Asseco Business Solutions

Quarterly financial statements
for the 9 months ended 30 September 2018

25 October 2018

CONTENTS

Selected financial data of Asseco Business Solutions S.A.

The following table contains selected financial data of Asseco Business Solutions S.A.

	in PLN thou.		in EUR thou.	
	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 *(unaudited)* *Restated*	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Receipts on sales	184,715	144,211	43,427	33,879
Gross profit on sales	76,849	62,282	18,067	14,632
Operating income	53,180	41,657	12,503	9,786
Profit before tax	52,806	41,453	12,415	9,738
Net profit	43,457	33,415	10,217	7,850
Net cash from operating activities	54,130	36,321	12,726	8,533
Net cash from investing activities	(9,732)	(106,949)	(2,288)	(25,125)
Net cash from financing activities	(49,966)	6,144	(11,747)	1,443
Cash and short-term deposits (comparable period: 31 December 2017)	2,446	8,014	573	1,921
Weighted average number of shares during period	33,418,193	33,418,193	33,418,193	33,418,193
Net income per ordinary share	1.30	1.00	0.31	0.23

Selected financial data presented in these interim condensed financial statements has been converted into the EURO as follows:

- the Company's cash position at the end of the current reporting period and the end of the previous reporting period
  is translated at the average exchange rate announced by the National Bank of Poland on the balance sheet date.
    - On 30 September 2018, 1 EUR = 4.2714 PLN.
    - On 31 December 2018, 1 EUR = 4.1709 PLN.
- selected items from the interim condensed statements of comprehensive income and the interim condensed statements of cash flows are translated at the exchange rate being the arithmetic average of the average exchange rates announced by the National Bank of Poland on the last day of each month.
    - In the period from 1 January to 30 September 2018: EUR 1 = PLN 4,2535.
    - In the period from 1 January to 30 September 2017: EUR 1 = PLN 4,2566.

All amounts given in the financial statements are expressed in thousands of Polish złotys (PLN), unless stated otherwise.

Interim condensed financial statements

for the 9 months ended 30 September 2018 drawn up in accordance with International Accounting Standard No. 34 Interim Financial Reporting approved by the EU

(in PLN thousand)

Interim condensed statement of comprehensive income

For the 9 months ended 30 September 2018

	Note	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 *(unaudited)* *Restated*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Receipts on sales	4.1	59,360	184,715	54,569	144,211
Own cost of sales	4.2	(34,416)	(107,866)	(31,921)	(81,929)
Gross profit on sales		**24,944**	**76,849**	**22,648**	**62,282**
Cost of sales	4.2	(3,241)	(10,275)	(3,534)	(7,590)
Administrative expenses	4.2	(4,500)	(13,683)	(5,433)	(13,221)
Net profit on sales		**17,203**	**52,891**	**13,681**	**41,471**
Other operating income	4.3	177	608	117	435
Other operating expenses	4.3	(88)	(319)	(108)	(249)
Operating income		**17,292**	**53,180**	**13,690**	**41,657**
Financial income	4.4	552	487	254	902
Financial expenses	4.4	(578)	(861)	(865)	(1,106)
Profit before tax		**17,266**	**52,806**	**13,079**	**41,453**
Tax on profit or loss	4.5	(3,034)	(9,349)	(2,569)	(8,038)
Net profit for reporting period		**14,232**	**43,457**	**10,510**	**33,415**
Other comprehensive income					
- Items converted to profit/loss in subsequent reporting periods		-	-	-	-
- Items not subject to reclassification to profit/loss in subsequent reporting periods		-	-	-	-
Other comprehensive income net		-	-	-	-
Total income for period		**14,232**	**43,457**	**10,510**	**33,415**
Net profit attributable to:					
Shareholders of the Parent		14,232	43,457	10,510	33,415
Total income attributable to:					
Shareholders of the Parent		14,232	43,457	10,510	33,415
Earnings per share attributable to shareholders of the Parent:	4.6				
- basic/diluted profit for reporting period		0.43	1.30	0.31	1.00
- basic/diluted profit for continued activity in reporting period		0.43	1.30	0.31	1.00

(in PLN thousand)

Interim condensed balance sheet

as at 30 September 2018

ASSETS	Note	30 September 2018 (unaudited)	31 December 2017 Restated	30 September 2017 (unaudited) Restated
Non-current assets		**301,573**	**302,700**	**301,239**
Property, plant and equipment	4.7	21,438	17,851	19,011
Intangible assets	4.8	25,204	26,810	26,225
Goodwill	4.8.1	252,879	252,879	252,879
Long-term receivables		599	772	836
Deferred tax assets		1,384	4,325	2,217
Long-term prepayments and accrued income	4.11	29	63	71
Long-term financial assets valued at fair value through profit or loss	4.10	40	–	–
Current assets		**45,991**	**55,450**	**50,451**
Inventories	4.9	226	476	454
Prepaid expenses and accrued income	4.11	1,220	1,327	1,297
Trade receivables	4.12	38,511	43,614	36,737
Assets from contracts with customers	4.12	1,781	324	3,448
Other receivables	4.12	1,217	1,260	2,514
Income tax receivables		511	144	–
Financial instruments valued at fair value through profit or loss	4.10	79	291	115
Cash and short-term deposits	4.13	2,446	8,014	5,886
TOTAL ASSETS		**347,564**	**358,150**	**351,690**

LIABILITIES				
Subscribed capital		167,091	167,091	167,091
Premium		62,543	62,543	62,543
Retained earnings		49,974	50,023	33,348
Total equity		**279,608**	**279,657**	**262,982**
Long-term liabilities		**12,765**	**15,704**	**22,407**
Interest-bearing loans and borrowings	4.14	6,703	13,352	20,002
Provisions	4.16	1,227	1,434	1,302
Liabilities under finance lease	4.15	4,835	918	1,054
Long-term prepayments and accrued income	4.17	–	–	49
Short-term liabilities		**55,191**	**62,789**	**66,301**
Interest-bearing loans and borrowings	4.14	19,008	17,578	32,585
Trade liabilities	4.15	3,865	5,385	5,084
Liabilities from contracts with customers	4.15	9,553	–	–
Other liabilities	4.15	10,265	9,478	7,431
Income tax liabilities	4.15	–	4,496	1,447
Liabilities under finance lease	4.15	1,650	555	555
Provisions	4.16	758	426	348
Prepaid expenses and accrued income	4.17	10,092	24,871	18,851
Total liabilities		**67,956**	**78,493**	**88,708**
TOTAL EQUITY AND LIABILITIES		**347,564**	**358,150**	**351,690**

Additional explanatory notes to these financial statements attached on pages 10 to 50 constitute their integral part.

(in PLN thousand)

Interim condensed statement of cash flows

For the 9 months ended 30 September 2018

	Note	9 months ended 30 September 2018	9 months ended 30 September 2017 (unaudited) *Restated*
Cash flow from investing activities			
Profit before tax		52,806	41,453
Adjustments:		**1,324**	**(5,132)**
Amortisation/Depreciation	4.2	13,891	9,715
Change in inventories		250	(124)
Change in receivables		3,720	(1,080)
Change in liabilities, excluding credits and loans		8,805	(1,119)
Change in the balance of accruals and prepayments		(14,496)	(1,890)
Change in provisions		125	(346)
Revenue on interest		520	(224)
Gain/(loss) on investing activities		(154)	(533)
Income tax paid		(11,337)	(9,531)
Net cash from operating activities		**54,130**	**36,321**
Cash flow from investing activities			
Proceeds from the sale of non-financial fixed assets		250	483
Acquisitions of new tangible fixed assets		(2,654)	(2,956)
Acquisition of intangible assets		(7,692)	(6,106)
Acquisition of a subsidiary net of acquired cash		–	(98,997)
Acquisition/settlement of financial assets at fair value through profit and loss		310	121
Interest received		–	501
Repaid loans		–	5
Other flows from investing activities		54	–
Net cash from investing activities		**(9,732)**	**(106,949)**
Cash flow from investing activities			
Proceeds from obtained loans		1,430	52,585
Repayment of renewable credits		(6,650)	(172)
Paid interest		(518)	(189)
Repayment of finance lease obligations		(784)	–
Dividend paid		(43,444)	(42,441)
Expenses for the acquisition of non-controlling interests		–	(3,639)
Net cash from financing activities		**(49,966)**	**6,144**
Increase/(Decrease) in net cash and cash equivalents		(5,568)	(64,484)
Net exchange differences		–	–
Opening cash	**4.13**	**8,014**	**70,370**
Closing cash	**4.13**	**2,446**	**5,886**

Change in the balance of accruals and prepayments results from changes in the presentation of accruals in accordance with IFRS 15 to liabilities arising from contracts with customers

(in PLN thousand)

Interim condensed statement of changes in equity

For the 9 months ended 30 September 2018

	Subscribed capital	Premium	Retained earnings	Total equity
9 months ended 30 September 2018 (unaudited)				
As at 1 January 2018	**167,091**	**62,543**	**50,023**	**279,657**
Total income for period	–	–	43,457	**43,457**
Payment of dividend	–	–	(43,444)	(43,444)
Other transactions	–	–	(62)	(62)
As at 30 September 2017	**167,091**	**62,543**	**49,974**	**279,608**
9 months ended 30 September 2017 (unaudited)				
Restated				
As at 01 January 2017	**167,091**	**62,543**	**45,374**	**275,008**
Total income for period	–	–	33,415	**33,415**
Payment of dividend	–	–	(42,441)	(42,441)
Buyout of non-controlling interest	–	–	(2,819)	(2,819)
Other transactions	–	–	(181)	(181)
As at 30 September 2017	**167,091**	**62,543**	**33,348**	**262,982**

Additional explanatory notes to these financial statements attached on pages 10 to 50 constitute their integral part.

