

**Financial Statements**  
**of Asseco South Eastern Europe S.A.**  
**for the year ended 31 December 2019**

**asseco**  
SOUTH EASTERN EUROPE

# Financial Statements of Asseco South Eastern Europe S.A.

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## Financial Statements of Asseco South Eastern Europe S.A. for the year ended 31 December 2019

These standalone financial statements for the year ended 31 December 2019 have been approved for publication by the Management Board of Asseco South Eastern Europe S.A. on 24 February 2020.

### Management Board:

Piotr Jeleński	President of the Management Board
Miljan Mališ	Member of the Management Board
Marcin Rulnicki	Member of the Management Board
Kostadin Slavkoski	Member of the Management Board

### Person responsible for keeping the Company's accounting books:

Monika Kacprzak	Chief Accountant
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## Financial Highlights of Asseco South Eastern Europe S.A.

The following table presents the selected financial data of Asseco South Eastern Europe S.A.

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000	12 months ended 31 Dec. 2019 EUR'000	12 months ended 31 Dec. 2018 EUR'000
Revenues from holding activities	54,852	41,056	12,751	9,622
Revenues from operating activities	9,877	8,666	2,296	2,031
Operating profit	42,675	29,496	9,920	6,913
Pre-tax profit	43,042	30,831	10,006	7,226
<b>Net profit</b>	<b>40,245</b>	<b>28,501</b>	<b>9,355</b>	<b>6,680</b>
Net cash provided by (used in) operating activities	18,820	31,919	4,375	7,481
Net cash provided by (used in) investing activities	(29,696)	7,002	(6,903)	1,641
Net cash provided by (used in) financing activities	(15,047)	(28,339)	(3,498)	(6,642)
Cash and cash equivalents	11,044	36,944	2,593	8,592
Earnings per ordinary share (in PLN/EUR)	0.78	0.55	0.18	0.13
Diluted earnings per ordinary share (in PLN/EUR)	0.78	0.55	0.18	0.13

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 2019 to 31 December 2019: EUR 1 = PLN 4.3018
  - in the period from 1 January 2018 to 31 December 2018: EUR 1 = PLN 4.2669
- 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 2019: EUR 1 = PLN 4.2585
  - exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000

In this report, all figures are presented in thousands of Polish zlotys (PLN), unless stated otherwise.

# Statement of Income and Comprehensive Income of Asseco South Eastern Europe S.A.

INCOME STATEMENT	Note	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 <i>restated</i> PLN'000
<b>Holding activities</b>		<b>54,852</b>	<b>41,056</b>
Dividend income	<u>4.1</u>	39,554	27,832
Revenues from sale of services	<u>4.1</u>	15,298	13,224
<b>Operating activities</b>		<b>9,877</b>	<b>8,666</b>
Revenues from sale of IT services and software	<u>4.2</u>	9,877	8,666
<b>Total sales revenues</b>		<b>64,729</b>	<b>49,722</b>
Cost of sales	<u>4.3</u>	(20,082)	(18,186)
Recognition/reversal of allowances for trade receivables	<u>4.3</u>	-	-
<b>Gross profit on sales</b>		<b>44,647</b>	<b>31,536</b>
Selling costs	<u>4.3</u>	(828)	(1,063)
General and administrative expenses	<u>4.3</u>	(1,163)	(1,036)
<b>Net profit on sales</b>		<b>42,656</b>	<b>29,437</b>
Other operating income		48	87
Other operating expenses		(29)	(28)
<b>Operating profit</b>		<b>42,675</b>	<b>29,496</b>
Financial income	<u>4.4</u>	1,267	2,879
Financial expenses	<u>4.4</u>	(873)	(1,544)
Recognition/reversal of impairment losses on loans granted and other financial instruments		(27)	-
<b>Pre-tax profit</b>		<b>43,042</b>	<b>30,831</b>
Corporate income tax	<u>4.5</u>	(2,797)	(2,330)
<b>Net profit</b>		<b>40,245</b>	<b>28,501</b>
<b>Earnings per share (in PLN):</b>			
basic earnings per share	<u>4.6</u>	0.78	0.55
diluted earnings per share	<u>4.6</u>	0.78	0.55

COMPREHENSIVE INCOME:	Note	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 <i>restated</i> PLN'000
<b>Net profit</b>		<b>40,245</b>	<b>28,501</b>
<b>Other comprehensive income:</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b>		<b>40,245</b>	<b>28,501</b>

# Statement of Financial Position of Asseco South Eastern Europe S.A.

ASSETS	Note	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
<b>Non-current assets</b>			
Property, plant and equipment	<u>5.1</u>	385	514
Intangible assets	<u>5.2</u>	5,626	5,695
<i>of which goodwill from business combinations</i>	<u>5.2</u>	4,567	4,567
Right-of-use assets	<u>5.3</u>	376	-
Investments in subsidiaries	<u>5.4</u>	606,812	571,174
Deferred tax assets	<u>4.5</u>	713	565
Other receivables	<u>5.7</u>	579	1,927
Other financial assets	<u>5.8</u>	31,738	11,637
Prepayments and accrued income	<u>5.6</u>	-	429
		<b>646,229</b>	<b>591,941</b>
<b>Current assets</b>			
Trade receivables	<u>5.7</u>	3,617	5,436
Contract assets	<u>5.7</u>	-	44
Other receivables	<u>5.7</u>	1,642	1,521
Prepayments and accrued income	<u>5.6</u>	1,228	1,720
Other financial assets	<u>5.8</u>	15,995	6,657
Cash and short-term deposits	<u>5.9</u>	11,044	36,944
		<b>33,526</b>	<b>52,322</b>
<b>TOTAL ASSETS</b>		<b>679,755</b>	<b>644,263</b>

# Statement of Financial Position of Asseco South Eastern Europe S.A.

EQUITY AND LIABILITIES	Note	31 Dec. 2019 PLN'000	31 Dec. 2018 <i>restated</i> PLN'000
<b>TOTAL EQUITY</b>			
Share capital	<u>5.10</u>	518,942	518,942
Share premium	<u>5.10</u>	38,825	38,825
Other capitals	<u>5.10</u>	2,601	1,655
Retained earnings		77,317	64,064
		<b>637,685</b>	<b>623,486</b>
<b>Non-current liabilities</b>			
Bank loans	<u>5.11</u>	14,747	7,811
Lease liabilities	<u>5.12</u>	277	-
Other financial liabilities	<u>5.13</u>	4,978	-
Deferred tax liabilities	<u>4.5</u>	-	-
		<b>20,002</b>	<b>7,811</b>
<b>Current liabilities</b>			
Bank loans	<u>5.11</u>	10,023	5,207
Lease liabilities	<u>5.12</u>	103	-
Other financial liabilities	<u>5.13</u>	4,936	-
Trade payables	<u>5.14</u>	2,180	2,617
Contract liabilities	<u>5.14</u>	1,391	1,665
Corporate income tax payable	<u>5.14</u>	374	841
Liabilities to the state and local budgets	<u>5.14</u>	137	290
Other liabilities	<u>5.14</u>	266	244
Accruals	<u>5.15</u>	2,658	2,102
		<b>22,068</b>	<b>12,966</b>
<b>TOTAL LIABILITIES</b>		<b>42,070</b>	<b>20,777</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>679,755</b>	<b>644,263</b>

## Statement of Changes in Equity of Asseco South Eastern Europe S.A.

	Note	Share capital	Share premium	Other capitals	Retained earnings	Total equity
<b>As at 1 January 2019</b>		<b>518,942</b>	<b>38,825</b>	<b>1,655</b>	<b>64,064</b>	<b>623,486</b>
Restatement of opening balance resulting from the adoption of IFRS 16	<u>2.5.i</u>	-	-	-	(7)	(7)
<b>As at 1 January 2019 (including impact of the adoption of IFRS 16)</b>		<b>518,942</b>	<b>38,825</b>	<b>1,655</b>	<b>64,057</b>	<b>623,479</b>
Net profit for the reporting period		-	-	-	40,245	<b>40,245</b>
<b>Total comprehensive income for the reporting period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>40,245</b>	<b>40,245</b>
Dividend for the year 2018	<u>4.7</u>	-	-	-	(26,985)	<b>(26,985)</b>
Valuation of share-based payment plan	<u>4.3</u>	-	-	946	-	<b>946</b>
<b>As at 31 December 2019</b>		<b>518,942</b>	<b>38,825</b>	<b>2,601</b>	<b>77,317</b>	<b>637,685</b>
<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>
Dividend for the year 2017	<u>4.7</u>	-	-	-	(26,985)	<b>(26,985)</b>
Valuation of share-based payment plan	<u>4.3</u>	-	-	1,127	-	<b>1,127</b>
<b>As at 31 December 2018</b>		<b>518,942</b>	<b>38,825</b>	<b>1,655</b>	<b>64,064</b>	<b>623,486</b>



# Statement of Cash Flows of Asseco South Eastern Europe S.A.

	Note	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018
		PLN'000	PLN'000
<b>Cash flows – operating activities</b>			
Pre-tax profit		43,042	30,831
<b>Total adjustments:</b>		<b>(35,903)</b>	<b>(26,868)</b>
Depreciation and amortization	4.3	604	488
Change in receivables		1,745	(3,188)
Change in liabilities, accruals and provisions		757	3,447
Interest income/expenses		(505)	(502)
Gain/loss on foreign exchange differences		233	(1,046)
Gain/loss on investing activities		(39,554)	(27,181)
Valuation of share-based payment plan	4.3	946	1,127
Other		(129)	(13)
<b>Selected operating cash flows</b>		<b>13,501</b>	<b>30,120</b>
Sale of shares in subsidiaries	6.1	1,385	1,748
Acquisition of shares in related companies	6.1	(25,773)	-
Dividends received	6.1	37,889	28,372
<b>Cash generated from operating activities</b>		<b>20,640</b>	<b>34,083</b>
Corporate income tax (paid) recovered		(1,820)	(2,164)
<b>Net cash provided by (used in) operating activities</b>		<b>18,820</b>	<b>31,919</b>
<b>Cash flows – investing activities</b>			
<b>Inflows:</b>		<b>7,744</b>	<b>14,969</b>
Disposal of property, plant and equipment, and intangible assets		43	13
Disposal/settlement of financial assets carried at fair value through profit or loss		140	89
Loans collected	5.8	6,880	14,037
Interest received	5.8	674	830
Other inflows		7	-
<b>Outflows:</b>		<b>(37,440)</b>	<b>(7,967)</b>
Acquisition of property, plant and equipment, and intangible assets	6.2	(383)	(587)
Acquisition/settlement of financial assets carried at fair value through profit or loss		(46)	-
Loans granted	5.8	(37,011)	(7,380)
<b>Net cash provided by (used in) investing activities</b>		<b>(29,696)</b>	<b>7,002</b>
<b>Cash flows – financing activities</b>			
<b>Inflows:</b>		<b>17,538</b>	<b>3,865</b>
Proceeds from bank loans and borrowings	6.3	17,538	3,865
<b>Outflows:</b>		<b>(32,585)</b>	<b>(32,204)</b>
Dividends paid out	6.3	(26,985)	(26,985)
Repayments of bank loans	6.3	(5,207)	(4,946)
Payments of lease liabilities	6.3	(105)	-
Interest paid	6.3	(288)	(273)
<b>Net cash provided by (used in) financing activities</b>		<b>(15,047)</b>	<b>(28,339)</b>
<b>Net change in cash and cash equivalents</b>		<b>(25,923)</b>	<b>10,582</b>
Net foreign exchange differences		23	288
Cash and cash equivalents as at 1 January		36,944	26,074
<b>Cash and cash equivalents as at 31 December</b>	<b>5.9</b>	<b>11,044</b>	<b>36,944</b>

# Supplementary Information to the Financial Statements

## I. General information

General information on the Parent Company	
<b>Name</b>	Asseco South Eastern Europe S.A.
<b>Seat</b>	Rzeszów, 14 Olchowa St.
<b>National Court Register number</b>	0000284571
<b>REGON (statistical ID number)</b>	180248803
<b>Tax Identification Number</b>	813-351-36-07
<b>Core business</b>	Activities of head offices and holdings, production of software

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 as a joint stock company called Asseco Adria S.A. On 11 July 2007, the Company was entered in the register of entrepreneurs maintained by the District Court in Rzeszów, XII Commercial Department of the National Court Register, under the number KRS 0000284571. The Company has been assigned the statistical number REGON 180248803. On 11 February 2008, the Company’s corporate name was changed from Asseco Adria S.A. to Asseco South Eastern Europe S.A. 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 2019, 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.

## II. Basis for the preparation of financial statements and accounting policies applied

### 2.1. Basis for preparation

These financial statements have been prepared in accordance with the historical cost convention, except for financial assets carried at fair value through profit or loss or through other comprehensive income, as well as financial liabilities carried at fair value through profit or loss.

These financial statements have been prepared on a going-concern basis, assuming the Company will continue its business activities over a period not shorter than 12 months from 31 December 2019. Till the date of approving these financial statements for publication, we have not observed any circumstances that would threaten the Company's ability to continue as a going concern.

The scope of these standalone financial statements is in accordance with the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (consolidated text: Journal of Laws of 2018, item 757) ("Regulation"), and covers the annual reporting period from 1 January to 31 December 2019, as well as the comparable period from 1 January to 31 December 2018.

The Company also prepared the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2019, which have been approved for publication by the Company's Management Board on 24 February 2020.

### 2.2. Compliance statement

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

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

As at the date of approving publication of these financial statements, given the ongoing process of implementing IFRS in the European Union as well as the Company's operations, in the scope of accounting policies applied by the Company there is no difference between IFRS that came into force and IFRS endorsed by the EU.

These standalone financial statements present a true and fair view of the Company's asset and financial position as at 31 December 2019, as well as the financial results of its operations and cash flows for the year ended 31 December 2019.

### 2.3. Functional currency and presentation currency

The presentation currency of these financial statements is the Polish zloty (PLN) and all figures are presented in thousands of PLN (PLN'000), unless stated otherwise. The Polish zloty is also the functional currency applied by Asseco South Eastern Europe S.A. Any inaccuracies in totals, amounting to PLN 1 thousand, are due to the adopted rounding of numbers.

Transactions denominated in currencies other than Polish zloty are, at the time of initial recognition, translated to Polish zlotys using the exchange rate effective on the transaction date.

