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**ANNUAL REPORT  
OF ASSECO SOUTH EASTERN EUROPE S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**FINANCIAL STATEMENTS  
OF ASSECO SOUTH EASTERN EUROPE S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2018  
INCLUDING THE AUDIT REPORT BY INDEPENDENT CERTIFIED AUDITORS**

**Rzeszów, 20 February 2019**

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INCLUDING THE AUDIT REPORT BY INDEPENDENT CERTIFIED AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE S.A.  
INCLUDING THE AUDIT REPORT BY INDEPENDENT CERTIFIED AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

These financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A.

**Management Board of Asseco South Eastern Europe S.A.:**

Piotr Jeleński	President of the Management Board
Miljan Mališ	Member of the Management Board
Miodrag Mirčetić	Member of the Management Board
Marcin Rulnicki	Member of the Management Board

Person responsible for maintaining the accounting books:

Monika Kacprzak

**FINANCIAL HIGHLIGHTS**

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
	PLN'000	PLN'000	EUR'000	EUR'000
I. Revenues from holding activities	41,056	39,404	9,622	9,283
II. Revenues from operating activities	8,666	7,650	2,031	1,802
III. Operating profit	29,496	31,565	6,913	7,436
IV. Pre-tax profit	30,831	22,164	7,226	5,222
V. Net profit for the reporting period	28,501	19,831	6,680	4,672
VI. Net cash provided by (used in) operating activities	31,919	30,449	7,481	7,173
VII. Net cash provided by (used in) investing activities	7,002	10,664	1,641	2,512
VIII. Net cash provided by (used in) financing activities	(28,339)	(26,278)	(6,642)	(6,191)
IX. Cash and short-term deposits	36,944	26,074	8,592	6,251
X. Earnings per ordinary share (in PLN/EUR)	0.55	0.38	0.13	0.09
XI. Diluted earnings per ordinary share (in PLN/EUR)	0.55	0.38	0.13	0.09

The selected financial data disclosed in these annual financial statements have been translated into EUR in the following way:

- items of the income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
  - in the period from 1 January 2018 to 31 December 2018: EUR 1 = PLN 4.2669
  - in the period from 1 January 2017 to 31 December 2017: EUR 1 = PLN 4.2447
- cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
  - exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000
  - exchange rate effective on 31 December 2017: EUR 1 = PLN 4.1709

## INCOME STATEMENT

	Note	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Holding activities</b>		<b>41,056</b>	<b>39,404</b>
Dividend income	1	27,832	30,527
Revenues from sales of services	1	13,224	8,877
<b>Operating activities</b>		<b>8,666</b>	<b>7,650</b>
Revenues from sales of IT services and software	2	8,666	7,650
<b>Total sales revenues</b>		<b>49,722</b>	<b>47,054</b>
Cost of sales (-)	3	(15,463)	(12,232)
<b>Gross profit on sales</b>		<b>34,259</b>	<b>34,822</b>
Selling costs (-)	3	(4,543)	(3,256)
General and administrative expenses (-)	3	(279)	(61)
<b>Net profit on sales</b>		<b>29,437</b>	<b>31,505</b>
Other operating income	4	87	283
Other operating expenses (-)	4	(28)	(223)
<b>Operating profit</b>		<b>29,496</b>	<b>31,565</b>
Financial income	5	2,879	3,524
Financial expenses (-)	5	(1,544)	(12,925)
<b>Pre-tax profit</b>		<b>30,831</b>	<b>22,164</b>
Corporate income tax (current and deferred tax expense)	6	(2,330)	(2,333)
<b>Net profit for the reporting period</b>		<b>28,501</b>	<b>19,831</b>
<b>Earnings per share for the reporting period (in PLN):</b>			
Basic earnings per share	7	0.55	0.38
Diluted earnings per share	7	0.55	0.38

## STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Net profit for the reporting period</b>	<b>28,501</b>	<b>19,831</b>
<b>Other comprehensive income</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b>	<b>28,501</b>	<b>19,831</b>

## STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
<b>Non-current assets</b>		<b>591,941</b>	<b>594,963</b>
Property, plant and equipment	9	514	599
Goodwill arising from business combinations	10	4,567	4,567
Intangible assets	10	1,128	894
Investments in subsidiaries	11	571,174	571,101
Advance payments for shares in subsidiaries		-	83
Deferred tax assets	6	565	87
Long-term financial assets	14	11,637	14,173
Prepayments and accrued income	21	429	-
Other long-term receivables	12	1,927	3,459
<b>Current assets</b>		<b>52,322</b>	<b>42,319</b>
Prepayments and accrued income	21	1,720	441
Trade receivables	12	5,436	2,322
Contract assets	22	44	55
Other short-term receivables	12	1,521	2,586
Short-term financial assets	14	6,657	10,841
Cash and short-term deposits	13	36,944	26,074
<b>TOTAL ASSETS</b>		<b>644,263</b>	<b>637,282</b>

## STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	Note	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
<b>Equity</b>			
Share capital	15	518,942	518,942
Share premium	16	38,825	38,825
Other capitals	28	1,655	528
Retained earnings and current net profit	17	64,064	62,548
<b>Total equity</b>		<b>623,486</b>	<b>620,843</b>
<b>Non-current liabilities</b>		<b>7,811</b>	<b>9,489</b>
Interest-bearing bank loans	20	7,811	9,489
<b>Current liabilities</b>		<b>12,966</b>	<b>6,950</b>
Interest-bearing bank loans	20	5,207	4,085
Trade payables	19	2,617	857
Liabilities to the state and local budgets	19	1,131	351
Other liabilities		84	12
Contract liabilities	22	1,665	507
Accruals	21	2,102	1,042
Short-term provisions	21	160	96
<b>TOTAL LIABILITIES</b>		<b>20,777</b>	<b>16,439</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>644,263</b>	<b>637,282</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018 and for the year ended 31 December 2017

	Share capital	Share premium	Other capitals	Retained earnings and current net profit	Total equity
<b>As at 1 January 2018</b>	<b>518,942</b>	<b>38,825</b>	<b>528</b>	<b>62,548</b>	<b>620,843</b>
Net profit for the reporting period	-	-	-	28,501	<b>28,501</b>
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,501</b>	<b>28,501</b>
Valuation of share-based payment plan	-	-	1,127	-	<b>1,127</b>
Dividends	-	-	-	(26,985)	<b>(26,985)</b>
<b>As at 31 December 2018 (audited)</b>	<b>518,942</b>	<b>38,825</b>	<b>1,655</b>	<b>64,064</b>	<b>623,486</b>
<b>As at 1 January 2017</b>	<b>518,942</b>	<b>38,825</b>	<b>-</b>	<b>67,626</b>	<b>625,393</b>
Net profit for the reporting period	-	-	-	19,831	<b>19,831</b>
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,831</b>	<b>19,831</b>
Valuation of share-based payment plan	-	-	528	-	<b>528</b>
Dividends	-	-	-	(24,909)	<b>(24,909)</b>
<b>As at 31 December 2017 (audited)</b>	<b>518,942</b>	<b>38,825</b>	<b>528</b>	<b>62,548</b>	<b>620,843</b>

## STATEMENT OF CASH FLOWS

	Note	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Cash flows – operating activities</b>			
Pre-tax profit		30,831	22,164
<b>Total adjustments:</b>		<b>(26,868)</b>	<b>(20,273)</b>
Depreciation and amortization	3	488	389
Change in inventories		-	2
Change in receivables	23	(3,188)	(781)
Change in liabilities, accruals and provisions	23	3,447	344
Interest income and expenses		(502)	(562)
Gain (loss) on foreign exchange differences		(1,046)	2,277
Change in impairment losses on investments	11	-	9,000
Gain (loss) on investing activities		(27,181)	(31,473)
Valuation of share-based payment plan	18	1,127	528
Other		(13)	3
<b>Selected operating cash flows</b>		<b>30,120</b>	<b>29,495</b>
Sale of shares in subsidiaries	23	1,748	1,701
Advance payments for shares in subsidiaries		-	(84)
Dividends received	23	28,372	27,878
<b>Net cash used in operating activities</b>		<b>34,083</b>	<b>31,386</b>
Corporate income tax recovered (paid)		(2,164)	(937)
<b>Net cash provided by (used in) operating activities</b>		<b>31,919</b>	<b>30,449</b>
<b>Cash flows – investing activities</b>			
Acquisition of property, plant and equipment, and intangible assets		(587)	(710)
Disposal of property, plant and equipment and intangible assets		13	80
Acquisition/settlement of financial assets carried at fair value through profit or loss		89	(83)
Loans granted	14	(7,380)	(10,896)
Loans collected	14	14,037	21,522
Interest received	14	830	751
<b>Net cash provided by (used in) investing activities</b>		<b>7,002</b>	<b>10,664</b>
<b>Cash flows – financing activities</b>			
Proceeds from bank loans	20	3,865	7,227
Repayments of bank loans	20	(4,946)	(8,343)
Interest paid on bank loans	20	(273)	(253)
Dividends paid out to shareholders of ASECO S.A.	8	(26,985)	(24,909)
<b>Net cash provided by (used in) financing activities</b>		<b>(28,339)</b>	<b>(26,278)</b>
Net increase (decrease) in cash and cash equivalents		10,582	14,835
Net foreign exchange differences		288	31
<b>Cash and cash equivalents as at 1 January</b>		<b>26,074</b>	<b>11,208</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>13</b>	<b>36,944</b>	<b>26,074</b>



## SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

### I. GENERAL INFORMATION

Asseco South Eastern Europe S.A. (the "Company", "Issuer", "Entity", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

According to the Articles of Association, the Company's business profile includes:

- Activities of head offices and holdings;
- Computer programming activities;
- Computer consultancy activities;
- Computer facilities management activities;
- Other information technology and computer service activities;
- Data processing, hosting activities;
- Web portals and call center activities;
- Research and experimental development on natural sciences and engineering;
- Reproduction of recorded media;
- Wholesale of computers, computer peripheral equipment and software;
- Wholesale of electronic and telecommunications equipment;
- Retail sale of computers, peripheral units and software;
- Accounting, book-keeping and tax consultancy;
- Business and other management consultancy activities.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group ("ASEE Group"). The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The period of the Company's operations is indefinite.

The parent company of ASEE S.A. is Asseco International a.s. (AI), seated in Bratislava. As at 31 December 2018, AI held 26,494,676 shares representing 51.06% in the share capital of our Company, which carried 26,494,676 votes or 51.06% of total voting rights at the Company's General Meeting of Shareholders.

These financial statements cover the year ended 31 December 2018 and contain comparable data for the year ended 31 December 2017.

The Company draws up its financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

These financial statements for the year ended 31 December 2018 have been approved for publication by the Management Board on 20 February 2019.

The Company also prepared the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2018, which have been approved for publication by the Management Board on 20 February 2019.

### II. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

As at 31 December 2018 as well as on the date of publication of this report, this is on 20 February 2019, the Company's Management Board, Supervisory Board and Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Jozef Klein	Piotr Jeleński	Artur Kucharski
Adam Góral	Miljan Mališ	Adam Pawłowicz
Jacek Duch	Miodrag Mirčetić	Jacek Duch
Artur Kucharski	Marcin Rulnicki	
Adam Pawłowicz		

During the reporting period as well as in the period from 31 December 2018 till the publication of this report, this is till 20 February 2019, the compositions of the Company's management and supervisory bodies remained unchanged.

### III. INVESTMENTS IN COMPANIES

The Company holds investments in the following subsidiaries:

Company	Short name	Seat	Business profile	Equity interest held	
				31 Dec. 2018	31 Dec. 2017
<b>Asseco SEE d.o.o., (Sarajevo)</b>	<b>ASEE B&amp;H</b>	Bosnia & Herzegovina	Provision of IT systems for financial institutions.	100%	100%
<b>Asseco SEE o.o.d., Sofia</b>	<b>ASEE Bulgaria</b>	Bulgaria	Provision of IT systems for financial institutions. Payment solutions.	100%	100%
<b>Asseco SEE d.o.o., (Zagreb)</b>	<b>ASEE Croatia</b>	Croatia	Mobile and authentication solutions for financial institutions. Software supporting communication and business processes for the sectors of finance, industry and public administration.	100%	100%
<b>Asseco SEE Sh.p.k., (Pristina)</b>	<b>ASEE Kosovo</b>	Kosovo	Integration of IT systems as well as development and implementation of software for the banking sector and public administration. Payment solutions.	100%	100%
<b>Asseco SEE DOOEL, Skopje</b>	<b>ASEE Macedonia</b>	Macedonia	Integration services for the sectors of finance, industry and public administration. Development of applications and provision of IT systems for financial institutions.	100%	100%
<b>Asseco SEE s.r.l. (Bucharest)</b>	<b>ASEE Romania</b>	Romania	Integration services for the sectors of finance, industry and public administration. Development of applications and provision of IT systems for financial institutions.	100%	100%
<b>Asseco SEE d.o.o., Belgrade</b>	<b>ASEE Serbia</b>	Serbia	Provision of comprehensive IT systems for financial institutions. Software development and integration services for the sectors of finance, industry and public administration.	100%	100%
<b>Asseco SEE Teknoloji A.Ş., (Istanbul)</b>	<b>ASEE Turkey</b>	Turkey	Development of applications and provision of IT systems for the execution and settlement of on-line payments, detection and prevention of bank frauds, management of dispersed assets, lease management.	100%	100%
<b>Payten d.o.o., (Sarajevo)</b>	<b>Payten B&amp;H</b>	Bosnia & Herzegovina	Payment solutions.	100%	-
<b>Payten d.o.o., Zagreb</b>	<b>Payten Croatia</b>	Croatia	Payment solutions.	100%	100%
<b>Payten d.o.o., Podgorica</b>	<b>Payten Montenegro</b>	Montenegro	Payment solutions. Integration services and IT solutions for the sectors of finance, industry and public administration.	100%	100%
<b>Payten DOOEL, Skopje</b>	<b>Payten Macedonia</b>	Macedonia	Payment solutions.	100%	-
<b>Payten Payment Solutions s.r.l. (Bucharest)</b>	<b>Payten Romania</b>	Romania	Payment solutions.	100%	-
<b>Payten d.o.o. (Belgrade)</b>	<b>Payten Serbia</b>	Serbia	Payment solutions.	100%	-
<b>Payten d.o.o. (Ljubljana)</b>	<b>Payten Slovenia</b>	Slovenia	Payment solutions.	100%	100%

Subsidiaries of ASEE S.A. are primarily engaged in the development of IT solutions for the sectors of finance, industry and public administration, settlement of on-line payments, as well as in the provision of card payment solutions and integration services.

During the period of 12 months ended 31 December 2018, the organizational structure of ASEE Group changed as described below. These changes were implemented as part of a broader process aiming to formally spin off our payment services into a standalone organizational unit. The planned spin-off of payment services has been described in the Management report on operations of the Company and Group for the year ended 31 December 2017.

If a given change involved dividing a company, the previous value of our investment was allocated to entities created from such division on the basis of the share in fair value of each of these companies that was estimated on the basis of their discounted cash flows.

#### Separation of Payten d.o.o., New Belgrade (Payten Serbia)

On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

#### Changing the name of Asseco SEE d.o.o. Podgorica (ASEE Montenegro) to Payten d.o.o., Podgorica (Payten Montenegro)

On 10 January 2018, ASEE Montenegro was renamed as Payten Montenegro. Because our operations in Montenegro are focused primarily on payment services, they will all be incorporated into the new structure of Payten Montenegro.

#### **Establishing of Payten DOOEL Skopje (Payten Macedonia)**

On 8 February 2018, a new company called Payten DOOEL Skopje (Payten Macedonia) was registered in Macedonia. The existing operations of ASEE Macedonia in the area of payment services will be transferred into the new company.

#### **Establishing of Payten d.o.o. Sarajevo (Payten B&H)**

On 7 May 2018, a new company called Payten d.o.o. Sarajevo (Payten B&H) was registered in Bosnia and Herzegovina. The existing operations of ASEE B&H in the area of payment services will be transferred into the new company.