Additional notes

1. Basic information

1.1 General Information

Asseco Business Solutions S.A. ("the Company"; "Issuer") was established under a Notarial Deed dated 18 May 2001. The Company headquarters is located in Lublin at ul. Konrada Wallenroda 4c, 20-607.

The Company is registered in the Companies' Register of the National Court Register maintained by the District Court in Lublin, VI Economic Department of the National Court Register, under KRS: 0000028257. The Company has a business statistical number REGON 017293003.

The Company was established for an indefinite period of time.

The primary activity of Asseco Business Solutions S.A., according to the classification adopted by the Warsaw Stock Exchange, is "information technology."

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

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

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company's shares. The parent of the entire Group is Asseco Poland S.A., holding, directly and through subsidiaries, 96.51% of shares in Asseco Enterprise Solutions a.s. The existence of control in accordance with IFRS 10 has been determined based on the following factors:

- decisions at the General Meeting of Shareholders 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., there are only two shareholders holding more than 5% of votes at the General Meeting (the second largest shareholder after Asseco Enterprise Solutions holds 13.5% of votes).

These interim condensed financial statements for the 9 months ended 30 September 2018 was approved by the Management Board for publication on 25 October 2018.

(in PLN thousand)

The interim financial results may not reflect the full realizable financial result for the financial year.

1.2 Issuer's organization and composition changes

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

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

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

The effect of the merger on these interim condensed financial statements is described in 2.4.

1.3 Composition of the Issuer's governing bodies

On the date of publication of these financial statements, i.e. on 25 October 2018, the Management Board of Asseco Business Solution S.A. was made up of:

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

On the date of publication of these financial statements, i.e. 25 October 2018, the Supervisory Board of the Company consisted of:

Jozef Klein	President of the Supervisory Board
Adam Góral	Vice-Chairman of the Supervisory Board
Romuald Rutkowski	Member of the Supervisory Board
Zbigniew Pomianek	Member of the Supervisory Board
Piotr Stępniak	Member of the Supervisory Board

The Supervisory Board has an audit committee composed of Piotr Stępniak (chairman), Romuald Rutkowski and Adam Góral (members).

(in PLN thousand)

1.4 Stocks and shares held by the persons in the executive and supervisory capacity in Asseco Business Solutions S.A.

Overview of the shares of Asseco Business Solutions S.A. held by the persons in the executive and supervisory capacity:

	number of shares held (corresponds to % in the total number of votes at GM) - **as at 25/10/2018**	change from the previous report	**number of shares held** (corresponds to % in the total number of votes at GM) - **as at 25/10/2018**	change from the previous report
Executive persons				
Wojciech Barczentewicz	461,267	–	1.4%	–
Piotr Masłowski	715,063	–	2.1%	–
Mariusz Lizon	183,000	–	0.5%	–
Supervising persons				
Romuald Rutkowski	426,828	–	1.3%	–
TOTAL	**1,786,158**		**5.3%**	

1.5 The shareholding structure of Asseco Business Solutions S.A.

According to the best knowledge of the Issuer's Management Board and based on received notifications, on the date of publication of these financial statements, i.e. 25 October 2018, the shareholders of Asseco Business Solutions S.A. holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting on the 23rd day of April 2017 were as follows:

Shareholder	**Number of shares held**	**Shareholding in %**	**Number of votes**	**% in the total number of votes at GM**
Asseco Enterprise Solutions	15 528 570	46.47%	15 528 570	46.47%
Metlife Otwarty Fundusz Emerytalny	4 500 000	13.46%	4 500 000	13.46%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	3 492 000	10.45%	3 492 000	10.45%
Other shareholders	9 897 623	29.62%	9 897 623	29.62%
	33,418,193	**100.00%**	**33,418,193**	**100.00%**

As at 3 August 2018, i.e. on the date of publication of the former interim financial statements, the shareholders of Asseco Business Solutions S.A., holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting were as follows:

Shareholder	Number of shares held	Shareholding in %	Number of votes	% in the total number of votes at GM
Asseco Enterprise Solutions	15 528 570	46.47%	15 528 570	46.47%
Metlife Otwarty Fundusz Emerytalny	4 500 000	13.46%	4 500 000	13.47%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	3 468 455	10.38%	3 468 455	10.38%
Other shareholders	9 921 168	29.69%	9 921 168	29.69%
	33,418,193	**100.00%**	**33,418,193**	**100.00%**

As at 30 September 2018, the share capital of Asseco Business Solutions S.A. totalled PLN 167,091 thousand and was divided into 33,418,193 ordinary shares with a nominal value of PLN 5 each, giving a total of 33,418,193 votes at the General Meeting of Asseco Business Solutions S.A.

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

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.

The functional and presentation currency is the Polish złoty (PLN). All values, unless stated otherwise, are given in PLN thousand (PLN thou.).

These interim condensed financial statements have been prepared on the understanding that Asseco Business Solutions S.A. intended to continue its business activity for the period of no less than 12 months as of 30 September 2018. At the date of approval of these financial statements, no fact or circumstances were identified that might pose a threat to the Company's going concern.

These interim condensed consolidated financial statements do not include all information and disclosures required in annual financial statements and should be read in conjunction with the consolidated financial statements of the Asseco Business Solutions Group for the year ended 31 December 2017, approved for publication on 6 March 2018.

The interim financial results may not reflect the full realizable financial result for the financial year.

Statement of conformity

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard 34 approved by the EU ("IAS 34").

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, as regards the standards applied by the Company, there is no difference between the standards which entered into force and the International Financial Reporting Standards approved by the EU.

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

Estimates and professional judgement

In the process of applying accounting rules (policy) to the matters listed below, of utmost importance, in addition to accounting estimates, was professional judgement of the Company's management. In the period of nine months ended 30 September 2018, there were no major changes to the method of making estimates compared with the standards described in the Company's financial statements for the year ended 31 December 2017, except for the newly adopted accounting standards described in item 2.5 of these financial statements.

i Valuation of IT contracts and the measurement of progress

The Company is performing under a number of contracts for the development and implementation of information systems. The valuation of IT contracts requires the establishment of future operating cash flows in order to determine the fair value of revenues and expenses, and to measure the degree of progress of the project work. The degree of progress is determined as the ratio of costs incurred (to increase the progress) to the planned cost, or as the ratio of man-days worked in relation to the total working time.

The Company is a party to contracts with contractual penalties for the non-performance or improper performance of contractual obligations, which may result in the variability of the remuneration set in the contract. The Company estimates the amount of its remuneration due under valid contracts taking into account the probability of payment of contractual penalties.

ii Amortisation/depreciation rates

The amount of amortisation/depreciation rates is determined on the basis of the expected useful life of tangible fixed assets and intangible assets. The Company reviews annually the adopted periods of economic useful life based on current estimates. Beginning with 1 January 2018, the Company has verified the depreciation rates for the means of transport and has extended them from 5 to 7 years. The depreciation amount recognised in the statement of comprehensive income amounted to PLN 654 thousand. If the Company applied the former rate, the depreciation amount would be PLN 909 thousand.

iii Goodwill and intangible assets of indefinite useful life - impairment test

On 31 December, the Company performs an annual impairment test of cash flow generating units, to which goodwill is allocated arising from mergers. At each interim balance sheet date, the Issuer's Management Board reviews evidence indicating an impairment of cash flow generating units to which goodwill is allocated.

If such evidence is identified, an impairment test is also carried out at the interim balance sheet date.

Each time, the test requires the estimation of value in use of cash-generating units to which goodwill is allocated. Estimating the value in use consists in determining future cash flows generated by the cash-generating unit and the discount rate that is subsequently used to calculate the current value of those cash flows.

iv *Deferred tax asset*

The Company recognises deferred tax asset based on the assumption that the future tax profits will be achieved allowing for its use. Deterioration of the tax results in the future could make the assumption unjustified.

v *Receivables from recipients*

The Company estimates the amount of write-downs for receivables from customers in accordance with the new requirements of IFRS 9 Financial Instruments. As described above, due to the nature of trade receivables, the write-down for receivables, despite the implementation of the methodology changes provided for in the standard, has remained at a level similar to the value of the write-down calculated according to the rules effective before 1 January 2018.

Restatement of comparable data

On 2 January 2018, Asseco Business Solutions S.A. merged with Macrologic S.A. Due to the nature of the transaction, the Issuer decided to apply the predecessor accounting method. In the variant pursued by the Company, this method involves the combination of assets and liabilities as well as revenues and costs of both merged companies. Comparative data for the previous reporting periods is restated in such a way as if the merger occurred on the date of the Company’s takeover of the target company.

