



Consolidated Financial Statements of Asseco South Eastern Europe Group for the year ended 31 December 2022



Present in
23 countries



PLN 1,565 million
in sales revenues



3,874
highly committed
employees



PLN 188.3 million
of net profit
for Shareholders
of the Parent Company

Consolidated Financial Statements of Asseco South Eastern Europe Group

For the year ended 31 December 2022

| | |
|--|-----------|
| FINANCIAL HIGHLIGHTS | 6 |
| CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME | 7 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 8 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 10 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 12 |
| EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 13 |
| I. GENERAL INFORMATION..... | 13 |
| II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS | 14 |
| 2.1. Basis for preparation | 14 |
| 2.2. Compliance statement | 14 |
| 2.3. Functional currency, presentation currency and hyperinflation | 15 |
| 2.4. Professional judgement and estimates | 15 |
| 2.5. Accounting policies applied | 16 |
| 2.6. New standards and interpretations published but not in force yet | 16 |
| 2.7. Changes in the presentation methods applied | 17 |
| 2.8. Correction of errors | 17 |
| 2.9. Changes in the comparable data | 17 |
| 2.10. Accounting effects of Turkey's status as a hyperinflationary economy | 20 |
| III. ORGANIZATION AND CHANGES IN THE STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP, INCLUDING THE ENTITIES SUBJECT TO CONSOLIDATION..... | 25 |
| IV. INFORMATION ON OPERATING SEGMENTS | 29 |
| V. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS | 32 |
| 5.1. Structure of operating revenues | 32 |
| 5.2. Structure of operating costs | 36 |
| 5.3. Other operating income and expenses | 40 |
| 5.4. Financial income and expenses | 40 |
| 5.5. Corporate income tax | 41 |
| 5.6. Earnings per share | 44 |
| 5.7. Information on dividends paid out | 44 |
| VI. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 45 |
| 6.1. Property, plant and equipment | 45 |
| 6.2. Intangible assets | 47 |
| 6.3. Right-of-use assets | 49 |
| 6.4. Goodwill | 51 |
| 6.5. Impairment tests | 60 |
| 6.6. Other financial assets | 62 |
| 6.7. Prepayments and accrued income | 64 |
| 6.8. Receivables and contract assets | 65 |
| 6.9. Inventories | 67 |
| 6.10. Cash and cash equivalents | 68 |
| 6.11. Share capital and share premium | 68 |
| 6.12. Non-controlling interests | 69 |
| 6.13. Lease liabilities | 69 |
| 6.14. Bank loans and borrowings | 71 |
| 6.15. Other financial liabilities | 73 |
| 6.16. Trade payables, state budget liabilities, and other liabilities | 75 |
| 6.17. Contract liabilities | 76 |
| 6.18. Provisions | 77 |
| 6.19. Accruals and deferred income | 78 |
| 6.20. Related party transactions | 79 |

| | |
|--|-----------|
| VII. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS | 82 |
| 7.1. Cash flows – operating activities | 82 |
| 7.2. Cash flows – investing activities | 82 |
| 7.3. Cash flows – financing activities | 82 |
| VIII. EXPLANATORY NOTES ON OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT..... | 84 |
| 8.1. Foreign currency risk..... | 84 |
| 8.2. Interest rate risk..... | 86 |
| 8.3. Credit risk..... | 86 |
| 8.4. Financial liquidity risk..... | 87 |
| 8.5. Items of income, expenses, gains and losses recognized in the statement of profit and loss in correspondence to balance sheet items..... | 87 |
| IX. OTHER EXPLANATORY NOTES..... | 89 |
| 9.1. Off-balance-sheet liabilities | 89 |
| 9.2. Seasonal and cyclical business | 90 |
| 9.3. Employment..... | 90 |
| 9.4. Remuneration of the entity authorized to audit financial statements | 91 |
| 9.5. Remuneration of the Management Board and Supervisory Board | 91 |
| 9.6. Capital management | 92 |
| 9.7. Climate and operations of ASEE Group | 92 |
| 9.8. Significant events after the reporting period | 93 |
| 9.9. Significant events related to prior years | 93 |

Consolidated Financial Statements of Asseco South Eastern Europe Group for the year ended 31 December 2022

These consolidated financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A. on 22 February 2023.

Management Board:

Piotr Jeleński President of the Management Board

Miljan Mališ Member of the Management Board

Michał Nitka Member of the Management Board

Kostadin Slavkoski Member of the Management Board

Financial Highlights

Asseco South Eastern Europe Group

The following table presents the selected financial data of Asseco South Eastern Europe Group:

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 | 12 months ended 31 December 2022 EUR'000 | 12 months ended 31 December 2021 EUR'000 |
|--|--|--|--|--|
| Sales revenues | 1,565,493 | 1,146,649 | 333,916 | 250,497 |
| Operating profit | 215,944 | 180,018 | 46,060 | 39,327 |
| Pre-tax profit | 238,210 | 192,269 | 50,810 | 42,003 |
| Net profit for the reporting period | 195,986 | 154,035 | 41,803 | 33,650 |
| Net profit attributable to Shareholders of the Parent Company | 188,258 | 149,242 | 40,155 | 32,603 |
| Net cash provided by (used in) operating activities | 240,576 | 234,843 | 51,314 | 51,304 |
| Net cash provided by (used in) investing activities | (96,449) | (176,055) | (20,572) | (38,461) |
| Net cash provided by (used in) financing activities | (75,162) | (82,523) | (16,032) | (18,028) |
| Cash and cash equivalents at the end of the period | 298,034 | 229,761 | 63,548 | 49,955 |
| Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR) | 3.63 | 2.88 | 0.77 | 0.63 |
| Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR) | 3.63 | 2.88 | 0.77 | 0.63 |

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

- Items of the consolidated statement of profit and loss and consolidated 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 2022 to 31 December 2022: EUR 1 = PLN 4.6883
 - in the period from 1 January 2021 to 31 December 2021: EUR 1 = PLN 4.5775
- The Group's 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 2022: EUR 1 = PLN 4.6899
 - exchange rate effective on 31 December 2021: EUR 1 = PLN 4.5994

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

Consolidated Statement of Profit and Loss and Other Comprehensive Income

Asseco South Eastern Europe Group

| STATEMENT OF PROFIT AND LOSS | | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 (restated) |
|---|-------------|-------------------------------------|---|
| | Note | PLN'000 | PLN'000 |
| Operating revenues | <u>5.1</u> | 1,565,493 | 1,146,649 |
| Cost of sales | <u>5.2</u> | (1,170,433) | (829,517) |
| Allowances for trade receivables | <u>5.2</u> | (1,890) | (1,957) |
| Gross profit on sales | | 393,170 | 315,175 |
| Selling costs | <u>5.2</u> | (93,039) | (68,612) |
| General and administrative expenses | <u>5.2</u> | (84,755) | (68,033) |
| Net profit on sales | | 215,376 | 178,530 |
| Other operating income | <u>5.3</u> | 3,167 | 3,023 |
| Other operating expenses | <u>5.3</u> | (2,580) | (1,535) |
| Share of profits of associates and joint ventures | | (19) | - |
| Operating profit | | 215,944 | 180,018 |
| Financial income | <u>5.4</u> | 44,176 | 24,564 |
| Financial expenses | <u>5.4</u> | (21,910) | (11,988) |
| Impairment loss on financial instruments | | - | (325) |
| Pre-tax profit | | 238,210 | 192,269 |
| Corporate income tax (current and deferred tax expense) | <u>5.5</u> | (42,224) | (38,234) |
| Net profit for the reporting period | | 195,986 | 154,035 |
| <i>Attributable to:</i> | | | |
| Shareholders of the Parent Company | | 188,258 | 149,242 |
| Non-controlling interests | | 7,728 | 4,793 |
| Basic consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN) | <u>5.6</u> | 3.63 | 2.88 |
| Diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN) | <u>5.6</u> | 3.63 | 2.88 |
| OTHER COMPREHENSIVE INCOME | | | |
| Net profit for the reporting period | | 195,986 | 154,035 |
| Components that may be reclassified to profit or loss | | 38,209 | (33,717) |
| Net gain/loss on valuation of financial assets | | 5 | 4 |
| Exchange differences on translation of foreign operations | | 9,552 | (33,721) |
| Restatement of non-monetary assets as at 1 January – impact of hyperinflation | <u>2.10</u> | 28,652 | - |
| Components that will not be reclassified to profit or loss | | - | - |
| Actuarial gains/losses | | - | - |
| Total other comprehensive income | | 38,209 | (33,717) |
| TOTAL COMPREHENSIVE INCOME attributable to: | | 234,195 | 120,318 |
| Shareholders of the Parent Company | | 226,095 | 115,650 |
| Non-controlling interests | | 8,100 | 4,668 |