#### **Separation of Payten Payment Solution s.r.l., Bucharest (Payten Romania)**

On 16 May 2018, a new company called Payten Romania was officially separated from ASEE Romania. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

#### **Changing the name of Asseco SEE d.o.o. (Ljubljana) to Payten d.o.o. (Ljubljana) (Payten Slovenia)**

On 5 July 2018, the company of ASEE Slovenia was renamed as Payten Slovenia. Because our operations in Slovenia are focused primarily on payment services, they will all be incorporated into the new structure of Payten Slovenia.

Both as at 31 December 2018 and 31 December 2017, voting rights held by the Company in its subsidiaries were equivalent to the Company's equity interests in those entities.

### **IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS**

#### **1. Basis for the preparation of financial statements**

The financial statements have been prepared in accordance with the historical cost convention, except for financial instruments that are carried at fair value.

The presentation currency of these financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN'000), unless stated otherwise.

These financial statements have been prepared on a going-concern basis, assuming the Company will continue its business activities in the foreseeable future.

Till the date of approving these financial statements, we have not observed any circumstances that would

threaten the Company's ability to continue as a going concern for at least 12 months after the reporting period.

#### **2. Compliance statement**

These financial statements have been prepared in compliance with the International Financial Reporting Standards as endorsed by the European Union.

#### **3. Functional currency and reporting currency**

The functional currency applied by the Company as well as the reporting currency used in these financial statements is the Polish zloty (PLN).

#### **4. Professional judgement and estimates**

Preparation of financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements.

Although the adopted assumptions and estimates have been based on the Company management's best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

Presented below are the main areas which, in the process of applying our accounting policies, were subject not only to accounting estimates but also to the management's professional judgement, and whose estimates, if changed, could significantly affect the Company's future results.

##### **i. Rates of depreciation and amortization**

The level of depreciation and amortization rates is determined on the basis of anticipated period of useful economic life of the components of tangible and intangible assets. The Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

##### **ii. Impairment testing of goodwill**

As at 31 December 2018, the Company's Management Board performed an impairment test on goodwill arising from the merger with ITD Poland in 2012. This task required making estimates of the recoverable amount of goodwill. The recoverable amount was estimated by determining future cash flows expected to be achieved from the cash-generating unit, and determining a discount rate to be subsequently used in order to calculate the net present value of those cash flows. The detailed forecast covered the period of 5 years. The first year data were adopted based on the budget, while changes in cash flows were assumed for subsequent years. The residual value for the remaining period was computed assuming no changes in cash flows. The assumed changes in cash flows depend upon the Company's strategy and plans, taking due

account of conditions prevailing in the markets and sectors where the Company operates, and at the same time reflect the present and potential order backlog. The potential order backlog presumes gaining new clients whilst keeping the present ones. The assumed changes are not materially different from average growth observed in relevant markets.

The discount rate applied in the model equalled 7.45% (incremental rate of 32.70%); whereas, sales revenue growth was assumed at the rate of 5.62% (incremental rate of -15.84%).

Goodwill arising from the merger amounted to PLN 4,567 thousand both as at 31 December 2018 and 31 December 2017. Such goodwill has been allocated to the segment of IT services.

Any reasonable modification of the key assumptions adopted in the model should not indicate any impairment of goodwill.

### iii. Deferred tax assets

As at 31 December 2018, the Company recognized deferred tax assets in the amount of PLN 565 thousand (vs. PLN 87 thousand as at 31 December 2017). In the period of 12 months ended 31 December 2018, the value of deferred tax assets changed in total by PLN 478 thousand, as compared with the change of PLN -329 thousand in the comparable period of 2017.

Based on the current financial budget and applicable tax regulations, the Company's Management believes that future utilization of deferred tax assets recognized in the Company's financial statements in the amount of PLN 565 thousand is very likely.

### iv. Impairment of financial assets

At the end of every reporting period, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. The recoverable amount is estimated by determining future cash flows expected to be achieved from the cash-generating unit, and determining a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests carried out on our investments as at 31 December 2018 have been described in explanatory note 11 to these financial statements.

### v. Assessment of uncertainty over tax treatments

If the Company believes it is probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Company shall determine the taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the Company concludes it is not probable that its tax treatment or a group of tax treatments will be accepted by the taxation authority, then the Company shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax base, unused tax losses, unused tax credits or tax rates. Such effect is reflected by the Company using the following method:

- The Company determines the most likely scenario – the single most likely amount in a range of possible outcomes.

### 5. Changes in the accounting policies applied

The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the financial statements for the year ended 31 December 2017, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2018:

#### i. IFRS 15 'Revenue from Contracts with Customers'

The International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS 15), which was issued in May 2014 and subsequently amended in April 2016, provides the so-called Five-Step Model for revenue recognition in contracts with customers.

According to IFRS 15, revenue shall be recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to customers.

The new standard has replaced all existing requirements for revenue recognition in compliance with IFRS. This standard applies to annual reporting periods beginning on or after 1 January 2018.

ASEE S.A. has adopted the new standard as of its required effective date, and therefore this standard has been first applied in our financial statements for the reporting period beginning on 1 January 2018.

The Company has applied the modified retrospective approach, which involves recognition of an adjustment to the opening balance of retained earnings in the financial statements for reporting

periods starting from 1 January 2018 onwards. Under this approach, the principles established by the new standard have been applied as of 15 January 2018, only to contracts that met the definition of being not yet complete when the standard was first applied. This means that the comparable data shall not be restated, and their measurement and presentation shall comply with the accounting principles applied previously for revenue recognition which have been described in detail in the financial statements for the year ended 31 December 2017.

Due to the estimated insignificant impact of the adoption of IFRS 15 on recognition of the Company's revenues from contracts not yet completed as at 1 January 2018, the opening balance of retained earnings has not been subject to any adjustment.

The Company generates revenues in the following segments:

- IT services;
- holding activities.

The IT services segment includes revenues resulting from the sale of own services (including mainly implementation and modification, and subsequently maintenance services), from the sale of third-party services and licenses, as well as from the sale of hardware and related services.

The holding activities segment includes revenues related to managing the Group. The segment's revenues comprise primarily dividend income as well as sales of business and technical support services to the Company's subsidiaries.

#### **Valuation of IT contracts – supply of goods and services**

The Company recognizes revenues from implementation and modification services provided as part of comprehensive contracts using the percentage of completion method. Contracts of such nature, as a rule, result in a separate performance obligation that consists in providing the customer with a functional IT system. In accordance with IFRS 15, revenue from such performance obligation may be recognized over time of transferring control of the supplied goods/services, as long as the contract performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed throughout the duration of the contract. Each of our contracts is subject to individual assessment in terms of meeting the above criteria. In the Company's opinion, the majority of comprehensive contracts will satisfy the above-mentioned criteria, and thus arising revenues will be recognized according to the percentage of completion method. Up until 31 December 2017, such contracts remained in the scope of regulations

of IAS 11 Construction Contracts and were accounted for by the same method.

#### **Licenses**

The Company does not sell its own licenses. Recognition of revenue from third-party licenses is each time subject to the analysis of contractual provisions.

In situations where a promise to grant a license is distinct from services related to the sale of such license (a separate performance obligation), revenue is recognized in accordance with the type of license that has been sold. For this purpose, we each time analyze the nature of licenses sold by the Company, making a differentiation between a right to use and a right to access. This differentiation determines the method of revenue recognition for licenses that meet the criteria of being distinct.

In the case of licenses with a right to use, the customer can direct the use of a license and obtain substantially all the benefits from a license. Such license is granted in order to enable the customer to use the intellectual property in the form in which it exists at the time of granting the license.

Whereas, licenses with a right to access require their provider to undertake activities that will significantly affect the intellectual property to which the customer is entitled under the license agreement, expose the customer to both positive and negative effects of activities undertaken by the provider, and do not lead to further transfer of goods or services to the customer. Such a license is granted in order to enable the customer to access the intellectual property in the form in which it exists throughout the licensing period.

In the case of licenses with a right to use sold without significant related services for an indefinite period, revenue is recognized at the point in time at which the control of the license is transferred to the customer. Whereas, in the case of licenses with a right to access sold for a definite period, revenue is recognized over time for which the license was granted. However, if it turns out that a license granted for a definite period is a license with a right to use, then revenue shall be recognized at the point in time at which the license is transferred to the customer.

## Sale of hardware

Revenues from the sale of hardware and related services (e.g. design services, installation) that constitute a single performance obligation to provide a comprehensive system, where well-functioning infrastructure is one of the key elements of the project, are recognized according to the percentage of completion method.

Revenues from the sale of hardware and related services which are not part of a complex infrastructure project are recognized in the following way: equipment – at the point in time of transferring control to the customer, equipment-related services – using the percentage of completion method.

## Revenues from holding activities

Dividend income is recognized when the shareholders' right to receive payment is vested. Whereas, revenues from the sale of business and technical support services to our subsidiaries are recognized when such services are actually fulfilled. The Company has not identified any changes in the approach to revenue recognition in these areas in relation to the previous year.

## Contract assets and liabilities

Contract assets include receivables arising from valuation of IT contracts. Contract liabilities include liabilities arising from valuation of IT contracts as well as deferred income from such contracts.

## ii. IFRS 9 'Financial Instruments'

In July 2014, the International Accounting Standards Board issued the International Financial Reporting Standard 9 'Financial Instruments' (IFRS 9). IFRS 9 specifies three aspects involved in accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on

or after 1 January 2018, with early adoption permitted.

The table below presents the classification of financial assets in accordance with IFRS 9 and IAS 39:

	31 Dec. 2017		1 Jan. 2018	
	IAS 39		IFRS 9	
	Loans and receivables	Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through profit or loss
<b>Loans:</b>	<b>24,194</b>	-	<b>24,194</b>	-
Granted to related parties	24,106	-	24,106	-
Granted to other entities	88	-	88	-
<b>Financial assets:</b>	<b>2,377</b>	<b>820</b>	<b>2,377</b>	<b>820</b>
currency forward contracts	-	820	-	820
trade receivables	2,377	-	2,377	-

### a) Classification and measurement

The standard introduces the following categories of financial assets:

- measured at amortized cost,
- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income.

Such classification is performed at initial recognition and depends on the business model adopted by the entity to manage financial instruments and the nature of cash flows arising from these instruments.

### b) Impairment of financial assets

IFRS 9 introduced a new model for estimating impairment losses on financial assets. The model of incurred losses as required by IAS 39 has been replaced with the model of impairment based on expected losses.

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



In order to estimate impairment losses on financial assets, the Company applies the following approaches:

- ✓ general approach,
- ✓ simplified approach.

The Company applies the general approach for financial assets measured at fair value through other comprehensive income as well as for financial assets measured at amortized cost, except for trade receivables. Under the general approach, the Company estimates impairment losses on financial assets using a three-stage model based on changes in the credit risk of financial assets since their initial recognition. Where the credit risk of financial assets has not increased significantly since initial recognition (stage 1), the Company estimates an allowance for 12-month expected credit losses. Where the credit risk of financial assets has increased significantly since initial recognition (stages 2 and 3), the Company estimates an allowance for expected credit losses over the lifetime of financial instruments. At each reporting date, the Company analyzes if there are indications of a significant increase in the credit risk of financial assets held.

In the case of loans granted to subsidiaries, in order to estimate expected credit losses the Company applied the probability of default based on the borrower's credit rating, however not higher than the rating of the borrower's country of residence. As at 31 December 2018, no allowance has been recognized due to insignificant amount.

In the case of trade receivables, since 1 January 2018 the Company has applied the simplified approach and measured an allowance for expected credit losses at an amount equal to expected credit losses over the lifetime of receivables. However, due to the nature of our trade receivables, despite introducing the methodology changes required by the said standard, the impairment allowance for receivables has remained at a similar level as calculated according to the principles that were effective before 1 January 2018. Hence, the implementation of IFRS 9 had a minor impact on the Company's retained earnings.

In the income statement for the period of 12 months ended 31 December 2018, we have not presented a separate line for impairment losses on financial instruments (including reversal of impairment losses or impairment gains) due to their insignificant amount. In the reporting period, the total impact of such events on our profit equalled PLN 17 thousand.

## 6. New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not yet come into force:

- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019);
- IFRS 17 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- Amendments to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture and subsequent amendments (the effective date of these amendments has been deferred until completion of the research project on the equity method of accounting);
- Amendments to IAS 19 'Employee Benefits' – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards provided as part of the 'Annual Improvements to IFRSs: 2015-2017 Cycle' (in relation to IFRS 3, IFRS 11, IAS 12 and IAS 23) with the aim of removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019).

The specified effective dates have been set forth in the standards published by the International Accounting Standards Board. The actual dates of adopting these standards in the European Union may differ from those set forth in the standards and they shall be announced once they are approved for application by the European Union.

## 7. IFRS 16 'Leases'

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 'Leases' (IFRS 16) that replaced IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases – Incentives', and SIC-27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

ASEE S.A. intends to adopt this new standard as of the required effective date, and therefore it will be first applied in our financial statements for the reporting period beginning on 1 January 2019.

According to the transition guidance provided in the standard, entities are allowed to choose from two methods for the presentation of comparable data:

- a) retrospective approach to each prior period reported in compliance with IAS 8, or
- b) retrospective approach while recognizing the cumulative effect of applying the new standard as at the date of its initial application.

ASEE S.A. will use the modified retrospective approach as described in item b, under which the comparable data for the year 2018 will not be restated, but the cumulative effect of adopting this new standard will be presented as an adjustment to the opening balance of retained earnings as at the date of its initial application, i.e. at 1 January 2019.

Furthermore, the Company will adhere to the new guidance on identifying leases only in respect of those contracts that are entered into (or modified) on or after the date of initial application, i.e. 1 January 2019. Hence, in respect of all contracts that are concluded prior to 1 January 2019, we have decided to use a practical expedient permitted under IFRS 16 whereby it is not required to reassess whether a contract is a lease or contains a lease as at the date of initial application. Instead, ASEE S.A. will apply IFRS 16 only for contracts that have

been earlier identified as leases under IAS 17 and IFRIC 4.

According to the initial assessment of ASEE S.A., applying the new definition of a lease would not cause any significant changes to our existing classification of contracts between those being a lease or containing a lease.

Under IAS 17 'Leases', ASEE S.A. is required to classify its lease contracts distinguishing between finance leases or operating leases, and apply different accounting for those two types of leases (both as a lessor or a lessee).

## ASEE S.A. acting as a lessee

In accordance with IFRS 16 'Leases', in case of contracts where ASEE S.A. acts as a lessee, the Company will implement a single accounting model, requiring the lessee to recognize assets and liabilities in respect of all leases, subject to exceptions for short-term leases and leases of low value assets as specified in the standard. As a result, the Company will recognize right-of-use assets and lease liabilities at the lease commencement date in respect of all lease contracts that transfer the right to control the use of identified assets for a definite period of time. In connection with the above, the recurring costs arising from lease payments, that earlier used to be expensed, are going to be capitalized and subsequently depreciated. Whereas, the discount of lease liabilities will be recognized as a financial expense.

In case of contracts that are commenced on or after 1 January 2019, ASEE S.A. will apply the following valuation principles:

Right-of-use assets shall be initially recognized at the cost comprising:

- a) the amount of initial measurement of the lease liability;
- b) any lease payments made at or before the lease commencement date, less any lease incentives;
- c) any initial direct costs incurred by the lessee;
- d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Lease liabilities shall be initially recognized at the present value of outstanding lease payments, comprising:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees;
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently to initial recognition, ASEE S.A. will measure right-of-use assets in a similar manner as other non-financial fixed assets, and lease liabilities in a similar manner as financial liabilities. As a result, after initial recognition, ASEE S.A. will recognize depreciation charges on the right-of-use asset and interest expenses on the lease liability, and will also classify the lease payments into two groups: payments for the principal portion will be disclosed in the statement of cash flows within financing activities, and payments for the interest portion will be disclosed in the statement of cash flows within financing activities.