At the reporting date:

- monetary items denominated in a foreign currency are translated at the closing exchange rate, this is at the mid exchange rate of that currency as quoted by the National Bank of Poland on the reporting date;
- non-monetary items carried at historical cost denominated in a foreign currency are translated using the exchange rate effective on the transaction date;
- non-monetary items carried at fair value denominated in a foreign currency are translated using the exchange rate effective on the fair value measurement date.

For valuation purposes, we have adopted the following exchange rates of euro and US dollar (just as the exchange rates of other currencies as quoted by the National Bank of Poland):

- ✓ exchange rate effective on 31 December 2019: EUR 1 = PLN 4.2585
- ✓ exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000
- ✓ exchange rate effective on 31 December 2019: USD 1 = PLN 3.7977
- ✓ exchange rate effective on 31 December 2018: USD 1 = PLN 3.7597

#### 2.4. 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's management best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

In the period of 12 months ended 31 December 2019, our approach to making estimates was not subject to any substantial modification in relation to the financial statements for the period of 12 months ended 31 December 2018.

In relevant explanatory notes, we have disclosed the main areas which in the process of applying the accounting policies were subject to accounting estimates and professional judgement made by our management, and whose estimates, if changed, could significantly affect the Company's future results.

The table below provides a list of estimates made by the Company, along with explanatory notes in which they have been described.

Selected estimates	Note	Page number
Corporate income tax	4.5	22
Property, plant and equipment	5.1	26
Intangible assets	5.2	27
Right-of-use assets	5.3	29
Impairment testing of assets	5.5	38
Contract assets, trade receivables and other receivables	5.7	41
Lease liabilities	5.12	48
Trade payables and other liabilities	5.14	50
Accruals	5.15	51

#### 2.5. Accounting policies applied

The table below provides a list of accounting policies applied by the Company, along with explanatory notes in which they have been described.

Selected accounting policies	Note	Page number
Operating revenues	4.1; 4.2	18
Operating costs	4.3	20
Financial income and expenses	4.4	22
Corporate income tax	4.5	22
Property, plant and equipment	5.1	26
Intangible assets	5.2	27
Right-of-use assets	5.3	29
Investments in subsidiaries	5.4	30
Impairment testing of assets	5.5	38
Prepayments and accrued income	5.6	41

Contract assets, trade receivables and other receivables	5.7	41
Other financial assets	5.8	43
Cash and cash equivalents	5.9	46
Share capital	5.10	46
Bank loans	5.11	47
Lease liabilities	5.12	48
Other financial liabilities	5.13	49
Contract liabilities, trade payables and other liabilities	5.14	50
Accruals	5.15	51

The accounting policies adopted in the preparation of these financial statements are consistent with those followed when preparing the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of a new accounting standard, namely IFRS 16 'Leases', whose impact on these standalone financial statements has been described below.

**i. IFRS 16 – first-time adoption**

The Company has implemented IFRS 16 'Leases' as of 1 January 2019 in line with the transition guidance provided in the standard.

The Company has applied IFRS 16 retrospectively by recognizing the cumulative effect of initial application of this standard as an adjustment to the opening balance of retained earnings as at 1 January 2019. In accordance with paragraph C8(b) of IFRS 16, the Company has measured right-of-use assets for individual lease contracts at either their carrying amount, as if IFRS 16 had been applied since the lease commencement date, or at an amount equal to the lease liability at the date of initial application of the standard, this is as at 1 January 2019.

**Impact of the adoption of IFRS 16 as at 1 January 2019**

The Company is party to just a few contracts classified as operating leases in accordance with IAS 17 and is not party to any contract classified as a finance lease. In addition, the Company has used the exemptions provided under IFRS 16 for short-term leases and leases of low-value assets. Operating lease contracts for which the remaining lease term shall end within 12 months from 1 January 2019 have been treated as short-term leases and thus their recognition in the financial statements has remained unchanged. Operating lease contracts where the underlying asset has a low value (e.g. office equipment, small IT equipment) have not been reassessed and their recognition has remained unchanged. Therefore, the adoption of IFRS 16 had no significant impact on the Company's financial statements.

The table below presents the impact of the adoption of IFRS 16 on the Company's equity as at 1 January 2019.

Impact of IFRS 16 on the statement of financial position	1 Jan. 2019 PLN'000
<b>Assets</b>	
Right-of-use assets	478
<b>Liabilities</b>	
Lease liabilities	485
- long-term	382
- short-term	103
<b>Net impact on equity, of which:</b>	
Retained earnings	(7)

As mentioned in the previous section, the above impact is related to rentals of office space by the Company that used to be recognized as operating leases in accordance with IAS 17. The Company has appropriately remeasured its liabilities that used to be disclosed as off-balance-sheet liabilities and reclassified them as lease liabilities using the incremental borrowing rate. The impact on retained earnings resulted from the remeasurement of some contracts as if IFRS 16 was effective since their commencement, which is

tantamount to the recognition of interest expenses accrued in previous years and accumulated depreciation recognized until 1 January 2019 in the balance of retained earnings.

The table below presents the reconciliation of lease liabilities under IAS 17 disclosed as at 31 December 2018 with lease liabilities estimated in accordance with IFRS 16 as at 1 January 2019:

	Lease liabilities PLN'000
Finance lease liabilities as at 31 December 2018 (IAS 17)	-
Liabilities (and their changes) not disclosed in the statement of financial position as at 31 December 2018, of which:	485
Operating lease liabilities as at 31 December 2018 (IAS 17)	525
Discount calculated using the incremental borrowing rate and changes in the Company's estimates concerning the options to extend or terminate rental contracts that used to be classified as operating	(12)
Short-term leases (practical expedient allowing not to recognize liabilities as at 1 January 2019)	(28)
Leases of low-value assets (practical expedient allowing not to recognize liabilities as at 1 January 2019)	-
<b>Lease liabilities as at 1 January 2019</b>	<b>485</b>

The lessee's weighted average incremental borrowing rate applied to the recognized lease liabilities equalled 1.09 % as at 1 January 2019.

#### ***Impact of the adoption of IFRS 16 on the income statement for the year 2019***

The table below presents the impact of applying IFRS 16 on the income statement of ASEE Company for the year ended 31 December 2019.

	Year ended 31 Dec. 2019 PLN'000
Impact of IFRS 16 on the income statement	
Rental costs of leased assets	106
Depreciation of right-of-use assets	(102)
Gain / Loss on modification of contracts	-
<b>Operating profit</b>	<b>4</b>
<b>EBITDA</b>	<b>106</b>
Financing activities (net)	(4)
<b>Pre-tax profit (loss)</b>	<b>-</b>

#### ***ii. Other amendments to the International Financial Reporting Standards effective from 1 January 2019***

- Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments';
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation';
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement';
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';
- Annual Improvements to IFRSs: 2015-2017 Cycle:
  - ✓ IFRS 3 'Business Combinations' – in the scope of multi-stage acquisitions
  - ✓ IFRS 11 'Joint Arrangements' – in the scope of obtaining joint control of a joint operation
  - ✓ IAS 12 'Income Taxes' – in the scope of income tax consequences of dividends
  - ✓ IAS 23 'Borrowing Costs'

These amendments have no significant impact on the financial statements of the Company.

The Company did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

## 2.6. 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:

- 'Amendments to References to the Conceptual Framework in International Financial Reporting Standards' (issued on 29 March 2018) – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8 'Definition of Materiality' (issued on 31 October 2018) – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 17 'Interest Rate Benchmark Reform' (issued on 26 September 2019) – effective for annual periods beginning on or after 1 January 2020;
- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 3 'Business Combinations' (issued on 22 October 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current' (issued on 23 January 2020) – not yet endorsed by the EU till the date of approval of these financial statements – the effective date of these amendments has not yet been determined;
- IFRS 14 'Regulatory Deferral Accounts' (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB.

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.

## 2.7. Corrections of material errors

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

## 2.8. Changes in the comparable data

In the reporting period, the Company has changed the presentation of uninvoiced liabilities to financial audit costs and started to disclose them in other liabilities instead of under provisions.

Furthermore, we have changed the presentation of operating costs in order to match the nature of the Company's operations.

The following tables present the restated income statement and disclosures regarding our operating segments.

INCOME STATEMENT	12 months ended 31 Dec. 2018 PLN'000	Change	12 months ended 31 Dec. 2018 <i>restated</i> PLN'000
<b>Holding activities</b>	41,056	-	41,056
Dividend income	27,832	-	27,832
Revenues from sale of services	13,224	-	13,224
<b>Operating activities</b>	8,666	-	8,666
Revenues from sale of IT services and software	8,666	-	8,666
<b>Total sales revenues</b>	49,722	-	49,722
Cost of sales	(15,463)	(2,723)	(18,186)
Recognition/reversal of allowances for trade receivables	-	-	-
<b>Gross profit on sales</b>	<b>34,259</b>	<b>(2,723)</b>	<b>31,536</b>
Selling costs	(4,543)	3,480	(1,063)
General and administrative expenses	(279)	(757)	(1,036)
<b>Net profit on sales</b>	<b>29,437</b>	-	<b>29,437</b>
<b>Operating profit</b>	<b>29,496</b>	-	<b>29,496</b>
<b>Pre-tax profit</b>	<b>30,831</b>	-	<b>30,831</b>
<b>Net profit</b>	<b>28,501</b>	-	<b>28,501</b>

**Restatements related to operating segments:**

For the period of 12 months ended 31 December 2018	Holding activities PLN'000	Change PLN'000	Holding activities <i>restated</i> PLN'000	IT services PLN'000	Change PLN'000	IT services <i>restated</i> PLN'000
Dividend income	27,832	-	27,832	-	-	-
Revenues from sale of services	13,224	-	13,224	-	-	-
Revenues from sale of IT services and software	-	-	-	8,666	-	8,666
<b>Total sales revenues</b>	<b>41,056</b>	-	<b>41,056</b>	<b>8,666</b>	-	<b>8,666</b>
<b>Gross profit on sales</b>	<b>30,947</b>	<b>(2,827)</b>	<b>28,120</b>	<b>3,312</b>	<b>104</b>	<b>3,416</b>
Selling costs	(3,487)	3,481	(6)	(1,056)	(1)	(1,057)
General and administrative expenses	-	(757)	(757)	(279)	-	(279)
<b>Net profit on sales</b>	<b>27,460</b>	<b>(103)</b>	<b>27,357</b>	<b>1,977</b>	<b>103</b>	<b>2,080</b>



### III. Information on operating segments

According to IFRS 8, an operating segment is a separable component of the Company's business for which separate financial information is available and regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company has identified the following reportable segments:

- 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.
- 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).

None of the Company's operating segments needed to be combined with another operating segment in order to be identified as a reportable segment.

The Company's financing activities as well as income taxes are monitored at the whole company level and therefore they are not allocated to individual operating segments. The Management also does not analyze assets and liabilities or cash flows in a breakdown to segments. The table below presents the key financial information reviewed by the chief operating decision maker in the Company.

For the period of 12 months ended 31 December 2019	Holding activities	IT services	Total
	PLN'000	PLN'000	PLN'000
Dividend income	39,554	-	39,554
Revenues from sale of services	15,298	-	15,298
Revenues from sale of IT services and software	-	9,877	9,877
<b>Total sales revenues</b>	<b>54,852</b>	<b>9,877</b>	<b>64,729</b>
<b>Gross profit on sales</b>	<b>40,404</b>	<b>4,243</b>	<b>44,647</b>
Selling costs	-	(828)	(828)
General and administrative expenses	(869)	(294)	(1,163)
<b>Net profit on sales</b>	<b>39,535</b>	<b>3,121</b>	<b>42,656</b>

For the period of 12 months ended 31 December 2018 <i>restated</i>	Holding activities	IT services	Total
	PLN'000	PLN'000	PLN'000
Dividend income	27,832	-	27,832
Revenues from sale of services	13,224	-	13,224
Revenues from sale of IT services and software	-	8,666	8,666
<b>Total sales revenues</b>	<b>41,056</b>	<b>8,666</b>	<b>49,722</b>
<b>Gross profit on sales</b>	<b>28,120</b>	<b>3,416</b>	<b>31,536</b>
Selling costs	(6)	(1,057)	(1,063)
General and administrative expenses	(757)	(279)	(1,036)
<b>Net profit on sales</b>	<b>27,357</b>	<b>2,080</b>	<b>29,437</b>

## IV. Explanatory notes to the statement of income and other comprehensive income

### 4.1. Holding activities – structure of operating revenues

#### *Selected accounting policies*

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.

Dividends are recognized when the shareholder's right to receive payment is established (i.e. most often on the so-called dividend record date or, if such a date is not determined in the resolution of the shareholders meeting, on the date of adopting the resolution on the distribution of profit).

Whereas, revenues from the sale of consulting, business and technical support services to our subsidiaries are recognized at the point in time of fulfilling such services.

Operating revenues generated during the year ended 31 December 2019 and in the comparable period were as follows:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Dividends from related parties, of which:	39,554	27,832
ASEE B&H	4,262	-
ASEE Croatia	2,143	8,545
ASEE Macedonia	11,728	9,016
ASEE Romania	3,620	1,284
ASEE Serbia	13,512	8,987
Payten Slovenia	2,575	-
Payten Croatia	1,714	-
Revenues from sale of services	15,298	13,224
<b>Total operating revenues from holding activities</b>	<b>54,852</b>	<b>41,056</b>

Cash inflows generated from dividends amounted to PLN 37,889 thousand in 2019, as compared with PLN 28,372 thousand received in 2018.

The difference between recognized revenues and actually received inflows resulted from withholding tax charged by our subsidiaries as well as foreign exchange differences.

### 4.2. IT services – structure of operating revenues

#### *Selected accounting policies*

##### **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.

##### **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 at the point in time of transferring control to the customer.

#### **Variable consideration**

In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Company shall estimate the amount of consideration to which it will be entitled in exchange for transferring promised goods or services to the customer, and shall include a portion or the whole amount of variable consideration in the transaction price but only to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

#### **Allocating the transaction price to performance obligations**

The Company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### **Significant financing component**

In determining the transaction price, the Company 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 Company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract is deemed to contain a significant financing component.

As a practical expedient allowed under IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at the contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

A contract with a customer does not contain a significant financing component if, among other factors, the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to the customer, and the difference between those amounts is proportional to the reason for the difference. This usually occurs when the contractual payment terms provide the customer with protection from the other party failing to adequately complete some or all of its obligations under the contract.

#### **Costs of contracts with customers**

The costs of obtaining a contract are those additional (incremental) costs incurred by the Company in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Company recognizes such costs as an asset if it expects to recover those costs. Such capitalized costs of obtaining a contract shall be amortized over a period when the Company satisfies the performance obligations arising from the contract.