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

| ASSETS | Note | 31 December 2022 | 31 December 2021 |
|---|-------------|------------------|-----------------------|
| | | PLN'000 | (restated) PLN'000 |
| Non-current assets | | | |
| Property, plant and equipment | <u>6.1</u> | 135,969 | 129,349 |
| Intangible assets | <u>6.2</u> | 51,807 | 68,338 |
| Right-of-use assets | <u>6.3</u> | 43,131 | 51,216 |
| Investment property | | 550 | 573 |
| Goodwill | <u>6.4</u> | 801,626 | 680,774 |
| Investments accounted for using the equity method | | 170 | - |
| Other receivables | <u>6.8</u> | 7,886 | 634 |
| Deferred tax assets | <u>5.5</u> | 11,417 | 10,747 |
| Other financial assets | <u>6.6</u> | 2,424 | 1,289 |
| Prepayments and accrued income | <u>6.7</u> | 1,454 | 2,056 |
| | | 1,056,434 | 944,976 |
| Current assets | | | |
| Inventories | <u>6.9</u> | 57,045 | 36,576 |
| Prepayments and accrued income | <u>6.7</u> | 48,008 | 39,348 |
| Trade receivables | <u>6.8</u> | 290,358 | 205,631 |
| Contract assets | <u>6.8</u> | 78,739 | 44,233 |
| Corporate income tax receivable | <u>6.8</u> | 2,433 | 2,818 |
| Receivables from the state and local budgets | <u>6.8</u> | 3,806 | 3,993 |
| Other receivables | <u>6.8</u> | 23,822 | 9,766 |
| Other non-financial assets | | 9,936 | 5,302 |
| Other financial assets | <u>6.6</u> | 319 | 135 |
| Cash and bank deposits | <u>6.10</u> | 298,034 | 229,761 |
| | | 812,500 | 577,563 |
| TOTAL ASSETS | | 1,868,934 | 1,522,539 |

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

| EQUITY AND LIABILITIES | Note | 31 December 2022 | 31 December 2021 |
|--|-------------|------------------|-----------------------|
| | | PLN'000 | (restated) PLN'000 |
| Equity <i>(attributable to shareholders of the Parent Company)</i> | | | |
| Share capital | <u>6.11</u> | 518,943 | 518,943 |
| Share premium | 6.11 | 38,826 | 38,826 |
| Transactions with non-controlling interests | | (35,692) | (19,887) |
| Other capitals | | (77) | (500) |
| Exchange differences on translation of foreign operations | | (78,297) | (116,129) |
| Retained earnings | | 666,899 | 545,066 |
| | | 1,110,602 | 966,319 |
| Non-controlling interests | <u>6.12</u> | 8,515 | 4,157 |
| Total equity | | 1,119,117 | 970,476 |
| Non-current liabilities | | | |
| Bank loans and borrowings | <u>6.14</u> | 48,635 | 39,614 |
| Lease liabilities | <u>6.13</u> | 25,700 | 33,312 |
| Other financial liabilities | <u>6.15</u> | 91,566 | 54,682 |
| Deferred tax liabilities | <u>5.5</u> | 6,485 | 8,430 |
| Provisions | <u>6.18</u> | 3,886 | 2,311 |
| Contract liabilities | <u>6.17</u> | 8,455 | 6,118 |
| Other liabilities | <u>6.16</u> | 74 | 2,246 |
| | | 184,801 | 146,713 |
| Current liabilities | | | |
| Bank loans and borrowings | <u>6.14</u> | 66,455 | 46,206 |
| Lease liabilities | <u>6.13</u> | 19,418 | 20,822 |
| Other financial liabilities | <u>6.15</u> | 62,071 | 43,764 |
| Trade payables | <u>6.16</u> | 123,980 | 89,907 |
| Contract liabilities | <u>6.17</u> | 148,360 | 92,703 |
| Corporate income tax payable | <u>6.16</u> | 9,081 | 11,005 |
| Liabilities to the state and local budgets | <u>6.16</u> | 46,357 | 36,783 |
| Other liabilities | <u>6.16</u> | 48,894 | 33,329 |
| Provisions | <u>6.18</u> | 5,289 | 4,053 |
| Deferred income | | 2,570 | 1,631 |
| Accruals | <u>6.19</u> | 32,541 | 25,147 |
| | | 565,016 | 405,350 |
| TOTAL LIABILITIES | | 749,817 | 552,063 |
| TOTAL EQUITY AND LIABILITIES | | 1,868,934 | 1,522,539 |

Consolidated Statement of Changes in Equity

Asseco South Eastern Europe Group

| Note | Share capital | Share premium | Transactions with non-controlling interests | Other capitals | Exchange differences on translation of foreign operations | Retained earnings and current net profit | Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity |
|--|----------------|---------------|---|----------------|---|--|---|---------------------------|------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2022 | 518,943 | 38,826 | (19,887) | (500) | (116,129) | 545,066 | 966,319 | 4,157 | 970,476 |
| Net profit for the reporting period | - | - | - | - | - | 188,258 | 188,258 | 7,728 | 195,986 |
| Other comprehensive income for the reporting period | - | - | - | 5 | 37,832 | - | 37,837 | 372 | 38,209 |
| Total comprehensive income for the reporting period | - | - | - | 5 | 37,832 | 188,258 | 226,095 | 8,100 | 234,195 |
| Share-based payment transactions with employees | - | - | - | 418 | - | - | 418 | - | 418 |
| Obtaining control over subsidiaries | - | - | - | - | - | - | - | 4 | 4 |
| Increase of share capital in subsidiaries | - | - | - | - | - | - | - | - | - |
| Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options)) | - | - | (15,805) | - | - | - | (15,805) | 51 | (15,754) |
| Dividend for the year 2021 | <u>5.7</u> | - | - | - | - | (66,425) | (66,425) | (3,797) | (70,222) |
| As at 31 December 2022 | 518,943 | 38,826 | (35,692) | (77) | (78,297) | 666,899 | 1,110,602 | 8,515 | 1,119,117 |

Consolidated Statement of Changes in Equity

Asseco South Eastern Europe Group

| Note | Share capital | Share premium | Transactions with non-controlling interests | Other capitals | Exchange differences on translation of foreign operations | Retained earnings and current net profit | Equity attributable to shareholders of the Parent Company | Non-controlling interests | Total equity |
|--|----------------|---------------|---|----------------|---|--|---|---------------------------|----------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2021 | 518,943 | 38,826 | (11,624) | (584) | (82,533) | 447,718 | 910,746 | 2,460 | 913,206 |
| Net profit for the reporting period | - | - | - | - | - | 149,242 | 149,242 | 4,793 | 154,035 |
| Other comprehensive income for the reporting period | - | - | - | 4 | (33,596) | - | (33,592) | (125) | (33,717) |
| Total comprehensive income for the reporting period | - | - | - | 4 | (33,596) | 149,242 | 115,650 | 4,668 | 120,318 |
| Share-based payment transactions with employees | - | - | - | 80 | - | - | 80 | - | 80 |
| Obtaining control over subsidiaries | - | - | - | - | - | - | - | 976 | 976 |
| Increase of share capital in subsidiaries | - | - | (459) | - | - | - | (459) | 459 | - |
| Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options)) | - | - | (7,804) | - | - | - | (7,804) | (214) | (8,018) |
| Dividend for the year 2020 | <u>5.7</u> | - | - | - | - | - | (51,894) | (51,894) | (4,192) |
| As at 31 December 2021 (restated) | 518,943 | 38,826 | (19,887) | (500) | (116,129) | 545,066 | 966,319 | 4,157 | 970,476 |

Consolidated Statement of Cash Flows

Asseco South Eastern Europe Group

| | Note | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 (restated) |
|---|-------------|-------------------------------------|---|
| | | PLN'000 | PLN'000 |
| Cash flows – operating activities | | | |
| Pre-tax profit | | 238,210 | 192,269 |
| Total adjustments: | | 48,024 | 77,749 |
| Depreciation and amortization | <u>5.2</u> | 92,876 | 78,542 |
| Changes in working capital | <u>7.1</u> | (39,198) | (4,469) |
| Interest income/expenses | | 3,906 | 2,878 |
| Gain/loss on foreign exchange differences | | 388 | (410) |
| Gain/loss on financial assets (valuation, disposal, etc.) | | 15 | 1,513 |
| Gain/loss on sale of subsidiaries | | 3,035 | - |
| Other financial income/expenses | | 7,617 | - |
| Gain/loss on sale, disposal and impairment of property, plant and equipment, intangible assets, and right-of-use assets | | 5,255 | (403) |
| Costs of share-based payment transactions with employees | | 418 | 80 |
| Impact of hyperinflation | | (26,293) | - |
| Other adjustments to pre-tax profit | | 5 | 18 |
| Cash provided by (used in) operating activities | | 286,234 | 270,018 |
| Corporate income tax paid | | (45,658) | (35,175) |
| Net cash provided by (used in) operating activities | | 240,576 | 234,843 |
| Cash flows – investing activities | | | |
| Inflows | | | |
| Disposal of property, plant and equipment, and intangible assets | | 1,328 | 3,054 |
| Sale of shares in subsidiaries, net of cash and cash equivalents in subsidiaries sold | <u>7.2</u> | 3,423 | - |
| Disposal/settlement of financial assets carried at fair value through profit or loss | | 3 | 83 |
| Disposal of investments in other debt securities carried at amortized cost (cash deposits) | | - | 4,837 |
| Loans collected | | 251 | 251 |
| Interest received | | 12 | 15 |
| Dividends received | | 2 | - |
| Outflows | | | |
| Acquisition of property, plant and equipment, and intangible assets (including R&D expenditures) | <u>7.2</u> | (59,151) | (40,008) |
| Expenditures for acquisition of subsidiaries and associates, net of cash and cash equivalents in companies acquired | <u>7.2</u> | (40,900) | (143,979) |
| Acquisition/settlement of financial assets carried at fair value through profit or loss | | (43) | - |
| Acquisition/settlement of financial assets carried at fair value through other comprehensive income | | (1,169) | - |
| Loans granted | | (205) | (294) |
| Other cash flows from investing activities | | - | (14) |
| Net cash provided by (used in) investing activities | | (96,449) | (176,055) |
| Cash flows – financing activities | | | |
| Inflows | | | |
| Proceeds from non-controlling shareholders due to issuance of shares in subsidiaries | | 4 | - |
| Proceeds from bank loans and borrowings | <u>7.3</u> | 55,057 | 31,673 |
| Received grants related to assets and/or development projects | | 909 | - |
| Outflows | | | |
| Repayments of bank loans and borrowings | <u>7.3</u> | (34,869) | (32,887) |
| Payments of lease liabilities | <u>7.3</u> | (21,886) | (20,039) |
| Interest paid | <u>7.3</u> | (3,826) | (2,670) |
| Acquisition of non-controlling interests | | (201) | (2,514) |
| Dividends paid out by the Parent Company | <u>7.3</u> | (66,425) | (51,894) |
| Dividends paid out to non-controlling shareholders | <u>7.3</u> | (3,925) | (4,192) |
| Net cash provided by (used in) financing activities | | (75,162) | (82,523) |
| Net increase (decrease) in cash and cash equivalents | | 68,965 | (23,735) |
| Net foreign exchange differences | | (8,830) | (20,496) |
| Net cash and cash equivalents as at 1 January | | 204,629 | 248,860 |
| Net cash and cash equivalents as at 31 December | <u>6.10</u> | 264,764 | 204,629 |