The application of IFRS 16 by the Company will require making estimates that affect the measurement of lease liabilities and right-of-use assets, which estimates are in particular related to the determination of the lease term and the discount rate.

The lease term determined by the Company represents the non-cancellable period of the lease, including a period covered by an option to extend the lease if ASEE S.A. is reasonably certain to exercise that option, and a period covered by an option to terminate the lease if ASEE S.A. is reasonably certain not to exercise that option.

In case of lease contracts concluded for an indefinite period, ASEE S.A. shall analyze the options to terminate the lease either by the lessee or the lessor. If the lessor and the lessee have an option to terminate the lease without the other party's consent and without significant penalties, the lease term is determined based on the earliest termination period. If such earliest termination period is 12 months or less, ASEE S.A. shall apply the exception for short-term leases. Contracts concluded for an indefinite period are primarily associated with rental of office space.

ASEE S.A. has decided to use the exceptions for short-term leases and leases of low value assets as specified in the standard. As a result, in case of such contracts, lease payments will be recognized directly in costs, similarly as done so far for operating leases.

Lease payments will be discounted using the incremental borrowing rate of ASEE S.A. or the rate implicit in the lease if that rate can be readily determined.

#### **Measurement of right-of-use assets and lease liabilities at the date of initial application of IFRS 16**

At the date of initial application of IFRS 16 (i.e. at 1 January 2019), for all contracts that have been earlier classified as operating leases and have not been completed prior to 1 January 2019, the Company will:

- a) recognize a lease liability measured at the present value of outstanding lease payments, discounted using the incremental borrowing rate of ASEE S.A. at the date of initial application;
- b) recognize a right-of-use asset measured at its carrying value as if this standard was applied from the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Concurrently, in respect of individual lease contracts, ASEE S.A. intends to use the following practical expedients:

- a) exemption from the requirement to recognize right-of-use assets and lease liabilities in case of leases where the underlying asset has a low value;
- b) application of a single discount rate to a portfolio of leases with similar characteristics;
- c) exemption from the requirement to recognize right-of-use assets and lease liabilities in case of leases where the lease term shall end within 12 months from the date of initial application;
- d) use of later acquired knowledge as in the case of determining the lease term if the contract provides for an option to extend or terminate the lease.

## Summary of the impact of adopting IFRS 16 as at 1 January 2019

ASEE S.A. is party to contracts for rental of office space. The table below presents the impact of IFRS 16 on the statement of financial position of the Company as at the date of initial application, i.e. at 1 January 2019:

<b>ASSETS</b>	
	<b>1 Jan. 2019</b>
<b>Non-current assets</b>	<b>478</b>
Right-of-use assets	478
<b>TOTAL ASSETS</b>	<b>478</b>

<b>EQUITY AND LIABILITIES</b>	
	<b>1 Jan. 2019</b>
<b>Equity (attributable to shareholders of the Parent Company)</b>	<b>(2)</b>
Retained earnings (deficit)	(2)
<b>Total equity</b>	<b>(2)</b>
<b>Non-current liabilities</b>	<b>377</b>
Long-term lease liabilities	377
<b>Current liabilities</b>	<b>103</b>
Short-term lease liabilities	103
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>478</b>

### Off-balance-sheet liabilities

The Company is party to a number of contracts for rental of office space that resulted in future payments both as at 31 December 2018 and 31 December 2017, which have been described in explanatory note 24 to these financial statements.

The said contracts meet the definition of a lease under IFRS 16. Presented below is the reconciliation of liabilities under our rental contracts with lease liabilities to be recognized as at 1 January 2019.

<b>Lease liabilities</b>	
	<b>1 Jan. 2019 (audited)</b>
<b>Operating lease liabilities as at 31 December 2018 (IAS 17)</b>	<b>525</b>
Amount of discount calculated using the incremental borrowing rate (-)	(13)
Short-term leases (-)	(32)
<b>Lease liabilities as at 1 January 2019 (IFRS 16)</b>	<b>480</b>

## 8. Significant accounting policies

### i. Translation of items expressed in foreign currencies

Transactions denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rate published by the National Bank of Poland and in effect on the day preceding the transaction date.

As at the end of the reporting period, assets and liabilities denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. Foreign exchange differences resulting from such translation are reported respectively as financial income or financial expenses.

Non-cash assets and liabilities carried at historical cost expressed in a foreign currency are disclosed the historical exchange rate of the transaction date. Non-cash assets and liabilities carried at fair value expressed in a foreign currency are reported at the exchange rate from the date when fair value measurement was carried out.

The following exchange rates were applied for the purpose of balance sheet valuation:

<b>Currency</b>	<b>As at 31 Dec. 2018</b>	<b>As at 31 Dec. 2017</b>
USD	3.7597	3.4813
EUR	4.3000	4.1709
RON	0.9229	0.8953
HRK	0.5799	0.5595
RSD	0.0363	0.0354
BGN	2.1985	2.1326
MKD	0.0697	0.0681
BAM	2.1899	2.1428
TRY	0.7108	0.9235

Average exchange rates for the specified reporting periods were as follows:

<b>Currency</b>	<b>For the year ended 31 Dec. 2018</b>	<b>For the year ended 31 Dec. 2017</b>
USD	3.6227	3.7439
EUR	4.2669	4.2447
RON	0.9165	0.9282
HRK	0.5751	0.5690
RSD	0.0361	0.0351
BGN	2.1816	2.1703
MKD	0.0694	0.0690
BAM	2.1817	2.1728
TRY	0.7676	1.0295

## **ii. Property, plant and equipment**

Property, plant and equipment are disclosed at purchase cost/production cost decreased by accumulated depreciation and all impairment losses. The initial value of a tangible asset corresponds to its purchase cost increased by expenditures related directly to the purchase and adaptation of such asset to its intended use. Such expenditures may also include the cost of replacing parts of machinery or equipment at the time that cost is incurred if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the income statement at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Buildings and structures	40 years
Leasehold improvements	5 years
Computers and telecommunication equipment	1-5 years
Furniture	2-8 years
Office equipment	5-10 years
Transportation vehicles	4-6 years
Other tangible assets	2-5 years

The residual values, periods of useful life as well as the methods of depreciation of tangible assets are verified on an annual basis.

Should there be any events or changes indicating that the carrying value of property, plant and equipment may not be recovered, such assets will be reviewed for their possible impairment. If there are any indications of a possible impairment and the carrying value exceeds the estimated recoverable amount, the carrying value of such assets or cash-generating units, to which such assets have been allocated, shall be reduced to the recoverable amount. The recoverable amount of property, plant and equipment is the greater of their fair value less costs to sell or their value in use. In order to determine the value in use, estimated future cash flows shall be discounted to the present value by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the asset. In case of an asset which does not generate cash independently, the recoverable amount shall be determined for the cash-generating unit, to which such asset belongs. Impairment losses are accounted for as operating expenses in the income statement.

A tangible asset may be derecognized from the balance sheet after it is disposed of or when no economic benefits are expected from its further use. Gain (loss) on disposal of a tangible fixed asset shall be assessed by comparing the income from such disposal with the present book value of such asset, and it shall be accounted for as operating income/expense. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any eventual impairment losses. Tangible assets under construction are not depreciated until their construction is completed and they are made available for use.

## **iii. Intangible assets**

Intangible assets purchased in a separate transaction or generated (if qualifying to be recognized as cost of development work) shall be initially recognized at their purchase cost or production cost. The purchase cost of intangible assets acquired under a business combination shall equal their fair value as at the merger date. After initial recognition, intangible assets are accounted for at their purchase cost or production cost decreased by accumulated amortization and impairment charges. Expenditures for internally generated intangible assets, except for the costs of development work, shall not be capitalized but expensed in the period when they are incurred.

The Company shall determine whether the period of useful life of an intangible asset is definite or indefinite. Intangible assets with a definite period of useful life are amortized over the expected useful life, and are subject to impairment testing each time there are indications of possible impairment. The periods and methods of amortization of intangible assets with a definite period of useful life are subject to verification at least at the end of each financial year. Any changes in the expected useful life, or the expected consumption of economic benefits derived from an intangible asset, are addressed by changing the relevant period or method of amortization, and are treated as changes in estimates. Amortization charges against intangible assets with a definite period of useful life are expensed in the income statement, in the category which corresponds to the function of each individual intangible asset.

Intangible assets with an indefinite period of useful life, as well as those which are no longer used, are subject to impairment testing on an annual basis, with regard to individual assets or at the level of cash-generating unit.

The periods of useful life are verified on an annual basis.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Cost of development work	3-5 years
Computer software	2-5 years
Patents and licenses	2-5 years
Other	5 years

Any gains or losses resulting from derecognition of an intangible asset from the statement of financial position (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the income statement at the time when such derecognition is made.

#### **iv. Impairment of non-financial assets**

At the end of every reporting period, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. If the carrying value of a given asset exceeds its recoverable amount, impairment charges are made reducing the carrying value to the level of recoverable amount. The recoverable amount is the higher of the following two values: fair value of an asset or cash-generating unit less costs to sell, or value in use determined for an asset if such asset generates cash flows significantly independent from cash flows generated by other assets or groups of assets or cash-generating units.

At the end of each reporting period, the Company determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Company needs to estimate the recoverable amount of the relevant asset. A formerly recognized impairment charge may be reversed only when estimates applied for determination of the recoverable amount of the relevant asset have changed since the time of the last recognition of impairment. If this is the case, the carrying value of such asset shall be increased to its recoverable amount. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset

in the prior years. A reversal of an impairment charge shall be immediately recognized as income in the income statement. Following a reversal of an impairment loss, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

#### **v. Shares in subsidiaries, associates and joint ventures**

Subsidiary companies are those entities which are controlled by the Company. The Company, irrespective of the nature of its involvement with a given entity, in each case analyzes whether it is a parent taking into account the influence it exerts on such entity.

The Company maintains control over an investee entity if and only if it has:

- Power over the investee;
- Exposure, or rights, to variable financial results of the investee; and
- The ability to use power over the investee to affect the amount of returns generated from its investment.

Associates are entities in which the Company holds between 20% and 50% of voting rights at the general meeting of shareholders and on which the Company exerts a significant influence, however, without the ability to control them. This means they are neither subsidiaries nor joint ventures.

Joint ventures are entities that are neither subsidiaries nor associates, in which the Company holds no more than 50% of voting rights at the general meeting, or is otherwise able to direct the financial and operating policy of such entities together with other shareholders.

The Company's investments in subsidiaries, joint ventures and associates are recognized at purchase cost. At the end of every reporting period, the Company verifies its investments in related companies concerning the indications of possible impairment. Furthermore, at the end of each financial year the Company estimates the recoverable amount of its financial assets by analyzing and measuring the future cash flows to be generated by such assets.

**vi. Combinations/divisions of businesses under common control**

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Company by the pooling of interests method.

In particular, as far as the Company's mergers with its subsidiaries are concerned, the applied approach assumes that:

- Assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the consolidated financial statements of the parent determined as at the date of obtaining control. This means that goodwill previously recognized in the consolidated financial statements as well as any other intangible assets recognized in the merger accounting process, are transferred to the standalone financial statements and their values are tested for impairment on a periodic basis;
- Merger-related transaction costs are expensed in the income statement;
- Mutual balances of accounts receivable/payable are eliminated;
- Any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);
- The income statement presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of ASECO S.A. are combined, the carrying value of investment in the acquiree subsidiary is only transferred to the value of investment in the acquirer subsidiary. Hence, a takeover of one subsidiary by another subsidiary has no impact on the Company's financial results whatsoever.

Where under an acquisition of a subsidiary the acquirer recognizes a conditional payment, any changes in the fair value of such conditional consideration occurring after the acquisition date shall be recognized as financial income or expenses.

In the case of dividing companies under common control, the previous value of our investment is allocated to entities created from such division on the basis of the share in fair value of each of these companies that is estimated on the basis of their discounted cash flows.

**vii. Inventories**

Inventories are measured at the lower of the following two values: purchase cost/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company uses the method of precise identification for valuation of outgoing inventories.

At the end of each reporting period, the Company performs an ageing analysis of its inventories, separately for the main groups (licenses, goods for resale, maintenance service inventories). Such analysis provides the rationale for making impairment losses on tangible current assets subject to the following rules:

- 100% write-down on goods stored for longer than 2 years,
- 75% write-down on goods stored for between 1.5 and 2 years,
- 50% write-down on goods stored for between 1 and 1.5 years,
- 25% write-down on goods stored for between half a year and 1 year.

The initial value of service parts is expensed on a straight-line basis over the duration of the maintenance service contract, for which such parts have been purchased.

Every year the Company verifies whether the adopted principles for recognition of write-downs correspond to the actual impairment of its inventories.

Write-downs on inventories shall be recognized as operating expenses.

**viii. Prepayments and accrued income**

Prepayments comprise expenses incurred before the end of the reporting period that relate to future periods.

Prepayments may in particular include the following items:

- Rents paid in advance,
- Insurances,
- Subscriptions,
- Prepaid third-party services which shall be provided in future periods,
- Any other expenses incurred in the current period, but related to future periods.

Accrued income includes mainly maintenance services relating to future periods. The Company recognizes prepayments and accrued income if their amounts relate to future reporting periods.

**ix. Trade receivables**

Trade receivables that do not contain a significant financing component (determined in accordance with IFRS 15) shall, at initial recognition, be measured at the transaction price.

The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to the customer, excluding any amounts charged on behalf of third parties.

In determining the transaction price, the entity adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

Our accounting policy for the estimation of allowances for expected credit losses has been described in item IV.5 'Changes in the accounting policies applied' sub-item (ii) IFRS 9 'Financial Instruments'.

**x. Cash and cash equivalents**

Cash and cash equivalents presented in the statement of financial position comprise cash kept in banks and on hand, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Company decided not to include bank overdraft facilities (used as an element of financing) in the balance of cash and cash equivalents.

**xi. Interest-bearing bank loans and borrowings**

Bank loans and borrowings are initially recognized at fair value less any transaction costs directly attributable to such financial liabilities.

Subsequently to initial recognition, bank loans, borrowings and debt securities are measured at amortized purchase cost using the effective interest method. Determination of the amortized cost shall take into account the costs related to obtaining a bank loan or borrowing, or issuing debt securities, as well as any discounts or bonuses obtained on repayment of the liability.

The difference between the amount of cash received (net of any costs related to obtaining a bank loan or borrowing) and the amount to be repaid shall be disclosed in the income statement over the term of such financing. Any gains or losses shall be recognized in the income statement after the liability has been removed from the balance sheet. All expenses relating to bank loans, borrowings or debt securities issued, shall be recognized in the income statement for the period they relate to.

**xii. Trade payables**

Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to.

Where the effect of the time value of money is material, the amount of payables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. Where the discounting method is used, an increase in liabilities due to the passage of time is recognized as a financial expense.

**xiii. Provisions**

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be disclosed in the income statement, net of the amount of any reimbursements.



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

Where the effect of the time value of money is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the liability. Where the discounting method is used, an increase in a provision due to the passage of time is recognized as a financing cost.

#### **xiv. Taxes**

##### *Current income tax*

Liabilities and receivables arising from current income tax, for the current and prior periods, are measured at the amounts of expected payments to the taxation authorities (or repayments from the taxation authorities), applying the tax rates and tax regulations legally or factually in force at the end of the reporting period.

##### *Deferred income tax*

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the end of the reporting period, between the tax base of an asset or liability and its carrying value disclosed in the financial statements. Deferred tax liabilities are recognized in relation to all positive temporary differences – except for situations when a deferred tax liability arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized in relation to all negative temporary differences as well as unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized – except for situations when deferred tax assets related to negative temporary differences arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax

loss; as well as in relation to negative temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures. Deferred tax assets are recognized in the statement of financial position in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying value of an individual deferred tax asset shall be verified at the end of each reporting period and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred tax assets and deferred tax liabilities shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax liability is reversed, based on the tax rates (and tax regulations) legally or factually in force at the end of the reporting period.