On 14 June 2017, the transactions were settled that were concluded in connection with the tender offer for the shares of Macrologic S.A. announced by Asseco Business Solutions S.A. on 11 April 2017. After the settlement of the tender offer, Asseco BS held 1,667,603 shares of Macrologic S.A., representing 88.29% of the share capital and votes at the General Meeting of Macrologic S.A. In addition, Macrologic S.A. held 159,436 own shares, which is approximately 8.44% of the share capital and votes at the General Meeting of Macrologic S.A.

On 24 July 2017, a squeeze-out procedure took place on the shares of Macrologic S.A. announced by Asseco Business Solutions S.A. on 19 July 2017. The squeeze-out covered all the remaining shares of Macrologic, i.e. 61,680 shares, representing approximately 3.27% of Macrologic’s share capital and the same number of votes at the General Meeting of Macrologic S.A.

After the settlement of the squeeze-out, Asseco BS held directly 1,729,283 shares of Macrologic S.A. representing 91,56% of the share capital and votes at the General Meeting of Macrologic S.A.

The merger is described in Note 20 to the consolidated financial statements for the year ended 31 December 2017.

(in PLN thousand)

On 2 January 2018, Asseco Business Solutions S.A. merged (as the acquiring company) with Macrologic S.A. (as the target company). The merger of the companies was conducted under Article 492(1)(1) of the Code of Commercial Companies and Partnerships (merger by acquisition), i.e. by the transfer of Macrologic's entire assets to Asseco BS. Macrologic S.A. was dissolved without liquidation. Since Asseco Business Solutions S.A. was the sole shareholder of Macrologic S.A. that was in a position to exercise the rights attached to the shares of Macrologic S.A., the merger was carried out pursuant to Article 515(1) of the Code of Commercial Companies and Partnerships, i.e. without increasing the share capital of Asseco Business Solutions S.A. and without exchanging Macrologic's shares for shares in the share capital of Asseco Business Solutions S.A.

Due to the nature of the transaction, the Issuer decided to apply the predecessor accounting method. In the variant pursued by the Company, this method involves the combination of assets and liabilities as well as revenues and costs of both merged companies. Comparative data for the reporting periods is restated in such a way as if the merger occurred on the date of the Company's takeover of the target company. As a result of the settlement with the predecessor accounting method, no new goodwill is created in excess of the amounts previously recognised in the consolidated financial statements upon the taking of control. In addition, comparative data was restated as a result of recognition of adjustment reducing the fair value of intangible assets of Macrologic S.A. as at the date of taking of control, thus increasing goodwill by PLN 5,371 thousand. The impact of the settlement of the merger on equity is presented in retained earnings.

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

	30 September 2017 *(unaudited)* *Reported*	Impact of the settlement of merger with Macrologic S.A.	30 September 2017 *(unaudited)* *Restated*
Receipts on sales	131,410	12,801	144,211
Own cost of sales	(74,615)	(7,314)	(81,929)
Gross profit on sales	**56,795**	**5,487**	**62,282**
Cost of sales	(5,845)	(1,745)	(7,590)
Administrative expenses	(10,821)	(2,400)	(13,221)
Net profit on sales	**40,129**	**1,342**	**41,471**
Other operating income	463	(28)	435
Other operating expenses	(239)	(10)	(249)
Operating income	**40,353**	**1,304**	**41,657**
Financial income	901	1	902
Financial expenses	(751)	(355)	(1,106)
Profit before tax	**40,503**	**950**	**41,453**
Tax on profit or loss	(7,783)	(255)	(8,038)
Net profit for reporting period	**32,720**	**695**	**33,415**

(in PLN thousand)

	30 September 2017 *(unaudited)* *Reported*	Impact of the settlement of merger with Macrologic S.A.	30 September 2017 *(unaudited)* *Restated*
Non-current assets	**296,924**	**4,315**	**301,239**
Property, plant and equipment	11,279	7,732	19,011
Intangible assets	10,677	15,548	26,225
Goodwill	170,938	81,941	252,879
Investments in subsidiaries	102,349	(102,349)	–
Long-term receivables	599	237	836
Deferred tax assets	1,011	1,206	2,217
Long-term prepayments and accrued income	71	–	71
Current assets	**41,924**	**8,527**	**50,451**
Inventories	368	86	454
Prepaid expenses and accrued income	669	628	1,297
Trade receivables	31,117	5,620	36,737
Other receivables	4,587	1,375	5,962
Financial instruments valued at fair value through profit or loss	115	–	115
Cash and short-term deposits	5,068	818	5,886
TOTAL ASSETS	**338,848**	**12,842**	**351,690**
LIABILITIES			
Subscribed capital	167,091	–	167,091
Premium	62,543	–	62,543
Retained earnings	35,498	(2,150)	33,348
Total equity	**265,132**	**(2,150)**	**262,982**
Long-term liabilities	**20,890**	**1,517**	**22,407**
Interest-bearing loans and borrowings	20,002	–	20,002
Provisions	888	414	1,302
Long-term finance lease obligations	–	1,054	1,054
Long-term prepayments and accrued income	–	49	49
Short-term liabilities	**52,826**	**13,475**	**66,301**
Interest-bearing loans and borrowings	32,585	–	32,585
Trade liabilities	4,121	963	5,084
Other liabilities	5,260	2,171	7,431
Income tax liabilities	1,276	171	1,447
Short-term finance lease obligations	–	555	555
Provisions	378	(30)	348
Prepaid expenses and accrued income	9,206	9,645	18,851
Total liabilities	**73,716**	**14,992**	**88,708**
TOTAL EQUITY AND LIABILITIES	**338,848**	**12,842**	**351,690**

(in PLN thousand)

	31 December 2017 *Reported*	Impact of the settlement of merger with Macrologic S.A.	31 December 2017 *Restated*
Non-current assets	**298,463**	**4,237**	**302,700**
Property, plant and equipment	10,801	7,050	17,851
Intangible assets	10,985	15,825	26,810
Goodwill	170,938	81,941	252,879
Investments in subsidiaries	102,349	(102,349)	–
Long-term receivables	599	173	772
Deferred tax assets	2,728	1,597	4,325
Long-term prepayments and accrued income	63	–	63
Current assets	**43,571**	**11,879**	**55,450**
Inventories	375	101	476
Prepaid expenses and accrued income	811	516	1,327
Trade receivables	36,093	6,977	43,070
Other receivables	1,403	725	2,128
Income tax receivables	–	144	144
Financial instruments valued at fair value through profit or loss	291	–	291
Cash and short-term deposits	4,598	3,416	8,014
TOTAL ASSETS	**342,034**	**16,116**	**358,150**

LIABILITIES			
Subscribed capital	167,091	–	167,091
Premium	62,543	–	62,543
Retained earnings	49,999	24	50,023
Non-controlling interest	–	–	–
Total equity	**279,633**	**24**	**279,657**
Long-term liabilities	**14,429**	**1,275**	**15,704**
Interest-bearing loans and borrowings	13,352	–	13,352
Provisions	1,077	357	1,434
Long-term finance lease obligations	–	918	918
Long-term prepayments and accrued income	–	–	–
Short-term liabilities	**47,972**	**14,817**	**62,789**
Interest-bearing loans and borrowings	17,578	–	17,578
Trade liabilities	3,640	1,745	5,385
Other liabilities	8,234	1,244	9,478
Income tax liabilities	4,370	126	4,496
Short-term finance lease obligations	–	555	555
Provisions	401	25	426
Prepaid expenses and accrued income	13,749	11,122	24,871
Total liabilities	**62,401**	**16,092**	**78,493**
TOTAL EQUITY AND LIABILITIES	**342,034**	**16,116**	**358,150**

(in PLN thousand)

	30 September 2017 *(unaudited)* *Reported*	Impact of the settlement of merger with Macrologic S.A.	30 September 2017 *(unaudited)* *Restated*
Cash flow from investing activities			
Profit before tax	40,503	950	41,453
Adjustments:	**(6,388)**	**1,256**	**(5,132)**
Amortisation/Depreciation	8,136	1,579	9,715
Change in inventories	(174)	50	(124)
Change in receivables	(1,602)	522	(1,080)
Change in liabilities, excluding credits and loans	208	(1,327)	(1,119)
Change in the balance of accruals and prepayments	(2,720)	830	(1,890)
Change in provisions	–	(346)	(346)
Revenue on interest	(238)	14	(224)
Gain/(loss) on investing activities	(583)	50	(533)
Income tax paid	(9,415)	(116)	(9,531)
Net cash from operating activities	**34,115**	**2,206**	**36,321**
Cash flow from investing activities			
Proceeds from the sale of non-financial fixed assets	291	192	483
Acquisitions of new tangible fixed assets	(2,913)	(43)	(2,956)
Acquisition of intangible assets	(5,037)	(1,069)	(6,106)
Acquisition of a subsidiary net of acquired cash	(102,349)	3,352	(98,997)
Acquisition/settlement of financial assets at fair value through profit and loss	121	–	121
Interest received	501	–	501
Repaid loans	–	5	5
Net cash from investing activities	**(109,386)**	**2,437**	**(106,949)**
Cash flow from investing activities			
Proceeds from obtained loans	52,585	–	52,585
Repayment of renewable credits	–	(172)	(172)
Paid interest	(175)	(14)	(189)
Expenses for the acquisition of non-controlling interests	–	(3,639)	(3,639)
Dividend paid	(42,441)	–	(42,441)
Net cash from financing activities	**9,969**	**(3,825)**	**6,144**
Increase/(Decrease) in net cash and cash equivalents	(65,302)	818	(64,484)
Net exchange differences	0		0
Opening cash	**70,370**		**70,370**
Closing cash	**5,068**	**818**	**5,886**

Changes in accounting rules used

A description of significant accounting rules applied by the Issuer is included in the consolidated financial statements for the year ended 31 December 2017 – published on 6 March 2018.

