019, the Court of Appeals issued a decision in the case referred by the Regional Court in Warsaw. The original judgement was set aside. On 2 July 2020, the District Court in Warsaw reduced the fine imposed on Asseco Business Solutions and waived mutual costs of proceedings between the parties. On 17 August 2020, the Company filed appeals against the judgement to the District Court. On 28 June 2021, the Court of Appeals in Warsaw dismissed the entire appeal. Asseco Business Solutions may appeal from the above-mentioned decision to the highest instance (the Supreme Court) within two months of receipt of the judgement with justification.

On 9 November 2021, the Company received the judgement of the Court of Appeals of 28 June 2021 with justification. No appeal in cassation has been lodged in the case. The case has finally closed.

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 2021	31 December 2020
Discount rate (%)	3.2%	1.3%
Expected wage increase rate (%)	5.0%	5.0%

5.17. Accruals and deferred income

Selected accounting rules

Provision for unused leaves

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

Provision for bonuses

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

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

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

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

Estimates

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

	31 December		31 December	
	Long-term	Short-term	Long-term	Short-term
	PLN	PLN	PLN	PLN
Expenses due and unpaid, including:				
Provision for unused leaves	-	3,549	-	3,414
Provision for bonuses for employees and Management Board	-	4,443	-	10,299
Total	-	7,992	-	13,713

5.18. Related party transactions

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

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

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

	Revenues		Purchases	
	12 months to	12 months to	12 months to	12 months to
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Transactions with Asseco Poland S.A.	4,668	3,108	4,338	3,277
Transactions with other related parties	946	493	320	26
Total transactions with related parties	5,614	3,601	4,658	3,303

	Trade and other liabilities and assets from contracts with customers as at		Trade and other liabilities, lease liabilities and other liabilities as at	
	12 months to	12 months to	12 months to	12 months to
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	PLN thou.	PLN thou.	PLN thou.	PLN thou.
Transactions with Asseco Poland S.A.	3,103	467	15,292	16,680
Transactions with other related parties	1,033	230	13	9
Total transactions with related parties	4,136	697	15,305	16,689

As at 31 December 2021, the balance of lease liabilities with related parties committed by the Company Executives was PLN 13,248 thousand, and as at 31 December 2020 it amounted to PLN 14,700 thousand. In 2021 the cost of interest on lease with related parties committed by the Company Executives was PLN 171 thousand compared to PLN 348 thousand in 2020.

As at 31 December 2021, there was no balance of unsettled receivables due under transactions with related parties committed by or with the Company Executives; as at 31 December 2020, the balance of unsettled receivables with related parties committed by or with the Company Executives was PLN 1 thousand.

As at 31 December 2021 and 31 December 2020, there were no outstanding balances of liabilities arising from transactions with related parties concluded by the Company Executives and with the Company Executives.

According to the records of Asseco Business Solutions S.A., in the 12 months ended 31 December 2021, the value (net) of purchases transactions of goods and services (including rental) with related parties conducted by the Company Executives and with the Company Executive amounted to PLN 2,463 thousand v. PLN 2,008 in the comparable period.

The value (net) of the transactions of sales of goods and services to related entities by the Company Executives and to the Company Executives totalled PLN 31 thousand (in the comparative period: PLN 18 thousand).

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

VI. Explanatory notes to statement of cash flows

6.1. Cash flow from operating activities

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

	12 months to 31 December 2021	12 months to 31 December 2020
	<i>PLN thou.</i>	<i>PLN thou.</i>
Change in inventories	23	294
Change in receivables and assets from contracts with customers	(3,992)	6,695
Change in other non-financial assets	133	(122)
Change in trade liabilities and liabilities from contracts with customers	(3,194)	1,686
Change in the balance of accruals and prepayments	(3,239)	(609)
Change in provisions	(98)	246
Total	(10,367)	8,190

6.2. Cash flow from investing activities

The table below presents details of inflows and expenses related to property, plant and equipment and intangible assets in the 12-month period ended 31 December 2021 and in the comparable period:

	12 months to 31 December 2021	12 months to 31 December 2020
	<i>PLN thou.</i>	<i>PLN thou.</i>
Sale of property, plant and equipment	161	356
Acquisition of new tangible assets	(6,376)	(8,478)
Acquisition of intangible assets	(521)	(275)
Expenses for development work	(15,907)	(13,737)

6.3. Cash flow from financing activities

- Dividends paid: the item contains a dividend paid by the Company in the amount of PLN 66,836 thousand (the details of the dividend for 2020 are discussed in 4.6 of the explanatory notes).
- Expenses for repayment of loans in the amount of PLN 934 thousand PLN are connected with repayment of a revolving loan and an overdraft facility.