##### *Value added tax*

Revenues, expenses and assets shall be disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of goods or services is not recoverable from the taxation authorities; in such event the value added tax paid shall be recognized as a part of the purchase cost of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to the taxation authorities shall be included in the balance sheet as a part of receivables or liabilities.

#### **xv. Earnings per share**

Basic earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the weighted average number of shares outstanding in the given reporting period. Diluted earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the sum of the weighted average number of shares outstanding in the given reporting period and all potential shares of new issues.

## 9. Seasonal nature of business

Because we are a holding company, the distribution of our financial results during a fiscal year depends largely on the dates when our subsidiaries adopt resolutions to pay out dividends.

## 10. Changes in the presentation methods applied

We have not introduced any changes in the presentation of data for the year 2018 as well as for the comparable period.

## V. INFORMATION ON OPERATING SEGMENTS

The Company's operating activities comprise both holding operations and sales of IT services and software.

The holding activities segment includes revenues and expenses related to managing the Group. The segment's revenues comprise primarily dividend income as well as sales of business and technical support services to the Company's subsidiaries.

For the year ended 31 December 2018 in thousands of PLN (audited)	Holding activities	IT services	Total
Dividend income	27,832	-	<b>27,832</b>
Revenues from sales of services	13,224	-	<b>13,224</b>
Revenues from sales of IT services and software	-	8,666	<b>8,666</b>
<b>Total sales revenues</b>	<b>41,056</b>	<b>8,666</b>	<b>49,722</b>
<b>Gross profit on sales</b>	<b>30,947</b>	<b>3,312</b>	<b>34,259</b>
Selling costs (-)	(3,487)	(1,056)	<b>(4,543)</b>
General and administrative expenses (-)	-	(279)	<b>(279)</b>
<b>Net profit on sales</b>	<b>27,460</b>	<b>1,977</b>	<b>29,437</b>

## 11. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any misstatements.

The IT services segment includes revenues and expenses related to our information technology operations in two areas: authentication solutions (banking) and voice automation solutions (systems integration).

For the year ended 31 December 2017 in thousands of PLN (audited)	Holding activities	IT services	Total
Dividend income	30,527	-	<b>30,527</b>
Revenues from sales of services	8,877	-	<b>8,877</b>
Revenues from sales of IT services and software	-	7,650	<b>7,650</b>
<b>Total sales revenues</b>	<b>39,404</b>	<b>7,650</b>	<b>47,054</b>
<b>Gross profit on sales</b>	<b>32,457</b>	<b>2,365</b>	<b>34,822</b>
Selling costs (-)	(2,554)	(702)	<b>(3,256)</b>
General and administrative expenses (-)	-	(61)	<b>(61)</b>
<b>Net profit on sales</b>	<b>29,903</b>	<b>1,602</b>	<b>31,505</b>

## VI. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### 1. Holding activities – Dividend income and service revenues

Operating revenues from holding activities comprise dividends received from subsidiaries as well as revenues from the sale of consulting, business and technical support services which are provided to subsidiaries of ASEE Group. As the Company is primarily engaged in holding operations, the above-mentioned categories of revenues are presented in operating activities.

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Dividends from related parties, of which:		
ASEE B&H	-	1,053
ASEE Croatia	8,545	4,203
ASEE Macedonia	9,016	13,595
ASEE Romania	1,284	3,389
ASEE Serbia	8,987	8,287
	<b>27,832</b>	<b>30,527</b>

Cash inflows generated from dividends amounted to PLN 28,372 thousand in 2018, as compared with PLN 27,878 thousand received in 2017.

The difference between recognized revenues and actual cash inflows resulted from receiving in 2018 of a dividend from Romania that was due in 2017, as well as from withholding tax charged by our subsidiaries, and foreign exchange differences.

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Revenues from sales of services	13,224	8,877



## 2. Operating activities – Revenues from sales of IT services and software

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Revenues from sales of software and IT services	8,666	7,650

Both in the year ended 31 December 2018 and in the comparable period, operating activities included revenues from licensing fees as well as from maintenance, implementation and consulting services.

The table below discloses revenues that the Company expects to recognize in the future from performance obligations that are not satisfied or only partially satisfied as at the reporting date.

	Year ended 31 Dec. 2018 (audited)
<b>Transaction price allocated to performance obligations to be satisfied within:</b>	<b>7,810</b>
1	4,968
Over 1 year	2,842

Because the Company closely monitors its revenues for the next three years only, the amount disclosed in the line 'Over 1 year' corresponds to revenues contracted for 2020-2021. Revenues from contracts already signed, which will be implemented in subsequent years, are not recorded by the Company and are therefore not included in the table above.

## 3. Breakdown of operating costs

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Employee benefits (-)	(6,393)	(4,369)
Third-party services and outsourcing of employees (-)	(5,762)	(4,233)
Depreciation and amortization (-)	(488)	(389)
Maintenance costs of property and business cars (-)	(1,618)	(1,602)
Business trips (-)	(859)	(511)
Advertising (-)	(182)	(151)
Valuation of share-based payment plan (-)	(1,127)	(528)
Other expenses (-)	(393)	(215)
	<b>(16,822)</b>	<b>(11,998)</b>
<b>Cost of sales, of which:</b>	<b>(15,463)</b>	<b>(12,232)</b>
Cost of goods and third-party services sold (-)	(3,463)	(3,551)
Production costs (-)	(12,000)	(8,681)
<b>Selling costs (-)</b>	<b>(4,543)</b>	<b>(3,256)</b>
<b>General and administrative expenses (-)</b>	<b>(279)</b>	<b>(61)</b>

## 4. Other operating income and expenses

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Other operating income		
Proceeds from disposal of property, plant and equipment	13	80
Compensations received	43	201
Reversal of allowance for receivables	16	-
Other operating income	15	2
	<b>87</b>	<b>283</b>

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Other operating expenses		
Liquidation of property, plant and equipment, and intangible assets (-)	-	(182)
Allowance for receivables (-)	-	(37)
Other operating expenses (-)	(28)	(4)
	<b>(28)</b>	<b>(223)</b>

## 5. Financial income and expenses

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Financial income		
Positive foreign exchange differences	1,171	-
Interest received on cash deposits and loans granted	1,063	1,012
Commissions received on guarantees granted	26	63
Gain on valuation of derivative instruments	619	2,449
	<b>2,879</b>	<b>3,524</b>

Financial income for the year 2018 includes primarily positive foreign exchange differences (PLN 1,171 thousand), interest received on loans and cash deposits (PLN 1,063 thousand), as well as gains on valuation of derivative instruments (PLN 619 thousand).

Financial expenses	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Loss on valuation of derivative instruments (-)	(1,268)	(651)
Interest expense on bank loans and borrowings (-)	(274)	(253)
Commissions paid on bank guarantees (-)	-	(14)
Negative foreign exchange differences (-)	-	(2,256)
Impairment loss on investments (-)	-	(9,000)
Allowance for receivables arising from loans granted (-)	-	(751)
Other (-)	(2)	-
	<b>(1,544)</b>	<b>(12,925)</b>

Financial expenses for the year 2018 include primarily losses on exercise and valuation of derivative instruments (PLN 1,268 thousand), as well as interest paid on bank loans (PLN 274 thousand). Financial expenses for the year 2017 include primarily an impairment loss on our investment in Kosovo (PLN 9,000 thousand), negative foreign exchange differences (PLN 2,256 thousand), and an allowance for receivables arising from loans granted to ASEE Bulgaria (PLN 751 thousand).

## 6. Corporate income tax

The main charges on pre-tax profit resulting from corporate income tax (current and deferred portions):

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Deferred income tax related to origination and reversal of temporary differences	478	(329)
Current income tax expense	(1,826)	(858)
Income tax on dividends	(982)	(1,134)
Adjustments to the prior years' current income tax	-	(12)
<b>Income tax expense as disclosed in the income statement</b>	<b>(2,330)</b>	<b>(2,333)</b>

Income tax expense for the year 2018 resulted from income tax on current operations amounting to PLN 1,826 thousand, as well as withholding tax on dividends from our subsidiaries which amounted to PLN 982 thousand. Current income tax expense was higher primarily due to an improvement in our pre-tax profit.

The effective tax rate for the period of 12 months ended 31 December 2018 equalled 7.56%.

The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 1,886 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 1,980 thousand), as well as non-tax-deductible expenses (including the Supervisory Board remunerations – PLN 52 thousand, and share-based payment plan – PLN 214 thousand). The above amounts represent the impact of particular events on income tax.

Income tax expense for the year 2017 resulted from income tax on current operations amounting to PLN 858 thousand, as well as withholding tax on dividends from our subsidiaries which amounted to PLN 1,134 thousand.

The effective tax rate for the period of 12 months ended 31 December 2017 equalled 10.53%.

The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 1,438 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 2,497 thousand), as well as non-tax-deductible expenses (an impairment loss on investments in the amount of PLN -1,710 thousand, and an allowance for doubtful receivables from loans in the amount of PLN -143 thousand). The above amounts represent the impact of particular events on income tax.

Reconciliation of corporate income tax payable on pre-tax profit at the statutory tax rate, with corporate income tax computed at the Company's effective tax rate:

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Pre-tax profit</b>	<b>30,831</b>	<b>22,164</b>
Statutory corporate income tax rate	19%	19%
<b>Corporate income tax computed at the statutory tax rate</b>	<b>(5,858)</b>	<b>(4,211)</b>
<b>Non-tax-deductible expenses, of which:</b>	<b>(338)</b>	<b>(2,045)</b>
Impairment loss on investments	-	(1,710)
Allowance for receivables arising from loans granted	-	(143)
Depreciation and amortization	(14)	(8)
Share-based payment plan	(214)	(101)
Other	(110)	(83)
<b>Tax exempt income, of which:</b>	<b>1,886</b>	<b>1,438</b>
Dividends received	1,886	1,438
<b>Tax deduction, of which:</b>	<b>1,980</b>	<b>2,497</b>
Dividend income tax paid by subsidiaries	1,980	2,497
<b>Adjustments to the prior years' current income tax</b>	<b>-</b>	<b>(12)</b>
<b>Corporate income tax at the effective tax rate of 7.56 % in 2018, and 10.53 % in 2017</b>	<b>(2,330)</b>	<b>(2,333)</b>

Tax exempt income amounting to PLN 1,886 thousand in 2018 and PLN 1,438 thousand in 2017 corresponds to dividends received from the European Union countries, which are exempted from taxation under Art. 22 of the Corporate Income Tax Act. Whereas, the deduction of dividend income tax paid by subsidiaries amounting to PLN 1,980 thousand in 2018 and PLN 2,497 thousand in 2017 is related to our subsidiaries, dividends from which are taxable in Poland, but which had already paid income taxes in their countries (tax deduction pursuant to Art. 20 of the Corporate Income Tax Act).

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT for the year ended	
	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
<b>Deferred tax liabilities</b>				
Interest accrued on cash equivalents	-	(3)	3	(1)
Valuation of financial assets and liabilities at fair value	(15)	(156)	141	(156)
Other differences	(22)	(55)	33	(20)
<b>Deferred tax liabilities, gross</b>	<b>(37)</b>	<b>(214)</b>		
<b>Deferred tax assets</b>				
Accrual for salaries	371	140	231	(5)
Accrual for unused holiday leaves	61	49	12	13
Valuation of financial assets and liabilities at fair value	-	-	-	(207)
Provision for other operating costs	170	112	58	47
<b>Deferred tax assets, gross</b>	<b>602</b>	<b>301</b>		
Write-down due to inability to realize a deferred tax asset	-	-		
<b>Deferred tax assets, net</b>	<b>602</b>	<b>301</b>		
Assets (+) / Liabilities (-), net	<b>565</b>	<b>87</b>		
<b>Change in deferred income tax in the reporting period, of which:</b>			<b>478</b>	<b>(329)</b>
change in deferred income tax recognized directly in other comprehensive income			-	-
change in deferred income tax recognized in profit or loss			478	(329)

## 7. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding during that financial year.

Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share.

The table below presents net profits and numbers of shares used for the calculation of basic and diluted earnings per share:

	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Net profit for the reporting period</b>	<b>28,501</b>	<b>19,831</b>
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
<b>Earnings per share for the reporting period (in PLN):</b>		
Basic earnings per share	0.55	0.38
Diluted earnings per share	0.55	0.38

## 8. Information on dividends paid out or declared

The Annual General Meeting of Shareholders of ASEE S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, on 24 April 2018 decided that the net profit for the financial year 2017 amounting to PLN 19,830,989.19 and a portion of the capital reserve (established pursuant to Resolution No. 7 of the Company's Annual General Meeting of Shareholders of 31 March 2016), shall be distributed as follows:

- a) the amount of PLN 1,586,479.14 from the net profit for the financial year 2017 has been allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;
- b) the amount of PLN 18,244,510.05 from the net profit for the financial year 2017 as well as the amount of PLN 8,740,500.47 representing a portion of the above-mentioned capital reserve have been allocated for distribution among all of the Company's shareholders by payment of a dividend amounting to PLN 0.52 per share.

The Company's Annual General Meeting of Shareholders established 29 June 2018 as the dividend record date. The dividend was paid out on 12 July 2018. The number of shares eligible for dividend was 51,894,251.

## 9. Property, plant and equipment

for the year ended 31 December 2018 (audited)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
<b>As at 1 January 2018, less accumulated depreciation</b>	<b>23</b>	<b>565</b>	<b>11</b>	<b>599</b>
Additions, of which:	<b>39</b>	<b>124</b>	<b>2</b>	<b>165</b>
Purchases	39	124	2	165
Reductions, of which:	<b>(51)</b>	<b>(197)</b>	<b>(2)</b>	<b>(250)</b>
Depreciation charges for the reporting period (-)	(51)	(197)	(2)	(250)
<b>As at 31 December 2018, less accumulated depreciation</b>	<b>11</b>	<b>492</b>	<b>11</b>	<b>514</b>
As at 1 January 2018				
Gross value	431	1,107	180	<b>1,718</b>
Accumulated depreciation (-)	(408)	(542)	(169)	<b>(1,119)</b>
<b>Net book value as at 1 January 2018</b>	<b>23</b>	<b>565</b>	<b>11</b>	<b>599</b>
As at 31 December 2018				
Gross value	470	1,231	182	<b>1,883</b>
Accumulated depreciation (-)	(459)	(739)	(171)	<b>(1,369)</b>
<b>Net book value as at 31 December 2018</b>	<b>11</b>	<b>492</b>	<b>11</b>	<b>514</b>

Both as at 31 December 2018 and 31 December 2017, property, plant and equipment did not serve as collateral for any bank loans.

for the year ended 31 December 2017 (audited)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
<b>As at 1 January 2017, less accumulated depreciation</b>	<b>26</b>	<b>481</b>	<b>-</b>	<b>507</b>
Additions, of which:	<b>21</b>	<b>446</b>	<b>12</b>	<b>479</b>
Purchases	21	446	12	479
Reductions, of which:	<b>(24)</b>	<b>(362)</b>	<b>(1)</b>	<b>(387)</b>
Depreciation charges for the reporting period (-)	(24)	(179)	(1)	(204)
Liquidation and disposal – gross value (-)	-	(373)	(1)	(374)
Liquidation and disposal – depreciation	-	190	1	191
<b>As at 31 December 2017, less accumulated depreciation</b>	<b>23</b>	<b>565</b>	<b>11</b>	<b>599</b>
As at 1 January 2017				
Gross value	410	1,034	169	<b>1,613</b>
Accumulated depreciation (-)	(384)	(553)	(169)	<b>(1,106)</b>
<b>Net book value as at 1 January 2017</b>	<b>26</b>	<b>481</b>	<b>-</b>	<b>507</b>
As at 31 December 2017				
Gross value	431	1,107	180	<b>1,718</b>
Accumulated depreciation (-)	(408)	(542)	(169)	<b>(1,119)</b>
<b>Net book value as at 31 December 2017</b>	<b>23</b>	<b>565</b>	<b>11</b>	<b>599</b>

## 10. Intangible assets

for the year ended 31 December 2018 (audited)	CRM and PMS software	Goodwill	Other intangible assets	Total
<b>As at 1 January 2018, less accumulated amortization</b>	<b>882</b>	<b>4,567</b>	<b>12</b>	<b>5,461</b>
Additions, of which:	<b>228</b>	<b>-</b>	<b>244</b>	<b>472</b>
Purchases	228	-	244	472
Reductions, of which:	<b>(200)</b>	<b>-</b>	<b>(38)</b>	<b>(238)</b>
Amortization charges for the reporting period (-)	(200)	-	(38)	(238)
<b>As at 31 December 2018, less accumulated amortization</b>				
As at 1 January 2018				
Gross value	1,438	4,567	175	<b>6,180</b>
Accumulated amortization (-)	(556)	-	(163)	<b>(719)</b>
<b>Net book value as at 1 January 2018</b>	<b>882</b>	<b>4,567</b>	<b>12</b>	<b>5,461</b>
As at 31 December 2018				
Gross value	1,666	4,567	419	<b>6,652</b>
Accumulated amortization (-)	(756)	-	(201)	<b>(957)</b>
<b>Net book value as at 31 December 2018</b>	<b>910</b>	<b>4,567</b>	<b>218</b>	<b>5,695</b>

\*CRM – 'Customer Relationship Management' software; PMS – 'Performance Management System' software.