Explanatory Notes to the Consolidated Financial Statements

I. General information

Asseco South Eastern Europe Group ("ASEE Group", "Group", "ASEE") is a group of companies, the Parent Company of which is Asseco South Eastern Europe S.A. ("Parent Company", "ASEE S.A.", "Company", "Issuer") seated at 14 Olchowa St., Rzeszów, Poland.

General information on the Parent Company

| | |
|--|---|
| Name | Asseco South Eastern Europe S.A. |
| Registered seat | 14 Olchowa St., 35-322 Rzeszów, Poland |
| National Court Register number | 0000284571 |
| Statistical ID number (REGON) | 180248803 |
| Tax Identification Number (NIP) | 813-351-36-07 |
| Core business | Activities of head offices and holdings, production of software |

The Parent Company Asseco South Eastern Europe S.A. based in 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 Parent Company has been assigned the statistical number REGON 180248803. On 11 February 2008, the Parent Company's corporate name was changed from Asseco Adria S.A. to Asseco South Eastern Europe S.A.

Since 28 October 2009, the Company's shares have been listed on the main market of the Warsaw Stock Exchange S.A.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

The Group delivers complete solutions and proprietary software necessary to run a bank, as well as state-of-the-art payment solutions helping shape the payments market in the region, and provides integration and implementation services for IT systems and hardware from the world's major vendors. The Group conducts business operations in the countries of Central Europe, South Eastern Europe, Iberian Peninsula, as well as in Turkey, Colombia, Peru, and Dominican Republic.

The scope of Asseco South Eastern Europe Group's core business broken down by relevant segments is described in section IV of these consolidated financial statements.

These consolidated financial statements cover the year ended 31 December 2022 and contain comparable data for the year ended 31 December 2021.

II. Basis for the preparation of financial statements

2.1. Basis for preparation

These consolidated 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, financial assets carried at amortized cost, as well as financial liabilities carried at fair value through profit or loss. In addition, our subsidiaries operating in a hyperinflationary economy (Turkey) restated their financial data, taking into account the change in purchasing power based on the general price index, so that they were expressed in the measuring units current at the end of the reporting period. The impact of hyperinflation on our consolidated financial statements has been described in explanatory note 2.10.

These consolidated financial statements have been prepared on a going-concern basis, assuming the Group will continue its business activities in the foreseeable future. Till the date of preparing these consolidated financial statements, we have not observed any circumstances that would threaten the Group's ability to continue as a going concern.

The scope of these consolidated 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, as amended) (the "Regulation"), and covers the annual reporting period from 1 January to 31 December 2022, as well as the comparable period from 1 January to 31 December 2021.

Economic and political situation on the territory of Ukraine

On 24 February 2022, the Russian invasion of Ukraine caused a radical change in the geopolitical situation of the entire region in which the Parent Company and other companies of our Group are located.

ASEE Group does not conduct any significant business operations in Russia, Belarus or in Ukraine. In 2022, the Group's aggregate sales to the above-mentioned countries represented just 0.1% of our total revenues, as compared to 0.19% in the whole year 2021. The Group does not hold any cash at bank accounts in Russia. This situation had no material impact on these financial statements.

The Group continues to analyze geopolitical developments and their impact on the Group's financial position and financial performance in the future.

At the moment the situation is dynamic and therefore it is difficult to assess the long-term economic effects for our region and impact on the overall macroeconomic situation, which indirectly affects the Group's financial results.

Hyperinflation

In 2022, Turkey was recognized as a country with a hyperinflationary economy. The Group consolidates the financial data of several subsidiaries operating in Turkey, including ASEE Turkey, Payten Turkey, Paratika, Mobven, and Smarttek, whose functional currency is that of a hyperinflationary economy. Therefore, in the current reporting period, the Group has for the first time applied IAS 29 'Financial Reporting in Hyperinflationary Economies'. IAS 29 requires the financial statements of entities that report in the currency of a hyperinflationary economy to be restated by applying an appropriate price index. As a consequence, the financial data of our subsidiaries operating in Turkey were adjusted for the rate of inflation before being translated into PLN and included in the consolidated financial statements of the Group. The Group's comparable data have not been restated. The effects of hyperinflation related adjustments have been described in explanatory note 2.10.

2.2. Compliance statement

These consolidated 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 Group's operations, in the scope of accounting policies applied by the Group there is no difference between IFRS that came into force and IFRS endorsed by the EU.

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The consolidated financial statements include adjustments not disclosed in the accounting books of the Group's entities, which were introduced to adjust the financial statements of those entities to IFRS.

2.3. Functional currency, presentation currency and hyperinflation

The presentation currency of these consolidated financial statements is the Polish zloty (PLN) and all figures are presented in thousands of PLN (PLN'000), unless stated otherwise. Any inaccuracies in totals, amounting to PLN 1 thousand, are due to the adopted rounding of numbers.

The functional currency applied by the Parent Company and, at the same time, the presentation currency used in these consolidated financial statements is the Polish zloty (PLN). Functional currencies applied by our subsidiaries consolidated in these financial statements are the currencies of primary business environments in which they operate. For consolidation purposes, financial statements of our foreign subsidiaries are translated into PLN using the respective currency exchange rates as quoted by the National Bank of Poland at the end of the reporting period in case of the statement of financial position, or using the arithmetic average of exchange rates as published by the National Bank of Poland and effective on the last day of each month during the reporting period in case of the statement of comprehensive income as well as the statement of cash flows. The effects of such conversion are recognized in equity as 'Exchange differences on translation of foreign operations'.

As regards our subsidiaries operating in a hyperinflationary economy, individual items of the statement of comprehensive income are translated into PLN using the respective currency exchange rates as determined by the National Bank of Poland at the end of the reporting period. The difference resulting from the translation of the statement of comprehensive income at the exchange rate effective on the reporting date, instead of using the average exchange rate for the reporting period, is disclosed in the line 'Exchange differences on translation of foreign operations'.

2.4. Professional judgement and estimates

Preparation of consolidated 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 Group's management best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

In relevant explanatory notes, we 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 Group's financial data to be presented in these notes in the future.

In 2022, our approach to making estimates was not subject to any substantial modification in relation to the previous year.

Professional judgement and estimates additionally covered the operations conducted by our foreign subsidiaries in a hyperinflationary economy. It needed to be assessed whether the financial statements of such entities must be restated as required by IAS 29. The Management analyzed qualitative and quantitative factors (including whether the three-year cumulative inflation rate is approaching or exceeds 100%) which indicate the existence of hyperinflation and concluded that Turkey is a country with a hyperinflationary economy.

As a consequence, the financial data of our subsidiaries operating in Turkey, including ASEE Turkey, Payten Turkey, Paratika, Mobven, and Smarttek, have been restated taking into account the change in purchasing power based on the general price index, so that they were expressed in the measuring units current at the end

of the reporting period. The impact of hyperinflation on our consolidated financial statements has been described in explanatory note 2.10.