The accounting rules (policies) used to prepare these interim condensed financial statements are consistent with those applied in preparing the Issuer's consolidated financial statements for the year ended day 31 December 2017. Due to merger transactions taking place in the period covered by the financial statements, the Issuer opted for the accounting policy applicable to the combination of businesses under joint control.

- *Business combinations under joint control*

The problem of acquisitions and mergers is generally addressed in IFRS 3 Business Combinations. However, this standard excludes transactions between entities under joint control. A situation in which a given transaction or economic phenomenon that requires recognition in the financial statements prepared in accordance with the IFRS does not fall under individual standards is regulated by the provisions of IAS 8, items 10-12. In accordance with the IFRS, these provisions impose on the reporting entity the obligation to determine its accounting rule and to apply it for similar transactions. To settle the merger of entities under joint control, the Company decided to apply the predecessor accounting method, according to which the buyer does not measure assets and liabilities as at the combination date at fair value but applies the book values of the acquired business from the consolidated financial statements of higher-level entities. In case of Company's merger with a subsidiary, it is the Company's consolidated financial statements. As a result of the settlement with the predecessor accounting method, no new goodwill is created in excess of the amounts previously recognised in the consolidated financial statements upon the taking of control.

In the variant pursued by the Company, the predecessor accounting method involves the combination of assets and liabilities as well as revenues and costs of the merged businesses. The comparative data for the previous financial year is restated in such a way as if the merger occurred on the date of takeover of the target company the Company.

- IFRS 15 *Revenues from Contracts with Customers*

The standard replaces all the previous requirements concerning revenue recognition in accordance with IFRS. IFRS 15 introduces a five-step model of recognising revenue from contracts with customers. According to the standard, revenues are recognised in the amount that reflects the value of the remuneration that the Company is entitled to (expects) in exchange for the transfer of promised goods or services to the customer.

- IAS 9 *Financial Instruments*

This standard replaces previous IAS 39 *Financial Instruments*: *Recognition and Measurement* and all the previous versions of IFRS 9. IFRS 9 combines all the three aspects of financial instruments: classification and measurement, impairment, and hedge accounting.

- Interpretation of IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation defines which conversion rate should be applied to foreign currency transactions that involve the receipt or expending of advance payments booked prior to the recognition of the relevant asset, cost or income resulting from the transaction.

- Amendments to IAS 40 *Investment Property*

The amendments clarify the provisions regarding the qualification of property intended for and resulting from investments.

- Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (published on 20 June 2016).

The amendments clarify that share-based payment transactions should be measured using the same approach as in the case of share-based payments accounted for in capital instruments – i.e. the method of modification of the vesting date.

- Amendments to IFRS 4: *Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* resulting from *Amendments resulting from the review of IFRS 2014-2016*
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* as part of *Amendments resulting from the review of IFRS 2014-2016.*

These standards did not have a significant impact on the presented and disclosed financial information, nor did they apply to transactions concluded by the Company.

IFRS 15

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

The Company has taken advantage of a practical exception permitted in IFRS 15 and has resigned from restating the comparable data. This means that the data as at 31 December 2017 and for the nine months ended 30 September 2017 has been prepared based on the effective standards: IAS 18 *Revenue*, IAS 11 *Construction Contracts* and interpretations related to the recognition of revenues before the entry into force of IFRS 15.

The Company applied the modified retrospective approach with the combined effect of the first-time adoption of IFRS 15 recognised on 1 January 2018. A comparison of selected items from this interim balance sheet as at 30 September 2018 with the relevant balance sheet items from the same date prepared in accordance with the standards applicable prior to the implementation of IFRS 15 in the Company, i.e. in accordance with IAS 18, IAS 11 and the relevant interpretations, has shown no impact of the introduced change on the items of the financial statements. The analysis of revenues has shown no impact of the application of IFRS 15 on the value of Issuer's revenues and net result.

a) Guarantees

In many cases, the Company provides guarantees for the sold goods and services. Along with the guarantee a maintenance service is provided which, in principle, is a broader category than the guarantee. This means that the accounting approach used so far remains unchanged, since, under the previously effective provisions, the Company would allocate the contract price to the maintenance service.

b) Variable remuneration

In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity 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 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 due to imposed penalties. In such cases, from 1 January 2018, with regard to the estimation of remuneration, to which the Company is entitled under a contract, the expected remuneration value is estimated taking into account the probability of payment of such contractual penalties. Potentially, 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. The scale of the phenomenon is insignificant, but this area has been identified as a change of the current approach. The conducted analysis has not revealed any other elements in the Company that might cause contractual remuneration to be variable.

c) Valuation of IT contracts – package delivery of goods and services

While implementing IFRS 15, the Company analysed the obligations related to performance under contracts that, under the previously applicable regulations, were subject to the provisions of IAS 11 Construction Contracts and were therefore valued according to the percentage of completion method. The results of the analysis show that in the case of such contracts the Company is required to provide comprehensive goods or services to its clients. 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 from such a performance obligation in accordance with IFRS 15 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. The sale of the Mobile Touch system is a similar situation. The Company is obliged to deliver a comprehensive solution covering the licence, implementation, modification and maintenance of software, as well as the rental of hardware. The Company recognises revenues in this respect as total. At the same time, the conducted analysis shows that in all cases the criterion of having an enforceable right to remuneration for performance throughout the duration of the contract is met.

Given the arguments described above, the implementation of IFRS 15 regarding the recognition of revenues from contracts to deliver comprehensive IT projects does not produce changes that would affect solutions included in such comprehensive projects.

d) Licences

IFRS 15 has introduced detailed provisions on the recognition of revenues from sold licences. If the promise to grant a licence is separate from other goods or services promised in the contract, thus being a separate obligation to perform, the entity determines whether the transfer to the client under licence takes place at a specific time or over time. In determining this circumstance, the entity considers whether the promise of granting a licence to a client is intended to provide the client with:

- the right to access the entity's intellectual property in the form in which it exists throughout the life of the licence; or

- the right to use the entity's intellectual property in the form in which it exists at the time of granting the licence.

The Company has analysed the nature of licences sold separately. It shows that the Company sells both licences with the right to use and access intellectual property.

In the case of licences conveying the right to use intellectual property that meet the separation criteria, i.e. being a separate obligation to perform, in accordance with IFRS 15, the revenue from the sale of such licences should be recognised once upon the transfer of control over the license to the client.

In this case, the method of recognising revenues has not changed. In the case of licences sold without significant accompanying services for an indefinite period of time, the moment of recognition of revenue is the moment of transfer of control, which will be the same as the moment of transferring the risks and benefits resulting from the licence.

The licences granting the right to access intellectual property are, in principle, sold for a definite period, and, until now, the revenue from such licences has been recognised for the period for which the licence was granted. In the case of licences conveying the right to use intellectual property that meet the separation criteria, i.e. being a separate obligation to perform, in accordance with IFRS 15, the revenue from the sale of such licences should be recognised once upon the transfer of control over the license to the client.

The above analysis applies to licences sold separately, i.e. such that the Company regards as a separate obligation to perform. In the case of the sale of own licences with significant modification or implementation services, based on the conducted analysis, the Company concluded that the separation criterion is not met. For such contracts, of value for the customer is the delivered system, i.e. the final product made up of own licences and related significant services.

IFRS 9

The Company implemented IFRS 9 on 1 January 2018 and decided to apply a modified retrospective approach as from 1 January 2018. Also, in this case, as permitted by the said standard, the Company has resigned from restating comparable data, which means that the data presented as at 31 December 2017 and for the nine months ended 30 September 2017 was prepared on the basis of IAS 39.

The Company does not apply hedge accounting; therefore, IFRS 9 is not applicable.

In the case of trade receivables, from 1 January 2018, the Company has been applying a simplified approach, and it measures the allowance for credit losses in the amount equal to the expected credit losses over the whole life. Due to the nature of trade receivables, the write-down for receivables, despite the implementation of the changes provided for in the standard, has remained at a level similar to the value of the write-down calculated according to the rules effective before 1 January 2018. The impact of the implementation of IFRS 9 on retained earnings has been insignificant.

In the case of other items covered by the scope of IFRS 9, i.e. cash, bank loans and trade liabilities, no significant impact has been reported.