As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company would have otherwise recognized is one year or less.

Costs to fulfil a contract are the costs incurred in fulfilling a contract with a customer. The Company recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 'Inventories', IAS 16 'Property, Plant and Equipment' or IAS 38 'Intangible Assets') and if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract with a customer,
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and
- the costs are expected to be recovered.

Operating revenues generated during the year ended 31 December 2019 and in the comparable period were as follows:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Revenues from sale of software and IT services	9,877	8,666
<b>Total operating revenues</b>	<b>9,877</b>	<b>8,666</b>

Both in the year ended 31 December 2019 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.

Transaction price allocated to performance obligations to be satisfied within:	PLN'000
Within 1 year	7,694
Over 1 year	2,565
<b>Total</b>	<b>10,259</b>

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 2021-2022. 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.

#### 4.3. Structure of operating costs

##### *Selected accounting policies*

*The Company maintains cost accounting both by cost nature and by cost function. Cost of sales comprises the costs arising directly from purchases of goods sold and generation of services sold. Selling costs include the costs of distribution and marketing activities. General and administrative expenses include the costs of the Company's management and administration activities.*

*Cost of goods, materials and services sold (COGS) represent the costs of purchases of goods and subcontractor services (excluding personal outsourcing) used for the implementation of projects. Such costs are associated both with revenues presented as own revenues (regarding revenues from services that are performed by subcontractors, if the use of third-party resources results from the Company's decision that treats such third-party resources as a substitute for own resources), as well as third-party revenues (services that must be performed by third parties – mostly software or hardware manufacturers).*

*Employee benefits comprise all sorts of benefits offered by the Company in exchange for work performed by their employees or for termination of employment. If an employee performs work for the Company's benefit, we recognize a cost equal to the undiscounted value of employee benefits expected to be paid in exchange for such work. In addition to remuneration, the costs of employee benefits include all paid absences, benefits resulting from the bonus schemes applied in the Company, as well as post-employment benefits.*

##### *Estimates*

*Due to the fact that the Company's costs are accounted for on an accrual basis, a portion of costs disclosed in the income statement represent costs recognized as a result of estimates regarding, for example, the costs expected to arise from a bonus scheme offered to some employees of the Company.*

Operating costs incurred during the year ended 31 December 2019 and in the comparable period were as follows:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
<b>Operating costs</b>		
Cost of goods, materials and third-party services sold	(3,773)	(3,463)
Employee benefits, of which:	(7,577)	(7,520)
Valuation of share-based payment plan	(946)	(1,127)
Third-party services and outsourcing of employees	(6,776)	(5,762)
Depreciation and amortization	(604)	(488)
Maintenance costs of property and company cars	(1,528)	(1,618)
Business trips	(712)	(859)
Advertising	(294)	(182)
Other	(809)	(393)
<b>Total</b>	<b>(22,073)</b>	<b>(20,285)</b>
Cost of sales	(20,082)	(18,186)
Selling costs	(828)	(1,063)
General and administrative expenses	(1,163)	(1,036)
Recognition/reversal of allowances for trade receivables	-	-
<b>Total</b>	<b>(22,073)</b>	<b>(20,285)</b>

### Share-based payment transactions with employees

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. 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 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	9.0%

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 standalone financial statements of ASEE for the year ended 31 December 2019 amounted to PLN 946 thousand, as compared with PLN 1,127 thousand in 2018. In correspondence, this transaction was recognized as a separate item of the Company's equity, in the same amount as disclosed in remuneration costs.

#### 4.4. Financial income and expenses

##### *Selected accounting policies*

*Interest income comprises primarily interest on investments in debt securities (including in particular loans granted) and on bank deposits. Such income is measured at amortized cost using the effective interest rate.*

*Other interest income comprises interest on trade receivables, as well as discounts on costs (liabilities) accounted for using the effective interest method.*

*Interest expenses incurred on external financing obtained by the Company are charged at amortized cost.*

Financial income earned during the period of 12 months ended 31 December 2019 and in the comparable period was as follows:

Financial income	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Interest income on investments in debt securities and bank deposits carried at amortized cost	954	1,063
Positive foreign exchange differences	-	1,171
Commissions received on guarantees granted	28	26
Net gain on exercise and/or valuation of derivative instruments	285	619
<b>Total</b>	<b>1,267</b>	<b>2,879</b>

Financial expenses incurred during the period of 12 months ended 31 December 2019 and in the comparable period were as follows:

Financial expenses	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Interest expenses on bank loans	(284)	(274)
Interest expenses on leases	(4)	-
Negative foreign exchange differences	(422)	-
Loss on exercise and/or valuation of derivative instruments	(163)	(1,268)
Other	-	(2)
<b>Total</b>	<b>(873)</b>	<b>(1,544)</b>

Positive and negative foreign exchange differences are presented in net amounts (reflecting the excess of positive differences over negative differences or otherwise).

Interest expenses on leases are associated with the lease of an office building in Gdynia.

## 4.5. Corporate income tax

### Selected accounting policies

The Company recognizes and measures its current and deferred income tax assets and liabilities in accordance with the requirements of IAS 12 'Income Taxes' on the basis of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty over tax treatments.

Income tax comprises current and deferred portion. The current income tax is the amount determined on the basis of tax regulations, which is calculated on the taxable income for a given period and recognized as a liability in the amount it was not paid, or as a receivable if the amount of current income tax already paid exceeds the amount to be paid.

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 reporting date, 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 each reporting date 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 income tax assets and liabilities are treated in whole as long-term items and are not discounted. They can be compensated against each other if the entity holds an enforceable legal title to offset the amounts recognized.

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 reporting date.

Income tax relating to items that are recognized directly in equity shall be disclosed under equity and not in the income statement.

### Estimates

The Company makes an assessment of realizability of deferred income tax assets at each reporting date. This assessment requires the exercise of professional judgment and estimates.

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

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Current income tax and prior years' adjustments	(2,945)	(2,808)
Deferred income tax	148	478
<b>Income tax expense as disclosed in the income statement</b>	<b>(2,797)</b>	<b>(2,330)</b>

The table below presents the amount of current income tax expense for 2019, as disclosed in the income statement, in a breakdown by type of operations and other items:

	12 months ended 31 Dec. 2019 PLN'000
<b>Current corporate income tax expense</b>	
Current income tax – core operations	(596)
Current income tax – capital gains	(2,900)
Corrections of CIT returns for prior years	551
Provision for income tax on controlled foreign companies (CFC)	-
<b>Total corporate income tax expense as disclosed in the income statement</b>	<b>(2,945)</b>

Presented below is the reconciliation of corporate income tax payable on pre-tax profit at the statutory tax rate, with corporate income tax computed at the effective tax rate.



	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018
<b>Pre-tax profit from continuing operations</b>	<b>43,042</b>	<b>30,831</b>
Statutory corporate income tax rate	19%	19%
<b>Corporate income tax computed at the statutory tax rate</b>	<b>(8,178)</b>	<b>(5,858)</b>
Dividends received from subsidiaries	1,588	1,886
Dividend income tax paid by subsidiaries	3,544	1,980
Share-based payment plan	(177)	(214)
Depreciation and amortization	(17)	(14)
Corrections of CIT returns for prior years	551	-
Other permanent differences	(108)	(110)
<b>Corporate income tax computed at the effective tax rate</b>	<b>(2,797)</b>	<b>(2,330)</b>

During the period of 12 months ended 31 December 2019, our effective tax rate equalled 6.50 %, as compared with 7.56 % in the comparable period.

Tax exempt income amounting to PLN 1,588 thousand in 2019 and PLN 1,886 thousand in 2018 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 3,544 thousand in 2019 and PLN 1,980 thousand in 2018 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).

	Deferred tax liabilities		Deferred tax assets		Comprehensive income for the period
	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2019
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets carried at fair value through profit or loss	13	15	-	-	2
Borrowings	36	22	-	-	(14)
Other receivables	12	-	-	-	(12)
Cash and cash equivalents	-	-	-	-	-
Trade payables	-	-	276	201	75
Other liabilities	-	-	-	1	(1)
Prepayments and accrued income	-	-	498	400	98
<b>Deferred tax liabilities, gross</b>	<b>61</b>	<b>37</b>			
<b>Deferred tax assets, gross</b>			<b>774</b>	<b>602</b>	
Write-down due to inability to realize a deferred tax asset			-	-	-
<b>Deferred tax assets, net</b>			<b>774</b>	<b>602</b>	
<b>Deferred tax assets (+) / liabilities (-), net</b>			<b>713</b>	<b>565</b>	
<b>Change in deferred income tax in the reporting period, of which:</b>					<b>148</b>
change in deferred income tax recognized directly in other comprehensive income					-
deferred income tax change recognized in the income statement					<b>148</b>



	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
Deferred tax assets	774	602
Deferred tax liabilities	61	37
<b>Deferred tax assets (+) / liabilities (-), net</b>	<b>713</b>	<b>565</b>

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 713 thousand is very likely.

#### 4.6. Earnings per share

##### *Selected accounting policies*

*Basic earnings per share for each reporting period shall be computed by dividing the net profit from continuing operations 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 from continuing operations for the reporting period by the total of weighted average number of shares outstanding in the given reporting period and all shares of potential new issues.*

Both during the period of 12 months ended 31 December 2019 and in the comparable period, the Company had 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 earnings per share:

	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
Net profit for the reporting period (in thousands of PLN)	40,245	28,501
<b>Net earnings per share (in PLN)</b>	<b>0.78</b>	<b>0.55</b>

#### 4.7. Information on dividends paid out

The Annual General Meeting of Asseco South Eastern Europe 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 11 April 2019 decided to pay out a dividend in the total amount of PLN 26,985 thousand or PLN 0.52 per share to all of the Company's shareholders.

The Company's Annual General Meeting established 28 June 2019 as the dividend record date. The dividend was paid out on 11 July 2019. The number of shares eligible for dividend was 51,894,251.

## V. Explanatory notes to the statement of financial position

### 5.1. Property, plant and equipment

#### Selected accounting policies

Property, plant and equipment are disclosed at purchase cost or production cost decreased by accumulated depreciation and any 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 also include the cost of replacing parts of machinery or equipment at the time when incurred if the asset 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.

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

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. 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 through profit or loss in the period when such derecognition is made.

#### Estimates

At each reporting date, the Company determines if there are any objective indications of impairment of a given component of property, plant and equipment. In addition, at the end of each financial year, the Company verifies the periods of useful life of property, plant and equipment.

Such assets are depreciated using the straight-line method over their expected useful lives.

The periods of useful life are presented in the table below:

	Period
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 Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates. In 2019, the rates of depreciation and amortization applied by the Company were not subject to any significant modifications.

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2019 and in the comparable period changed as a result of the following transactions:

	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
<b>As at 1 January 2019, less accumulated depreciation and impairment losses</b>	<b>11</b>	<b>492</b>	<b>11</b>	<b>514</b>
<b>Additions, of which:</b>	<b>29</b>	<b>63</b>	<b>-</b>	<b>92</b>
Purchases and modernization	29	63	-	92
<b>Reductions, of which:</b>	<b>(35)</b>	<b>(186)</b>	<b>-</b>	<b>(221)</b>
Depreciation charges for the reporting period	(35)	(177)	-	(212)
Disposal and liquidation	-	(9)	-	(9)
<b>Other</b>	<b>-</b>	<b>11</b>	<b>(11)</b>	<b>-</b>
<b>As at 31 December 2019, less accumulated depreciation and impairment losses</b>	<b>5</b>	<b>380</b>	<b>-</b>	<b>385</b>
<b>As at 1 January 2019</b>				
Gross value	470	1,231	182	1,883
Accumulated depreciation and impairment losses	(459)	(739)	(171)	(1,369)
<b>Net book value as at 1 January 2019</b>	<b>11</b>	<b>492</b>	<b>11</b>	<b>514</b>

<b>As at 31 December 2019</b>				
Gross value	499	1,261	171	<b>1,931</b>
Accumulated depreciation and impairment losses	(494)	(881)	(171)	<b>(1,546)</b>
<b>Net book value as at 31 December 2019</b>	<b>5</b>	<b>380</b>	<b>-</b>	<b>385</b>

	Computers and other office equipment	Transporta- tion vehicles	Other tangible assets	Total
<b>As at 1 January 2018, less accumulated depreciation and impairment losses</b>	<b>23</b>	<b>565</b>	<b>11</b>	<b>599</b>
<b>Additions, of which:</b>	<b>39</b>	<b>124</b>	<b>2</b>	<b>165</b>
Purchases and modernization	39	124	2	165
<b>Reductions, of which:</b>	<b>(51)</b>	<b>(197)</b>	<b>(2)</b>	<b>(250)</b>
Depreciation charges for the reporting period	(51)	(197)	(2)	(250)
Disposal and liquidation	-	-	-	-
<b>As at 31 December 2018, less accumulated depreciation and impairment losses</b>	<b>11</b>	<b>492</b>	<b>11</b>	<b>514</b>

<b>As at 1 January 2018</b>				
Gross value	431	1,107	180	<b>1,718</b>
Accumulated depreciation and impairment losses	(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>

<b>As at 31 December 2018</b>				
Gross value	470	1,231	182	<b>1,883</b>
Accumulated depreciation and impairment losses	(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 2019 and 31 December 2018, property, plant and equipment did not serve as collateral for any bank loans.

## 5.2. Intangible assets

### Selected accounting policies

#### Intangible assets purchased

Intangible assets purchased in a separate transaction shall be capitalized at purchase cost. The purchase cost of intangible assets acquired under a business combination shall be equal to their fair value as at the merger date.

#### Goodwill

Goodwill is an asset representing future economic benefits arising from assets acquired as part of a business combination that cannot be individually identified or separately recognized.

In the standalone financial statements, goodwill is an asset arising from combinations of businesses under common control. The amount of goodwill is initially measured as the excess of the purchase price paid over the net value of identifiable assets acquired and, in the standalone accounting books, it is recognized at the date of merger of the acquired businesses.

#### Depreciation and amortization

Amortization charges against intangible assets with a definite period of useful life are recognized in profit or loss, in the category which corresponds to the function of each individual intangible asset.

Intangible assets with an indefinite period of useful life and those which are no longer used are tested for possible impairment at least once a year and whenever there are indications to do so. The remaining intangible assets shall be tested for impairment if there are indications of a possible impairment. Should the carrying value exceed the estimated recoverable amount (the higher of the following two amounts: net sales price or value in use), the value of these assets shall be reduced to the recoverable amount.

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.