2.5. Accounting policies applied

The table below provides a list of selected accounting policies along with explanatory notes in which they have been presented.

| Selected accounting policies | Note | Page number |
|--|-------------|-------------|
| Hyperinflation | <u>2.10</u> | 20 |
| Sales revenues | <u>5.1</u> | 32 |
| Operating costs | <u>5.2</u> | 36 |
| Other operating activities | <u>5.3</u> | 40 |
| Financial income and expenses | <u>5.4</u> | 40 |
| Corporate income tax | <u>5.5</u> | 41 |
| Earnings per share | <u>5.6</u> | 44 |
| Property, plant and equipment | <u>6.1</u> | 45 |
| Intangible assets | <u>6.2</u> | 47 |
| Right-of-use assets | <u>6.3</u> | 50 |
| Goodwill | <u>6.4</u> | 51 |
| Impairment tests | <u>6.5</u> | 60 |
| Other financial assets | <u>6.6</u> | 62 |
| Prepayments and accrued income | <u>6.7</u> | 64 |
| Receivables and contract assets | <u>6.8</u> | 65 |
| Inventories | <u>6.9</u> | 68 |
| Cash and cash equivalents | <u>6.10</u> | 68 |
| Share capital | <u>6.11</u> | 69 |
| Non-controlling interests | <u>6.12</u> | 69 |
| Lease liabilities | <u>6.13</u> | 70 |
| Bank loans and borrowings | <u>6.14</u> | 71 |
| Other financial liabilities | <u>6.15</u> | 73 |
| Trade payables and other liabilities | <u>6.16</u> | 75 |
| Zobowiązania z tytułu umów z klientami | <u>6.17</u> | 76 |
| Rezerwy | <u>6.18</u> | 77 |
| Rozliczenia międzyokresowe kosztów | <u>6.19</u> | 79 |

Accounting policies adopted in the preparation of these consolidated financial statements have remained unchanged in relation to those followed when preparing the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of amendments to standards that have become effective from 1 January 2022.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020 have come into effect from the beginning of the reporting period. Amendments to these standards were published on 14 May 2020 and are effective for annual periods beginning on or after 1 January 2022. These amendments, among others, prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while testing in the process of generating and bringing that asset to intended use, and clarify what costs an entity considers in assessing whether a contract is onerous.

The amended standards and interpretations that were first applied in 2022 had no significant impact of the consolidated financial statements of the Group.

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:

- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020) – effective for annual periods beginning on or after 1 January 2023;

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (issued on 12 February 2021) – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 8 'Definition of Accounting Estimates' (issued on 12 February 2021) – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' (issued on 7 May 2021) – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17 'Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (issued on 9 December 2021) – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 16 'Leases – Lease Liability in a Sale and Leaseback' (issued on 22 September 2022) – 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 2024;
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-current' – deferral of effective date (issued on 23 January 2020 and 15 July 2020) – 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 2024.

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.

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

The Group is currently conducting an analysis of how the above-mentioned amendments are going to impact its financial statements.

2.7. Changes in the presentation methods applied

During the reporting period, the methods of presentation were not subject to any change.

2.8. Correction of errors

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

2.9. Changes in the comparable data

The Group has changed the comparable data disclosed as at 31 December 2021 as well as for the period of 12 months ended 31 December 2021 due to the revaluation of net assets acquired that were recognized in the allocation of the purchase price of subsidiaries.

Detailed information on the acquired assets and liabilities has been presented in explanatory note 6.4 to these annual consolidated financial statements.

The impact of the said changes on the comparable data has been presented in the tables below.

| STATEMENT OF PROFIT AND LOSS | 12 months ended 31 December 2021 PLN'000 | Purchase price allocation of subsidiaries PLN'000 | 12 months ended 31 December 2021 (restated) PLN'000 |
|-------------------------------------|---|--|--|
| Operating revenues | 1,146,649 | - | 1,146,649 |
| Cost of sales | (828,084) | (1,433) | (829,517) |
| Allowances for trade receivables | (1,957) | - | (1,957) |
| Gross profit on sales | 316,608 | (1,433) | 315,175 |
| Selling costs | (68,612) | - | (68,612) |
| General and administrative expenses | (68,033) | - | (68,033) |
| Net profit on sales | 179,963 | (1,433) | 178,530 |
| Other operating income | 3,023 | - | 3,023 |
| Other operating expenses | (1,535) | - | (1,535) |
| Operating profit | 181,451 | (1,433) | 180,018 |
| Financial income | 24,564 | - | 24,564 |

| | | | |
|---|-----------------|----------------|-----------------|
| Financial expenses | (11,988) | - | (11,988) |
| Impairment loss on financial instruments | (325) | - | (325) |
| Pre-tax profit | 193,702 | (1,433) | 192,269 |
| Corporate income tax (<i>current and deferred tax expense</i>) | (38,479) | 245 | (38,234) |
| Net profit for the reporting period | 155,223 | (1,188) | 154,035 |
| <i>Attributable to:</i> | | | - |
| Shareholders of the Parent Company | 150,430 | (1,188) | 149,242 |
| Non-controlling interests | 4,793 | - | 4,793 |
| Basic and diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN) | 2.90 | | 2.88 |
| OTHER COMPREHENSIVE INCOME | | | |
| Net profit for the reporting period | 155,223 | (1,188) | 154,035 |
| <i>Components that may be reclassified to profit or loss</i> | (33,692) | (25) | (33,717) |
| Net gain/loss on valuation of financial assets | 4 | - | 4 |
| Exchange differences on translation of foreign operations | (33,696) | (25) | (33,721) |
| <i>Components that will not be reclassified to profit or loss</i> | - | - | - |
| Actuarial gains/losses | - | - | - |
| Total other comprehensive income | (33,692) | (25) | (33,717) |
| TOTAL COMPREHENSIVE INCOME attributable to: | 121,531 | (1,213) | 120,318 |
| Shareholders of the Parent Company | 116,863 | (1,213) | 115,650 |
| Non-controlling interests | 4,668 | - | 4,668 |

| ASSETS | 31 December 2021 | Purchase price allocation of subsidiaries | 31 December 2021 (restated) |
|--|------------------|---|-----------------------------|
| | PLN'000 | | PLN'000 |
| Non-current assets | | | |
| Property, plant and equipment | 129,557 | (208) | 129,349 |
| Intangible assets | 35,121 | 33,217 | 68,338 |
| Right-of-use assets | 51,008 | 208 | 51,216 |
| Investment property | 573 | - | 573 |
| Goodwill | 709,419 | (28,645) | 680,774 |
| Other receivables | 634 | - | 634 |
| Deferred tax assets | 10,638 | 109 | 10,747 |
| Other financial assets | 47 | 1,242 | 1,289 |
| Prepayments and accrued income | 2,056 | - | 2,056 |
| | 939,053 | 5,923 | 944,976 |
| Current assets | | | |
| Inventories | 36,576 | - | 36,576 |
| Prepayments and accrued income | 39,348 | - | 39,348 |
| Trade receivables | 205,631 | - | 205,631 |
| Contract assets | 44,233 | - | 44,233 |
| Corporate income tax receivable | 2,818 | - | 2,818 |
| Receivables from the state and local budgets | 3,993 | - | 3,993 |
| Other receivables | 9,766 | - | 9,766 |
| Other non-financial assets | 5,302 | - | 5,302 |
| Other financial assets | 135 | - | 135 |
| Cash and bank deposits | 231,003 | (1,242) | 229,761 |
| | 578,805 | (1,242) | 577,563 |
| TOTAL ASSETS | 1,517,858 | 4,681 | 1,522,539 |

| EQUITY AND LIABILITIES | 31 December 2021 | | Purchase price allocation of subsidiaries PLN'000 | 31 December 2021 (restated) PLN'000 |
|--|------------------|---------|--|--|
| | PLN'000 | PLN'000 | | |
| Equity (attributable to shareholders of the Parent Company) | | | | |
| Share capital | 518,943 | | - | 518,943 |
| Share premium | 38,826 | | - | 38,826 |
| Transactions with non-controlling interests | (19,887) | | - | (19,887) |
| Other capitals | (500) | | - | (500) |
| Exchange differences on translation of foreign operations | (116,104) | | (25) | (116,129) |
| Retained earnings | 546,254 | | (1,188) | 545,066 |
| | 967,532 | | (1,213) | 966,319 |
| Non-controlling interests | 4,157 | | - | 4,157 |
| Total equity | 971,689 | | (1,213) | 970,476 |
| Non-current liabilities | | | | |
| Bank loans and borrowings | 39,614 | | - | 39,614 |
| Lease liabilities | 33,312 | | - | 33,312 |
| Other financial liabilities | 54,682 | | - | 54,682 |
| Deferred tax liabilities | 3,623 | | 4,807 | 8,430 |
| Provisions | 2,311 | | - | 2,311 |
| Contract liabilities | 6,118 | | - | 6,118 |
| Other liabilities | 2,246 | | - | 2,246 |
| | 141,906 | | 4,807 | 146,713 |
| Current liabilities | | | | |
| Bank loans and borrowings | 46,155 | | 51 | 46,206 |
| Lease liabilities | 20,822 | | - | 20,822 |
| Other financial liabilities | 43,815 | | (51) | 43,764 |
| Trade payables | 89,907 | | - | 89,907 |
| Contract liabilities | 93,247 | | (544) | 92,703 |
| Corporate income tax payable | 11,005 | | - | 11,005 |
| Liabilities to the state and local budgets | 36,783 | | - | 36,783 |
| Other liabilities | 33,329 | | - | 33,329 |
| Provisions | 4,053 | | - | 4,053 |
| Deferred income | - | | 1,631 | 1,631 |
| Accruals | 25,147 | | - | 25,147 |
| | 404,263 | | 1,087 | 405,350 |
| TOTAL LIABILITIES | 546,169 | | 5,894 | 552,063 |
| TOTAL EQUITY AND LIABILITIES | 1,517,858 | | 4,681 | 1,522,539 |

| 12 months ended 31 December 2021 | Banking Solutions | Payment Solutions | Dedicated Solutions | Change – Banking Solutions | Change – Payment Solutions | Change – Dedicated Solutions | Banking Solutions | Payment Solutions | Dedicated Solutions |
|--|----------------------|----------------------|------------------------|----------------------------------|----------------------------------|------------------------------------|----------------------|----------------------|------------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Sales to external customers | 255,847 | 542,571 | 388,029 | - | - | - | 255,847 | 542,571 | 388,029 |
| Gross profit on sales | 97,399 | 150,007 | 69,202 | - | (833) | (600) | 97,399 | 149,174 | 68,602 |
| Selling costs | (16,353) | (29,916) | (22,343) | - | - | - | (16,353) | (29,916) | (22,343) |
| General and administrative expenses | (20,944) | (31,848) | (15,241) | - | - | - | (20,944) | (31,848) | (15,241) |
| Net profit on sales | 60,102 | 88,243 | 31,618 | - | (833) | (600) | 60,102 | 87,410 | 31,018 |
| Other operating activities | 23 | 933 | 532 | - | - | - | 23 | 933 | 532 |
| Operating profit | 60,125 | 89,176 | 32,150 | - | (833) | (600) | 60,125 | 88,343 | 31,550 |
| Goodwill as at 31 December 2021 | 205,431 | 209,057 | 294,931 | - | (10,665) | (17,980) | 205,431 | 198,392 | 276,951 |