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

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

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

- IFRS 16 *Leasing* (published on 13 January 2016) – applicable to annual periods beginning on or after 1 January 2019,
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (published on 12 October 2017) – applicable to annual periods beginning on or after 1 January 2019,
- IFRIC 17 *Insurance Contracts* (published on 18 May 2017) – applicable to annual periods beginning on or after 1 January 2021; not approved by the EU until the date of approval of these financial statements,
- Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures* (published on 12 October 2017) – applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements,
- Amendments to IFRS 19 *Plan Amendment, Curtailment or Settlement* (published on 7 February 2018) – applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements,
- Amendments resulting from the review of IFRS 2015-2017 concerning four standards: *IFRS 3, IFRS 11, IAS 12 and IAS 23* (published on 18 May 2017) – applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – as decided by the European Commission, the process of approving the standard in its preliminary version will not be initiated before the final version of the standard is ready; not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2016,

- Amendments to IAS 10 and IAS 28 *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 2014); the work intended to approve these amendments have been postponed by the EU for an unlimited period of time. The date of entry into force has been postponed by the IASB for an indefinite period of time,
- Interpretation of IFRIC 23 *Uncertainty over Income Tax Treatments* (published on 7 June 2017) – the interpretation is applicable to annual periods beginning on or after 1 January 2019; not approved by the EU until the date of approval of these financial statements,
- Amendments to References to the *Conceptual Framework of the International Financial Reporting Standards* (published on 29 March 2018) – applicable to annual periods beginning on or after 1 January 2020; not approved by the EU until the date of approval of these financial statements.

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 Company is currently analysing how the introduction of these standards and interpretations may influence the financial statements and on the Company's accounting rules (policy).

IFRS 16 *Leases*

The new standard shows how to recognise, measure, present and disclose information on rental, tenancy and lease agreements which provide for the lease of an asset for consideration a specific period of time. The standard introduces one accounting model for all lessees: the division into operational and finance lease is no more applicable. Lessees will have to recognise their rights to use assets and lease liabilities in the balance sheet. In the case of short-term leases (less than 12 months) or low-value leases, the lessee has the right to take advantage of exclusion and settle such agreements on the existing terms.

Under the new provisions, lessors will continue to classify their transactions as operating or finance lease in the same way as in current IAS 17.

The Company has entered into rental agreements for office space, which are now recognised as operating lease. The impact of IFRS 16 will be the recognition in the balance sheet of (i) assets such as the right to use office premises and (ii) liabilities under lease agreements.

On the day of approval of these financial statements for publication, the Management Board had not yet completed the work on the assessment of the introduction of IFRS 16 *Leases* on the Company's application of the accounting rule in relation to the Company's financial results or performance.

Error correction

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

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

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

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

The corporate expenses and income not allocated to segments have to do with those Company's operations that are not related to IT. They cover financial expenses and income and other operating expenses and income.

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 costs and financial income) and income tax are monitored at the levels of the Company and they are not allocated to the segments.

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

(in PLN thousand)

3 months ended 30 September 2018 (*unaudited*)	ERP systems	Unallocated	Activity total
Sales to external customers	54,326	5,034	59,360
Sales between segments	–	–	–
Total segment revenue	**54,326**	**5,034**	**59,360**
Gains on segment sales	**16,682**	**521**	**17,203**
Other net operating income/(expenses)	–	89	89
Net financial income/(expenses)	–	(26)	(26)
Tax on profit or loss	–	(3,034)	(3,034)
Profit for period	**16,682**	**(2,450)**	**14,232**

Segment operating profit does not include financial income (PLN 552 thousand), financial expenses (PLN 578 thousand), other operating income (PLN 177 thousand) and other operating expenses (PLN 88 thousand) and the result of unallocated activity (PLN 521 thousand).

9 months ended 30 September 2018 (*unaudited*)	ERP systems	Unallocated	Activity total
Sales to external customers	172,055	12,660	184,715
Sales between segments	–	–	–
Total segment revenue	**172,055**	**12,660**	**184,715**
Gains on segment sales	**51,718**	**1,173**	**52,891**
Other net operating income/(expenses)	–	289	289
Net financial income/(expenses)	–	(374)	(374)
Tax on profit or loss	–	(9,349)	(9,349)
Profit for period	**51,718**	**(8,261)**	**43,457**
Other information			
Amortisation/Depreciation	(13,844)	(47)	**(13,891)**

Segment operating profit does not include financial income (PLN 487 thousand), financial expenses (PLN 861 thousand), other operating income (PLN 608 thousand) and other operating expenses (PLN 319 thousand) and the result of unallocated activity (PLN 1,173 thousand).

3 months ended 30 September 2017 (*unaudited*) *Restated*	ERP systems	Unallocated	Activity total
Sales to external customers	49,934	4,635	54,569
Sales between segments	–	–	–
Total segment revenue	**49,934**	**4,635**	**54,569**
Net profit/(loss) on segment sales	**13,234**	**447**	**13,681**
Other net operating income/(expenses)	–	9	9
Net financial income/(expenses)	–	(611)	(611)
Tax on profit or loss	–	(2,569)	(2,569)
Profit for period	**13,234**	**(2,724)**	**10,510**

(in PLN thousand)

Segment operating profit does not include financial income (PLN 254 thousand), financial expenses (PLN 865 thousand), other operating income (PLN 117 thousand) and other operating expenses (PLN 108 thousand) and the result of unallocated activity (PLN 447 thousand).

9 months ended 30 September 2017 (*unaudited*) ***Restated***	**ERP systems**	**Unallocated**	**Activity total**
Sales to external customers	135,121	9,090	144,211
Sales between segments	–	–	–
Total segment revenue	**135,121**	**9,090**	**144,211**
Net profit/(loss) on segment sales	**40,955**	**516**	**41,471**
Other net operating income/(expenses)	–	186	186
Net financial income/(expenses)	–	(204)	(204)
Tax on profit or loss	–	(8,038)	(8,038)
Profit for period	**40,955**	**(7,540)**	**33,415**
Other information			
Amortisation/Depreciation	(9,675)	(40)	**(9,715)**

Segment operating profit does not include financial income (PLN 902 thousand), financial expenses (PLN 1,106 thousand), other operating income (PLN 435 thousand) and other operating expenses (PLN 249 thousand) and the result of unallocated activity (PLN 516 thousand).

Geographic information

Revenues from external customers:

	9 months ended 30 September 2018 (*unaudited*)	9 months ended 30 September 2017 (*unaudited*) *Restated*
Poland	161,946	124,388
ROW, including:	22,769	19,823
– The Netherlands	5,754	6,863
– France	8,344	4,988
- Romania	2,474	1,383
- Germany	1,688	1,856
– Spain	269	255
- United Kingdom	1,422	1,058
- Turkey	152	153
- Czech Republic	346	530
- the Baltics (Lithuania, Latvia, Estonia) and Russia	65	54
- others	2,255	2,683
	184,715	**144,211**

This information is based on data from customers' headquarters.

(in PLN thousand)

4. Explanatory notes to the interim condensed financial statements

4.1. Structure of revenues on sales

	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
ERP systems	54,326	172,055	49,934	135,121
Unallocated	5,034	12,660	4,635	9,090
Total	**59,360**	**184,715**	**54,569**	**144,211**

4.1.1 Revenues from contracts with customers in total revenues from sales according to the method of recognition in income statement

	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Revenues from goods or services provided to the client at a specified time, including:	7,392	29,302	4,481	13,849
ERP systems	*4,552*	*20,106*	*3,114*	*10,300*
Unallocated revenues	*2,840*	*9,196*	*1,367*	*3,549*
Revenues from goods or services provided over time, including:	51,968	155,413	50,088	130,362
ERP systems	*49,774*	*151,949*	*46,820*	*124,821*
Unallocated revenues	*2,194*	*3,464*	*3,268*	*5,541*
Total	**59,360**	**184,715**	**54,569**	**144,211**

4.2. Structure of operating expenses

	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Value of goods, materials and external services sold (COGS)	(3,685)	(11,829)	(4,660)	(9,077)
Consumption of materials and energy	(1,225)	(3,555)	(1,122)	(2,352)
External services	(6,136)	(19,320)	(6,201)	(15,895)
Wages and salaries	(21,599)	(67,326)	(20,403)	(53,730)
Employee benefits	(4,448)	(14,383)	(3,804)	(10,897)
Amortisation/Depreciation	(4,708)	(13,891)	(4,353)	(9,715)
Taxes and fees	(284)	(844)	(192)	(636)
Business trips	(100)	(429)	(134)	(421)
Other	28	(247)	(19)	(17)
Total	**(42,157)**	**(131,824)**	**(40,888)**	**(102,740)**

(in PLN thousand)

Own cost of sales, including:	(34,416)	(107,866)	(31,921)	(81,929)
cost price	*(30,731)*	*(96,037)*	*(27,261)*	*(72,852)*
value of goods, materials and external services sold (COGS)	*(3,685)*	*(11,829)*	*(4,660)*	*(9,077)*
Cost of sales	(3,241)	(10,275)	(3,534)	(7,590)
Administrative expenses	(4,500)	(13,683)	(5,433)	(13,221)
Total	**(42,157)**	**(131,824)**	**(40,888)**	**(102,740)**

4.3. Other operating income and expenses

The structure of other operating income and expenses in the three quarters of 2018 and in the comparative period were as follows:

Other operating income	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Profit from the sale of non-financial fixed assets	40	93	–	138
Proceeds from rental of office space	84	249	80	240
Other	53	266	37	57
Total	**177**	**608**	**117**	**435**