In 2021 the total cash outflow due to the repayment of lease liabilities amounted to PLN 11,134 thousand, of which:

- PLN 9,660 thousand was the repayment of liabilities recognized as lease liabilities,
- PLN 1,141 thousand was the payment of interest accrued on the above-mentioned liabilities,

- PLN 333 thousand was the repayment of lease liabilities covered by the practical exception concerning short-term and low-value leases.

		Bank loans, credits PLN thou.	Lease PLN thou.	Dividend liabilities PLN thou.
As at 1 January 2021		-	52,142	-
Cash transfers	Inflows (+)	934	-	-
	Repayment of capital - outflow	(934)	(9,660)	(66,836)
	Repayment of interest - outflow	-	(1,141)	-
Non-cash changes	Accrued interest	-	1,141	-
	New lease agreements	-	22,586	-
	Increase in liabilities	-	3,480	-
	FX differences included in financial income/expenses	-	(193)	-
	Declared dividends	-	-	66,836
	Reduced commitments	-	(4,010)	-
As at 31 December 2021		-	64,345	-

		Bank loans, credits PLN thou.	Lease PLN thou.	Dividend liabilities PLN thou.
As at 1 January 2020		-	55,286	-
Cash transfers	Inflows (+)	2,186	-	-
	Repayment of capital - outflow	(2,186)	(12,508)	(60,153)
	Repayment of interest - outflow	(3)	(1,815)	-
Non-cash changes	Accrued interest	3	1,815	-
	New lease agreements	-	7,614	-
	Increase in liabilities	-	9,956	-
	FX differences included in financial income/expenses	-	1,209	-
	Declared dividends	-	-	60,153
	Reduced commitments	-	(9,415)	-
As at 31 December 2020		-	52,142	-

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

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

▪ **Foreign currency risk**

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

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

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

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

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

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

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

The tables below show the currency exposure of receivables and liabilities as at 31 December 2021 and 31 December 2020:

31 Dec 2021	Carrying amount at	Currency exposure at	EUR	USD
	31/12/2021 PLN million	31/12/2021 PLN million	PLN million	PLN million
Trade receivables and assets under contracts with customers	45,338	6,546	6,546	-
Cash	42,832	1,590	1,266	324
Lease liabilities	64,345	20,696	20,696	-
Trade liabilities	5,724	297	225	72

31 Dec 2020	Carrying amount at	Currency exposure at	EUR	USD
	31/12/2020 PLN million	31/12/2020 PLN million	PLN million	PLN million
Trade receivables and assets under contracts with customers	41,116	6,559	6,511	48
Cash	6,614	279	114	165
Lease liabilities	52,142	25,533	25,533	-
Trade liabilities	6,474	93	93	-

As at 31 December 2021, the Company was not a party to currency forward contracts.

▪ **Interest rate risk**

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

As at the balance sheet date, since there is no debt in the credit lines, the Company is only at risk of exposure to interest rate changes in relation to term deposits.

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

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

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

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

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

▪ **Counterparty credit risk**

The Company is exposed to the risk of defaulting contractors. First, the risk is linked to the creditworthiness and good will of the recipients of Company's IT solutions. On the other hand, the credit risk of transactions with contractors is hinged on relations with suppliers and subcontractors, the reliability of which often determines the success of an entire IT project and its assessment by the final recipient. The maximum exposure to credit risk is limited to the book value of financial assets.

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

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

Purpose: Minimising the amount of uncollectible receivables.

The Company has appropriate policies in place for making the sale only to verified customers. The risk control involves monitoring of the timely execution of bank transfers and, if needed, sending a reminder of outstanding payment, or turning receivables over to debt collection agencies.