2.10. Accounting effects of Turkey's status as a hyperinflationary economy

The assessment whether the Group companies operate in a hyperinflationary economy is based on qualitative and quantitative factors. The rates of inflation in Turkey have been high for some time and the significant monthly increases in inflation recorded by the Turkish Statistical Institute from December 2021 up to the present have brought the three-year cumulative inflation rate above the level of 100 percent in April 2022. Moreover, qualitative indicators of hyperinflation are also present in Turkey. Consequently, Turkey has been recognized as a hyperinflationary economy and the Group has applied IAS 29 'Financial Reporting in Hyperinflationary Economies' retrospectively from 1 January 2022 for its subsidiaries based in Turkey, as if the Turkish economy was always hyperinflationary. Financial data of our subsidiaries whose functional currency is the Turkish lira were restated taking into account the change in purchasing power based on the consumer price index (CPI), so that they were expressed in the measuring units current at the end of the reporting period.

In line with IAS 29, the financial data of our Turkish subsidiaries have been restated to reflect the purchasing power at the end of the reporting period. Accordingly, non-monetary items in the statement of financial position as well as the statement of profit and loss should be restated to reflect the purchasing power at the reporting date. Monetary items such as receivables, liabilities, bank debt, etc. already reflect the purchasing power at the reporting date because these items are composed of balances, amounts of receivables or payables in respective monetary units. IAS 29, in conjunction with IAS 21 on foreign currency translation, also requires all transactions carried out in a hyperinflationary currency, i.e. Turkish lira (TRY), to be translated into the Group's presentation currency, i.e. the Polish zloty (PLN), using the exchange rate effective on the reporting date. Therefore, all transactions conducted in Turkey have been converted into PLN using the exchange rate of 31 December 2022, while the Group usually translates transactions in the statement of profit and loss at the average exchange rate for the reporting period.

As the Group's presentation currency (PLN) is not hyperinflationary, IAS 21 and IAS 29 do not require a restatement of the Group's comparable data in order to reflect the purchasing power at the end of December 2021. Hence, the Group's financial data for prior years have not been restated. The cumulative effect of applying IAS 29 as at 1 January 2022 has been recognized in the Group's other comprehensive income.

Basis of restatements due to hyperinflation

- Price index:

Hyperinflation restatements of the financial data of our subsidiaries operating in Turkey have been based on officially available data on changes in the consumer price index (CPI) as published by the Turkish Statistical Institute. According to this index, the inflation rate for the period of 12 months ended 31 December 2022 reached 64 percent.

The rates of inflation for particular reporting periods are presented in the table below:

| Inflation rate for particular periods | |
|---------------------------------------|------|
| December 2022 – December 2021 | 64% |
| December 2021 – December 2020 | 36% |
| Three-year cumulative inflation rate | |
| December 2022 – December 2019 | 156% |

- Currency exchange rate:

All financial data of our subsidiary operations in Turkey, both in the statement of financial position and the statement of profit and loss are translated into the Group's presentation currency (PLN) using the TRY/PLN exchange rate effective on the reporting date, which is contrary to the Group's usual practice of translating the statement of profit and loss at the average exchange rate for the reporting period. As at 31 December 2022, this exchange rate was: TRY 1 = PLN 0.2349.

Assumptions for the approach and timing of hyperinflation restatements:

- Hyperinflation restatements in the local currency
 - The Group has analyzed items of the statement of financial position of its subsidiaries in Turkey and divided them into monetary and non-monetary assets/liabilities. Monetary items have not been restated because they are already expressed in terms of the monetary unit current at the end of the reporting period.
 - Significant non-monetary items existing in our Turkish subsidiaries include: goodwill arising from the acquisition of these companies, property, plant and equipment, intangible assets, right-of-use asset, prepayments, and liabilities from contracts with customers. Right-of-use assets have not been additionally revalued because they are periodically indexed by the inflation rate. Other non-monetary items have been restated to reflect the effects of inflation based on changes in the price index in the period from their initial recognition till 31 December 2022 or until the date of disposal. The restatements were made as at the date of initial recognition of non-monetary items, but not earlier than as at the date of acquisition of subsidiaries by the Group, because it is assumed that non-monetary items were then translated and recognized in the consolidated financial statements at fair value, reflecting the purchasing power as at the acquisition date. The restatement significantly increased the value of goodwill, property, plant and equipment, and intangible assets. Such restatement also resulted in higher costs in the statement of profit and loss in the form of higher depreciation and amortization charges due to the restated gross values of property, plant and equipment and intangible assets, higher expenses and income from the accounting for restated amounts of accruals and contract liabilities.
 - Due to the revaluation of non-monetary assets and liabilities, deferred tax calculated as the difference between the tax value and the book value was also revalued.
 - Equity of our Turkey-based subsidiaries has been adjusted for the effects of inflation based on changes in the price index in the year 2022 to reflect the purchasing power at the end of the reporting period. In correspondence to the revaluation of equity based on changes in the price index, the Group has recognized a gain/loss on the net monetary position, disclosed in financial income or expenses in the statement of profit and loss.
 - All transactions included in the statement of profit and loss for the year 2022 have been restated to reflect changes in the price index from the month when recognized till 31 December, except for depreciation charges on property, plant and equipment and amortization charges on intangible assets that have been remeasured based on the adjusted gross value of these assets, as well as expenses and income from the accounting for restated amounts of accruals and contract liabilities. The remeasurement of depreciation and amortization charges has been based on the normal periods of useful life of relevant assets. The restatement of the statement of profit and loss for the inflation rate resulted in an increase in the value of individual items presented in the local currency due to changes in the price index from the date of their recognition till 31 December 2022.
 - In correspondence to the restatement of the statement of profit and loss and the statement of financial position for the inflation rate in the current reporting period, the Group has recognized a gain/loss on the net monetary position, disclosed financial income/expenses in the statement of profit and loss. In correspondence to the revaluation of items in the statement of financial position for the inflation rate from the date of their initial recognition till the end of 2021, the Group has recognized exchange differences on translation of foreign operations disclosed separately in other comprehensive income for 2022 and in equity.
- Translation of financial data into the Group's presentation currency
 - Once the financial statements of our subsidiaries operating in Turkey were restated for the effects of inflation in the local currency, they have been translated into PLN which involved translating the statement of financial position and all items of the statement of profit and loss for the reporting period, using the TRY/PLN exchange rate effective on the reporting date. As at 31 December 2022, this exchange rate was: TRY 1 = PLN 0.2349. Translation of the statement of financial position has

remained unchanged compared to the Group's usual practice, while the new principle of translating the statement of profit and loss has had a significant impact on its individual items. The effect of translating the statement of comprehensive income using the closing exchange rate of the reporting period has been recognized in correspondence in exchange differences on translation of foreign operations.

- Time of recognition

- IAS 29 has been implemented by the Group since 1 January 2022 and the first hyperinflation restatements have been made in the interim consolidated financial statements for the period of 6 months ended 30 June 2022.
- Because the three-year cumulative inflation rate exceeded 100% in April 2022, the already published data for the first quarter of 2022 have not been changed.