### Estimates

At each reporting date, the Company determines if there are any objective indications of impairment of a given component of intangible assets, as described in note 5.5 below.

The period of useful life of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over their expected useful life, and amortization charges are expensed adequately in the income statement.

The periods of useful life are presented in the table below:

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

The Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates. In 2019, the rates of depreciation and amortization applied by the Company were not subject to any significant modifications. Goodwill is tested for impairment on an annual basis as well as at each reporting date when there is a justified indication to do so. Performing such a test requires estimating the recoverable amount of a cash-generating unit and is usually carried out using the discounted cash flow method, which entails the need to make estimates for future cash flows, changes in working capital and the weighted average cost of capital.

	CRM and PMS software*	Goodwill	Other intangible assets	Total
<b>As at 1 January 2019, less accumulated amortization and impairment losses</b>	<b>910</b>	<b>4,567</b>	<b>218</b>	<b>5,695</b>
<b>Additions, of which:</b>	<b>211</b>	<b>-</b>	<b>10</b>	<b>221</b>
Purchases	211	-	10	221
<b>Reductions, of which:</b>	<b>(227)</b>	<b>-</b>	<b>(63)</b>	<b>(290)</b>
Amortization charges for the reporting period	(227)	-	(63)	(290)
Disposal and liquidation	-	-	-	-
<b>As at 31 December 2019, less accumulated amortization and impairment losses</b>	<b>894</b>	<b>4,567</b>	<b>165</b>	<b>5,626</b>
<b>As at 1 January 2019</b>				
Gross value	1,666	4,567	419	6,652
Accumulated amortization and impairment losses	(756)	-	(201)	(957)
<b>Net book value as at 1 January 2019</b>	<b>910</b>	<b>4,567</b>	<b>218</b>	<b>5,695</b>
<b>As at 31 December 2019</b>				
Gross value	1,877	4,567	429	6,873
Accumulated amortization and impairment losses	(983)	-	(264)	(1,247)
<b>Net book value as at 31 December 2019</b>	<b>894</b>	<b>4,567</b>	<b>165</b>	<b>5,626</b>

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

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

Both as at 31 December 2019 and 31 December 2018, intangible assets did not serve as collateral for any bank loans.

### 5.3. Right-of-use assets

#### *Selected accounting policies*

*At the contract inception, the Company determines whether a contract is a lease or contains a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.*

*The Company applies a single accounting model for the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability.*

#### **Short-term leases and leases of low-value assets**

*The Company has applied the exemption not to recognize right-of-use assets and liabilities for short-term leases with terms less than 12 months which do not contain a purchase option. The Company has also applied the exemption for the recognition of leases of low-value assets. Lease payments under short-term leases and leases of low-value assets shall be expensed on a straight-line basis over the lease term.*

#### **Initial recognition and measurement of right-of-use assets**

*Since 1 January 2019, in the case of contracts identified as leases, the Company has recognized right-of-use assets as at the lease commencement date (i.e. the date when the asset being leased is available for use by the Company).*

*Right-of-use assets are initially recognized at cost. The cost of the right-of-use asset shall comprise: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.*

#### **Subsequent measurement of right-of-use assets**

*The Company shall measure the right-of-use asset applying a cost model, this is at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability (i.e. modifications that are not required to be accounted for as a separate lease).*

*Right-of-use assets are depreciated by the Company basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.*

*The Company applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired.*

#### *Estimates*

*At each reporting date, the Company determines if there are any objective indications of impairment of a given right-of-use asset.*

*The Company applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired.*

*Such assets are as a rule depreciated using the straight-line method over their expected useful lives.*

*In addition, at the end of each financial year, the Company's Management makes judgments for contracts concluded for an indefinite period in order to determine their duration with reasonable certainty.*

As described in explanatory note 2.5 to these annual financial statements, the Company has adopted the new IFRS 16 standard as of 1 January 2019. Following the adoption of this standard, a new line has been introduced in the statement of financial position, namely 'Right-of-use assets' reflecting the value of the rights to use underlying assets arising from lease contracts, rental and hire contracts, as well as other contracts of similar nature that meet the definition of a lease under IFRS 16. As a consequence of applying the modified retrospective approach, the Company has not restated the relevant data for the comparable period and such data are not presented:

	Land and buildings PLN'000	Total PLN'000
<b>Net book value of property, plant and equipment as at 1 January 2019</b>	-	-
Impact of the adoption of IFRS 16 on the opening balance	478	478
<b>Net book value of property, plant and equipment as at 1 January 2019 /restated/</b>	<b>478</b>	<b>478</b>
<b>Reductions, of which:</b>	<b>(102)</b>	<b>(102)</b>
Depreciation charges for the reporting period	(102)	(102)
<b>Net book value of property, plant and equipment as at 31 December 2019</b>	<b>376</b>	<b>376</b>
<b>As at 31 December 2019</b>		
Gross value	478	<b>478</b>
Accumulated depreciation and impairment losses	(102)	<b>(102)</b>
<b>Net book value as at 31 December 2019</b>	<b>376</b>	<b>376</b>

## 5.4. Investments in subsidiaries

### *Selected accounting policies*

**Subsidiaries** are entities in which the Company possess all the following three elements of control:

- power over the investee;
- rights to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

**Associates** are entities in which the Company holds more than 20% and not more than 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 jointly. This means they are neither subsidiaries nor joint ventures.

Investments in subsidiaries and associates are recognized by the Company at historical cost less any impairment charges.

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. The conducted impairment tests have been presented in detail in explanatory note 5.5.

### **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, assuming that:

- assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the Company's consolidated financial statements. 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;
- merger-related transaction costs are expensed in the income statement (financial expenses);
- mutual balances of accounts receivable/ payable are eliminated;
- any difference between the purchase price paid or 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.

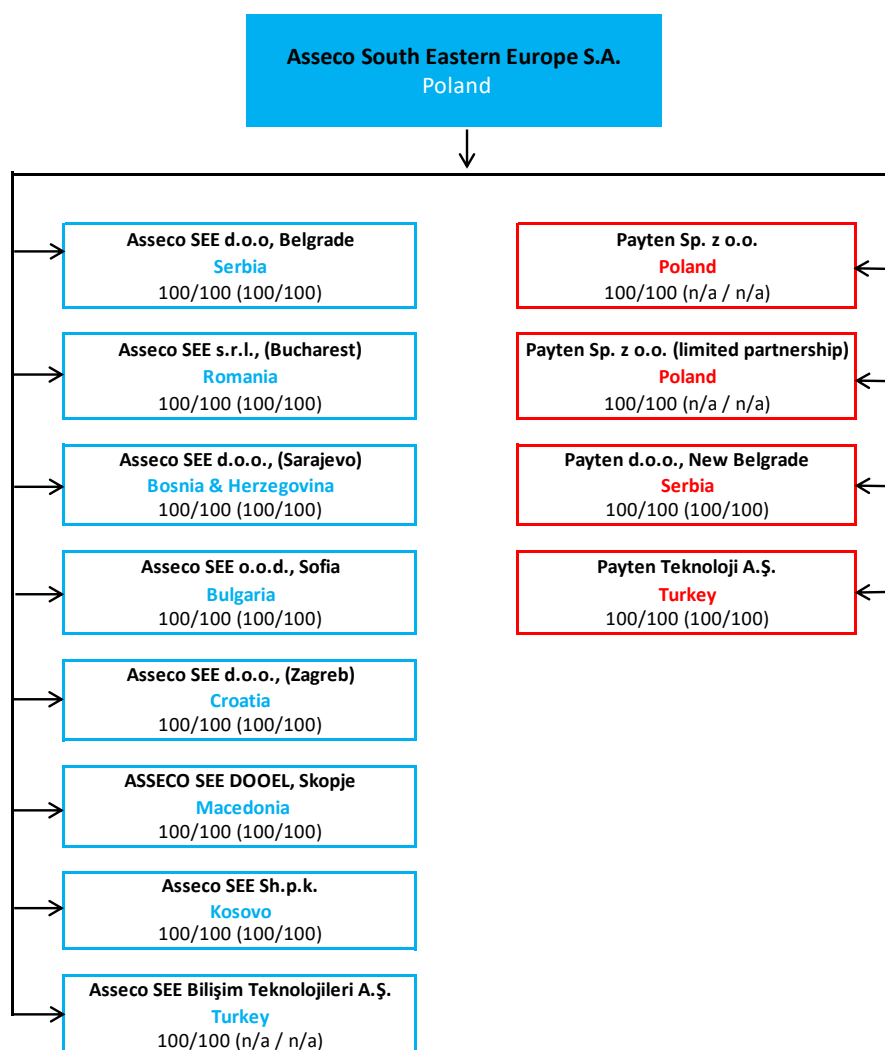
In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of the Company are combined, the carrying value of investment in the acquiree subsidiary is only transferred to the value of investment in the acquirer subsidiary.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

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.

The Company's equity investments held as at 31 December 2019 and in the comparable period are disclosed in the table below:

		31 Dec. 2019	31 Dec. 2018
		PLN'000	PLN'000
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	97,919
AssecO SEE d.o.o. (Belgrade)	ASEE Serbia	60,680	60,680
AssecO SEE Bilişim Teknolojileri A.Ş. (Istanbul)	ASEE Turkey	20,618	-
Payten d.o.o. (Belgrade)	Payten Serbia	19,618	19,618
Payten Teknoloji A.Ş.	Payten Turkey	50,842	71,460
Payten Sp. z o.o.	Payten	25	-
Payten Sp. z o.o. (limited partnership)	Payten SK	154,776	-
Payten d.o.o. (Sarajevo)	Payten B&H	-	2
Payten d.o.o., Zagreb	Payten Croatia	-	66,184
Payten d.o.o. (Podgorica)	Payten Montenegro	-	1,009
Payten DOEL (Skopje)	Payten Macedonia	-	84
Payten Payment Solution s.r.l. (Bucharest)	Payten Romania	-	49,552
Payten d.o.o. (Ljubljana)	Payten Slovenia	-	2,332
		<b>606,812</b>	<b>571,174</b>

The Company's investments in subsidiaries are presented in the chart below:



100/100 voting rights / equity interest as at 31 December 2019 (in %)  
(100/100) voting rights / equity interest as at 31 December 2018 (in %)

## 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).

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 2019, 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.

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.

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.

On 28 June 2019, shares held in Payten Croatia were contributed to Payten Sp. z o.o. (limited partnership).

Hence, as at 31 December 2019 the value of our investment in ASEE Croatia equalled PLN 56,783 thousand.

#### ASEE 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 2019, 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

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 2019, 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.

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.

On 28 June 2019, shares held in Payten Romania were contributed to Payten Sp. z o.o. (limited partnership).

As at 31 December 2019, 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.

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 in 2009 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 the initial value of PLN 204,677 thousand to the 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 2019, the value of our investment in ASEE Serbia equalled PLN 60,680 thousand.

## ASEE TURKEY AND PAYTEN TURKEY

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

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.

On 2 January 2019, the company changed its corporate name to Payten Teknoloji A.Ş. On 2 January 2019, Payten Teknoloji A.Ş. separated a new company called Asseco SEE Bilişim Teknolojileri A.Ş. out of its organizational structure. This division resulted in the creation of two separate entities engaged in the payment business and other operations. Before the division, the value of investment stood at PLN 71,460 thousand. Subsequently, the amount of PLN 20,618 thousand was allocated to ASEE Turkey, while PLN 50,842 thousand was allocated to Payten Turkey.

As at 31 December 2019, the value of our investment in ASEE Turkey equalled PLN 20,618 thousand and the investment in Payten Turkey was worth PLN 50,842 thousand.

## 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 have been transferred into the new company. The value of investment in this new company amounts to PLN 2 thousand (EUR 500).

On 20 May 2019, the share capital of this company was increased to PLN 854 thousand.

On 28 June 2019, shares held in Payten B&H were contributed to Payten Sp. z o.o. sp.k.

## 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.

On 28 June 2019, shares held in Payten Croatia were contributed to Payten Sp. z o.o. sp.k.

#### **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.

On 28 June 2019, shares held in Payten Montenegro were contributed to Payten Sp. z o.o. sp.k.

**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).

On 28 June 2019, shares held in Payten Macedonia were contributed to Payten Sp. z o.o. sp.k.

**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.

On 28 June 2019, shares held in Payten Romania were contributed to Payten Sp. z o.o. sp.k.

**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.

On 1 October 2019, Payten Serbia (the taking-over company) merged with its subsidiary Multicard d.o.o. (the acquired company).

As at 31 December 2019, 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.

On 28 June 2019, shares held in Payten Slovenia were contributed to Payten Sp. z o.o. sp.k.

**NECOMPLUS SPAIN**

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 a total consideration of PLN 32,888.5 thousand.

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.

On 28 June 2019, shares held in Necomplus Spain were contributed to Payten Sp. z o.o. sp.k.

#### **PAYTEN Sp. z o.o.**

On 29 January 2019, we established a new company called Payten Sp. z o.o. based in Poland. 100% of shares in this company are held by ASEE S.A.

As at 31 December 2019, the value of our investment in Payten Sp. z o.o. equalled PLN 25 thousand.

#### **PAYTEN Sp. z o.o. (limited partnership)**

A new company called Payten Sp. z o.o. (limited partnership), based in Poland, was registered on 20 March 2019. 99 % of shares in this company are held by Asseco South Eastern Europe S.A., while the remaining 1 % stake is held by Payten Sp. z o.o. On 28 June 2019, ASEE S.A. made a non-cash contribution to Payten Sp. z o.o. sp.k. of shares in the following companies of Payten Group:

- Payten B&H
- Payten Croatia
- Payten Montenegro
- Payten Macedonia
- Payten Romania
- Payten Slovenia
- Necomplus Spain

This transaction consisted in making a contribution of our investments in several subsidiaries to another subsidiary company of ASEE S.A. and, in accordance with the Company's accounting policy, it has been accounted for only by transferring the carrying value of investments in the acquiree subsidiaries to the value of our investment in the acquirer subsidiary. Hence, such a takeover of our subsidiaries by another subsidiary company had no impact on the Company's financial results.

As at 31 December 2019, the value of our investment in Payten Sp. z o.o. sp.k. equalled PLN 154,776 thousand.