Both as at 31 December 2018 and 31 December 2017, intangible assets did not serve as collateral for any bank loans.

for the year ended 31 December 2017 (audited)	CRM software	Goodwill	Other intangible assets	Total
<b>As at 1 January 2017, less accumulated amortization</b>	<b>915</b>	<b>4,567</b>	<b>10</b>	<b>5,492</b>
Additions, of which:	<b>145</b>	<b>-</b>	<b>9</b>	<b>154</b>
Purchases	145	-	9	154
Reductions, of which:	<b>(178)</b>	<b>-</b>	<b>(7)</b>	<b>(185)</b>
Amortization charges for the reporting period (-)	(178)	-	(7)	(185)
<b>As at 31 December 2017, less accumulated amortization</b>	<b>882</b>	<b>4,567</b>	<b>12</b>	<b>5,461</b>
As at 1 January 2017				
Gross value	1,293	4,567	166	<b>6,026</b>
Accumulated amortization (-)	(378)	-	(156)	<b>(534)</b>
<b>Net book value as at 1 January 2017</b>	<b>915</b>	<b>4,567</b>	<b>10</b>	<b>5,492</b>
As at 31 December 2017				
Gross value	1,438	4,567	175	<b>6,180</b>
Accumulated amortization (-)	(556)	-	(163)	<b>(719)</b>
<b>Net book value as at 31 December 2017</b>	<b>882</b>	<b>4,567</b>	<b>12</b>	<b>5,461</b>

## 11. Investments in subsidiaries

Full name of company	Short name	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Asseco SEE d.o.o. (Sarajevo)	ASEE B&H	25,830	25,830
Asseco SEE o.o.d. (Sofia)	ASEE Bulgaria	-	-
Asseco SEE d.o.o. (Zagreb)	ASEE Croatia	56,783	56,783
Asseco SEE Sh.p.k. (Pristina)	ASEE Kosovo	21,241	21,241
Asseco SEE DOEL (Skopje)	ASEE Macedonia	98,480	98,480
Asseco SEE s.r.l. (Bucharest)	ASEE Romania	97,919	147,485
Asseco SEE d.o.o. (Belgrade)	ASEE Serbia	60,680	80,297
Asseco SEE Teknoloji A.Ş. (Istanbul)	ASEE Turkey	71,460	71,460
Payten d.o.o. (Sarajevo)	Payten B&H	2	-
Payten d.o.o., Zagreb	Payten Croatia	66,184	66,184
Payten d.o.o. (Podgorica)	Payten Montenegro	1,009	1,009
Payten DOEL (Skopje)	Payten Macedonia	84	-
Payten Payment Solution s.r.l. (Bucharest)	Payten Romania	49,552	-
Payten d.o.o. (Belgrade)	Payten Serbia	19,618	-
Payten d.o.o. (Ljubljana)	Payten Slovenia	2,332	2,332
		<b>571,174</b>	<b>571,101</b>

### ASEE BOSNIA AND HERZEGOVINA

The company of ASEE Bosnia and Herzegovina resulted from the merger of Cardinfo BDS d.o.o. (ASEE B&H Sarajevo) and ASEE B&H (Banja Luka).

#### *History of acquisitions in Bosnia and Herzegovina*

The agreement for the acquisition of a 50% stake in Cardinfo BDS d.o.o. worth PLN 4,631 thousand was signed by ASEE S.A. on 13 September 2010. The remaining 50% of shares in Cardinfo BDS d.o.o. worth PLN 9,693 thousand as well as shares in ASEE B&H (Banja Luka) worth PLN 11,506 thousand were transferred within the Group's structure, from ASEE Serbia directly to ASEE S.A. Such transfer was carried out as part of the Group's reorganization process which was finalized by the merger of ASEE S.A. with its subsidiary ITD Poland Sp. z o.o. on 1 June 2012.

On 19 July 2012, there was registered a merger between our two subsidiaries seated in Bosnia and Herzegovina. As a result of that merger, the value of our investment in ASEE B&H (Banja Luka) amounting to PLN 11,506 thousand was added to our investment in ASEE B&H (Sarajevo). Following the merger, the total value of our investments in Bosnia and Herzegovina equals PLN 25,830 thousand.

During the period of 12 months ended 31 December 2018, the value of our investment in ASEE B&H remained unchanged.

### ASEE BULGARIA

ASEE Bulgaria was created by the merger of ASEE Bulgaria (former Pexim Solutions o.o.d) and Altius, Bulgaria.

#### *History of acquisitions in Bulgaria*

On 23 September 2010, ASEE S.A. acquired a 49% stake in ASEE Bulgaria. The remaining 51% of shares were purchased by ASEE S.A. from its subsidiary ASEE Macedonia on 1 December 2011. Following both the transactions, ASEE S.A. has become a direct owner of 100% of shares in its Bulgarian subsidiary. The total cost of investment recognized amounted to PLN 2,499 thousand.

On 19 October 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of 100% of shares in Altius Bulgaria EOOD. Our investment in this company amounted to PLN 1,766 thousand.

The merger of both the above-mentioned companies was registered on 10 February 2012. Following this business combination, the total value of our investment in ASEE Bulgaria reached PLN 4,265 thousand.

As at 31 December 2017, we recognized an impairment loss on our investment in ASEE Bulgaria in the amount of PLN 4,265 thousand, due to lower than expected financial performance of that company and on the basis of conducted impairment tests.

The carrying value of our investment in Bulgaria, net of impairment losses, equals PLN 0.

### ASEE CROATIA

ASEE Croatia was created by merging our four subsidiaries based in Croatia: Arbor Informatika d.o.o., Logos d.o.o., Biro Data Servis d.o.o. and EŽR.

#### *History of acquisitions in Croatia*

On 20 December 2007, ASEE S.A. concluded an agreement for the acquisition of a 60% stake in Logos d.o.o. and a 70% stake in Arbor Informatika d.o.o. The control over Arbor Informatika d.o.o. was obtained on 22 January 2008; whereas, Logos d.o.o. has been controlled as of 8 April 2008.

The remaining non-controlling interests in these companies, i.e. 40% of shares in Logos d.o.o. and 30% of shares in Arbor Informatika d.o.o., were acquired by ASEE S.A. in 2009, in each case by conversion of those shares into shares of ASEE S.A. Following such swap transactions, ASEE S.A. has become the owner of 100% of shares in both the companies.

On 4 January 2010, the subsidiary Logos d.o.o. was renamed as Asseco SEE d.o.o. (ASEE Croatia). Concurrently, the merger of ASEE Croatia (as the taking-over company) with Arbor Informatika d.o.o. (as the acquired company) was registered.

Afterwards, ASEE S.A. acquired a 100% stake in Biro Data Servis d.o.o. (BDS) under an agreement signed on 13 September 2010. The merger of ASEE Croatia with BDS was registered on 3 January 2011.

In the period of 12 months ended 31 December 2013, we recognized an impairment loss, decreasing the value of our investment in ASEE Croatia by PLN 4,800 thousand. Such write-down was recognized due to lower than expected financial performance of that company.

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia. The consideration for the shares has been divided into two portions. The first instalment amounting to EUR 2,500 thousand (of which EUR 2,362 thousand due to the seller and EUR 138 thousand for the share capital increase) was paid on the date of signing the share acquisition agreement. The second instalment depended on the acquired company's financial results and finally amounted to EUR 402 thousand (PLN 1,686 thousand). The total value of investment recognized on this transaction amounted to PLN 12,287 thousand.

On 2 January 2014, a merger of ASEE Croatia (the taking-over company) and EŽR Croatia (the acquired company) was registered. Following the conducted mergers, the total value of our investments in Croatia reached PLN 118,167 thousand, net of impairment losses.

As at 31 December 2016, since the company has improved its financial performance and is expected to maintain this trend, we reversed the impairment loss amounting to PLN 4,800 thousand that was recognized on our investment in Croatia in prior years.

On 19 September 2017, a new company called Payten Croatia was officially separated from ASEE Croatia. The former value of our investment in ASEE Croatia has been divided in the following proportions: PLN 56,783 thousand to ASEE Croatia, and PLN 66,184 thousand to Payten Croatia. Such division corresponded to the share of fair value of each of these companies that was estimated on the basis of their discounted cash flows.

As at 31 December 2018, after the above-mentioned division, the value of our investment in ASEE Croatia equalled PLN 56,783 thousand.

## ASEE KOSOVO

### *History of acquisitions in Kosovo*

The agreement for the acquisition of 100% of shares in Pronet Sh.p.k was signed on 5 November 2009. Asseco South Eastern Europe S.A. gained control over that company as of 1 July 2009. On 25 January 2010, the subsidiary Pronet Sh.p.k. was renamed as Asseco SEE Sh.p.k. (ASEE Kosovo).

In 2010, taking into account the audited consolidated financial statements of ASEE Kosovo for the year 2009, we finally completed the purchase price allocation process, which resulted in reducing the value of this investment by PLN 388 thousand. Whereas, in the first half of 2011, we recognized an impairment loss on our Kosovo investment, decreasing its value by PLN 6,033 thousand, because the achieved financial results were weaker than expected. In the period of 12 months ended 31 December 2013, the above-mentioned write-down was reversed entirely as the company's earnings improved. In the period of 12 months ended 31 December 2014, due to the expectation of weaker financial performance of ASEE Kosovo, we have again decided to write down the value of this investment by PLN 5,120 thousand. In 2016, we recognized additional impairment losses on our investment in ASEE Kosovo in the amount of PLN 4,000 thousand as at 30 June 2016 and in the amount of PLN 5,000 thousand as at 31 December 2016, due to lower than expected financial performance of that company and on the basis of conducted impairment tests. In 2017, the said impairment losses were increased by another PLN 9,000 thousand. As at 31 December 2018, the total amount of recognized impairment losses was PLN 23,120 thousand.

The carrying value of our investment in Kosovo equals PLN 21,241 thousand, net of impairment losses.

## ASEE MACEDONIA

### *History of acquisitions in Macedonia*

ASEE Macedonia joined ASEE Group in 2007, being a subsidiary of the acquired Serbian company. As a result of a division of ASEE Serbia and establishing of IPSA BHM Investments, as well as due to further reorganization of ASEE Group finalized by the merger with ITD Poland, the investment in ASEE Macedonia was transferred directly to ASEE S.A. and evaluated at PLN 98,480 thousand.

During the period of 12 months ended 31 December 2018, the value of our investment in ASEE Macedonia remained unchanged.



## ASEE ROMANIA

ASEE Romania was created by merging our three Romanian subsidiaries: Fiba Software s.r.l., Net Consulting s.r.l., and Probass S.A.

### *History of acquisitions in Romania*

On 26 April 2007, Asseco Romania S.A. (a subsidiary of Asseco Poland S.A.) acquired 70% stakes in the companies of Fiba Software s.r.l. and Net Consulting s.r.l. As a result of the acquisition of shares in Asseco Romania S.A. by Asseco South Eastern Europe S.A. in January 2008 and subsequent merger of those companies executed on 8 May 2008, ASEE S.A. obtained control both over Fiba Software s.r.l. and Net Consulting s.r.l.

The remaining 30% non-controlling interests in each of these companies were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following such swap transactions, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in both the Romanian companies.

On 29 December 2009, Net Consulting s.r.l. was renamed as Asseco SEE s.r.l. (ASEE Romania) and, subsequently, ASEE Romania acted as the taking-over company in the merger of our Romanian subsidiaries that was carried out on 31 December 2010.

On 11 December 2009, Asseco South Eastern Europe S.A. signed an agreement for the acquisition of 100% of shares in Probass S.A. On 1 June 2010, there was registered a merger of ASEE Romania (the taking-over company) with Probass S.A. (the acquired company).

After the mergers, the total value of our investments in Romania reached PLN 147,485 thousand.

On 16 May 2018, a new company called Payten Romania was officially separated from ASEE Romania. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively.

Before the division, the value of investment stood at PLN 147,485 thousand. Subsequently, the amount of PLN 49,552 thousand was allocated to Payten Romania, while PLN 97,919 thousand was allocated to ASEE Romania. 1 (one) share in Payten Romania was transferred to ASEE Romania in order to meet the legal requirements related to the division process. This 1 share was worth PLN 14 thousand.

As at 31 December 2018, after the above-mentioned division, the value of our investment in ASEE Romania equalled PLN 97,919 thousand.

## ASEE SERBIA

ASEE Serbia was created by merging our three subsidiaries based in Serbia: Pexim d.o.o., Belgrade, Antegra d.o.o., Belgrade, and Pexim Cardinfo d.o.o., Belgrade.

### *History of acquisitions in Serbia*

Asseco South Eastern Europe S.A. acquired: 60% of shares in Pexim d.o.o. on 18 December 2007, 60% of shares in Pexim Cardinfo d.o.o. on 6 May 2008, as well as 70% of shares in Antegra d.o.o. on 21 May 2008.

The remaining non-controlling interests were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following that transaction, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in that company.

On 23 November 2009, our subsidiary Pexim d.o.o. was renamed as Asseco SEE d.o.o., Belgrade (ASEE Serbia). On 4 January 2010, there was registered a merger of ASEE Serbia (the taking-over company) with Pexim Cardinfo d.o.o. (the acquired company) and Antegra d.o.o. (the acquired company).

### *Division of ASEE Serbia and establishing of IPSA BHM Investments d.o.o.*

On 22 November 2010, IPSA BHM Investments d.o.o., Belgrade (IPSA) was established as a result of the separation of a portion of assets of ASEE Serbia, which at the date of such separation was a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

The separated assets of ASEE Serbia that were transferred to the newly established IPSA comprised shareholdings in the following companies:

- 100% of shares in ASEE B&H (former Pexim Solutions d.o.o.) seated in Banja Luka, Bosnia and Herzegovina;
- 100% of shares in IBIS a.d. seated in Banja Luka, Bosnia and Herzegovina;
- 50% of shares in ASEE B&H (former Cardinfo BDS d.o.o) seated in Sarajevo, Bosnia and Herzegovina;
- 100% of shares in ASEE Macedonia.

The market value of the separated assets was estimated to equal PLN 124,380 thousand. Following such separation of assets, in 2011 the value of our investment in ASEE Serbia was reduced by the amount corresponding to the estimated market value of assets transferred to IPSA (this is from PLN 204,677 thousand to its current value of PLN 80,297 thousand).



The company of IPSA was liquidated on 31 October 2011. Whereas, all of its shareholdings in the above-mentioned companies were transferred to ITD Poland.