Other operating expenses	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Loss on the sale of non-financial assets	–	–	(15)	–
Donations to unrelated parties	(24)	(43)	(27)	(50)
Liquidation of fixed assets	–	(78)	(1)	(4)
Other operating expenses	(64)	(198)	(65)	(195)
Total	**(88)**	**(319)**	**(108)**	**(249)**

4.4. Financial income and expenses

The structure of financial income and expenses in the three quarters of 2018 and in the comparative period were as follows:

(in PLN thousand)

Financial income	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 *(unaudited)* *Restated*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Income from bank interest	5	41	4	503
Positive exchange differences	–	136	138	–
Gains from foreign currency derivatives - entered forward contracts	101	310	112	121
Loss from changes in fair value of foreign currency derivatives - entered forward contracts	446	–	–	278
Total	**552**	**487**	**254**	**902**

Financial expenses	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Interest cost on loans	(241)	(567)	(384)	(500)
Negative exchange rates	(274)	–	–	(133)
Other interest expense	–	(5)	(4)	(8)
Interest on finance lease	(63)	(118)	(14)	(14)
Bank fees and charges	–	–	–	(130)
Loss from changes in fair value of currency derivatives - entered forward contracts	–	(171)	(229)	–
Costs associated with the acquisition of companies:	–	–	(234)	(321)
Total	**(578)**	**(861)**	**(865)**	**(1,106)**

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

4.5. Tax on profit or loss

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

	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2017 (unaudited) *Restated*
Current income tax	(2,001)	(6,474)	(2,406)	(7,042)
Deferred tax	(1,033)	(2,875)	(163)	(996)
Tax expense reported in the profit and loss account	***(3,034)***	***(9,349)***	***(2,569)***	***(8,038)***

The effective tax rate in the nine months ended 30 September 2018 was 17.7% compared to 19.4 % in the comparable period.

(in PLN thousand)

4.6. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Issuer by the weighted average number of issued ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to Issuer's ordinary shareholders by the weighted average number of issued ordinary shares outstanding during the period, adjusted by the weighted average of ordinary shares, which would be issued on conversion of all potentially dilutive equity instruments into ordinary shares.

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

	3 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 *(unaudited)* *Restated*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Net profit attributable to shareholders of the parent for the reporting period	14,232	43,457	10,510	33,415
Weighted average number of issued ordinary shares used to calculate basic earnings per share	33,418,193	33,418,193	33,418,193	33,418,193
Basic/diluted profit per share total	**0.43**	**1.30**	**0.31**	**1.00**

During the reporting period as well as in the comparable period, there were no elements diluting the basic earnings per share.

4.7. Property, plant and equipment

Changes in net worth of property, plant and equipment in the period of the nine months ended 30 September 2018 and in the comparable period were attributed to the following:

Property, plant and equipment	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Net value as at 1 January	17,851	11,721
Increase through:	**8,473**	**11,591**
Acquisitions	8,473	2,961
Taking control of subsidiaries	–	8,630
Decrease through:	**(4,886)**	**(4,301)**
Depreciation allowance for the reporting period	(4,739)	(3,739)
Sales and liquidation	(147)	(562)
Net value of fixed assets as at 30 september	**21,438**	**19,011**

(in PLN thousand)

4.8. Intangible assets

Changes in net worth of intangible assets in the period of the nine months ended 30 September 2018 and in the comparative period were attributed to the following:

Intangible assets	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Net value as at 1 January	26,810	10,528
Increase through:	**7,696**	**21,859**
Acquisitions	248	569
Taking control of subsidiaries	–	15,701
Capitalisation of costs of ongoing development projects	7,448	5,589
Decrease through:	**(9,302)**	**(6,162)**
Depreciation allowance for the reporting period	(9,302)	(6,162)
Net value of intangible assets as at 30 September	**25,204**	**26,225**

4.8.1 Goodwill

Goodwill presented in the interim condensed financial statements is composed of goodwill resulting from the merger of Asseco Business Solutions S.A., Safo Sp. z o.o., Softlab Sp. z o.o., Softlab Trade Sp. z o.o. and WA-PRO Sp. z o.o., as well as the merger of Asseco Business Solutions S.A. with Anica S.A. and Macrologic S.A.

	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
Carrying value of goodwill	252,879	252,879	252,879

Goodwill is allocated to the cash-generating unit, which was also a separate operating segment – ERP Systems.
At 30 September 2018, there were no indications that there might be any loss of goodwill, and any assumptions to the test at the end of 2017 (which are described in Note 19 of the condensed financial statements of Asseco Business Solutions S.A. for the year ended on 31 December 2017, which was published on 6 March 2018) remain valid as at 30 September 2018.

4.9. Inventories

The value of inventory write-down did not change significantly compared to the end of 2017, and as at 30 September 2018 amounted to PLN 156 thousand.

(in PLN thousand)

4.10. Financial assets

Financial assets	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Long-term forward currency contracts	40	–	–
Short-term forward currency contracts	79	291	115
Total	**119**	**291**	**115**

Financial assets measured at fair value through profit and loss include forward transactions concluded in order to secure foreign exchange risk resulting from contracts settled in foreign currency.

4.11. Short-term and long-term accruals and prepayments

Prepaid expenses and accrued income	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Prepaid maintenance services	301	356	328
Prepaid insurance	292	436	395
Prepaid subscriptions	–	–	12
Prepaid training	15	59	5
Other prepaid services	641	539	628
Total	**1,249**	**1,390**	**1,368**
- short-term	1,220	1,327	1,297
- long-term	29	63	71

4.12. Short-term receivables and assets under contracts

Assets under contracts with customers and short-term trade receivables	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Trade receivables from unrelated parties	38,118	42,510	36,676
Trade receivables from related parties	128	236	61
Assets from contracts with customers	1,781	324	3,448
Receivables not invoiced	265	868	–
Trade receivables (net)	**40,292**	**43,938**	**40,185**
Allowance on doubtful accounts	1,766	999	1,384
Trade receivables (gross)	**42,058**	**44,937**	**41,569**

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.

(in PLN thousand)

Assets under contracts with customers (Receivables from the valuation of IT contracts) result from the fact that the progress of implementation contracts is more advanced than issued invoices. As regards these assets, the Company has also fulfilled its obligation to perform the service, but the right to remuneration depends on other conditions than just the passage of time.

Related party transactions are shown in item 4.18 of these interim condensed financial statements.

The Company has appropriate policies in place for making the sale only to verified customers. According to the Company's management, there is no need to create an additional write-down for expected credit losses.

The fair value of receivables does not differ significantly from the value at which they were presented in the financial statements.

Other receivables	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Advances paid to suppliers	60	9	68
Other trade receivables (bid bonds, deposits)	732	861	730
Receivables from employees	25	16	–
CSBF	–	225	–
Other receivables	400	149	1,716
	1,217	**1,260**	**2,514**

Other trade receivables (deposits, bid bonds) comprise a financial guarantee given to customers to cover potential losses arising from the non-performance of contractual obligations.

4.13. Cash and short-term deposits

Cash at bank bears interest at variable interest rates, the amount of which depends on the rate on overnight bank deposits.

The fair value of cash and short-term deposits at 30 September 2018 amounts to PLN 2,446 thousand (31 December 2017: PLN 8,014 thousand).

As at 30 September 2018, cash at bank related to split payment amounts to PLN 203 thousand.

The balance of cash and short-term deposits shown in the balance sheet and in the statement of cash flows consisted of the following items:

Cash	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Cash at bank and in hand	2,446	8,014	5,886
Cash in the balance sheet	**2,446**	**8,014**	**5,886**
Interest accrued on short-term deposits	–	–	–
Cash in cash flow statement	**2,446**	**8,014**	**5,886**

(in PLN thousand)

4.14. Interest-bearing bank loans, issue of securities and granted sureties and guarantees

On 30 May 2017, Asseco Business Solutions S.A. entered into a PLN 65 thousand Credit Facility Agreement with Raiffeisen Bank Polska S.A. The credit facility will be used as follows:

- an overdraft facility of up to PLN 45,000 thousand with the repayment date of 30 June 2020;

- a revolving loan facility of up to PLN 20,000 thousand with the repayment date of 30 September 2020.

The collateral security is a power of attorney to the bank accounts at Raiffeisen Bank Polska S.A. and a declaration of submission to enforcement. The facility's interest is WIBOR + margin.

During the reporting period, the Issuer did not grant any significant sureties for credits or loans or any guarantees – collectively to a single entity or its subsidiary.

Loans	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Credit on running account	12,358	10,928	32,585
Revolving credit	13,353	20,002	20,002
Total	**25,711**	**30,930**	**52,587**
- short-term	19,008	17,578	32,585
- long-term	6,703	13,352	20,002

4.15. Liabilities under contracts with customers; current and non-current trade and other liabilities

Liabilities under contracts with customers	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Liabilities from IT valuation	–	–	–
Accrued income from contracts with customers	9,553	–	–
Total	**9,553**	**–**	**–**
- short-term	9,553	–	–
- long-term	–	–	–

Trade liabilities	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
To related parties	54	422	69
To other parties	3,046	3,723	5,015
Contractual obligations	–	512	–
Liabilities due to non-invoiced deliveries	765	728	–
Total	**3,865**	**5,385**	**5,084**

(in PLN thousand)

As from the date of implementation of IFRS 15 in the Company, i.e. from 1 January 2018, liabilities arising from the valuation of IT contracts and accrued income from licences carrying access rights unsettled until the balance sheet date are disclosed within liabilities under contracts with customers; the same applies to future revenues from services such as IT maintenance that are billable over time.