### **5.5. Impairment testing of assets**

#### *Selected accounting policies*

*At each reporting date, the Company determines whether there are any indications of impairment of non-financial fixed assets. In the event such indications occur, or when it is necessary to carry out an annual impairment test, the Company estimates the recoverable amount of a given asset or cash-generating unit to which such asset has been allocated.*

*The recoverable amount of an asset or cash-generating unit corresponds to the fair value of such asset or cash-generating unit less the costs necessary to make the sale of such asset or cash-generating unit, or to the value in use of such asset or cash-generating unit, whichever is higher. This recoverable amount is measured for individual assets unless a given asset does not generate cash flows significantly independent from cash flows generated by other assets or groups of assets. Impairment takes place when the carrying value of an asset is higher than its recoverable amount, in which case such asset shall be written-down to the determined recoverable amount. In order to determine the value in use, estimated future cash flows shall be discounted to their present value by applying a discount rate that reflects the current market assessments of the time value of money and the risks related to the given asset. Impairment losses on assets used in continuing operations are recognized as operating expenses.*

*At each reporting date, 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 a reduction of operating expenses. 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.*

#### **Investments in subsidiaries – impairment tests**

*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. An impairment loss on investments is determined by estimating the recoverable amount of cash-generating units represented by individual companies. In the event the recoverable amount of a cash-generating unit is lower than its carrying value, an impairment charge shall be recognized.*

#### **Goodwill – impairment tests**

*After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis, or more frequently if there are indications to do so. Goodwill is not subject to amortization. As at the*



acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects of the related business combination. Each cash-generating unit or group of units to which goodwill is so allocated shall represent the lowest level within the Company at which goodwill is monitored for internal management purposes; and not be larger than any operating segment identified in accordance with IFRS 8 'Operating Segments'. An impairment loss is determined by estimating the recoverable amount of a cash-generating unit to which goodwill has been allocated. In the event the recoverable amount of a cash-generating unit is lower than its carrying value, an impairment charge shall be recognized. Such a charge increases the Company's financial expenses. It is not possible to reverse any impairment loss that was previously recognized on goodwill.

In the event a cash-generating unit contains goodwill and a part of business of this cash-generating unit is sold, goodwill related to the disposed business shall be included in its carrying value for the purpose of determining a gain or loss on disposal of that business. In such circumstances the value of goodwill sold shall be measured as a proportion of the value of business disposed to the value of the cash-generating unit retained.

#### Estimates

At each reporting date, the Company determines if there are any objective indications of impairment of a given component of intangible assets or investments in subsidiaries. Considering the indications of impairment as well as carrying out tests based on the discounted cash flow method requires a significant amount of estimates and professional judgment. First of all, this involves the estimation of future operating cash flows, but also the estimation of the appropriate discount rate.

#### Investments in subsidiaries – impairment tests

Each impairment test on investments in subsidiaries requires making estimates of the recoverable amount of a cash-generating unit or a group of cash-generating units constituted by individual subsidiaries. We estimated the recoverable amount of all of our investments in subsidiaries as at 31 December 2019.

The recoverable amount of investments in subsidiaries as at 31 December 2019 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 detailed forecast covered the period of 5 years, while the residual value was determined assuming no real 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 2019:

	Book value of investment	Discount rate applied in the model	Sales revenue growth rate
ASEE B&H	25,830	17.24%	11.17%
ASEE Bulgaria	-	10.06%	6.84%
ASEE Croatia	56,783	10.16%	2.52%
ASEE Kosovo	21,241	12.49%	7.02%
ASEE Macedonia	98,480	14.06%	11.86%
ASEE Romania	97,919	11.92%	2.33%
ASEE Serbia	60,680	10.55%	2.78%
ASEE Turkey	20,618	22.81%	19.60%
Payten Serbia	19,618	10.35%	6.64%
Payten Turkey	50,842	22.81%	10.07%
Payten	25	-	-
Payten SK*	154,776	10.24%	7.91%

\* In the case of our subsidiary Payten SK which is engaged in holding operations, the levels of discount rate and sales revenue growth rate, as applied in the model, represent the weighted average level of discount rates and sales revenue growth rates of individual subsidiaries of Payten SK, weighted by the value of investment.

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.

The conducted impairment tests did not indicate a necessity to recognize any impairment charges on our investments in subsidiaries as at 31 December 2019.



### Analysis of sensitivity

Additionally, the Company carried out a sensitivity analysis in relation to the conducted impairment test. Such sensitivity analysis examined the impact of changes in:

- discount rate applied, and
- sales revenue growth rate

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

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

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 3.81 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.97 pp with other assumptions remaining constant. As at 31 December 2019, the recoverable amount of this investment exceeded its carrying value by PLN 39.5 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 2.65 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 2.52 pp with other assumptions remaining constant. As at 31 December 2019, the recoverable amount of this investment exceeded its carrying value by PLN 20.1 million.

In the case of ASEE Bosnia and Herzegovina, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 0.47 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.56 pp with other assumptions remaining constant. As at 31 December 2019, the recoverable amount of this investment exceeded its carrying value by PLN 0.7 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.

### Goodwill – impairment tests

Goodwill arising from the merger amounted to PLN 4,567 thousand both as at 31 December 2019 and 31 December 2018. Such goodwill has been allocated to the segment of IT services.

As at 31 December 2019, 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 9.91% (incremental rate of 59.9%); whereas, sales revenue growth was assumed at the rate of 5.34% (incremental rate of -29.2%).

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

## 5.6. Prepayments and accrued income

### Selected accounting policies

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

As at 31 December 2019 and in the comparable period, prepayments and accrued income included the following items:

	31 Dec. 2019		31 Dec. 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Prepaid services, of which:	-	1,228	429	1,720
maintenance services and license fees	-	689	429	863
insurances	-	22	-	25
other services	-	517	-	832
<b>Total</b>	-	1,228	429	1,720

Both as at 31 December 2019 and at the end of the comparable period, prepayments included primarily the costs of maintenance services and license fees that will be successively expensed in future periods.

## 5.7. Contract assets, trade receivables and other receivables

### Selected accounting policies

**Contract assets** represent receivables arising from valuation of IT contracts. Receivables from valuation of IT contracts result from the excess of the percentage of completion of implementation contracts over invoices issued. In the case of such assets, the Company has fulfilled its performance obligation but the right to payment is conditioned on something other than just the passage of time, which distinguishes contract assets from trade receivables.

**Trade receivables** represent receivables arising from the sale of goods and services, as well as receivables from uninvoiced deliveries. Receivables from uninvoiced deliveries arise from the supply of services which were performed during the reporting period (the Company has completed its performance obligation), but have not been invoiced until the end of the reporting period. Trade receivables, usually with payment terms ranging from 14 and 30 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for doubtful receivables. Receivables with remote payment terms are recognized at the present value of expected payments, less any allowances for expected credit losses.

#### Impairment allowances for trade receivables and contract assets

In estimating an allowance for trade receivables, the Company applies the simplified approach whereby the impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. In order to estimate such expected credit losses, the Company uses a provisioning matrix prepared on the basis of historical payments received from customers, where appropriate adjusted by the impact of forward-looking information. For this purpose, the Company allocates its customers into homogeneous groups from which receivables are statistically analyzed in respect of aging and collection, based on data from minimum 2 years back.

The amount of impairment allowances is revised at each reporting date.

For trade receivables that are past-due more than 180 days, apart from the statistical method of estimating the amount of impairment loss based on the provisioning matrix, the Company also applies individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management shall exercise professional judgment taking into account the contractor's financial standing and general market conditions.

Impairment allowances for trade receivables and contract assets are recognized under operating activities.

In the case of other receivables and other financial assets, impairment allowances are measured at an amount equal to the 12-month expected credit losses. Where the credit risk on a financial instrument has increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

Allowances for other receivables are recognized under other operating activities or under financial activities if such receivables resulted from the sale of investments or other activities whose costs and revenues are by principle disclosed in financial activities. Allowances for accrued interest receivable are recognized as financial expenses.

If the cause for recognition of an allowance is no longer valid, such allowance shall be reversed in the whole amount or appropriate portion, and increase in the value of the relevant asset.

### Estimates

The Company estimates the amount of allowances for receivables and assets from contracts with customers in accordance with the new requirements of IFRS 9 'Financial Instruments'. In the simplified approach, this requires a statistical analysis which in principle involves making certain assumptions and applying professional judgment.

The table below presents the amounts of trade receivables as at 31 December 2019 as well as at 31 December 2018.

	31 Dec. 2019		31 Dec. 2018	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
<b>Trade receivables</b>				
From related parties	-	2,834	-	3,982
From other entities	-	783	-	1,454
Allowance for doubtful receivables (-)	-	-	-	-
<b>Total trade receivables</b>	-	<b>3,617</b>	-	<b>5,436</b>
Receivables from dividends	-	-	-	-
Receivables from disposal of financial instruments or capital investments	532	1,367	1,880	1,353
Other receivables	47	275	47	168
<b>Total other receivables</b>	<b>579</b>	<b>1,642</b>	<b>1,927</b>	<b>1,521</b>

Trade receivables from related parties in the amount of PLN 2,834 thousand resulted from the sale of consulting, business and technical support services to subsidiaries of ASEE Group.

As at 31 December 2019, receivables from the sale of shares in Sigma Turkey amounted to PLN 1,899 thousand (including PLN 532 thousand presented in long-term receivables and PLN 1,367 thousand in short-term receivables).

The table below presents assets from contracts with customers as at 31 December 2019 as well as at 31 December 2018.

	31 Dec. 2019		31 Dec. 2018	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
<b>Uninvoiced receivables</b>				
From related parties	-	-	-	44
From other entities	-	-	-	-
<b>Total contract assets</b>	-	-	-	<b>44</b>

During the period of 12 months ended 31 December 2019, assets from contracts with customers changed as follows:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
<b>Contract assets at the beginning of the period, in accordance with IFRS 15</b>	<b>44</b>	-
Reclassified to receivables	(44)	-
Fulfillment of new uninvoiced performance obligations, changes in estimated transaction prices, modification of other assumptions	-	44
<b>Contract assets at the end of the period, in accordance with IFRS 15</b>	<b>-</b>	<b>44</b>

Related party transactions have been presented in explanatory note 5.16 to these financial statements.

The Company's policy is to sell its products and services to reliable clients. Owing to that, in the Management's opinion the credited sales risk would not exceed the level covered with allowances for doubtful trade receivables.

The table below presents the ageing structure of gross receivables (i.e. before allowances and discounts) as at 31 December 2019 and 31 December 2018.

Ageing of trade receivables	31 Dec. 2019		31 Dec. 2018	
	PLN'000	%	PLN'000	%
Receivables not yet due	3,304	91%	4,903	90%
Past-due receivables	313	9%	533	10%
Receivables past-due up to 3 months	172	5%	313	6%
Receivables past-due from 3 to 6 months	15	0%	51	1%
Receivables past-due from 6 to 12 months	93	3%	159	3%
Receivables past-due over 12 months	33	1%	10	0%
<b>Total</b>	<b>3,617</b>	<b>100%</b>	<b>5,436</b>	<b>100%</b>

## 5.8. Other financial assets

### Selected accounting policies

The Company classifies its financial assets to the following measurement categories specified in IFRS 9:

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

The Company classifies its financial assets based on the Company's business model for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset. The Company reclassifies its investments in debt securities if, and only if, the model adopted for managing such assets is modified.

At initial recognition, the Company classifies its investments in equity instruments (other than investments in subsidiaries and associates), which are not held for trading and not quoted in an active market, as measured at fair value through other comprehensive income.

Whereas, investments in derivative instruments and equity instruments quoted in an active market are measured at fair value through profit or loss.

#### Measurement at initial recognition

With the exception of trade receivables, the Company's financial assets are initially recognized at fair value. In the case of financial assets that are not classified as measured at fair value through profit or loss, at the time of initial recognition, the Company may increase their fair value by transaction costs directly attributable to their acquisition.

#### Recognition and presentation of financial assets at each reporting date

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

The Company measures its financial assets at amortized cost using the effective interest method. Long-term receivables that are within the scope of IFRS 9 are discounted as at the reporting date.

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

Changes in the fair values of financial assets classified to this category are recognized through profit or loss. Interest income and dividends received on equity instruments quoted in an active market are recognized as financial income.

- **Measurement of financial assets at fair value through other comprehensive income**

Gains/losses on valuation of investments in debt securities and equity instruments, which on initial recognition are classified by the Company to this category of assets, are recognized through other comprehensive income. Dividends on equity instruments measured at fair value through other comprehensive income are recognized by the Company as financial income.

#### Derecognition

A financial asset is derecognized by the Company when: (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the contractual rights to the cash flows from the financial asset have been transferred by the Company along with substantially all the risks and rewards of ownership of the financial asset.

#### Impairment of financial assets

Impairment charges on financial assets are estimated using the expected loss model. It 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 and contract assets.

### Estimates

As required by IFRS 9 'Financial Instruments', the Company classifies and measures loans granted at each reporting date, as well as estimates the amount of impairment losses. Derivative financial instruments are measured at fair value at each reporting date.

As at 31 December 2019, the Company held the categories and classes of financial assets listed in the table below (in addition to contract assets, trade receivables and cash and cash equivalents which are presented in explanatory notes 5.7 and 5.9 to these financial statements).

	31 Dec. 2019		31 Dec. 2018	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
<b>Financial assets carried at amortized cost, of which:</b>	<b>31,629</b>	<b>15,995</b>	<b>11,637</b>	<b>6,577</b>
loans granted to related parties	31,629	15,992	11,637	6,486
loans granted to other entities	-	-	-	91
loans granted to employees	-	3	-	-
<b>Financial assets carried at fair value through profit or loss, of which:</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>80</b>
currency forward contracts	109	-	-	80
<b>Total</b>	<b>31,738</b>	<b>15,995</b>	<b>11,637</b>	<b>6,657</b>

**Loans granted**, which meet the characteristics of contractual cash flows (under the SPPI test), are measured at amortized cost at each reporting date.

Loans granted to related parties include only loans granted to companies which are controlled by Asseco South Eastern Europe S.A. Loans to related parties were granted on an arm's length basis.

The following table presents the amounts of loans as at 31 December 2019 and as at 31 December 2018, including their nature and changes in the amounts outstanding between those reporting dates.