On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively. Before the division, the value of investment stood at PLN 80,297 thousand. Subsequently, the amount of PLN 19,618 thousand was allocated to Payten Serbia, while PLN 60,680 thousand was allocated to ASEE Serbia.

As at 31 December 2018, after the above-mentioned division, the value of our investment in ASEE Serbia equalled PLN 60,680 thousand.

#### **ASEE TURKEY**

ASEE Turkey resulted from the merger of ITD A.Ş., EST A.Ş. and Sigma A.Ş.

##### *History of acquisitions in Turkey*

The companies ITD A.Ş. and EST A.Ş. were acquired by ASEE S.A. on 30 July 2010.

The value of investment in 99.662% of shares in ITD A.Ş. amounted to PLN 33,965 thousand. 29.0429% of shares in ITD A.Ş. were acquired in exchange for 837,472 newly issued, series S shares of Asseco South Eastern Europe S.A., with the issuance value of PLN 8,827 thousand, which was recognized as the investment's purchase cost. The value of investment in 99.997% of shares in EST A.Ş. amounted to PLN 28,267 thousand. Additionally, in March 2011, ASEE S.A. purchased 165 shares from a shareholder in ITD A.Ş., increasing the value of this investment by PLN 108 thousand.

In March 2011, Asseco South Eastern Europe S.A. sold a 23.1% stake in EST A.Ş. to ITD A.Ş.; hence the value of our investment in this company decreased by PLN 6,530 thousand.

The merger of both the Turkish subsidiaries was registered on 6 June 2011. As at the merger date, the value of our investment in ASEE Turkey amounted to PLN 55,810 thousand.

On 14 September 2012, ASEE S.A. acquired an 86.68% stake in the company Sigma Danışmanlık ve Uygulama Merkezi A.Ş. seated in Istanbul. The value of investment recognized on this transaction amounted to PLN 25,333 thousand. (Additional 12% of shares were purchased by our subsidiary ASEE Turkey.)

On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey.

Following this transaction, the value of our investment in Sigma decreased by PLN 9,683 thousand to the level of PLN 15,650 thousand.

On 11 September 2013, there was registered a merger between our Turkish subsidiaries: ASEE Turkey (the taking-over company) and Sigma Turkey (the acquired company). Concurrently to the merger, ASEE Turkey carried out a squeeze-out procedure and purchased a 1.32% non-controlling interest in Sigma. Following this procedure, ASEE S.A. has become the owner of all shares in both the merged companies.

The value of our investment in ASEE Turkey equalled PLN 71,460 thousand, remaining unchanged over the year 2018.

#### **PAYTEN BOSNIA AND HERZEGOVINA**

On 7 May 2018, a new company called Payten d.o.o. Sarajevo (Payten B&H) was registered in Bosnia and Herzegovina. The existing operations of ASEE B&H in the area of payment services will be transferred into the new company. The value of investment in this new company amounts to PLN 2 thousand (EUR 500).

#### **PAYTEN CROATIA**

Payten Croatia was formed by separation from the company of ASEE Croatia which was registered on 19 September 2017. This division resulted in two separate business entities. The newly established company is a provider of payment services.

The value of our investment that was allocated to Payten Croatia amounted to PLN 66,184 thousand. Such division corresponded to the share of fair value of each of these companies that was estimated on the basis of their discounted cash flows.

During the period of 12 months ended 31 December 2018, the value of our investment in Payten Croatia remained unchanged.

#### **PAYTEN MONTENEGRO**

On 18 June 2014, ASEE S.A. acquired 1% of shares in ASEE Montenegro from ASEE Serbia, and the remaining 99% of shares on 19 August 2014. The total value of these transactions was EUR 250 thousand. After the currency conversion, the value of investment recognized by ASEE S.A. amounted to PLN 1,009 thousand. The transaction was conducted at market value. Following this transaction, within the Group's organizational structure, ASEE Montenegro has become a direct subsidiary of ASEE S.A. and not of ASEE Serbia.

On 10 January 2018, ASEE Montenegro was renamed as Payten Montenegro.

During the period of 12 months ended 31 December 2018, the value of our investment in Payten Montenegro remained unchanged.

#### **PAYTEN MACEDONIA**

On 8 February 2018, a new company called Payten DOOEL Skopje (Payten Macedonia) was registered in Macedonia. The existing operations of ASEE Macedonia in the area of payment services will be transferred into the new company. The value of investment in this new company amounted to PLN 84 thousand (EUR 20 thousand).

#### **PAYTEN ROMANIA**

Payten Romania was formed by separation from the company of ASEE Romania, which was registered on 16 May 2018. This division resulted in two separate business entities. The newly established company is a provider of payment services.

The value of our investment that was allocated to Payten Romania amounted to PLN 49,552 thousand. 1 (one) share in Payten Romania was transferred to ASEE Romania in order to meet the legal requirements related to the division process. This 1 share was worth PLN 14 thousand.

Such division corresponded to the share of fair value of each of these companies that was estimated on the basis of their discounted cash flows.

As at 31 December 2018, after the above-mentioned division, the value of our investment in Payten Romania equalled PLN 49,552 thousand.

#### **PAYTEN SERBIA**

Payten Serbia was formed by separation from the company of ASEE Serbia, which was registered on 3 January 2018. This division resulted in two separate business entities. The newly established company is a provider of payment services.

The value of our investment that was allocated to Payten Serbia amounted to PLN 19,618 thousand. Such division corresponded to the share of fair value of each of these companies that was estimated on the basis of their discounted cash flows.

As at 31 December 2018, after the above-mentioned division, the value of our investment in Payten Serbia equalled PLN 19,618 thousand.

#### **PAYTEN SLOVENIA**

##### *History of acquisitions in Slovenia*

On 13 July 2011, AssecO South Eastern Europe S.A. concluded an agreement for the acquisition of a 50% stake in ASEE Slovenia (former SIMT Cardinfo d.o.o.). The agreement became effective upon the

fulfilment of a condition precedent, i.e. approval of the above-mentioned transaction by the competent court of Slovenia. The court's consent became final and binding on 10 October 2011. Our investment in this company amounted to PLN 1,327 thousand.

On 18 April 2012, ASEE S.A. was registered as the holder of 100% of shares in ASEE Slovenia, following a buyout of the remaining 50% stake from its previous owner ASEE Serbia. Following this transaction, the value of our investment in ASEE Slovenia increased by PLN 1,005 thousand to its current level of PLN 2,332 thousand.

On 5 July 2018, the company of ASEE Slovenia was renamed as Payten Slovenia. During the period of 12 months ended 31 December 2018, the value of our investment in Payten Slovenia remained unchanged.

#### **Impairment testing of investments**

At the end of every reporting period, ASEE S.A. carries out a valuation of its assets concerning possible impairment.

We estimated the recoverable amount of all of our investments in subsidiaries as at 31 December 2018.

The recoverable amount of investments in subsidiaries as at 31 December 2018 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no growth of the achieved margins after the forecast period.

The discount rate applied to determine the present value of expected future cash flows was equivalent to the estimated weighted average cost of capital for each individual company. Particular components of the discount rate were determined taking into account the market values of risk-free interest rates, the beta coefficient that was leveraged to reflect the market debt-equity structure, as well as the expected market yield.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2018:

	Discount rate	Sales revenue growth rate
31 Dec. 2018	applied in the model	applied in the model
ASEE B&H	13.41%	6.21%
ASEE Bulgaria	8.85%	20.16%
ASEE Croatia	8.05%	5.95%
ASEE Kosovo	11.14%	5.85%
ASEE Macedonia	10.98%	11.48%
ASEE Romania <sup>1</sup>	9.87%	4.82%

ASEE Serbia <sup>2</sup>	11.14%	-0.96%
ASEE Turkey	22.94%	21.99%
Payten B&H	15.13%	-6.76%
Payten Croatia	8.91%	1.67%
Payten Montenegro <sup>3</sup>	13.02%	-0.76%
Payten Macedonia	12.25%	-2.47%
Payten Romania <sup>1</sup>	10.71%	12.38%
Payten Serbia <sup>2</sup>	12.37%	4.48%
Payten Slovenia <sup>3</sup>	8.46%	0.72%

<sup>1</sup> On 16 May 2018, a new company called Payten Romania was officially separated from ASEE Romania. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively. As at 31 December 2017, both the above-mentioned operations were tested for impairment in aggregate and presented as ASEE Romania.

<sup>2</sup> On 3 January 2018, a new company called Payten Serbia was officially separated from ASEE Serbia. Such division resulted in the creation of two separate entities engaged in the payment business and other operations, respectively. As at 31 December 2017, both the above-mentioned operations were tested for impairment in aggregate and presented as ASEE Serbia.

<sup>3</sup> In 2018, the companies of ASEE Montenegro and ASEE Slovenia were renamed as Payten Montenegro and Payten Slovenia, respectively. As at 31 December 2017, impairment tests conducted for the above-mentioned companies were presented as for ASEE Montenegro and ASEE Slovenia.

In the case of ASEE Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 2.91 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.77 pp with other assumptions remaining constant. As at 31 December 2018, the recoverable amount of this investment exceeded its carrying value by PLN 37 million.

In the case of Payten Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 2.41 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 2.18 pp with other assumptions remaining constant. As at 31 December 2018, the recoverable amount of this investment exceeded its carrying value by PLN 15 million.

In the case of Payten Croatia, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 3.27 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.64 pp with other assumptions remaining constant. As at 31 December 2018, the recoverable amount of this investment exceeded its carrying value by PLN 30 million.

In the case of ASEE Kosovo, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 3.46 pp with other

assumptions remaining constant, or if the revenue growth rate was decreased by 2.29 pp with other assumptions remaining constant. As at 31 December 2018, the recoverable amount of this investment exceeded its carrying value by PLN 6 million.

In the case of ASEE Macedonia, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 2.29 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 3.04 pp with other assumptions remaining constant. As at 31 December 2018, the recoverable amount of this investment exceeded its carrying value by PLN 24 million.

Any reasonable modification of the key assumptions adopted in the valuation model of our investments in other subsidiaries should not indicate a necessity of recognizing any impairment charges.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2017:

	Discount rate applied in the model	Sales revenue growth rate applied in the model
<b>31 Dec. 2017</b>		
ASEE B&H	9.73%	6.04%
ASEE Bulgaria	7.72%	3.98%
ASEE Croatia	8.23%	5.22%
ASEE Montenegro	8.59%	0.10%
ASEE Kosovo	9.94%	4.86%
ASEE Macedonia	8.78%	6.65%
ASEE Romania	10.03%	9.18%
ASEE Serbia	9.03%	3.49%
ASEE Slovenia	7.47%	-3.47%
ASEE Turkey	18.59%	19.12%
Payten Croatia	8.23%	4.46%

In the case of ASEE Kosovo, taking into account the recognized write-down and adopted assumptions, the carrying value of this investment was equal to its recoverable amount.

The sales revenue growth rate specified in the tables above was calculated as the compound annual growth rate (CAGR), this is an average annual growth rate over the analyzed period, assuming that each year-on-year increase is added to the next period's base.

## 12. Short-term and long-term receivables

Trade receivables	31 Dec. 2018	31 Dec. 2017
	(audited)	(audited)
Invoiced deliveries, of which from:	5,436	2,322
- related parties	3,982	1,976
- other entities	1,454	383
- allowance for receivables (-)	-	(37)
	<b>5,436</b>	<b>2,322</b>

The amount of PLN 3,982 thousand of receivables from related parties resulted from sales of consulting, business and technical support services to subsidiaries of ASEE Group.

Presented below is the ageing analysis of trade receivables for invoiced deliveries as at 31 December 2018 and 31 December 2017:

Ageing analysis	31 Dec. 2018	31 Dec. 2017
	(audited)	(audited)
Receivables not yet due	4,901	2,194
Past-due receivables, of which:	535	128
- less than 30 days	77	78
- from 30 to 90 days	237	20
- from 90 to 180 days	51	-
- more than 180 days	170	30
	<b>5,436</b>	<b>2,322</b>

Other receivables	31 Dec. 2018	31 Dec. 2017
	(audited)	(audited)
Receivables from sale of shares	3,233	4,665
Dividends receivable from ASEE Romania	-	1,245
Other receivables	215	135
	<b>3,448</b>	<b>6,045</b>
- short-term	1,521	2,586
- long-term	1,927	3,459

## 14. Financial assets

Financial assets	1 Jan. 2018	Granted	Repaid	Other/ Valuation	Interest accrued	Interest repaid	Foreign exchange differences	31 Dec. 2018
<b>Loans, of which receivable from:</b>	<b>24,194</b>	<b>7,380</b>	<b>(14,037)</b>	<b>(69)</b>	<b>774</b>	<b>(830)</b>	<b>802</b>	<b>18,214</b>
ASEE Croatia	3	-	-	(3)	-	-	-	-
Payten Croatia	11,359	3,861	(4,137)	(50)	425	(480)	459	11,437
ASEE B&H	4,686	-	(3,929)	(16)	138	(137)	134	876
Payten Serbia	-	-	(3,621)	4,024	67	(62)	(57)	351
Payten B&H	-	3,446	-	-	39	(4)	(14)	3,467
Payten Slovenia	2,445	-	(958)	-	48	(50)	67	1,552
ASEE Serbia	5,602	-	(1,392)	(4,024)	31	(72)	209	354
Payten Montenegro	5	-	-	-	-	-	-	5
ASEE Bulgaria	6	73	-	-	26	(25)	1	81
Other	88	-	-	-	-	-	3	91
<b>Forward contracts</b>	<b>820</b>	<b>154</b>	<b>(243)</b>	<b>(649)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>80</b>
	<b>25,014</b>	<b>7,534</b>	<b>(14,280)</b>	<b>(718)</b>	<b>774</b>	<b>(830)</b>	<b>800</b>	<b>18,294</b>
Long-term	14,173	-	-	-	-	-	-	11,637
Short-term	10,841	-	-	-	-	-	-	6,657

Following the division of ASEE Serbia and separation of Payten Serbia, loans granted to ASEE Serbia in order to finance its investments in Chip Card company were transferred to Payten Serbia (PLN 4,024 thousand). In the case of loans granted to subsidiaries, in order to estimate expected credit losses the Company applied the probability of default based on the borrower's credit rating, however not higher than the rating of the

As at 31 December 2018, receivables from the sale of shares in Sigma Turkey amounted to PLN 3,233 thousand (including PLN 1,880 thousand presented in long-term receivables and PLN 1,353 thousand in short-term receivables).

As at 31 December 2017, receivables from the sale of shares in Sigma Turkey amounted to PLN 4,665 thousand (including PLN 3,412 thousand presented in long-term receivables and PLN 1,253 thousand in short-term receivables).

## 13. Cash and short-term deposits

	31 Dec. 2018	31 Dec. 2017
	(audited)	(audited)
Cash at bank and in hand	6,313	2,606
Short-term bank deposits	30,631	23,468
	<b>36,944</b>	<b>26,074</b>

borrower's country of residence. As at 31 December 2018, we have not recognized any additional allowance due to insignificant amount.

The book values of financial assets held by the Company as at 31 December 2018 and 31 December 2017 did not differ from their fair values.