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

▪ **Financial liquidity risk**

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

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

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

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

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

	Liabilities payable up to 3 months <i>PLN million</i>	Liabilities payable from 3 to 12 months <i>PLN million</i>	Liabilities payable from 1 to 5 years <i>PLN million</i>	Liabilities payable above 5 years <i>PLN million</i>
Financial liabilities				
Trade and other	48	5,676	-	-
Lease liabilities*	2,560	9,334	43,483	13,670
	2,608	15,010	43,483	13,670

A similar analysis was carried out for the 12 months ended 31 December 2020:

	Liabilities payable up to 3 months <i>PLN million</i>	Liabilities payable from 3 to 12 months <i>PLN million</i>	Liabilities payable from 1 to 5 years <i>PLN million</i>	Liabilities payable above 5 years <i>PLN million</i>
Financial liabilities				
Trade and other	21	6,453	-	-
Lease liabilities*	-	9,502	36,204	10,805
	21	15,955	36,204	10,805

*Aged value covers only contractual undiscounted flows, unlike the value disclosed in the balance sheet

▪ **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 2021 and as at 31 December 2020, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. EUR by 10%, the Company's result would increase by PLN 1,311 thousand. On the other hand, the weakening of the PLN v. EUR by 10% would result in a decrease in the Company's financial result by PLN 1,311 thousand.

As at 31 December 2021	Value exposed to risk	Impact on Company earnings	
EUR	EUR thou.	(10%)	10%
Financial assets			
Cash	1,266	(127)	127
Trade receivables	6,546	(655)	655
Liabilities			
Trade and other	225	22	(22)
Lease liabilities	20,696	2,070	(2,070)
On balance		1,311	(1,311)

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

As at 31 December 2021, 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 25 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 25 thousand.

As at 31 December 2021	Value exposed to risk	Impact on Company earnings	
USD	PLN thou.	(10%)	10%
Financial assets			
Cash	324	(32)	32
Liabilities			
Trade and other	72	7	(7)
On balance		(25)	25

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

▪ **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. At 31 December 2021 and at 31 December 2020, the Company had no credit debt.

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

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

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

▪ **Other types of risk**

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

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

As at 31 December 2021, 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 2021:	Interest income / (expense)	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Gains/(losses) from execution and valuation	Total
Financial assets:	58	(47)	10	12	33
Forward contracts	-	-	-	12	12
Cash and cash equivalents	37	130	-	-	167
Trade receivables and other receivables	21	(177)	10	-	(146)
Financial liabilities:	(1,141)	228	-	-	(913)
Lease liabilities	(1,141)	193	-	-	(948)
Trade liabilities	-	35	-	-	35

As at 31 December 2020, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2020:	Interest income / (expense)	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Gains/(losses) from execution and valuation	Total
Financial assets:	196	454	25	(525)	150
Forward contracts	-	-	-	(525)	(525)
Cash and cash equivalents	-	158	-	-	158
Trade receivables and other receivables	196	296	25	-	517
Financial liabilities:	(1,818)	(1,236)	-	-	(3,054)
Lease liabilities	(1,815)	(1,209)	-	-	(3,024)
Trade liabilities	-	(27)	-	-	(27)
Credits	(3)	-	-	-	(3)

VIII. Other explanatory notes

8.1. Off-balance sheet liabilities

Selected accounting rules

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

Lease agreements subject to exemptions – simplifications for short-term agreements and low-value assets

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

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

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

Contingent liabilities as at 31 December 2021 and as at 31 December 2020 are shown in the table below:

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Receivables arising from performance guarantee		
Liabilities due up to 3 months	-	-
Liabilities due from 3 to 12 months	881	310
Liabilities payable from 1 to 5 years	501	-
Liabilities due after 5 years	-	-
Total	1,382	310

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

The table below presents off-balance sheet commitments under finance leases as at 31 December 2021 and as at 31 December 2020.