	1 Jan. 2019	Granted	Repaid	Other/ Valuation	Interest accrued	Interest repaid	Foreign exchange differences	31 Dec. 2019
<b>Loans granted to related parties:</b>	<b>18,123</b>	<b>36,991</b>	<b>(6,863)</b>	<b>31</b>	<b>791</b>	<b>(674)</b>	<b>(778)</b>	<b>47,621</b>
ASEE B&H	876	-	(856)	-	20	(38)	(1)	1
ASEE Bulgaria	81	-	(137)	63	26	(27)	1	7
ASEE Serbia	354	-	(349)	-	2	(7)	-	-
Payten B&H	3,467	-	-	(11)	154	(139)	(34)	3,437
Payten Croatia	11,437	-	(4,400)	(21)	289	(256)	(68)	6,981
Payten Montenegro	5	2,173	-	-	20	(14)	(44)	2,140
Payten Serbia	351	-	(347)	-	4	(9)	1	-
Payten Slovenia	1,552	-	(774)	-	30	(31)	(8)	769
Payten Sp. z o.o., sp.k.	-	34,818	-	-	246	(153)	(625)	34,286
<b>Other loans:</b>	<b>91</b>	<b>20</b>	<b>(17)</b>	<b>(90)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>3</b>
Loans granted to other entities	91	-	-	(90)	-	-	(1)	-
Loans granted to employees	-	20	(17)	-	-	-	-	3
<b>Total</b>	<b>18,214</b>	<b>37,011</b>	<b>(6,880)</b>	<b>(59)</b>	<b>791</b>	<b>(674)</b>	<b>(779)</b>	<b>47,624</b>
Long-term	11,637							31,629
Short-term	6,577							15,995

The following table provides information on the key terms of loans granted to related parties as at 31 December 2019:

	31 Dec. 2019	Interest rate	Loan currency	Repayment date
	PLN'000			
<b>Loans granted during the financial year</b>				
Payten Montenegro	2,140	3M EURIBOR + margin	EUR	31.07.2023
Payten Sp. z o.o. s.k.	6,118	3M EURIBOR + margin	EUR	25.06.2023
Payten Sp. z o.o. s.k.	17,063	1M EURIBOR + margin	EUR	25.06.2023
Payten Sp. z o.o. s.k.	11,105	3M EURIBOR + margin	EUR	30.09.2024
<b>Loans granted in previous years</b>				
Payten B&H	430	3M EURIBOR + margin	EUR	15.07.2020
Payten B&H	3,007	3M EURIBOR + margin	EUR	31.12.2020
ASEE Bulgaria*	451	3M EURIBOR + margin	EUR	06.05.2021
Payten Slovenia	214	1M EURIBOR + margin	EUR	19.12.2020
Payten Slovenia	384	1M EURIBOR + margin	EUR	19.12.2020
Payten Croatia	546	1M EURIBOR + margin	EUR	19.12.2020
Payten Slovenia	171	1M EURIBOR + margin	EUR	19.12.2020
Payten Croatia	241	1M EURIBOR + margin	EUR	19.12.2020
Payten Croatia	276	1M EURIBOR + margin	EUR	14.12.2020
Payten Croatia	542	1M EURIBOR + margin	EUR	14.12.2020
ASEE Bulgaria*	258	3M EURIBOR + margin	EUR	06.05.2021
Payten Croatia	3,152	1M EURIBOR + margin	EUR	25.08.2021
Payten Croatia	2,224	1M EURIBOR + margin	EUR	25.03.2022
ASEE B&H	1	3M EURIBOR + margin	EUR	13.09.2024
<b>Total</b>	<b>48,323</b>			

\*As at 31 December 2019, we recognized an allowance for loans granted to ASEE Bulgaria in the amount of PLN 702 thousand.

The table below presents changes in the amount of allowances for loans granted that took place during the period of 12 months ended 31 December 2019:

	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018
	PLN'000	PLN'000
Gain on revaluation of financial assets (reversal of allowance for loans granted)	63	-
Loss on impairment of financial assets (allowance for loans granted)	(90)	-
Recognition/reversal of impairment losses on loans granted and other financial instruments	(27)	-

**Financial assets carried at fair value through profit or loss** include forward transactions for the purchase or sale of foreign currencies. Forward transactions have been concluded in order to hedge against the foreign currency risk arising mainly from loans granted from our own funds.

The fair values of currency forward contracts and embedded derivatives are determined at each reporting date using calculation models based on inputs that are directly observable in active markets.

**Changes in the fair value measurement of financial instruments carried at fair value, and changes in the classification of financial instruments**

In the period of 12 months ended 31 December 2019, the Company did not change its methods for measuring the fair value of financial instruments carried at fair value, did not transfer any instruments between individual levels of the fair value hierarchy, nor did it reclassify any financial instruments.

The book values of financial assets held by the Company as at 31 December 2019 and 31 December 2018 did not differ from their fair values.

## 5.9. Cash and cash equivalents

### Selected accounting policies

Cash and cash equivalents presented in the statement of financial position comprise cash at bank and on hand, short-term bank deposits with initial 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.

	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
Cash at bank accounts	5,062	6,299
Cash at split payment accounts	341	14
Short-term bank deposits	5,641	30,631
<b>Total cash and cash equivalents as disclosed in the balance sheet</b>	<b>11,044</b>	<b>36,944</b>
Bank overdraft facilities utilized for current liquidity management	-	-
<b>Total cash and cash equivalents as disclosed in the cash flow statement</b>	<b>11,044</b>	<b>36,944</b>

Interest earned on cash at bank is variable and depends on interest rates offered on bank deposits. Short-term deposits are made for varying periods of between one day and three months and earn interest at their respective fixed interest rates.

## 5.10. Share capital and other components of equity

### Share capital

The Company's share capital as at 31 December 2019 and in the comparable period amounted to PLN 518,942,510 and has been fully paid up. The share capital is divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each. The Company has not issued any preference shares.

During the year ended 31 December 2019, our share capital remained unchanged in relation to its amount of 31 December 2018. The Company's authorized capital is equal to its share capital.

Share capital	Shares	Series	Par value per share	31 Dec. 2019		31 Dec. 2018	
				Number of	Value of shares	Number of	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



### 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.

### Retained earnings

As at 31 December 2019, prior years' retained earnings and current net profit totalled PLN 77,317 thousand and comprised: current year's net profit amounting to PLN 40,245 thousand; allocations from the Company's net profits for the years 2009 - 2018 to our reserve capital in the amount of PLN 21,142 thousand that were made pursuant to resolutions of the Annual General Meeting of Asseco South Eastern Europe S.A.; allocations to the capital reserve in the amount of PLN 14,768 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.

### Other capitals

Other capitals disclosed as at 31 December 2019 include the costs of share-based payment plan in the amount of PLN 2,601 thousand. A detailed description of the plan is provided in explanatory note 4.3 in this report.

## 5.11. Bank loans

### Selected accounting policies

The Company classifies its financial liabilities to the following categories:

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

Financial liabilities measured by the Company at amortized cost include: bank loans, borrowings and debt securities. Other financial liabilities are measured by the Company at fair value through profit or loss, except for liabilities from the acquisition of non-controlling interests in subsidiaries (put options) that are accounted for in accordance with IFRS 3.

All bank loans, borrowings and debt securities are initially recognized at their purchase cost, representing the fair value of cash received net of any transaction costs directly attributable to obtaining a bank loan or issuing debt securities.

Subsequently to initial recognition, bank loans, borrowings as well as debt securities are measured at amortized 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 received upon repayment of the liability.

A financial liability is removed by the Company from its statement of financial position when it is extinguished, this is when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying value of a financial liability extinguished and the consideration paid, including any non-cash assets transferred, shall be recognized in profit or loss.

Interest-bearing bank loans	Effective interest rate %	Repayment date	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
Short-term	1M EURIBOR + margin	31.12.2020	10,023	5,207
Long-term	1M EURIBOR + margin	31.07.2023	14,747	7,811
<b>Total interest-bearing bank loans</b>			<b>24,770</b>	<b>13,018</b>

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 10 June 2019, the Company signed an annex to this loan agreement. The line of credit may be used over a period of two years till 10 June 2021. Whereas, the repayment date has been scheduled for 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 2019, our liability under this bank loan amounted to PLN 24,770 thousand. As at 31 December 2018, our liability under this bank loan amounted to PLN 13,018 thousand. Funds obtained under this bank loan were used for loans granted to our subsidiaries in order to finance outsourcing projects within ASEE Group as well as for new business acquisitions.



The table below presents the ageing structure of liabilities under the bank loan, including interest payable, as at 31 December 2019 and 31 December 2018.

	31 Dec. 2019	31 Dec. 2018
	PLN'000	PLN'000
<b>Investment loan</b>		
falling due within 3 months	2,592	1,342
falling due within 3 to 12 months	7,721	4,001
falling due within 1 to 5 years	14,980	7,847
falling due after 5 years	-	-
<b>Total</b>	<b>25,293</b>	<b>13,190</b>

## 5.12. Lease liabilities

### Selected accounting policies

#### **Lease liabilities – initial recognition**

At the lease commencement date, the Company measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Company using the incremental borrowing rate. The lease payments comprise: fixed payments (including in-substance fixed lease payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option (if the Company is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Company is reasonably certain to exercise that option).

Variable lease payments that do not depend on an index or a rate are immediately recognized as expenses in the period in which the event or condition that triggers those payments occurs.

#### **Lease liabilities – subsequent measurement**

In subsequent periods, the amount of the lease liability is reduced by the lease payments made and increased by interest accrued on that liability. Such interest is calculated by the Company using the incremental borrowing rate of the lessee, which constitutes the sum of the risk-free interest rate (being determined by the Company based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium (being quantified on the basis of margins offered to the Company on investment loans adequately secured with assets).

If a lease contract is subject to modification involving a change in the lease term, a revised amount of in-substance fixed lease payments, or a change in the assessment of an option to purchase the underlying asset, then the lease liability shall be remeasured to reflect such changes. Remeasurement of the lease liability requires making a corresponding adjustment to the right-of-use asset.

#### **Practical expedients for short-term leases and leases of low-value assets**

The Company applies a practical expedient to rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date.

Whereas, the practical expedient for leases of low-value assets is applied by the Company primarily to leases of IT hardware and other equipment with a low initial value. According to guidance provided by the International Accounting Standards Board (IASB), items whose value does not exceed USD 5 thousand may be considered as low-value assets.

In both the above-mentioned exceptions, the lease payments are recognized as expenses basically on a straight-line basis, in the period to which they are related. In such case, the Group does not recognize any right-of-use assets or corresponding financial liabilities.

#### **Exemptions from applying IFRS 16**

The Company does not apply the provisions of IFRS 16 to rental contracts and other contracts of similar nature for which the underlying assets are recognized as intangible assets. Moreover, IFRS 16 does not apply to intellectual property licensing agreements which are within the scope of IFRS 15.

### Estimates

The lease payments are discounted by the Company using the incremental borrowing rate that needs to be determined on the basis of the risk-free interest rate and the credit risk premium for the Company.

Some lease contracts contain options to extend or terminate the lease. The Company also concludes contracts for an indefinite period. The Management exercises judgment in order to determine the period over which it can be reasonably assumed that such contracts will be continued.

As at 31 December 2019, the Company was the lessee under a lease contract for office space. The table below presents the amounts of lease liabilities as at 31 December 2019. In the comparable period, this is as at 31 December 2018, such liabilities were recognized pursuant to the provisions of IAS 17 and disclosed in off-balance-sheet liabilities arising from operating leases.

	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
<b>Liabilities under leases of real estate</b>		
Short-term	103	-
Long-term	277	-
<b>Total</b>	<b>380</b>	<b>-</b>

As at 31 December 2019, the effective interest rate on the above-mentioned leases equalled 1.09%.

Future minimum cash flows and liabilities under leases of real estate are as follows:

	31 Dec. 2019 IFRS 16 PLN'000	31 Dec. 2018 IAS 17 PLN'000
<b>Minimum lease payments</b>		
in the period shorter than 1 year	106	-
in the period from 1 to 5 years	280	-
in the period longer than 5 years	-	-
<b>Future minimum lease payments</b>	<b>386</b>	<b>-</b>
<b>Future interest expenses</b>	<b>(6)</b>	<b>-</b>
<b>Present value of lease liabilities</b>	<b>380</b>	<b>-</b>
in the period shorter than 1 year	103	-
in the period from 1 to 5 years	277	-
in the period longer than 5 years	-	-
<b>Lease liabilities</b>	<b>380</b>	<b>-</b>

The table below presents the amounts of costs arising from lease contracts that have been recognized in the income statement / statement of comprehensive income:

	31 Dec. 2019 PLN'000
Depreciation of right-of-use assets	(102)
Interest expenses on lease liabilities	(4)
Costs of short-term leases	(220)
Costs of leases of low-value assets	(19)
<b>Total amount recognized in the income statement</b>	<b>(345)</b>

In the year ended 31 December 2018, lease payments expensed during the reporting period amounted to PLN 414 thousand.

In 2019, total cash outflows for leases amounted to PLN 345 thousand.

### 5.13. Other financial liabilities

#### *Selected accounting policies*

##### **Deferred payments for the acquisition of shares**

Liabilities under deferred payments for the acquisition of shares are recognized at the present value of the expected payment.

##### **Financial derivative instruments**

Derivative instruments utilized by the Company in order to hedge against the risk of changes in foreign currency exchange rates include primarily currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets if their value is positive or as liabilities if their value is negative. Gains and losses resulting from changes in the fair value of derivatives are recognized directly in profit or loss for the reporting period.

The fair value of currency forward contracts is determined on the basis of the forward exchange rates available currently for contracts with similar maturity.

Other financial liabilities	31 Dec. 2019		31 Dec. 2018	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Liabilities from the acquisition of shares	4,932	4,936	-	-
Liabilities from currency forward contracts	46	-	-	-
<b>Total</b>	<b>4,978</b>	<b>4,936</b>	<b>-</b>	<b>-</b>

Liabilities from the acquisition of shares include deferred payments under the agreement for purchase of shares in Necomplus that concluded on 29 January 2019.

Liabilities from currency forward contracts correspond to forward transactions in foreign currencies that have been concluded in order to hedge against our foreign currency risk.

The fair value of currency forward contracts is determined at each reporting date using calculation models based on inputs that are directly observable in active markets.

#### 5.14. Contract liabilities, trade payables and other liabilities

##### *Selected accounting policies*

*Liabilities from contracts with customers represent obligations to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.*

*From the time of implementing IFRS 15 by the Company, this is since 1 January 2018, contract liabilities include liabilities arising from valuation of IT contracts, and deferred income from right-to-access licenses that have not been recognized as at the reporting date, as well as future revenues from the provision of services such as IT support (maintenance) which are recognized over time.*

*Trade payables represent liabilities for goods and services received which have been invoiced, as well as payables for uninvoiced deliveries. Trade payables related to operating activities are recognized and disclosed at the amounts due for payment.*

##### *Estimates*

*Each time, the Company exercises professional judgment involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued, as well as the allocation of the transaction price.*

As at 31 December 2019 and in the comparable period, the Company had the following trade payables:

	31 Dec. 2019		31 Dec. 2018	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
<b>Trade payables, of which:</b>				
Trade payables	-	1,039	-	1,716
<i>to related parties</i>	-	718	-	111
<i>to other entities</i>	-	321	-	1,605
Uninvoiced payables	-	1,141	-	901
<i>to related parties</i>	-	213	-	49
<i>to other entities</i>	-	928	-	852
<b>Total trade payables</b>	<b>-</b>	<b>2,180</b>	<b>-</b>	<b>2,617</b>

Trade payables are non-interest bearing. Related party transactions have been presented in explanatory note 5.16 to these financial statements.