## 15. Share capital

Share capital		Par value	31 Dec. 2018 (audited)		31 Dec. 2017 (audited)	
Shares	Series	per share	Number of shares	Value of shares	Number of shares	Value of shares
Ordinary registered shares	A*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	B*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	C*	0.1	2,567,000,900	256,700	2,567,000,900	256,700
Ordinary registered shares	D	10	25,770,009	257,700	25,770,009	257,700
Ordinary registered shares	E	10	956,447	9,565	956,447	9,565
Ordinary registered shares	F	10	1,475,509	14,755	1,475,509	14,755
Ordinary registered shares	G	10	2,708,378	27,084	2,708,378	27,084
Ordinary registered shares	H	10	1,062,030	10,620	1,062,030	10,620
Ordinary registered shares	I	10	1,770,609	17,706	1,770,609	17,706
Ordinary registered shares	J	10	1,714,209	17,142	1,714,209	17,142
Ordinary registered shares	K	10	4,590,470	45,905	4,590,470	45,905
Ordinary registered shares	L	10	2,100,000	21,000	2,100,000	21,000
Ordinary registered shares	M	10	4,810,880	48,109	4,810,880	48,109
Ordinary registered shares	N	10	1,078,909	10,789	1,078,909	10,789
Ordinary registered shares	P	10	1,524,269	15,242	1,524,269	15,242
Ordinary registered shares	R	10	592,941	5,929	592,941	5,929
Ordinary registered shares	S	10	837,472	8,375	837,472	8,375
Ordinary registered shares	T	10	902,119	9,021	902,119	9,021
			<b>51,894,251</b>	<b>518,942</b>	<b>51,894,251</b>	<b>518,942</b>

\* Following a reverse split of series D shares

The shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the Company's General Meeting of Shareholders were as follows:

### As at 20 February 2019 and 31 December 2018

Name of shareholder	Number of shares and votes held at GMS	Equity interest and percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	9,455,000	18.22%
Aviva Investors Poland TFI S.A.	2,607,217	5.02%
Other shareholders	13,337,358	25.70%
	<b>51,894,251</b>	<b>100.00%</b>

### As at 31 December 2017

Name of shareholder	Number of shares and votes held at GMS	Equity interest and percentage of total voting rights at GMS
Asseco International a.s.	26,494,676	51.06%
Aviva Pension Fund	8,809,000	16.97%
Other shareholders	16,590,575	31.97%
	<b>51,894,251</b>	<b>100.00%</b>

Both as at 31 December 2018 and 31 December 2017, the share capital of ASEE S.A. amounted to PLN 518,942,510 and was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

## 16. Share premium

Equity includes share premium in the amount of PLN 30,395 thousand arising from the issuances of shares of series L, M and N, which was decreased by the incurred share issuance costs of PLN 3,605 thousand (recognized in 2009), as well as share premium in the amount of PLN 11,759 thousand arising from the issuance of shares of series P, R and S, which was decreased by the incurred share issuance costs of PLN 84 thousand (recognized in 2010). The share premium was additionally increased by the amount of PLN 396 thousand due

to the reversal of a provision for issuance related expenses, and decreased by other costs of PLN 36 thousand.

## 17. Retained earnings

As at 31 December 2018, prior years' retained earnings and current net profit totalled PLN 64,064 thousand and comprised: current year's net profit amounting to PLN 28,501 thousand; allocations from the Company's net profits for the years 2009 - 2017 to our reserve capital in the amount of PLN 18,868 thousand that were made pursuant to resolutions of the General Meeting of Shareholders of Asseco South Eastern Europe S.A.; allocations to the capital reserve in the amount of PLN 15,533 thousand that were made pursuant to the above-mentioned resolutions; the amount of PLN 1,204 thousand arising from the merger with ITD Poland; as well as other components charged against equity in 2009 in the amount of PLN 42 thousand.

## 18. Other capitals

Other capitals presented as at 31 December 2018 include the costs of share-based payment plan in the amount of PLN 1,655 thousand. A detailed description of the plan is provided in item 28 of this report.

## 19. Trade payables and other liabilities

Short-term trade payables	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Invoiced deliveries,		
of which from:	1,716	378
- related parties	111	155
- other entities	1,605	223
Uninvoiced deliveries,		
of which from:	901	479
- related parties	49	86
- other entities	852	393
	<b>2,617</b>	<b>857</b>



Trade payables to related parties as at 31 December 2018 included payables arising from purchases made in order to provide IT services as well as costs of the Group functions performed, in the total amount of PLN 160 thousand (as compared with PLN 241 thousand as at 31 December 2017).

Liabilities to the state and local budgets	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Corporate income tax (CIT)	841	201
Personal income tax (PIT)	65	60
Social security payable	89	82
Value added tax	134	8
Other	2	-
	<b>1,131</b>	<b>351</b>

## 20. Bank loans

Interest-bearing bank loans	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Interest-bearing bank loans	13,018	13,574
	<b>13,018</b>	<b>13,574</b>
- short-term	5,207	4,085
- long-term	7,811	9,489

Liabilities under interest-bearing bank loans resulted from a bank credit facility provided by ING Bank Śląski up to the amount of EUR 9 million. On 2 August 2017, the Company signed an annex to this loan agreement. The line of credit may be used over a period of two years till 31 July 2019. Whereas, the repayment term has been scheduled for a period of 6 years till 31 July 2023. Interest is payable on the amount of loan actually drawn and shall be based on the 1-month EURIBOR rate plus margin. Repayment of the loan to the bank is secured by sureties furnished by our subsidiaries as well as by the assignment of the amounts receivable under loans granted to our subsidiaries. As at 31 December 2018, our liability under this bank loan amounted to PLN 13,018 thousand. As at 31 December 2017, our liability under this bank loan amounted to PLN 13,574 thousand. Funds obtained under this bank loan have been used to grant loans to ASEE Group subsidiaries in order to finance their outsourcing projects.

Proceeds from bank loans	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Proceeds from bank loans	3,865	7,227
	<b>3,865</b>	<b>7,227</b>

Repayments of bank loans and interest	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Repayments of bank loans	(4,946)	(8,343)
Interest paid on bank loans	(273)	(253)
	<b>(5,219)</b>	<b>(8,596)</b>

## 21. Prepayments, accruals and provisions

Prepayments	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Prepaid maintenance services and license fees	1,288	387
Prepaid insurance	25	29
Other	836	25
	<b>2,149</b>	<b>441</b>
- short-term	1,720	441
- long-term	429	-

Provisions	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Provision for the audit of financial statements	160	96
- short-term	160	96
- long-term	-	-

Accruals	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Accrual for unused holiday leaves	321	259
Accrual for salaries	1,781	783
	<b>2,102</b>	<b>1,042</b>
- short-term	2,102	1,042
- long-term	-	-

## 22. Assets and liabilities from contracts with customers

Contract assets include receivables arising from valuation of IT contracts and uninvoiced deliveries. Contract liabilities include liabilities arising from valuation of IT contracts as well as deferred income from such contracts.

The table below presents the balances of receivables, assets and liabilities from contracts with customers as at 31 December 2018 and 31 December 2017, as well as their changes over the period of 12 months ended 31 December 2018:

	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
<b>Trade receivables</b>	<b>5,436</b>	<b>2,322</b>
<b>Contract assets</b> (uninvoiced deliveries)	<b>44</b>	<b>55</b>
<b>Contract liabilities, of which:</b>	<b>1,665</b>	<b>507</b>
Liabilities arising from valuation of IT contracts	-	-
Deferred income	1,665	507

Trade receivables have been described in explanatory note 12. As at 31 December 2018, contract assets included uninvoiced deliveries.

Liabilities from contracts with customers included deferred income relating to advance payments received for maintenance services to be provided in future periods.

	31 Dec. 2018	31 Dec. 2017
	(audited)	(audited)
Deferred income		
Prepaid maintenance services	1,665	507
- short-term	1,665	507
- long-term	-	-

Changes in contract liabilities are presented in the following table:

	Year ended 31 Dec. 2018
	(audited)
Deferred income	
Deferred income from contracts with customers at the beginning of the period	507
Sales invoices issued	6,294
Fulfilment of previously invoiced performance obligations; changes in estimated transaction prices or costs; modification of other assumptions	(5,136)
Deferred income from contracts with customers at the end of the period	1,665

### 23. Information and explanations to the statement of cash flows

The table below presents items comprising changes in working capital as disclosed in the statement of cash flows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	(audited)	(audited)
Changes in working capital		
Change in receivables	(3,188)	(781)
Change in liabilities	2,873	77
Change in prepayments, accruals and provisions	574	267
	259	(437)

The table below discloses the amounts of dividend income received by ASEE S.A. from its subsidiaries:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	(audited)	(audited)
Dividend income received		
ASEE Serbia	8,555	7,855
ASEE Croatia	8,629	4,191
ASEE Romania	2,560	2,133
ASEE Macedonia	8,628	12,701
ASEE B&H	-	998
	28,372	27,878

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	(audited)	(audited)
Proceeds from the sale of shares		
Sigma	1,748	1,701
	1,748	1,701

The following tables present the reconciliation between changes in working capital recognized in the statement of financial position, and changes that affect operating cash flows as reported in the statement of cash flows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	(audited)	(audited)
Changes in working capital		
Changes in liabilities as per the statement of financial position	2,612	(1,171)
Change in liabilities from purchases of tangible assets	(52)	77
Valuation of forward contracts	-	1,062
Corporate income tax payable	331	75
Other	(18)	34
Total changes affecting operating cash flows	2,873	77

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	(audited)	(audited)
Changes in working capital		
Changes in receivables as per the statement of financial position	(506)	842
Sale of shares in Sigma	(1,734)	(1,701)
Sale of shares in Sigma – foreign exchange differences	303	(1,115)
Dividends receivable from ASEE Romania	(1,245)	1,245
Other	(6)	(52)
Total changes affecting operating cash flows	(3,188)	(781)

### 24. Contingent and off-balance-sheet liabilities

The Company granted the following guarantees and sureties:

Guarantees and sureties	31 Dec. 2018			Date of expiration	31 Dec. 2017			Date of expiration
	PLN'000	in thousands	currency		PLN'000	in thousands	currency	
Guarantee facilities	2,150				1,251			
- ASEE Kosovo	1,290	300	EUR	05.04.2021	1,251	300	EUR	11.02.2019
- ASEE Kosovo	860	200	EUR	06.09.2023	-	-	-	-
Guarantees for due performance of contracts	1,075				1,042			
- ASEE Slovenia	430	100	EUR	15.07.2019	417	100	EUR	15.07.2019
- ASEE Slovenia	258	60	EUR	31.01.2020	250	60	EUR	31.01.2020
- ASEE Slovenia	387	90	EUR	05.06.2020	375	90	EUR	05.06.2020
Total guarantees and sureties	3,225				2,293			

Moreover, ASEE S.A. is party to a partner agreement with a large hardware vendor which provides that in the case of non-performance of contractual obligations by any subsidiaries of ASEE Group, the vendor shall be entitled to demand the outstanding payment directly from ASEE S.A.

All of the granted guarantees constitute off-balance-sheet items. They have been provided on an arm's length basis.

ASEE S.A. is party to contracts for rental of office space.

As at 31 December 2018 and 31 December 2017, the above-mentioned contracts resulted in the following future payments:

Liabilities from rental of office and warehouse space	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
In the period up to 1 year	103	126
In the period from 1 to 5 years	422	-
	<b>525</b>	<b>126</b>

As at 31 December 2018 and 31 December 2017, the Company had no other contingent or off-balance-sheet liabilities.

## 25. Information on related parties

### Related party transactions

The following table discloses the total amounts of transactions concluded with the Company's related parties during the current and prior financial year:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
<b>Asseco Poland Group:</b>				
2018	60	284	60	2
2017	133	267	65	-
<b>Subsidiaries:</b>				
2018	12,984	1,507	4,013	158
2017	9,030	1,146	1,965	241

In addition, ASEE S.A. granted loans to its related parties as described in explanatory note 14 in this report. As at 31 December 2018, our receivables arising from such loans amounted to PLN 18,123 thousand, as compared with PLN 24,106 thousand as at 31 December 2017. Interest charged on loans granted to related parties was recognized in financial income and it amounted to PLN 774 thousand in the period of 12 months ended 31 December 2018, as compared with PLN 815 thousand in the comparable period.

In other receivables, ASEE S.A. disclosed receivables from the sale of shares in Sigma Turkey to ASEE Turkey. As at 31 December 2018, such receivables amounted to PLN 3,233 thousand, as compared with PLN 4,665 thousand as at 31 December 2017.

Furthermore, Asseco International a.s., our parent company, received dividends from ASEE S.A. in the gross amount of PLN 13,777 thousand.

### Transactions conducted with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of Asseco South Eastern Europe S.A.

The values of transactions conducted by ASEE S.A. and companies of Asseco South Eastern Europe Group with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A. during the years ended 31 December 2018 and 31 December 2017, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2018 and 31 December 2017 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
<b>Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:</b>				
2018	380	2,451	129	14
2017	255	2,411	32	26

Purchases from and sales to related parties presented in the table above are associated primarily with the rental of space and purchases or sales of hardware and services that were conducted by companies of ASEE Group and ASEE S.A. with parties related through the Key Management Personnel or with the Key Management Personnel themselves.

The above table does not include the remuneration received for performing managerial or supervisory functions at subsidiary companies.

The figures disclosed in the table above include the following transactions concluded with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:

During the period of 12 months ended 31 December 2018, ASEE Serbia incurred space rental costs that were paid to its related party MHM d.o.o., Belgrade<sup>1</sup>, amounting in total to PLN 1,907 thousand. The presented amount corresponds to the share of related parties (35%) in total costs incurred for the benefit of MHM.

During the same period, Payten Serbia incurred space rental costs that were paid to Miljan Mališ and

<sup>1</sup> President of the Management Board of ASEE S.A. holds indirectly a 15% stake in MHM d.o.o. through his wholly-owned Kompania Petyhorska d.o.o. Whereas, 20% of shares in MHM d.o.o. are held by I4 Invention d.o.o. which is also a shareholder in ASEE S.A. As at 31 December 2018, I4 Invention d.o.o. held 275,482 shares in ASEE S.A. 100% of shares in I4 Invention d.o.o. are owned by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Belgrade as well as Member of the Management Board of ASEE S.A.



related party Mini Invest d.o.o., Belgrade<sup>2</sup>, amounting in total to PLN 233 thousand.

During the period of 12 months ended 31 December 2017, ASEE Serbia incurred space rental costs that were paid to its related parties MHM d.o.o., Belgrade<sup>1</sup> and Mini Invest d.o.o., Belgrade<sup>2</sup>, amounting in total to PLN 2,246 thousand. The presented amount corresponds to the share of related parties (35%) in total costs incurred for the benefit of MHM.

During the period of 12 months ended 31 December 2018, ASEE Serbia recognized revenues in the amount of PLN 323 thousand from the company iPay SEE d.o.o., Belgrade<sup>3</sup>, as compared with PLN 257 thousand in 2017. Such revenues were related to the sale of a software solution for authorization and processing of payment transactions. In addition, during the same period, ASEE Serbia incurred costs for purchases of implementation services and licenses from the companies Tradetcity Services d.o.o. Beograd and Tradetcity d.o.o. Zagreb<sup>4</sup>, in the total amount of PLN 311 thousand. The above amounts represent total revenues and costs recognized by ASEE Serbia. Equity interests in these related parties are disclosed in the footnotes.

In addition, in the period of 12 months ended 31 December 2018, ASEE Serbia recognized PLN 57 thousand in revenue from the sale of a car to Miodrag Mirčetić.

All the above-mentioned transactions were carried out on an arm's length basis.

Members of the Management Board and parties related through members of the Management Board and Supervisory Board of Asseco South Eastern Europe S.A. received dividends from ASEE S.A. in the total gross amount of PLN 818 thousand, as compared with PLN 755 thousand distributed in 2017. The above-stated amounts do not include dividends paid to Asseco International a.s. in 2018. The dividend was paid out on 12 July 2018.

Until the date of approval of these financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be carried out other than on an arm's length basis.

<sup>2</sup> Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A. As at 31 December 2018, Mini Invest d.o.o. held 300,000 shares in ASEE S.A.

<sup>3</sup> 65% of shares in the company iPay SEE d.o.o. are held by I4 Invention d.o.o., 100% of shares in the company I4 Invention d.o.o. are held by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Belgrade as well as Member of the Management Board of ASEE S.A.

<sup>4</sup> 36.25% of shares in the companies Tradetcity Services d.o.o. Beograd and Tradetcity d.o.o. Zagreb are held by I4 Invention d.o.o., 100% of shares in the company I4 Invention d.o.o. are held by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Belgrade as well as Member of the Management Board of ASEE S.A.