Financial liabilities	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
Liabilities under finance lease	6,485	1,473	1,609
Total	**6,485**	**1,473**	**1,609**
- short-term	1,650	555	555
- long-term	4,835	918	1,054

Other liabilities	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
Salary liabilities	1,296	443	197
Liabilities due to non-invoiced deliveries	–	374	294
Advance payments for supplies	116	149	–
Other liabilities	–	175	9
Total	**1,412**	**1,141**	**500**

Liabilities from taxes, duties, social security and other	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
Liabilities from taxes, duties, social security and other	8,853	8,337	6,931
Liabilities to Social Security	3,437	2,469	2,495
Personal Income Tax	1,502	1,025	738
VAT	3,844	4,790	3,666
Other budgetary commitments	70	53	32
Tax liabilities on corporate income tax	–	4,496	1,447
Total	**8,853**	**12,833**	**8,378**
- short-term	8,853	12,833	8,378
- long-term	–	–	–

Related party transactions are shown in item 4.18 of these interim financial statements.

Trade and other liabilities are not interest-bearing.

(in PLN thousand)

4.16. Provisions

Changes in provisions in the period of the nine months ended 30 September 2018 and in the comparative period were attributed to the following:

	Provision for retirement gratuity	Other provisions	**In total**
As at 1 January 2018 *(restated)*	1,462	398	**1,860**
Created during the financial year	150	–	**150**
Reversal	–	(25)	**(25)**
As at 30 September 2018	**1,612**	**373**	**1,985**
- short-term	385	373	**758**
- long-term	1,227	–	**1,227**

	Provision for retirement gratuity	Other provisions	**In total**
As at 01 January 2017	893	373	**1,266**
Taking control of subsidiaries	414	–	**414**
Created during the financial year	–	17	**17**
Used	–	(47)	**(47)**
As at 30 September 2017	**1,307**	**343**	**1,650**
- short-term	5	343	**348**
- long-term	1,302	–	**1,302**

4.17. Accruals

	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited) Restated*
Accrued expenses for:			
Unused leaves	2,968	3,720	3,244
Bonuses	7,075	11,327	6,319
Provision for other expenses	–	–	686
	10,043	**15,047**	**10,249**
Accrued income for:			
Prepaid services	–	1,603	1,575
Grants related to assets	49	–	309
Other income	–	8,221	6,767
	49	**9,824**	**8,651**
Total	**10,092**	**24,871**	**18,900**
- short-term	10,092	24,871	18,851
- long-term	–	–	49

The balance of accrued expenses consists of: provisions for unused leaves, provisions for salaries in the period to be paid in future periods and resulting from the bonus scheme effective at Asseco Business Solutions S.A., and provisions for current operating expenses of the Company that were incurred during the reporting period but had not been invoiced until the balance sheet date.

(in PLN thousand)

Since the implementation in the Company of IFRS 15, i.e. since 1 January 2018, accrued income from licences carrying access rights and unsettled before the balance sheet date, as well as future revenues from services such as IT maintenance, which are billable over time, are shown under liabilities under contracts with customers presented in Note 4.15.

4.18. Related party transactions

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

The amounts of outstanding payments are not protected and will be settled in cash. No guarantees were granted or received. In the accounting period, the costs attributable to bad or unsafe debts arising from transactions with related parties were not recognised.

Related party		*Sales to related parties*	*Purchase from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Parent of the Group:					
Asseco Poland S.A.	*3 quarters 2018*	1,778	1,206	70	20
	3 quarters 2017	1,291	1,505	49	29
Other related parties:					
Other parties	*3 quarters 2018*	180	354	58	43
	3 quarters 2017	232	300	12	52
	3 quarters 2018	**1,958**	**1,560**	**128**	**63**
	3 quarters 2017	**1,523**	**1,805**	**61**	**81**

According to the information held by Asseco Business Solutions S.A., neither at 30 September 2018 nor at 31 December 2017 there was an outstanding balance of receivables arising from related party transactions held by the Company Executives and with the Company Executives.

According to Asseco Business Solutions records, in the nine months ended 30 September 2018, the value (net) of purchases transactions of goods and services (including rental) from related parties by the Company Executives and with the Company Executive amounted to PLN 1,404 thousand. The (net) value of the sale of goods and services to related parties by the Company Executives and to the Company Executive was PLN 9 thousand.

(in PLN thousand)

4.19. Contingent liabilities

At 30 September 2018 (and at 31 December 2017), the Company did not have any contingent liabilities.

4.20. Financial instruments

In the period covered by these financial statements, there were no significant changes to the value and type of financial instruments in relation to the value and type of financial instruments reported in the Company's financial statements for the year ended 31 December 2017. Change in the level of receivables is due to the daily cycle of operations of the Company.

4.21. Objectives and principles of financial risk management

The objectives and rules of financial risk management applied by the Company are consistent with the objectives and rules reported in the Company's financial statements for the year ended 31 December 2017.

4.22. Fair values of individual facility grades

Fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard conditions, which are traded on active, liquid markets, is determined by reference to stock prices;
- the fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models based on discounted cash flow analysis, using the prices from observable current market transactions and dealer quotes for similar instruments;

The following table compares the carrying values and fair values of all the Company's financial instruments, broken down by classes and categories of assets and liabilities. According to the Company's assessment, the fair value of cash, short-term deposits, trade receivables, trade liabilities and other short-term liabilities does not differ from the carrying amounts largely due to the short period of maturity.

	carrying values		fair values	
	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2018 *(unaudited)*	31 December 2017 *Restated*
Financial assets				
measured at fair value through profit or loss				
Forward currency contracts	119	291	119	291
measured at amortised cost				
Trade receivables and assets due under contracts with customers and other receivables (less prepayments to suppliers)	41,449	45,189	41,449	45,189
Cash and short-term deposits	2,446	8,014	2,446	8,014
	44,014	**53,494**	**44,014**	**53,494**

(in PLN thousand)

Financial liabilities				
Interest-bearing loans and borrowings - fixed %	25,711	30,930	25,711	30,930
Liabilities under contracts with customers	9,553	–	–	–
Trade and other liabilities (without prepayments for deliveries)	5,161	6,377	5,161	6,377
Finance lease obligations	6,485	1,473	6,485	1,473
	37,357	**38,780**	**37,357**	**38,780**

As at 30 September 2018 and as at 31 December 2017, the Company held the following financial instruments measured at fair value:

	30 September 2018 *(unaudited)*	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Concluded forward contracts	119	–	119	–
	119	**–**	**119**	**–**

	31 December 2017 *Restated*	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Concluded forward contracts	291	–	291	–
	291	**–**	**291**	**–**

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

In the period ended 30 September 2018 and in the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, or none of the instruments was moved from/to the Level 3 of the fair value hierarchy.
The fair value of financial assets and liabilities held by the Company as at 30 September 2018 and as at 31 December 2017 does not differ significantly from their carrying value.

4.23. Headcount

Average FTEs during the reporting period	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 *(unaudited)* *Restated*
Management Board	4*	4*
Developers	751	620
Sales personnel	95	59
Administration	61	53
Total	**911**	**736**

(in PLN thousand)

FTEs on	30 September 2018 *(unaudited)*	30 September 2017 *(unaudited)* *Restated*
Management Board	4*	4*
Developers	746	787
Sales personnel	91	83
Administration	59	72
Total	**900**	**946**

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

4.24. Seasonality and cyclicality

The operations of Asseco Business Solutions are subject to moderate seasonal fluctuations. As regards ERP systems, the highest sales figures are reported in the first and fourth quarter of the year. This can be explained by the choice of the calendar year as fiscal year by most Company's customers, which translates into a tendency to launch information systems and modify the IT infrastructure of enterprises on the turn-of-the-year basis or beginning-of-the-year basis.

5. Comments and additional information to the quarterly financial statements of Asseco Business Solutions

5.1 Financial data and analysis of results of Asseco Business Solutions for 3Q 2018

Financial results of Asseco Business Solutions for the third quarter of 2018:

	3 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 *(unaudited)* *Restated*	Growth rate 3 mths 2018/3 mths 2017	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 (unaudited) *Restated*	Growth rate 9 mts 2018/ 9 mts 2017/
Receipts on sales	59,360	54,569	8.78%	184,715	144,211	28.09%
Gross profit on sales	24,944	22,648	10.14%	76,849	62,282	23.39%
EBIT	17,292	13,690	26.31%	53,180	41,657	27.66%
EBITDA	22,000	18,043	21.93%	67,071	51,372	30.56%
Net profit	14,232	10,510	35.41%	43,457	33,415	30.05%

In the second half of 2017, Asseco Business Solutions S.A. acquired Macrologic S.A. and has been consolidating its results ever since. On 2 January 2018, Asseco Business Solutions and Macrologic merged (see item 1.2 of these financial statements).