The table below discloses the Company's gross trade payables as at 31 December 2019 and 31 December 2018, by maturity based on contractual undiscounted payments.

	31 Dec. 2019		31 Dec. 2018	
	PLN'000	%	PLN'000	%
<b>Trade payables</b>				
Liabilities due already	112	5.1%	96	3.7%
Liabilities falling due within 3 months	2,068	94.9%	2,521	96.3%
Liabilities falling due within 3 to 6 months	-	0.0%	-	0.0%
Liabilities falling due after more than 6 months	-	0.0%	-	0.0%
	<b>2,180</b>	<b>100.0%</b>	<b>2,617</b>	<b>100.0%</b>

As at 31 December 2019 and in the comparable period, the Company had the following liabilities from contracts with customers:

	31 Dec. 2019		31 Dec. 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
<b>Contract liabilities, of which:</b>				
Deferred income arising from contracts with customers	-	1,391	-	1,665
<i>to related parties</i>	-	-	-	-
<i>to other entities</i>	-	1,391	-	1,665
<b>Total contract liabilities</b>	-	<b>1,391</b>	-	<b>1,665</b>

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

During the period of 12 months ended 31 December 2019, liabilities from contracts with customers changed as follows:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
<b>Contract liabilities as at 1 January 2019</b>	<b>1,665</b>	<b>507</b>
Invoices issued above the level of performance obligations satisfied	6,064	6,294
Fulfilment of new uninvoiced performance obligations (-), changes in estimated transaction prices, modification of other assumptions (+) / (-)	(6,338)	(5,136)
<b>Contract liabilities at the end of the period, in accordance with IFRS 15</b>	<b>1,391</b>	<b>1,665</b>

As at 31 December 2019 and in the comparable period, the Company had the following other liabilities:

	31 Dec. 2019		31 Dec. 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
<b>Corporate income tax payable</b>	-	<b>374</b>	-	<b>841</b>
<b>Other liabilities to the state and local budgets:</b>	-	<b>137</b>	-	<b>290</b>
Value added tax (VAT)	-	-	-	134
Personal income tax (PIT)	-	65	-	65
Social security contributions	-	69	-	89
Other	-	3	-	2
<b>Total liabilities to the state and local budgets</b>	-	<b>511</b>	-	<b>1,131</b>
<b>Other liabilities</b>				
Liabilities from purchases of tangible assets and intangible assets	-	-	-	64
Financial audit liabilities	-	265	-	160
Other liabilities	-	1	-	20
<b>Total other liabilities</b>	-	<b>266</b>	-	<b>244</b>

## 5.15. Accruals

### *Selected accounting policies*

#### **Accrual for unused holiday leaves**

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

#### **Accrual for employee bonuses**

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

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

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

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

#### Estimates

The Company estimates the amount of its obligations based on the adopted assumptions and methodology, assessing the probability of an outflow of resources embodying economic benefits and, as at the reporting date, recognizes liabilities for which such outflow is highly probable. The accrual for employee bonuses, in a large number of cases, depends of the estimates of profits achieved at various levels by the Company.

	31 Dec. 2019		31 Dec. 2018	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
<b>Accruals, of which:</b>				
Accrual for unused holiday leaves	-	447	-	321
Accrual for employee and management bonuses	-	2,211	-	1,781
<b>Total</b>	-	<b>2,658</b>	-	<b>2,102</b>

The total amount of accruals comprises: accruals for unused holiday leaves, accruals for remunerations of the current period to be paid out in future periods which result from the bonus incentive schemes applied by the Company.

#### 5.16. 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:

	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
	PLN'000	PLN'000	PLN'000	PLN'000
<b>Transactions with entities of Asseco Poland Group</b>				
2019	46	364	61	9,882
2018	60	284	60	2
<b>Transactions with entities controlled by the Company</b>				
2019	15,687	1,766	4,724	917
2018	12,984	1,507	7,246	158

Revenues from related party transactions include sales of goods and IT services related to ongoing IT projects, as well as sales of consulting, business and technical support services to our subsidiaries.

Purchases from related parties include purchases of goods and services related to ongoing IT projects, rental of office space, as well as purchases of consulting services.

As at 31 December 2019, receivables from related parties comprised trade receivables and contract assets amounting to PLN 2,834 thousand, as well as other receivables amounting to PLN 1,951 thousand (of which PLN 1,899 thousand of receivables from the sale of shares in Sigma Turkey to ASEE Turkey, PLN 47 thousand of deposits for rental of office space, and PLN 5 thousand of other receivables). As at 31 December 2018, receivables from related parties comprised trade receivables amounting to PLN 4,026 thousand, as well as other receivables amounting to PLN 3,280 thousand (of which PLN 3,233 thousand of receivables from the sale of shares in Sigma Turkey to ASEE Turkey, and PLN 47 thousand of deposits for rental of office space).

As at 31 December 2019, liabilities to related parties comprised trade payables and contract liabilities amounting to PLN 931 thousand, as well as other liabilities in the amount of PLN 9,868 million arising from

deferred payment for the acquisition of shares in Necomplus. As at 31 December 2018, liabilities to related parties comprised trade payables amounting to PLN 160 thousand.

Loans granted to related parties have been presented in explanatory note 5.8 to these financial statements.

Furthermore, in 2019 Asseco International a.s., our parent company, received dividends from ASEE S.A. in the gross amount of PLN 13,777 thousand, as compared with PLN 13,777 thousand in 2018. 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 823 thousand, as compared with PLN 818 thousand in 2018. The dividend was paid out on 11 July 2019.

Transactions with related parties are carried out on an arm's length basis.

## VI. Explanatory notes to the statement of cash flows

### 6.1. Cash flows – operating activities

Operating cash flows were mainly influenced by the following elements:

- Changes in working capital, including:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Change in receivables and contract assets	1,745	(3,188)
Change in liabilities	(574)	2,873
Change in prepayments and accruals	1,331	574

- Dividends received by ASEE S.A. from its subsidiaries:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
ASEE Serbia	12,797	8,555
ASEE Croatia	2,146	8,629
ASEE Romania	3,623	2,560
ASEE Macedonia	11,060	8,628
ASEE B&H	4,041	-
Payten Slovenia	2,588	-
Payten Croatia	1,634	-
<b>Total</b>	<b>37,889</b>	<b>28,372</b>

- Proceeds from the sale of shares related to receiving a deferred payment for the sale of shares in Sigma in the amount of PLN 1,385 thousand (vs. PLN 1,748 thousand in 2018).
- Expenditures for the acquisition of shares in subsidiaries:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Necomplus Spain	23,354	-
Payten Sp. z o.o.	25	-
Payten Sp. z o.o. sp.k.	1,538	-
Payten B&H	856	-
<b>Total</b>	<b>25,773</b>	<b>-</b>

### 6.2. Cash flows – investing activities

The table below presents proceeds and expenditures relating to property, plant and equipment, and intangible assets during the period of 12 months ended 31 December 2019:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Acquisition of property, plant and equipment	(162)	(166)
Acquisition of intangible assets	(221)	(421)
<b>Total</b>	<b>(383)</b>	<b>(587)</b>

Our inflows from loans collected as well as outflows for loans granted during the period of 12 months ended 31 December 2019 have been presented in detail in explanatory note 5.8 to these financial statements.

### 6.3. Cash flows – financing activities

		Interest-bearing bank loans	Leases	Dividend payment liabilities	Total
		PLN'000	PLN'000	PLN'000	PLN'000
<b>As at 1 January 2019</b>		<b>13,018</b>	<b>-</b>	<b>-</b>	<b>13,018</b>
Restatement of comparable data resulting from the adoption of IFRS 16		-	485	-	485
<b>As at 1 January 2019 /restated/</b>		<b>13,018</b>	<b>485</b>	<b>-</b>	<b>13,503</b>
Cash flows	Inflows (+)	17,538	-	-	17,538
	Repayment of principal amount – outflows	(5,207)	(105)	-	(5,312)
	Interest paid – outflows	(284)	(4)	-	(288)
	Outflows (-)	-	-	(26,985)	(26,985)
Non-cash changes	Interest accrued	284	4	-	288
	Non-cash increase in liabilities	-	-	26,985	26,985
	Foreign exchange differences recognized in financial income/expenses	(579)	-	-	(579)
<b>As at 31 December 2019</b>		<b>24,770</b>	<b>380</b>	<b>-</b>	<b>25,150</b>

		Interest-bearing bank loans and borrowings	Leases	Dividend payment liabilities	Total
		PLN'000	PLN'000	PLN'000	PLN'000
<b>As at 1 January 2018</b>		<b>13,574</b>	<b>-</b>	<b>-</b>	<b>13,574</b>
Cash flows	Inflows (+)	3,865	-	-	3,865
	Repayment of principal amount – outflows	(4,946)	-	-	(4,946)
	Interest paid – outflows	(273)	-	-	(273)
	Outflows (-)	-	-	(26,985)	(26,985)
Non-cash changes	Interest accrued	273	-	-	273
	Non-cash increase in liabilities	-	-	26,985	26,985
	Foreign exchange differences recognized in financial income/expenses	525	-	-	525
<b>As at 31 December 2018</b>		<b>13,018</b>	<b>-</b>	<b>-</b>	<b>13,018</b>



## VII. Explanatory notes on 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 of financial nature 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 market 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.

### ▪ **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 dividends received from our subsidiaries, and cash flows relating to planned acquisitions.

The exposure to foreign currency risk is measured by the amount of foreign currency dividends on one hand, and on the other by the nominal amount of financial instruments hedging against our foreign currency risk. The Company has adopted procedures that require making regular updates of cash flow schedules, as well as timely hedging of expected cash flows in currencies other than the Company's functional currency.

The objective of counteracting the risk of fluctuations in foreign currency exchange rates is to reduce their negative impact on the Company's financial results.

Contracts settled in foreign currencies are hedged with currency forward derivatives.

As at 31 December 2019, the Company holds open forward contracts to sell EUR for the total nominal amount of PLN 2,972 thousand to be finally settled by 31 December 2021, and PLN 2,129 thousand to be finally settled by 16 August 2022. The Company also holds open forward contracts to sell USD for the total nominal amount of PLN 2,062 thousand to be finally settled on 31 March 2021.

### ▪ **Interest rate risk**

The Company is exposed to the risk of interest rate changes primarily in the following business areas: (i) change in the level of interest charged on bank loans obtained which are based on a variable interest rate, (ii) change in the level of interest charged on loans granted which are based on a variable interest rate, and (iii) change in the valuation of concluded derivative instruments which are based on the forward interest rate curve.

The interest rate risk arises and is recognized by the Company at the time of concluding a transaction for a financial instrument based on a variable interest rate.

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

The objective of reducing such risk is to minimize the negative impact of expenses arising from financial instruments based on a variable interest rate on our financial results. In order to reduce the interest rate risk: (i) the Company tries to avoid incurring liabilities based on a variable interest rate, (ii) in the case of incurring liabilities to finance projects implemented by operating subsidiaries, the Company applies an analogous structure of interest rates for loans granted as for loans obtained for this purpose, (iii) the Company may conclude forward rate agreements if the costs of such precaution are justified in relation to the expected benefits.

The Company gathers and analyzes the current market information concerning its present exposure to interest rate risk. Because most of the Company's existing debt is used for financing of projects that are implemented by our subsidiaries, and loans granted to such companies are based on the same variable instruments as loans obtained for this purpose, the Company does not conclude any interest rate hedging contracts.

▪ **Counterparty credit risk**

The Company is exposed to the risk of defaulting contractors. This risk is connected with the financial credibility and good will of customers to whom the Company provides IT solutions, as well as with the financial credibility of contractors with whom supply transactions are concluded. The maximum exposure to credit risk is limited to the book value of financial assets.

The credit risk is identified each time when concluding a contract with a customer. In order to mitigate such risk, the Company tries to conclude transactions only with reputable firms that have good credit ratings. All customers who wish to trade on credit terms are subject to the procedures of verification of their creditworthiness. In the case of long-term projects, the Company tries to issue invoices at the completion of each stage or delivery of each significant component of the project.

The Company monitors the collection of receivables on an ongoing basis and applies reminder and enforcement procedures in the event of delayed payments.

The measurement of credit risk is based on financial information available about contractors, credit ratings received by contractors, as well as knowledge of any complaints or pending legal proceedings against customers. In the case of significant transactions, the Company may use services of professional firms for assessing the financial standing and credit rating of customers.

The objective of reducing such risk is to minimize the amount of uncollectible receivables.

A quantitative analysis of credit risk related to receivables has been presented in note 5.7.

▪ **Financial liquidity risk**

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

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

The tables below disclose the ageing structure of the Company's financial liabilities as at 31 December 2019 and 31 December 2018, by maturity:

Maturity of financial liabilities as at 31 December 2019	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Trade payables	2,180	-	-	-	2,180
Bank loans	2,507	7,517	14,746	-	24,770
Leases	29	77	274	-	380
Ageing of liabilities for unpaid shares	4,936	-	4,932	-	9,868
Ageing of liabilities under forward/future contracts	-	-	46	-	46
<b>Total</b>	<b>9,652</b>	<b>7,594</b>	<b>19,998</b>	<b>-</b>	<b>37,244</b>

Maturity of financial liabilities as at 31 December 2018	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Trade payables	2,617	-	-	-	2,617
Bank loans	1,302	3,905	7,811	-	13,018
Leases	-	-	-	-	-
Ageing of liabilities under forward/future contracts	-	-	-	-	-
<b>Total</b>	<b>3,919</b>	<b>3,905</b>	<b>7,811</b>	<b>-</b>	<b>15,635</b>

■ **Analysis of sensitivity – foreign currency risk**

The tables below disclose the Company's exposure to major foreign currencies as at 31 December 2019 and 31 December 2018, by the category of financial instruments.