The impact of adopting IAS 29 on the consolidated financial statements for 2022 is summarized below:

| STATEMENT OF PROFIT AND LOSS | 12 months ended | Impact of hyperinflation | 12 months ended |
|--|--------------------------|--------------------------|-----------------------|
| | 31 December 2022 | | 31 December 2022 |
| | without impact of IAS 29 | | according to IAS/IFRS |
| | PLN'000 | PLN'000 | PLN'000 |
| Operating revenues | 1,556,445 | 9,048 | 1,565,493 |
| Cost of sales | (1,163,731) | (6,702) | (1,170,433) |
| Allowances for trade receivables | (1,890) | - | (1,890) |
| Gross profit on sales | 390,824 | 2,346 | 393,170 |
| Selling costs | (93,198) | 159 | (93,039) |
| General and administrative expenses | (84,273) | (482) | (84,755) |
| Net profit on sales | 213,353 | 2,023 | 215,376 |
| Other operating income | 3,166 | 1 | 3,167 |
| Other operating expenses | (2,638) | 58 | (2,580) |
| Share of profits of associates | (19) | - | (19) |
| Operating profit | 213,862 | 2,082 | 215,944 |
| Financial income | 20,944 | 23,232 | 44,176 |
| Financial expenses | (21,726) | (184) | (21,910) |
| Impairment loss on financial instruments | - | - | - |
| Pre-tax profit | 213,080 | 25,130 | 238,210 |
| Corporate income tax (current and deferred tax expense) | (41,849) | (375) | (42,224) |
| Net profit for the reporting period | 171,231 | 24,755 | 195,986 |
| <i>Attributable to:</i> | | | |
| Shareholders of the Parent Company | 163,503 | 24,755 | 188,258 |
| Non-controlling interests | 7,728 | - | 7,728 |
| OTHER COMPREHENSIVE INCOME | | | |
| Net profit for the reporting period | 171,231 | 24,755 | 195,986 |
| Components that may be reclassified to profit or loss | 3,840 | 34,369 | 38,209 |
| Net gain/loss on valuation of financial assets | 5 | - | 5 |
| Exchange differences on translation of foreign operations | 3,835 | 5,717 | 9,552 |
| Restatement of non-monetary assets as at 1 January – impact of hyperinflation | - | 28,652 | 28,652 |
| Total other comprehensive income | 3,840 | 34,369 | 38,209 |
| TOTAL COMPREHENSIVE INCOME attributable to: | 175,071 | 59,124 | 234,195 |
| Shareholders of the Parent Company | 166,971 | 59,124 | 226,095 |
| Non-controlling interests | 8,100 | - | 8,100 |

| ASSETS | 31 December 2022 without impact of IAS 29 | Impact of hyperinflation | 31 December 2022 according to IAS/IFRS |
|---|--|--------------------------|---|
| | PLN'000 | PLN'000 | PLN'000 |
| Non-current assets | | | |
| Property, plant and equipment | 134,065 | 1,904 | 135,969 |
| Intangible assets | 51,366 | 441 | 51,807 |
| Right-of-use assets | 43,131 | - | 43,131 |
| Investment property | 550 | - | 550 |
| Goodwill | 743,416 | 58,210 | 801,626 |
| Investments accounted for using the equity method | 170 | - | 170 |
| Other receivables | 7,886 | - | 7,886 |
| Deferred tax assets | 10,628 | 789 | 11,417 |
| Other financial assets | 2,424 | - | 2,424 |
| Prepayments and accrued income | 1,418 | 36 | 1,454 |
| | 995,054 | 61,380 | 1,056,434 |
| Current assets | | | |
| Inventories | 57,045 | - | 57,045 |
| Prepayments and accrued income | 45,821 | 2,187 | 48,008 |
| Trade receivables | 290,358 | - | 290,358 |
| Contract assets | 78,739 | - | 78,739 |
| Corporate income tax receivable | 2,433 | - | 2,433 |
| Receivables from the state and local budgets | 3,806 | - | 3,806 |
| Other receivables | 23,822 | - | 23,822 |
| Other non-financial assets | 9,936 | - | 9,936 |
| Other financial assets | 319 | - | 319 |
| Cash and bank deposits | 298,034 | - | 298,034 |
| | 810,313 | 2,187 | 812,500 |
| TOTAL ASSETS | 1,805,367 | 63,567 | 1,868,934 |
| EQUITY AND LIABILITIES | 31 December 2022 without impact of IAS 29 | Impact of hyperinflation | 31 December 2022 according to IAS/IFRS |
| | PLN'000 | PLN'000 | PLN'000 |
| Equity | | | |
| <i>(attributable to shareholders of the Parent Company)</i> | | | |
| Share capital | 518,943 | - | 518,943 |
| Share premium | 38,826 | - | 38,826 |
| Transactions with non-controlling interests | (35,692) | - | (35,692) |
| Other capitals | (77) | - | (77) |
| Exchange differences on translation of foreign operations | (112,665) | 34,368 | (78,297) |
| Retained earnings | 642,144 | 24,755 | 666,899 |
| | 1,051,479 | 59,123 | 1,110,602 |
| Non-controlling interests | 8,515 | - | 8,515 |
| Total equity | 1,059,994 | 59,123 | 1,119,117 |
| Non-current liabilities | | | |
| Bank loans and borrowings | 48,635 | - | 48,635 |
| Lease liabilities | 25,700 | - | 25,700 |
| Other financial liabilities | 91,566 | - | 91,566 |
| Deferred tax liabilities | 5,443 | 1,042 | 6,485 |
| Provisions | 3,886 | - | 3,886 |
| Contract liabilities | 8,132 | 323 | 8,455 |
| Other liabilities | 74 | - | 74 |
| | 183,436 | 1,365 | 184,801 |
| Current liabilities | | | |
| Bank loans and borrowings | 66,455 | - | 66,455 |
| Lease liabilities | 19,418 | - | 19,418 |
| Other financial liabilities | 62,071 | - | 62,071 |
| Trade payables | 124,249 | (269) | 123,980 |
| Contract liabilities | 148,360 | - | 148,360 |
| Corporate income tax payable | 9,081 | - | 9,081 |
| Liabilities to the state and local budgets | 46,357 | - | 46,357 |
| Other liabilities | 48,894 | - | 48,894 |
| Provisions | 5,289 | - | 5,289 |
| Deferred income | (778) | 3,348 | 2,570 |
| Accruals | 32,541 | - | 32,541 |
| | 561,937 | 3,079 | 565,016 |
| TOTAL LIABILITIES | 745,373 | 4,444 | 749,817 |
| TOTAL EQUITY AND LIABILITIES | 1,805,367 | 63,567 | 1,868,934 |

As described in section IV. Information on operating segments, the Management analyzes the operations of individual segments and their financial performance without the impact of hyperinflation-related revaluations. Therefore, in the explanatory note on operating segments, the impact of hyperinflation has been disclosed in a separate column in order to reconcile the financial data of segments with the data presented elsewhere in the consolidated financial statements.

The table below presents the financial data of segments in two variants: without the impact of IAS 29, and also in accordance with IAS/IFRS.

| 12 months ended 31 December 2022 | Banking Solutions | | Payment Solutions | | Dedicated Solutions | |
|--|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | without impact of IAS 29 | according to IAS/IFRS | without impact of IAS 29 | according to IAS/IFRS | without impact of IAS 29 | according to IAS/IFRS |
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Sales to external customers | 293,926 | 294,129 | 776,256 | 778,030 | 535,512 | 542,583 |
| Gross profit on sales | 101,489 | 101,629 | 194,334 | 194,672 | 95,001 | 96,869 |
| Selling costs | (16,873) | (16,870) | (45,639) | (45,629) | (30,686) | (30,540) |
| General and administrative expenses | (24,505) | (24,547) | (37,619) | (37,851) | (22,149) | (22,357) |
| Net profit on sales | 60,111 | 60,212 | 111,076 | 111,192 | 42,166 | 43,972 |
| Other operating activities | (486) | (486) | 53 | 111 | 961 | 962 |
| Share of profits of associates | - | - | (19) | (19) | - | - |
| Operating profit | 59,625 | 59,726 | 111,110 | 111,284 | 43,127 | 44,934 |
| Goodwill as at 31 December 2022 | 217,342 | 222,656 | 194,135 | 223,583 | 331,938 | 355,387 |

III. Organization and changes in the structure of Asseco South Eastern Europe Group, including the entities subject to consolidation

Selected accounting policies

Consolidation rules

These consolidated financial statements of ASEE Group encompass assets, liabilities and equity, revenues and costs, as well as cash flows of the Parent Company – ASEE S.A. and entities remaining under its control (subsidiaries).

Annual financial statements of our subsidiaries, after being adjusted to comply with IFRS, are prepared for the same reporting period as adopted by the Parent Company and using consistent accounting treatment of similar transactions and economic activities. Any discrepancies in the applied accounting policies are eliminated by making appropriate adjustments.

All significant outstanding settlements and transactions between the Group companies, including unrealized profits resulting from transactions within the Group, have been fully eliminated. All unrealized losses are eliminated as well, except for impairment losses.

Subsidiaries are subject to consolidation from the date the Group obtains control over such entities until such control ceases. The Parent Company controls a subsidiary only when it: (i) has power over a given entity, (ii) is exposed, or has rights, to variable returns from its involvement with a given entity, and (iii) has the ability to use power over a given entity to affect the amount of generated returns.

In a situation when the Group holds less than a majority of voting rights in a given entity, but it is sufficient to unilaterally direct the relevant activities of such entity, then the control is exercised.

Subsidiaries are consolidated for the period in which they were controlled by the Group (from the beginning of such control to its end). Should the Group lose control over a subsidiary company, the consolidated financial statements shall include the results of such subsidiary for the part of the year during which it was controlled by the Group. Acquisitions of subsidiaries are accounted for using the full consolidation method.

Any changes in equity interest / voting rights in a subsidiary that do not result in a loss of control are accounted for as capital transactions. In such events, in order to reflect changes in the ownership of a respective subsidiary, the Group shall adjust the carrying value of controlling interests and non-controlling interests. Any differences between the change in non-controlling interests and the fair value of consideration paid or received are recognized directly in equity (transactions with non-controlling interests) and attributed to the owners of the Parent Company.

Combinations 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.