## 26. Employment

Average number of employees during the reporting period	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
Management Board*	2	2
Production departments	10	8
Sales departments	4	4
Administration departments	13	11
	<b>29</b>	<b>25</b>

\* Piotr Jeleński and Marcin Rułnicki serve in the Management Board of ASEE S.A. on the basis of employment contracts. The remaining members of the Company's Management Board perform their duties by assignment.

## 27. Remuneration of Members of the Management Board and Supervisory Board of ASEE S.A.

The table below presents the amounts of remuneration paid to individual Members of the Company's Management Board for performing their duties during the years 2018 and 2017:

Fixed remuneration for the period of	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Management Board</b>		
Piotr Jeleński	365	365
Miljan Mališ	175	174
Miodrag Mirčetić	214	218
Marcin Rułnicki	282	281
	<b>1,036</b>	<b>1,038</b>
<b>Supervisory Board</b>		
Jozef Klein	21	41
Adam Góral	30	23
Jacek Duch	62	42
Artur Kucharski	92	83
Adam Pawłowicz	61	12
Gabriela Żukowicz <sup>1)</sup>	-	31
	<b>266</b>	<b>232</b>

<sup>1)</sup> On 17 October 2017, Mrs. Gabriela Żukowicz filed a resignation from the position of Member of the Supervisory Board of ASEE S.A. with effect from 18 October 2017.

Variable remuneration for the period of	Year ended 31 Dec. 2018 (audited)	Year ended 31 Dec. 2017 (audited)
<b>Management Board</b>		
Piotr Jeleński	2,012	2,041
Miljan Mališ	502	493
Miodrag Mirčetić	450	401
Marcin Rułnicki	455	475
	<b>3,419</b>	<b>3,410</b>
<b>Supervisory Board</b>		
Jozef Klein	-	-
Adam Góral	-	-
Jacek Duch	-	-
Artur Kucharski	-	-
Adam Pawłowicz	-	-
Gabriela Żukowicz	-	-
	<b>-</b>	<b>-</b>

The amounts of remuneration disclosed in the above tables are payable for performing managerial and supervisory functions in ASEE S.A. as well as in its subsidiary companies.

## 28. Share-based payment plan

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of 2,221,356 shares in ASEE S.A., representing 4.28% of the company's share capital. Members of the Management Board of ASEE S.A. as well as parties related through Members of the Management Board of ASEE S.A. acquired 1,572,424 shares in total. The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2.

The purchase rights were vested on 23 June 2017. The acquisition price was set at PLN 10.89 per share. As at the acquisition date, the market price per share equalled PLN 12.60.

According to the concluded agreements, the managers shall exercise all the rights attached to shares acquired (dividend rights, voting rights, etc.) since the shares acquisition date, this is as of 23 June 2017. The consideration for the shares shall be paid in eight annual instalments till 31 July 2024. The right to pay the acquisition price in instalments is granted to persons participating in this plan provided they continue to serve in a managerial position at the Group and do not violate any material conditions of the agreement (among others, make timely payments according to the schedule, establish a pledge on shares acquired, refrain from selling these shares during the lock-up period, etc.). The managers are not allowed to sell these shares over a lock-up period of 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The managers shall be entitled to make an earlier payment for shares acquired at the agreed price of PLN 10.89 per share, except for shares being subject to the lock-up obligation. Therefore, over a period of 2 years from the date of concluding the agreement, payments for shares acquired must be made in accordance with the agreed schedule. Hence, after 2 years have passed and still before the lapse of 3 years, the managers can make an early payment for 50% of shares at maximum. Upon expiry of the 3-year period, early payment can be made for all shares acquired. An unpaid portion of the selling price shall be secured by establishing a pledge on shares purchased by each buyer.

The agreements also provide for put and call options, enabling the parties to resell or repurchase any unpaid shares.

The fair value of this share-based incentive plan has been estimated as the sum of the discount between the shares market price on the transaction date and their actual acquisition price, and the valuation of put options measured using the Black-Scholes Merton model. The total fair value of the plan as at the rights vesting date amounts to PLN 5,642 thousand for the Group, of which PLN 2,459

thousand is applicable to ASEE S.A. The incentive plan costs will be accounted for, along with the corresponding increase in equity, as costs of employee benefits and recognized in the financial results of ASEE S.A. and ASEE Group for the years 2017-2020.

The fair value of equity instruments awarded under the incentive plan has been measured based on the following assumptions:

Market price of 1 share of ASEE on the acquisition date	PLN 12.60
Acquisition price of 1 share	PLN 10.89
Expected share price volatility	25.61%
Risk-free interest rate	2.25%
Dividend yield	3.81%
Employee turnover ratio	12.0%

The expected share price volatility of 25.61% has been computed based on historical quotes of our shares in the period of two years preceding the date of the shares sale transaction, taking into account their average closing prices.

The risk-free interest rate has been assumed in correspondence to the interest offered on three-year Treasury bills, equalling 2.25%.

The dividend yield has been determined on the basis of dividend amounting to PLN 0.48 per share that was paid out to the shareholders of ASEE S.A. from the company's net profit for the year 2016.

The employee turnover ratio has been estimated based on historical data for the years 2015-2017 and updated with current changes in the employment of persons participating in the incentive plan.

The options exercise period has been set at 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The options exercise period has been correlated with the lock-up period applicable to the sale of shares, lasting 2 or 3 years.

The standalone financial statements present the costs related to the acquisition of 1,003,442 shares, including 966,942 shares acquired by Piotr Jeleński, CEO of ASEE S.A., and 30,000 shares acquired by Marcin Rulnicki, Member of the Management Board of ASEE S.A.

The costs of share-based payment plan disclosed in the financial statements of ASEE S.A. for the year ended 31 December 2018 amounted to PLN 1,127 thousand, as compared with PLN 528 thousand in 2017. In correspondence, this transaction was recognized as a separate item of the Company's equity, in the same amount as disclosed in remuneration costs.

## 29. Remuneration of certified auditors or the entity authorized to audit financial statements

The table below discloses the amounts of remuneration paid or payable to the entity authorized to audit financial statements for the years ended 31 December 2018 and 31 December 2017:

Remuneration for the period of	Year ended 31 Dec. 2018 <sup>1</sup> (audited)	Year ended 31 Dec. 2017 <sup>2</sup> (audited)
Audit of the annual financial statements	160	133
Review of the semi-annual financial statements	56	80
	<b>216</b>	<b>213</b>

1) In the year ended 31 December 2018, to the entity authorized to audit financial statements was Deloitte Audyt Sp. z o.o. (limited partnership);

2) In the year ended 31 December 2017, to the entity authorized to audit financial statements was Ernst & Young Audyt Polska Sp. z o.o. (limited partnership).

## 30. Capital management

The primary objective of the Company's capital management is to maintain a favourable credit rating and a safe level of capital ratios in order to support the Company's business operations and maximize shareholder value.

The Company actively manages its capital structure and makes necessary adjustments in response to the changing economic conditions. In order to maintain or adjust its capital structure, the Company may recommend the amount of dividend payment, return some capital to its shareholders, or issue new shares. ASEE may also decide to use bank loans or trade credits for financing of its operations.

During the last two years ended 31 December 2018 and 31 December 2017, we did not introduce any changes to our objectives, policies and processes adopted in this area.

## 31. Objectives and principles of financial risk management

ASEE S.A. is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Company holds its investments as well as from the microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates versus the Polish zloty, and (ii) changes in official interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate.

## Credit risk

The Company concludes transactions only with reputable companies which have good credit ratings. All customers who wish to trade on credit terms are subject to the procedures of preliminary verification of their creditworthiness. Furthermore, current monitoring of receivables makes it possible to eliminate the risk of uncollectible receivables almost entirely.

In relation to other financial assets, such as cash and cash equivalents, the Company's credit risk results from the contracting party's inability to settle their payments, whereas the maximum exposure to such risk is limited to the carrying value of such assets.

There is no particular concentration of credit risk in any segment of the Company's operations.

## Foreign currency risk

The currency used for presentation of the Company's results is the Polish zloty (PLN). Because our subsidiaries conduct business operations in countries with the functional currencies other than our presentation currency, the Company is exposed to changes in such foreign currency exchange rates both with respect to the dividends received from our subsidiaries, and the planned acquisitions.

The analysis of sensitivity of our trade receivables, loans receivable, other receivables, cash at foreign currency bank accounts and other financial assets, as well as liabilities under bank loans and trade payables, to fluctuations in the exchange rates of the US dollar against the Polish zloty, indicates that the Company will incur a potential loss of PLN 354 thousand if the dollar depreciates by 10% versus our functional currencies. Likewise, if the euro depreciates by 10% against the Polish zloty, the Company will potentially lose PLN 1,019 thousand. Hence, if both the dollar and euro were 10% weaker against the Polish zloty, the Company's financial results would deteriorate by a total of PLN 1,373 thousand. Conversely, if the dollar and euro appreciated by 10% versus our functional currencies, the Company would recognize an additional financial gain of PLN 1,373 thousand.

As at 31 Dec. 2018 (audited)	Amount exposed to risk	Impact on financial results of the Company	
		-10%	10%
<b>EUR:</b>			
Trade receivables	4,065	(407)	407
Other receivables	-	-	-
Forward contracts	81	(8)	8
Borrowings	18,214	(1,821)	1,821
Foreign currency bank accounts	1,855	(186)	186
Bank loans	13,018	1,302	(1,302)
Trade payables	1,007	101	(101)
<b>Balance</b>		<b>(1,019)</b>	<b>1,019</b>
<b>USD:</b>			
Trade receivables	13	(1)	1
Other receivables	3,242	(324)	324
Forward contracts	-	-	-
Borrowings	-	-	-
Foreign currency bank accounts	924	(92)	92
Bank loans	-	-	-
Trade payables	630	63	(63)
<b>Balance</b>		<b>(354)</b>	<b>354</b>

As at 31 Dec. 2017 (audited)	Amount exposed to risk	Impact on financial results of the Group	
		(10%)	10%
<b>EUR:</b>			
Trade receivables	1,983	(198)	198
Other receivables	-	-	-
Forward contracts	450	(45)	45
Borrowings	24,194	(2,419)	2,419
Foreign currency bank accounts	430	(43)	43
Bank loans	13,574	1,357	(1,357)
Trade payables	208	21	(21)
<b>Balance</b>		<b>(1,327)</b>	<b>1,327</b>
<b>USD:</b>			
Trade receivables	37	(4)	4
Other receivables	4,672	(467)	467
Forward contracts	356	(36)	36
Borrowings	-	-	-
Foreign currency bank accounts	1,044	(104)	104
Bank loans	-	-	-
Trade payables	41	4	(4)
<b>Balance</b>		<b>(607)</b>	<b>607</b>

The Company has adopted a policy of hedging its open foreign currency positions with forward currency derivatives.

### Financial liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of both financial investments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The tables below present the ageing analysis of the Company's trade payables as well as liabilities under bank loans as at 31 December 2018 and 31 December 2017, by maturity based on contractual undiscounted payments:

Ageing of trade payables	31 Dec. 2018 (audited)		31 Dec. 2017 (audited)	
	Amount	Structure	Amount	Structure
Liabilities due already	117	4.5%	76	8.9%
Liabilities falling due within 3 months	2,500	95.5%	781	91.1%
Liabilities falling due after more than 3 months	-	-	-	-
	<b>2,617</b>	<b>100%</b>	<b>857</b>	<b>100%</b>

Ageing of liabilities under bank loans	31 Dec. 2018 (audited)	31 Dec. 2017 (audited)
Liabilities falling due within 1 year	5,207	4,085
Liabilities falling due within 1 to 5 years	7,811	9,489
Liabilities falling due after 5 years	-	-
	<b>13,018</b>	<b>13,574</b>

## 32. Financial instruments

### Fair value

Assets that are carried at fair value through profit or loss have been assigned to Level 1 in the fair value hierarchy, whereas cash deposits – to Level 2 in this hierarchy.

During both the years ended 31 December 2018 and 31 December 2017, no financial instruments were reclassified from Level 1 to Level 2, or from Level 2 to Level 3, or contrariwise, within the fair value measurement hierarchy.

**Items of income, expenses, gains and losses recognized in the income statement, by category of financial instruments**

Year ended 31 Dec. 2018 (audited)	Category according to IFRS 9	Interest income (expenses)	Gain (loss) on foreign exchange differences	Reversal/ (recognition) of impairment losses	Gain (loss) on revaluation	Total
<b>Financial assets</b>						
Trade receivables	MaAC	-	651	-	-	651
Cash and cash equivalents	FVtPL	288	257	-	-	545
Cash deposits and loans granted	MaAC	775	807	-	-	1,582
Currency forward contracts	FVtPL	-	-	-	(649)	(649)
<b>Financial liabilities</b>						
Trade payables and other financial liabilities	FLaAC	(274)	(544)	-	-	(818)
		<b>789</b>	<b>1,171</b>	<b>-</b>	<b>(649)</b>	<b>1,311</b>

Year ended 31 Dec. 2017 (audited)	Category according to IAS 39	Interest income (expenses)	Gain (loss) on foreign exchange differences	Reversal/ (recognition) of impairment losses	Gain (loss) on revaluation	Total
<b>Financial assets</b>						
Trade receivables	L&R	-	(68)	(37)	-	(105)
Cash and cash equivalents	FVtPL	197	74	-	-	271
Cash deposits and loans granted	MaAC	815	(2,134)	(751)	-	(2,070)
Currency forward contracts	FVtPL	-	-	-	1,798	1,798
<b>Financial liabilities</b>						
Trade payables and other financial liabilities	FLaAC	(253)	(128)	-	-	(381)
		<b>759</b>	<b>(2,256)</b>	<b>(788)</b>	<b>1,798</b>	<b>(487)</b>

MaAC – measured at amortized cost  
 FVtPL – measured at fair value through profit or loss  
 FLaAC – financial liabilities at amortized cost  
 L&R – loans and receivables

**33. Significant events after the reporting period**
**Division of ASEE Turkey**

The division of ASEE Turkey was registered on 2 January 2019, in connection with the process of separating our payment services into a standalone organizational unit.

This division resulted in the creation of two separate entities, namely Payten Turkey (Payten Teknoloji A.Ş.) and ASEE Turkey (Asseco SEE Bilişim Teknolojileri A.Ş.), being engaged in the payment business and other operations, respectively.

**Acquisition of shares in Necomplus S.L. based in Alicante**

On 29 January 2019, the Company signed an agreement to acquire a 67.66% stake in the share capital of Necomplus S.L. based in Alicante, Spain ("Necomplus") for the total amount of PLN 32,888,506.50, being the equivalent of EUR 7,669,000 converted at the mid exchange rate published by the National Bank of Poland on 28 January 2019. The payment for these shares will be made in three instalments:

- 1<sup>st</sup> instalment amounting to PLN 23,020,668.00 payable within 3 days from the transaction date;
- 2<sup>nd</sup> instalment amounting to PLN 23,020,668.00 payable till the first anniversary of the transaction date;
- 3<sup>rd</sup> instalment amounting to PLN 4,931,775 payable till the second anniversary of the transaction date.

The acquisition of these shares is financed with own funds with the option of partial refinancing with a bank loan in the future.

Concurrently, ASEE signed an agreement with the shareholders of Necomplus, based on the existing agreement concluded by the seller, among others providing for a put option reserved for minority shareholders.

Necomplus conducts business operations in Spain, Portugal, Peru, Colombia, Andorra, and in the Dominican Republic. The company is mainly engaged in installation and maintenance of POS terminals, as well as in BPO/call center services. Necomplus has been a member of the capital group of Asseco Poland since 2010. The said shares are sold by Asseco Western Europe S.A., a wholly-owned subsidiary of Asseco Poland S.A.

The goal of this acquisition is to further build the payment services business within the target organizational structure called Payten.

In the period from 31 December 2018 till the date of approval of these financial statements, this is until 20 February 2019, we have not observed any other major events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE S.A.

**34. Significant events related to prior years**

Until the date of preparing these financial statements, this is until 20 February 2019, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.