	31 December 2021 PLN thou.	31 December 2020 PLN thou.
Liabilities due to lease of office space		
Within 1 year	-	20
From 1 to 5 years	-	7
More than 5 years	-	-
Total	-	27

8.2. Seasonality and cyclicity

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

8.3. Headcount

Average employment during the reporting period	12 months to 31 December 2021	12 months to 31 December 2020
Management Board	3	3
Developers	841	800
Sales personnel	58	55
Administration	47	48
Total	949	906

**Average employment in the reporting period in salaried positions, i.e. Employment adjusted (reduced) by FTEs for which the Company does not pay remuneration (e.g. unpaid leave, maternity leave, etc.).*

Employment as at:	31 December 2021	31 December 2020
Management Board	3	3
Developers	906	853
Sales personnel	52	51
Administration	41	41
Total	1,002	948

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

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

The following table shows the remuneration of the entity authorized to audit accounts paid or payable for the year ended 31 December 2020 and 31 December 2019 by type of service:

	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Mandatory audit of the annual financial statements and review of the condensed semi-annual financial statements	200	195

8.5. Remuneration of key personnel

The tables below show the remuneration of the Company's key personnel for carrying out their functions at Asseco Business Solutions S.A. in 2021 and 2020.

	Fixed remuneration items in 2021 PLN thou.	Cost of variable remuneration items in 2021 PLN thou.	In addition: variable components of remuneration from 2020 paid in 2021 PLN thou.
Wojciech Barczentewicz	420	3,379	158
Piotr Masłowski	420	3,375	158
Mariusz Lizon	300	1,568	71
	1,140	8,322	387

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

	Fixed remuneration items in 2020	Cost of variable remuneration items in 2020	In addition: variable components of remuneration from 2019 paid in 2020
	PLN thou.	PLN thou.	PLN thou.
Wojciech Barczentewicz	420	3,210	307
Piotr Masłowski	420	3,213	307
Mariusz Lizon	300	1,494	138
Andreas Enders**	522	-	848
	1,662	7,917	1,600

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

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

The table below presents paid and due remuneration of the Members of the Issuer's Supervisory Board for the period of 12 months ended 31 December 2021 and in the comparative period:

Remuneration for period	12 months to 31 December 2021 PLN thou.	12 months to 31 December 2020 PLN thou.
Jozef Klein	37	84
Rafał Kozłowski	47	-
Marcin Murawski	27	-
Romuald Rutkowski	48	48
Adam Góral	66	66
Zbigniew Pomianek	48	48
Piotr Stępiak	21	48
Total	294	294

8.6. Capital management

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

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

The Company monitors the status of capitals using the leverage ratio, which is calculated as the ratio of net debt to the total of capitals plus net borrowing. The Company's net borrowing includes interest-bearing loans as well as lease liabilities, less cash and bank deposits.

	31 December 2021	31 December 2020
	PLN thou.	PLN thou.
Lease liabilities	64,345	52,142
Less cash and cash deposits	(42,832)	(46,614)
Net debt	21,513	5,528
Equity	346,493	331,952
Equity and net borrowings	368,006	337,480
Leverage ratio	5.8%	1.6%

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

8.7. Significant events after the balance sheet date

- Impact of the political and economic situation on the territory of Ukraine

In connection with the recommendation issued by the Office of the Polish Financial Supervision Authority on 25 February 2022, the Company hereby informs that, by the date of submitting this report for publication, it had not completed the analysis and quantification of the possible impact of the political and economic situation in Ukraine on the future financial position and results of Asseco Business Solutions S.A. This impact will depend on the upcoming developments in Poland and in the world. In 2021 the Company did not sell any services or products on the Ukrainian market.

On the date of publication of these financial statements, the Management Board, based on the risk analysis performed so far, including in particular risks caused by the political and economic situation on the territory of Ukraine, concluded that the Company's operation as a going concern was not at risk for a period of at least 12 months as from 31 December 2021.

The Company has a stable financial situation and is able to maintain a reasonable approach to the challenges posed by the current crisis and will constantly monitor the latest developments and tailor its activities to the changing market conditions. Nevertheless, in the event of a negative impact of the situation in Ukraine on the global economy, this may have a negative impact on the organizational and financial dimension of the Company's operations.

8.8. Significant events concerning previous years

To the date of these financial statements for 12 months ended 31 December 2021, there were no events concerning previous years that were not, and should be, included in these financial statements.



Management Board's approval for publication

These financial statements for the year ended 31 December 2019 were approved for publication by the Management Board of Asseco Business Solutions S.A. on 1 March 2022.

The Management Board:

President of the
Management Board

Vice-President of the
Management Board

Member of the
Management Board

Person responsible for bookkeeping

Chief Accounting
Officer

Technology for business, solutions for people.

Contact details

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

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