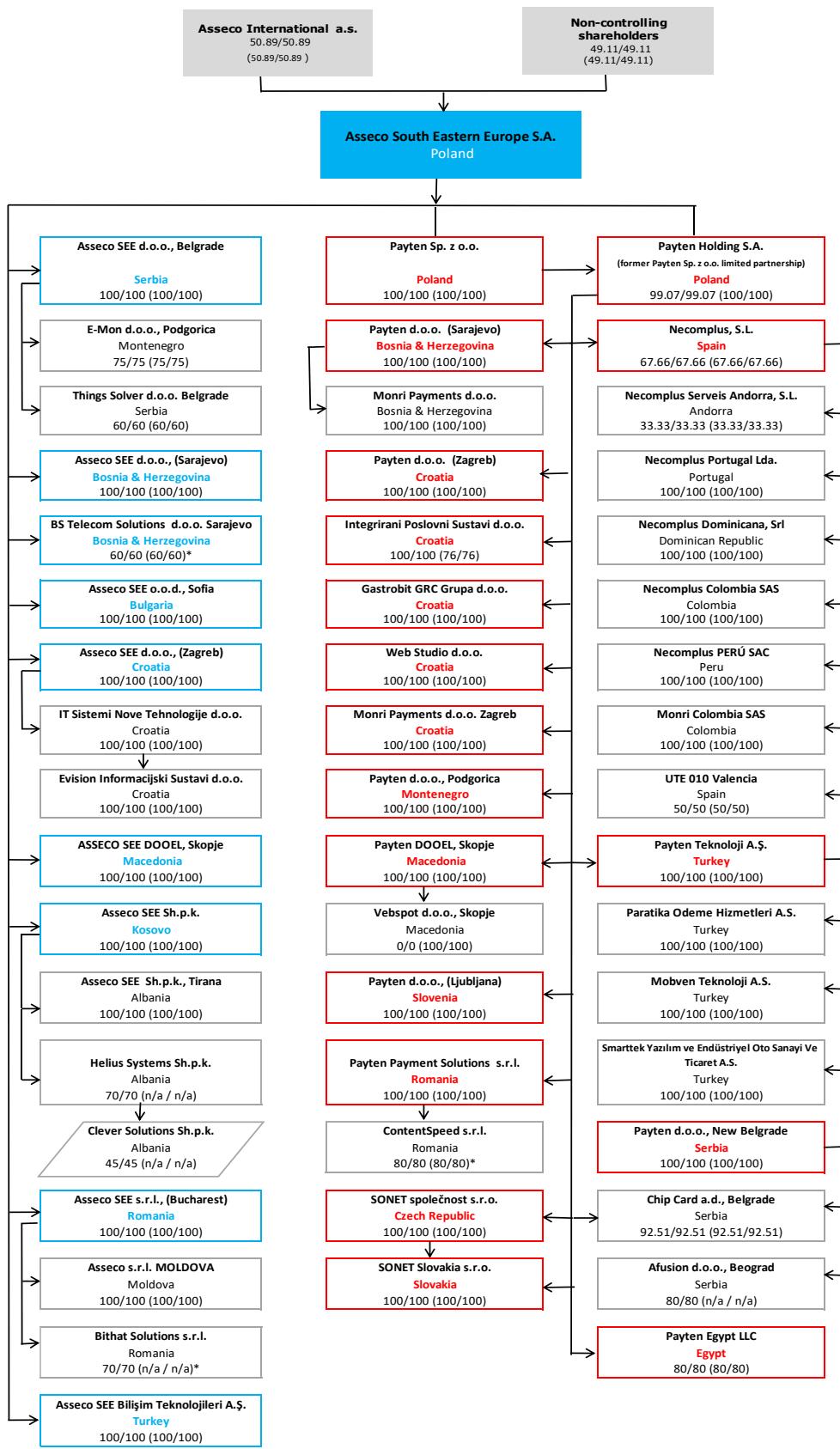
This refers in particular to transactions such as a transfer of companies or ventures between individual companies within the Group, or a merger of the Parent Company with its subsidiary.

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 ASEE S.A. are combined, the carrying value of our investment in the acquiree subsidiary is only transferred at the level of standalone financial statements. Hence, a takeover of one subsidiary by another subsidiary has no impact on the Group's financial results whatsoever.

The effects of combinations of businesses under common control are accounted for by the Group 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 Group'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, and at the consolidated level there is no fair value remeasurement of net assets as at the transaction date;
- merger-related transaction costs are expensed in the statement of profit and loss (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 statement of profit and loss 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.

Organizational structure of Asseco South Eastern Europe Group is presented in the chart below:



100/100 voting rights / equity interest as at 31 December 2022 (in %)
 (100/100) voting rights / equity interest as at 31 December 2021 (in %)

 subsidiary company
 associated company

* this investment is accounted for using the present ownership method, assuming we hold 100% of shares due to the existing put/call options

During the period of 12 months ended 31 December 2022, the Group's composition changed as follows:

- ***Establishing of a new company Afusion d.o.o., Belgrade***

The company Afusion d.o.o., based in Belgrade, was established on 4 January 2022. 80% of shares in this company were acquired by Payten d.o.o., Belgrade.

- ***Transformation of the company Payten Sp. z o.o. (limited partnership) into Payten Holding S.A.***

The transformation of the company Payten Sp. z o.o. (limited partnership) into Payten Holding S.A. was registered on 1 March 2022.

- ***Acquisition of a minority interest in Integrirani Poslovni Sustavi d.o.o.***

On 11 May 2022, Payten d.o.o. (Zagreb) acquired a 24% stake in the company Integrirani Poslovni Sustavi d.o.o. based in Orlavje, thereby becoming the owner of 100% of shares in this company. This transaction was accounted for as a transaction with non-controlling interests and its impact on the equity of ASEE Group, in the amount of PLN 3,496 thousand, was recognized under 'Transactions with non-controlling interests'.

- ***Acquisition of shares in Bithat Solutions s.r.l.***

On 16 June 2022, Asseco SEE s.r.l., (Bucharest) acquired 70% of shares in Bithat Solutions s.r.l., a company based in Bucharest (Romania).

- ***Sale of shares in Payten Holding S.A. to the managers of ASEE Group companies***

On 22 August 2022, ASEE S.A. signed agreements to sell shares in Payten Holding S.A. to the managers of ASEE Group companies. The sale includes a total of 426,571 shares in Payten Holding S.A., representing 0.93% of the company's share capital.

The transaction value amounted to PLN 9,628 million. The sale agreement also contains put and call options, and the selling price has been secured by establishing a pledge on shares purchased by each buyer. The agreements were concluded, directly or indirectly, with twenty-one managers of ASEE Group. This transaction affected the Group's financial results because the sale agreement contains a share-based payment component for the key managers of ASEE Group, which has been described in explanatory note 5.2. to these consolidated financial statements. Apart from that, this transaction affected ASEE Group's equity by PLN 5,461 million which was recognized under 'Transactions with non-controlling interests'.

- ***Sale of Vebspot doo company***

On 23 August 2022, Payten doo Skopje signed a conditional agreement to sell its subsidiary Vebspot d.o.o. The conditions for this transaction were to obtain an approval of the Macedonian competition protection authority as well as to register the sale in the Central Commercial Register of Macedonia. The approval of the competition protection authority was issued on 7 September 2022, and the registration was made on 29 September 2022. Hence, the Group lost control over the company of Vebspot d.o.o. on 29 September 2022. This transaction affected the Group's financial results which has been disclosed and described in explanatory notes 5.4 and 6.4 to these consolidated financial statements.

- ***Changing the name of NestPay to Paratika***

On 2 September 2022, NestPay Odeme Hizmetleri A.S. changed its corporate name to Paratika Odeme Hizmetleri A.S.

- ***Acquisition of shares in Helius Systems Sh.p.k.***

On 27 September 2022, Asseco SEE Sh.p.k. (Kosovo) signed an agreement to acquire 70% of shares in Helius Systems Sh.p.k., a company based in Albania. The Group obtained control over Helius company after the acquisition had been entered into the Albanian register of commercial companies (Qendra Kombetare e Biznesit) which took place 19 October 2022. As a result of the acquisition of Helius, the Group was also joined by its associated company Clever Solutions Sh.p.k. based in Albania, in which Helius holds a 45% stake and exercises significant influence over the financial and operating policy of Clever Solutions.

- ***Acquisition of Integrirani Poslovni Sustavi, Gastrobit and Web Studio by Payten Holding S.A.***

On 7 November 2022, Payten Holding S.A. signed an agreement to acquire 100% of shares in the following companies: Integrirani Poslovni Sustavi d.o.o., Gastrobit - GRC Grupa d.o.o. and Web Studio d.o.o. from Payten d.o.o. (Zagreb). This transaction had no impact on the consolidated financial statements of the Group.

- ***Acquisition of BS Telecom Solutions d.o.o. Sarajevo by ASEE S.A.***

On 23 December 2022, ASEE S.A. signed an agreement for the acquisition of a 60% stake in BS Telecom Solutions d.o.o. Sarajevo from Asseco SEE d.o.o. Sarajevo. This transaction had no impact on the consolidated financial statements of the Group.

IV. Information on operating segments

According to IFRS 8, an operating segment is a separable component of the Group'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.

Asseco South Eastern Europe Group has identified the following reportable segments reflecting the structure of its business operations:

- Banking Solutions,
- Payment Solutions,
- Dedicated Solutions.

These reportable segments correspond to the Group's operating segments.