Profitability ratios

In the third quarter of 2018, revenues on sale were 8.8 % higher compared with the same period of the previous year, while the gross profit on sales increased by 10.1%. At the same time, operating expenses (excluding COGS) increased by 28.1%, while the value of goods, materials and external services sold (COGS) was lower by 20.9%. Increases in profitability ratios in the third quarter of 2018 compared to the previous year are attributed to organisational changes implemented in the previous quarters and related to the acquisition of Macrologic S.A.

(in PLN thousand)

Profitability ratios	3 months ended 30 September 2018 *(unaudited)*	3 months ended 30 September 2017 (unaudited) *Restated*	9 months ended 30 September 2018 *(unaudited)*	9 months ended 30 September 2017 (unaudited) *Restated*
Gross margin on sales	42.02%	41.50%	41.60%	43.19%
EBITDA profit margin	37.06%	33.06%	36.31%	35.51%
Operating margin	29.13%	25.09%	28.79%	28.89%
Net margin	23.98%	19.26%	23.53%	23.17%

Liquidity ratios

Working capital is defined as the difference between current assets and current liabilities and represents the volume of fixed capital (equity and long-term foreign capital) that finance current assets. As the most liquid part of the capital, it secures the liabilities arising from the current cash cycle in the company. The Company's working capital as at 30 September 2018 was negative and amounted to PLN 9,200 thousand. The basic factor affecting the level of working capital in the three quarters of 2018 was the payment of dividend and merger with Macrologic S.A. in 2017.

Current assets were down by 17.1% compared with the end of 2017, primarily due to the reduced level of cash.

Short-term liabilities decreased by 12.1%, mainly due to a less intense use of the credit facility originally intended for the financing of current operations.

Liquidity ratios	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
Working capital (in PLN thou.)	(9,200)	(7,339)	(15,850)
Current ratio	0.83	0.88	0.76
Quick ratio	0.81	0.85	0.73
Super quick ratio	0.04	0.13	0.09

These ratios have been calculated using the following formulas:
Working capital = current assets (short-term) - current liabilities
Current ratio = current assets (short-term) / current liabilities
Quick ratio = (current assets - inventories - accruals and prepayments) / current liabilities
Super quick ratio = (bonds and securities held to maturity + cash and short-term deposits) / current liabilities

Debt ratios

(in PLN thousand)

The table below presents the main debt ratios of the Company as at 30 September 2018 and for the past comparative periods:

Debt ratios	30 September 2018 *(unaudited)*	31 December 2017 *Restated*	30 September 2017 *(unaudited)* *Restated*
General debt ratio	19.6%	21.9%	25.2%

These ratios have been calculated using the following formulas:
Debt ratio = (long-term liabilities + current liabilities) / assets

The debt ratio at the end of the third quarter of 2018 is lower than in the comparative period of 2017. This is attributed to the repayment of overdraft facility.

5.2 Factors affecting financial results

The most important factors that affected the Company's performance in the reporting period are:

- Merger with Macrologic S.A.;
- Reorganisation of Macrologic's operations to align it with the business model of Asseco Business Solutions;
- Execution of IT contracts concluded in previous periods.
- Award and execution of significant IT contracts in the reporting quarter.
- Seasonal changes in demand for products marketed by the Company – a distinguishing feature of the IT industry is seasonal fluctuation of sales.
- Healthy sales figures for Mobile Touch both in Poland and in the European market.

5.3 Extraordinary or non-recurring events affecting the financial results

In the nine months ended 30 September 2018, there were no extraordinary or non-recurring events that affected the Company's results in the period.

During the nine months ended 30 September 2018, there were no items affecting assets, liabilities, equity, net result or cash flows that were extraordinary in terms of type, value, or frequency.

5.4 Information on dividends paid

Pursuant to the decision of the Ordinary General Meeting of Shareholders of Asseco Business Solutions S.A. held on 23 April 2018, the net profit for the financial year 2017 in the amount of PLN 47,284 thousand has been divided as follows:

- part of the net profit for the year 2017 in the amount of PLN 43,444 thousand was earmarked for distribution among the shareholders, i.e. for the payment of the dividend in the amount of PLN 1.3 per share;

- the reminder of the net profit for 2017 in the amount of PLN 3,840 thousand was transferred to supplementary capital.

The dividend date was set to 15 May 2018 and the dividend payment date to 5 June 2018.

The company did not pay dividends for the year 2018.

5.5 Significant events during the reporting period

Selected agreements concluded in the third quarter of 2018:

- Meble Black Red White sp. z o.o. – licensing and implementation of Safo jERP by Asseco,
- BOKARO Szeligowscy sp. j. – licensing and implementation of Safo jERP by Asseco,
- SARIA POLSKA Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Zakład Produkcji Kruszyw Rupińscy Sp. j. – licensing and implementation of Asseco Softlab HR,
- Techmot Sp. z o.o. – implementation of Connector and Safo jERP by Asseco,
- BISK S.A. – implementation of Safo jERP by Asseco,
- Target Pro Sp. z o.o. Sp. K. – implementation and maintenance of Connector Enterprise,
- Florian Centrum S.A. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Tabal Sp. z o.o. – licensing and implementation of Sofo jERP by Asseco and the provision of maintenance services,
- Wikpol Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,
- Brabant Sp. z o.o. – licensing and implementation of Asseco Softlab ERP and the provision of maintenance services,

5.6 List of proceedings pending before the court, competent authority for arbitration or a public administration body

The Company is a party to several lawsuits and enforcement proceedings to recover payments for delivered products and services. Allowances have been made to the receivables covered by the above-mentioned proceedings.

In addition to the recovery of receivables, the Company is a party to a case connected with the decision of the Office of Competition and Consumer Protection of December 2013 imposing a fine on Asseco Business Solutions. 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, the Company 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.

5.7 Capital expenditure

In the period ended 30 September 2018, the Company made investment outlays in the amount of PLN 10,343 thousand, while, in the comparative period, relevant investment outlays amounted to PLN 9,119 thousand.

5.8 Feasibility assessment of financial forecast published by the Management Board for 2018

The Management Board of Asseco Business Solutions S.A. did not publish financial forecast for 2018.

5.9 Issuance, redemption and repayment of non-equity and equity securities

During the reporting period, Asseco Business Solutions did not issue, redeem or repay any equity or non-equity securities.

5.10 Effects of changes in Issuer's structure

On 2 January 2018, Asseco Business Solutions S.A. merged with Macrologic S.A. (see item 1.2. of these financial statements).

5.11 Indication of factors that, in the Management Board's opinion, will have an impact on the Company's results at least until the end of current financial year

In the opinion of the Management Board of Asseco Business Solutions S.A., the financial situation and the market position of Asseco Business Solutions S.A. are satisfactory and promise advantageous conditions for further development and operations in 2018. In the opinion of the Management Board, the most important external and internal factors that may affect the performance of Asseco Business Solutions S.A. and its results in the following year are:

External factors:

- the economic and political position of Poland, the European Union and other geographies where the Company has its operations,
- attitude of potential clients to investment in IT against the backdrop of the general economic situation,
- risk of time-shifting of potential clients' investment decisions,
- intense direct and indirect competition from both Polish and foreign IT companies,
- risk related to technological saturation,

- opportunities and risks related to technological changes in the IT industry and the development of new products.

Internal factors

- the ability to take advantage of the opportunities created by the merger of the Issuer and Macrologic S.A.,
- the results of intense and ongoing trade activities both domestically and abroad,
- activities run under currently valid agreements,
- the capacity to adapt products to changing legislation,
- the need to attract and keep the most qualified and key employees,
- effects of work on new products.

5.12 Information on other important factors that could have affected the assessment of the financial position, assets and personnel

There is no other information but the one given above, whose disclosure could materially affect the assessment of the Company's financial position, assets and personnel.

5.13 Agreements concluded between the Issuer and its Executives providing for compensation in the event of their resignation or dismissal from their position

There are no agreements concluded between the Issuer and its executives providing for compensation in the event of their resignation or dismissal from their positions without a valid cause or in the event of their retirement or dismissal due to a merger by acquisition.

5.14 Information on agreements known to the Issuer that may result in future changes in the proportion of shares held by the shareholders and bondholders

There are no agreements concluded that may result in any future changes in the proportions of shares held by the existing shareholders and bondholders.

5.15 Information on control of employee share schemes

On the date of these financial statements, there were no incentive programmes in place based on the Issuer's shares.

5.16 Significant events after the balance sheet date

To the date of these financial statements for the nine months ended 30 September 2018, that is, until 25 October 2018, there had been no significant events concerning previous years that are not included in these financial statements.

5.17 Significant events concerning previous years

To the date of these financial statements for the nine months ended 30 September 2018, that is, until 25 October 2018, there had been no events concerning previous years that are not, and should be, included in these financial statements.

5.18 Signatures of Board Members

Full name	Position/Function	Signature
Wojciech Barczentewicz	President of the Management Board	
Piotr Masłowski	Vice-President of the Management Board	
Andreas Enders	Vice-President of the Management Board	
Mariusz Lizon	Member of the Management Board	
Artur Czabaj	Person responsible for bookkeeping	

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