Groups / categories of financial instruments	Carrying value as at	Foreign currency exposure as at	USD	EUR
	31 Dec. 2019 PLN'000	31 Dec. 2019 PLN'000	PLN'000	PLN'000
<b>Financial assets</b>				
Cash and cash equivalents	11,044	3,485	457	3,028
Financial assets carried at amortized cost – loans	47,624	47,621	-	47,621
Financial assets carried at fair value through profit or loss	109	109	-	109
Trade receivables and contract assets	3,617	3,058	233	2,825
Other receivables	2,221	1,899	1,899	-
<b>Financial liabilities</b>				
Financial liabilities carried at fair value through profit or loss – forward contracts	46	46	46	-
Lease liabilities	380	379	-	379
Bank loans	24,770	24,770	-	24,770
Trade payables	2,180	776	71	705

Groups / categories of financial instruments	Carrying value as at	Foreign currency exposure as at	USD	EUR
	31 Dec. 2018 PLN'000	31 Dec. 2018 PLN'000	PLN'000	PLN'000
<b>Financial assets</b>				
Cash and cash equivalents	36,944	2,779	924	1,855
Financial assets carried at amortized cost – loans	18,214	18,214	-	18,214
Financial assets carried at fair value through profit or loss	80	81	-	81
Trade receivables and contract assets	5,480	4,078	13	4,065
Other receivables	3,448	3,242	3,242	-
<b>Financial liabilities</b>				
Bank loans	13,018	13,018	-	13,018
Trade payables	2,617	1,637	630	1,007

The Company has analyzed the impact of changes in the exchange rates of PLN vs. EUR and USD on its pre-tax financial results both as at 31 December 2019 and 31 December 2018.

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2019			
	USD		EUR	
	10% Impact on financial results PLN'000	(10%) PLN'000	10% Impact on financial results PLN'000	(10%) PLN'000
<b>Financial assets</b>				
Cash and cash equivalents	46	(46)	303	(303)
Financial assets carried at amortized cost – loans	-	-	4,762	(4,762)
Financial assets carried at fair value through profit or loss	-	-	11	(11)
Trade receivables and contract assets	23	(23)	283	(283)
Other receivables	190	(190)	-	-
<b>Financial liabilities</b>				
Financial liabilities carried at fair value through profit or loss – forward contracts	(5)	5	-	-
Lease liabilities	-	-	(38)	38
Bank loans and borrowings	-	-	(2,477)	2,477
Liabilities	(7)	7	(71)	71

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2018			
	USD		EUR	
	10% Impact on financial results PLN'000	(10%) PLN'000	10% Impact on financial results PLN'000	(10%) PLN'000
<b>Financial assets</b>				
Cash and cash equivalents	92	(92)	186	(186)
Financial assets carried at amortized cost – loans	-	-	1,821	(1,821)
Financial assets carried at fair value through profit or loss	-	-	8	(8)
Trade receivables and contract assets	1	(1)	407	(407)
Other receivables	324	(324)	-	-
<b>Financial liabilities</b>				
Financial liabilities carried at fair value through profit or loss	-	-	-	-
Bank loans	-	-	(1,302)	1,302
Trade payables	(63)	63	(101)	101

Assuming PLN appreciated by 10% versus EUR, the Company's financial results would deteriorate by PLN 2,760 thousand (PLN 1,019 thousand in the comparable period). Conversely, if PLN depreciated by 10% versus EUR, the Company's financial results would improve by PLN 2,760 thousand (PLN 1,019 thousand in the comparable period). Assuming PLN appreciated by 10% versus USD, the Company's financial results would deteriorate by PLN 252 thousand (PLN 354 thousand in the comparable period). Conversely, if PLN depreciated by 10% versus USD, the Company's financial results would improve by PLN 252 thousand (PLN 354 thousand in the comparable period). This analysis does not include the impact of hedging instruments concluded by the Company, such as forward contracts.

#### ▪ Analysis of sensitivity – interest rate risk

The Company avoids obtaining bank loans that are based on a variable interest rate. In case it is necessary to conclude a loan agreement based on a variable interest rate, the Company tries to mitigate its interest rate exposure as described below. As at 31 December 2019, the Company's total liabilities under variable interest rate loans aggregated at PLN 24,770 thousand, as compared with PLN 13,018 thousand as at the end of 2018.

The following table presents the impact of changes in the loan base interest rate (EURIBOR) on interest expenses incurred in 2019:

As at 31 December 2019	Carrying value as at 31 Dec. 2019	Amount exposed to risk as at 31 Dec. 2019	Impact on financial results of the Company	
	PLN'000	PLN'000	-1.0 pp	1.0 pp
Financial assets carried at amortized cost – loans	47,624	47,624	(476)	476
Interest-bearing bank loans	24,770	24,770	248	(248)
			<b>(228)</b>	<b>228</b>

The following table presents the impact of changes in the loan base interest rate (EURIBOR) on interest expenses incurred in 2018:

31 Dec. 2018	Carrying value as at 31 Dec. 2018	Amount exposed to risk as at 31 Dec. 2018	Impact on financial results of the Company	
	PLN'000	PLN'000	-1.0 pp	1.0 pp
Financial assets carried at amortized cost – loans	18,214	18,123	(181)	181
Interest-bearing bank loans	13,018	13,018	130	(130)
			<b>(51)</b>	<b>51</b>

The interest rate risk involved in the Company's assets and other liabilities, which are based on variable interest rates, is insignificant and therefore has not been analyzed.

▪ **Methods adopted for conducting the sensitivity analysis**

The analysis of sensitivity to fluctuations in foreign exchange rates with potential impact on our financial results was conducted using the percentage deviations of +/-10%, by which the reference exchange rates, effective as at the end of the reporting period, were increased or decreased. The sensitivity of interest rate exposure was analyzed using the percentage deviations of +/- 1 pp.

▪ **Other types of risk**

Other types of risk are not analyzed for sensitivity due to their nature and impossibility of absolute classification.

▪ **Fair value**

Both as at 31 December 2019 and 31 December 2018, currency forward contracts were the only financial assets measured at fair value held by the Company. Their fair value was determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets (level 2 of the fair value hierarchy).

▪ **Items of income, expenses, gains and losses recognized in the income statement**

As at 31 December 2019, the following items of income, expenses, gains and losses were recognized in the Company's income statement:

Items of income, expenses, gains and losses recognized in the income statement for the year ended 31 December 2019:	Interest income (expenses)	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
<b>Financial assets:</b>	<b>954</b>	<b>(992)</b>	<b>(27)</b>	<b>122</b>	<b>57</b>
Currency forward contracts	-	-	-	122	122
Cash and cash equivalents	162	(84)	-	-	78
Loans granted	791	(778)	(27)	-	(14)
Trade receivables and other receivables	1	(130)	-	-	(129)
<b>Financial liabilities:</b>	<b>(284)</b>	<b>570</b>	<b>-</b>	<b>-</b>	<b>286</b>
Trade payables and other liabilities		(9)	-	-	(9)
Bank loans	(284)	579	-	-	295
<b>Total impact</b>	<b>670</b>	<b>(422)</b>	<b>(27)</b>	<b>122</b>	<b>343</b>

As at 31 December 2018, the following items of income, expenses, gains and losses were recognized in the Company's income statement:

Items of income, expenses, gains and losses recognized in the income statement for the year ended 31 December 2018:	Interest income (expenses)	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
<b>Financial assets:</b>	<b>1,063</b>	<b>1,715</b>	<b>-</b>	<b>(649)</b>	<b>2,129</b>
Currency forward contracts	-	-	-	(649)	(649)
Cash and cash equivalents	288	257	-	-	545
Loans granted	775	807	-	-	1,582
Trade receivables and other receivables	-	651	-	-	651
<b>Financial liabilities:</b>	<b>(274)</b>	<b>(544)</b>	<b>-</b>	<b>-</b>	<b>(818)</b>
Trade payables and other liabilities	-	(19)	-	-	(19)
Bank loans	(274)	(525)	-	-	(799)
<b>Total impact</b>	<b>789</b>	<b>1,171</b>	<b>-</b>	<b>(649)</b>	<b>1,311</b>

## VIII. Other explanatory notes

### 8.1. Off-balance-sheet liabilities

#### *Selected accounting policies*

**Off-balance-sheet liabilities** are primarily contingent liabilities, by which the Company understands: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Company, or a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

**Contingent liabilities** are not recognized in the statement of financial position; however, information about a contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

**Operating leases** – the Company applies a practical expedient for rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date, as well as for leases of low-value assets. In both the above-mentioned exceptions, the lease payments are basically expensed on a straight-line basis in the period to which they are related. In such case, the Group does not recognize any right-of-use assets or corresponding financial liabilities. Such operating lease liabilities are recognized as off-balance-sheet liabilities.

The Company granted the following guarantees and sureties:

	31 Dec. 2019		Date of expiration	31 Dec. 2018		Date of expiration
	PLN'000	EUR'000		PLN'000	EUR'000	
<b>Guarantee facilities</b>	<b>2,130</b>			<b>2,150</b>		
- ASEE Kosovo	1,278	300	05.04.2021	1,290	300	05.04.2021
- ASEE Kosovo	852	200	06.09.2023	860	200	06.09.2023
<b>Guarantees for due performance of contracts</b>	<b>639</b>			<b>1,075</b>		
- ASEE Slovenia	-	-	-	430	100	15.07.2019
- ASEE Slovenia	256	60	31.01.2020	258	60	31.01.2020
- ASEE Slovenia	383	90	05.06.2020	387	90	05.06.2020
<b>Total guarantees and sureties</b>	<b>2,769</b>			<b>3,225</b>		

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.

In the Management's opinion, the likelihood of having to settle the liabilities presented in the table above is very low.

None of the above-described guarantee obligations meet the definition of a financial guarantee under IFRS 9.

The Company is party to rental, lease and other contracts of similar nature, resulting in the following off-balance-sheet liabilities from future payments:

	31 Dec. 2019	31 Dec. 2018
	PLN'000	PLN'000
<b>Liabilities from rental of space</b>		
In the period up to 1 year	50	103
In the period from 1 to 5 years	-	422
Over 5 years	-	-
<b>Total</b>	<b>50</b>	<b>525</b>

The said contracts meet the definition of a lease under IFRS 16. Off-balance-sheet liabilities disclosed as at 31 December 2019 are related to lease contracts that were subject to exemptions provided under IFRS 16 (short-term leases and leases of low-value assets).

## 8.2. Seasonal 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.

## 8.3. Employment

Average number of employees during the reporting period*	12 months ended 31 Dec. 2019	12 months ended 31 Dec. 2018
Management Board**	2	2
Production departments	10	10
Sales departments	4	4
Administration departments	13	13
<b>Total</b>	<b>29</b>	<b>29</b>

\*Average employment during the reporting period in full-time salaried jobs, i.e. employment in full-time jobs adjusted for (reduced by) positions which are not salaried by the Company (such as an unpaid leave, maternity leave, etc.)

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

The average employment during the financial year is the same as the number of employees as at the reporting date.

## 8.4. Remuneration of the entity authorized to audit financial statements

The table below discloses the amounts of remuneration paid or payable to the entity authorized to audit the Company's financial statements for the years ended 31 December 2019 and 31 December 2018, in a breakdown by type of service:

	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2018 PLN'000
Audit of the annual financial statements	182	160
Review of the semi-annual financial statements	83	56
<b>Total</b>	<b>265</b>	<b>216</b>

In the year ended 31 December 2019 as well as in the year 2018, to the entity authorized to audit financial statements was Deloitte Audyt Sp. z o.o. (limited partnership). It has been selected by a resolution of the Supervisory Board of ASE S.A. of 27 March 2018.

## 8.5. Remuneration of the Management Board and Supervisory Board

The table below presents the amounts of remuneration paid to individual Members of the Company's Management Board and Supervisory Board for performing their duties during the years 2019 and 2018.

Fixed remuneration for the period of	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
<b>Management Board</b>		
Piotr Jeleński	365	365
Miljan Mališ	241	175
Miodrag Mirčetić <sup>1)</sup>	110	214
Marcin Rułnicki	281	282
Kostadin Slavkoski <sup>2)</sup>	49	-
<b>Total</b>	<b>1,046</b>	<b>1,036</b>
<b>Supervisory Board</b>		
Jozef Klein	36	21
Adam Góral	30	30
Jacek Duch	60	62
Artur Kucharski	90	92
Adam Pawłowicz	60	61
<b>Total</b>	<b>276</b>	<b>266</b>
<b>Total</b>	<b>1,322</b>	<b>1,302</b>

<sup>1)</sup> Mr. Miodrag Mirčetić filed a resignation from the position of Member of the Company's Management Board with effect from 30 September 2019.

<sup>2)</sup> Mr. Kostadin Slavkoski was appointed as Member of the Company's Management Board with effect from 1 October 2019.

Variable remuneration for the period of Management Board	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
Piotr Jeleński	3,138	2,012
Miljan Mališ	464	502
Miodrag Mirčetić	515	450
Marcin Rulnicki	882	455
Kostadin Slavkoski	81	-
<b>Total</b>	<b>5,080</b>	<b>3,419</b>

Members of the Supervisory Board do not receive any variable remuneration.

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.

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A. The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2. Detailed information on this matter has been provided in explanatory note 4.3.

During the years 2019 and 2018, Members of the Management Board and the Supervisory Board did not receive any severance payments or post-employment benefits.

## 8.6. 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 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 decide to pay out a dividend, return some capital to shareholders, or issue new shares. ASEE may also decide to use bank loans or trade credits for financing of its operations.

The Company consistently monitors the level of its capital using the leverage ratio, which is calculated as a relation of net liabilities to total equity increased by net liabilities. Net liabilities include interest-bearing loans and borrowings, lease liabilities, trade payables and other liabilities, decreased by cash and cash equivalents.

	31 Dec. 2019 PLN'000	31 Dec. 2018 PLN'000
Interest-bearing bank loans	24,770	13,018
Lease liabilities	380	-
Trade payables and other liabilities	14,262	5,657
Minus cash and cash equivalents	(11,044)	(36,944)
<b>Net debt</b>	<b>28,368</b>	<b>(18,269)</b>
Equity	637,685	623,486
<b>Equity and net debt</b>	<b>666,053</b>	<b>605,217</b>
<b>Leverage ratio</b>	<b>0.04</b>	<b>-0.03</b>

## 8.7. Significant events after the reporting period

In the period from 31 December 2019 till the date of approval of these financial statements, this is until 24 February 2020, 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.

## 8.8. Significant events related to prior years

Until the date of preparing these financial statements, this is until 24 February 2020, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books and these financial statements.



# Solutions for demanding business.

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