The **Banking Solutions** portfolio includes fully-fledged solutions and products necessary to run a bank such as omnichannel solutions designed to distribute banking products and services, solutions allowing to improve communication with the customer, integrated core banking systems, authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. The segment also offers its clients 24x7 online services and consultancy in the areas of mobile and electronic banking and digital transformation.

The **Payment Solutions** segment provides complete payment industry solutions supporting online and offline payments, which are offered by the Payten Group for both financial and non-financial institutions. These solutions are intended for e-Commerce (online payment gateways, support for alternative payment methods – cryptocurrencies, QR codes, solutions enabling tokenization of cards, subscription payments), mobile payments (mPOS, vPOS, SoftPOS), payment card processing, as well as services related to ATMs and EFT POS terminals. The Group delivers software and services as well as ATMs and payment terminals, including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet. In addition, the Group runs a network of independent EFT POS terminals at points of sale – IPD service under the Monri brand that enables merchants to replace two or more payment terminals at the point of sale with a single device connected directly to multiple acquirers (card issuers). Moreover, the segment offers complementary solutions for creating online and mobile stores and marketplace platforms, as well as cash register management and sales support systems (ECR) for retailers.

The **Dedicated Solutions** segment provides services to the sectors of utilities and telecommunications, public sector (including road infrastructure), government as well as to the banking and finance sector within the following business lines: BPM business process management, customer service and sales support platform, data registers, smart city, AI & Machine Learning, e-Tax, border control, authentication, dedicated solutions, BI and ERP. The company focuses on selling its proprietary solutions but also offers a full range of integration services for solutions from leading global vendors.

The Group's financing activities as well as income taxes are monitored at the whole group 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 by segments. The table below presents the key financial information reviewed by the chief operating decision maker in the Company.

Revenues from one of our customers exceeded 10% of total sales generated by the Group in the period of 12 months ended 31 December 2022, accounting for 10.13% of total sales. It is a customer of the Payment Solutions and Dedicated Solutions segments and such increase in revenues from that customer, in comparison to the previous year, was due to large deliveries of payment terminals carried out in 2022.

Selected financial data for the period of 12 months ended 31 December 2022, in a breakdown by operating segments:

| 12 months ended 31 December 2022 | Banking Solutions | Payment Solutions | Dedicated Solutions | Eliminations | Hyperinflation | Total |
|--------------------------------------|-------------------|-------------------|---------------------|-----------------|----------------|------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Sales revenues: | 293,926 | 776,256 | 535,512 | (49,249) | 9,048 | 1,565,493 |
| Sales to external customers | 275,497 | 752,773 | 528,175 | - | 9,048 | 1,565,493 |
| Sales between and/or within segments | 18,429 | 23,483 | 7,337 | (49,249) | - | - |
| Gross profit on sales | 101,489 | 194,334 | 95,001 | - | 2,346 | 393,170 |
| Selling costs | (16,873) | (45,639) | (30,686) | - | 159 | (93,039) |
| General and administrative expenses | (24,505) | (37,619) | (22,149) | - | (482) | (84,755) |
| Net profit on sales | 60,111 | 111,076 | 42,166 | - | 2,023 | 215,376 |
| Other operating activities | (486) | 53 | 961 | - | 59 | 587 |
| Share of profits of associates | - | (19) | - | - | - | (19) |
| Operating profit | 59,625 | 111,110 | 43,127 | - | 2,082 | 215,944 |
| Non-cash items | | | | | | |
| Depreciation and amortization | (12,486) | (64,514) | (14,712) | - | (1,163) | (92,875) |
| Impairment losses on assets | (1,057) | (2,927) | (3,314) | - | - | (7,298) |
| Goodwill | 217,342 | 194,135 | 331,938 | - | 58,211 | 801,626 |
| 12 months ended 31 December 2022 | Banking Solutions | Payment Solutions | Dedicated Solutions | Eliminations | Hyperinflation | Total |
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Sales revenues: | 62,694 | 165,574 | 114,223 | (10,505) | 1,930 | 333,916 |
| Sales to external customers | 58,763 | 160,565 | 112,658 | - | 1,930 | 333,916 |
| Sales between and/or within segments | 3,931 | 5,009 | 1,565 | (10,505) | - | - |
| Gross profit on sales | 21,647 | 41,451 | 20,264 | - | 500 | 83,862 |
| Selling costs | (3,599) | (9,735) | (6,545) | - | 34 | (19,845) |
| General and administrative expenses | (5,227) | (8,024) | (4,724) | - | (103) | (18,078) |
| Net profit on sales | 12,821 | 23,692 | 8,995 | - | 431 | 45,939 |
| Other operating activities | (104) | 11 | 205 | - | 13 | 125 |
| Share of profits of associates | - | (4) | - | - | - | (4) |
| Operating profit | 12,717 | 23,699 | 9,200 | - | 444 | 46,060 |
| Non-cash items | | | | | | |
| Depreciation and amortization | (2,663) | (13,761) | (3,138) | - | (249) | (19,811) |
| Impairment losses on assets | (225) | (624) | (707) | - | - | (1,556) |
| Goodwill | 46,343 | 41,394 | 70,777 | - | 12,412 | 170,926 |

The financial results presented above have been converted at the average exchange rate for the period of 12 months ended 31 December 2022: EUR 1 = PLN 4.6883, whereas the financial position data have been converted at the exchange rate effective on 31 December 2022: EUR 1 = PLN 4.6899.

In the current reporting period, the financial data of our subsidiaries operating in Turkey were restated due to hyperinflation. The Management analyzes the operations of individual segments and their financial performance without the impact of hyperinflation-related revaluations. Therefore, the impact of hyperinflation has been disclosed in a separate column in order to reconcile the financial data of segments with the data presented elsewhere in the consolidated financial statements.

Selected financial data for the period of 12 months ended 31 December 2021, in a breakdown by operating segments:

| 12 months ended 31 December 2021 (restated) | Banking Solutions PLN'000 | Payment Solutions PLN'000 | Dedicated Solutions PLN'000 | Eliminations PLN'000 | Total PLN'000 |
|--|---------------------------------|---------------------------------|-----------------------------------|-------------------------|------------------|
| Sales revenues: | 255,847 | 542,571 | 388,029 | (39,798) | 1,146,649 |
| Sales to external customers | 235,887 | 527,758 | 383,004 | - | 1,146,649 |
| Sales between and/or within segments | 19,960 | 14,813 | 5,025 | (39,798) | - |
| Gross profit on sales | 97,399 | 149,174 | 68,602 | - | 315,175 |
| Selling costs | (16,353) | (29,916) | (22,343) | - | (68,612) |
| General and administrative expenses | (20,944) | (31,848) | (15,241) | - | (68,033) |
| Net profit on sales | 60,102 | 87,410 | 31,018 | - | 178,530 |
| Other operating activities | 23 | 933 | 532 | - | 1,488 |
| Share of profits of associates | - | - | - | - | - |
| Operating profit | 60,125 | 88,343 | 31,550 | - | 180,018 |

| | | | | | |
|-------------------------------|----------------|----------------|----------------|---|----------------|
| Non-cash items | | | | | |
| Depreciation and amortization | (11,790) | (58,109) | (8,643) | - | (78,542) |
| Impairment losses on assets | 460 | (2,733) | (9) | - | (2,282) |
| Goodwill | 205,432 | 198,391 | 276,951 | - | 680,774 |

| 12 months ended 31 December 2021 (restated) | Banking Solutions EUR'000 | Payment Solutions EUR'000 | Dedicated Solutions EUR'000 | Eliminations EUR'000 | Total EUR'000 |
|--|---------------------------------|---------------------------------|-----------------------------------|-------------------------|------------------|
| Sales revenues: | 55,892 | 118,530 | 84,769 | (8,694) | 250,497 |
| Sales to external customers | 51,532 | 115,294 | 83,671 | - | 250,497 |
| Sales between and/or within segments | 4,360 | 3,236 | 1,098 | (8,694) | - |
| Gross profit on sales | 21,278 | 32,589 | 14,987 | - | 68,854 |
| Selling costs | (3,572) | (6,535) | (4,881) | - | (14,988) |
| General and administrative expenses | (4,575) | (6,958) | (3,330) | - | (14,863) |
| Net profit on sales | 13,131 | 19,096 | 6,776 | - | 39,003 |
| Other operating activities | 5 | 204 | 115 | - | 324 |
| Share of profits of associates | - | - | - | - | - |
| Operating profit | 13,136 | 19,300 | 6,891 | - | 39,327 |

| | | | | | |
|-------------------------------|---------------|---------------|---------------|---|----------------|
| Non-cash items | | | | | |
| Depreciation and amortization | (2,576) | (12,694) | (1,888) | - | (17,158) |
| Impairment losses on assets | 100 | (597) | (2) | - | (499) |
| Goodwill | 44,665 | 43,134 | 60,215 | - | 148,014 |

The financial results presented above have been converted at the average exchange rate for the period of 12 months ended 31 December 2021: EUR 1 = PLN 4.5775, whereas the financial position data have been converted at the exchange rate effective on 31 December 2021: EUR 1 = PLN 4.5994.

V. Explanatory notes to the consolidated statement of profit and loss

5.1. Structure of operating revenues

Selected accounting policies

The Group is engaged in the sale of licenses and broadly defined IT services, and distinguishes the following types of revenues:

- revenues from the sale of proprietary licenses and services,
- revenues from the sale of third-party licenses and services, and
- revenues from the sale of hardware.

a) Sale of proprietary licenses and services

The category of 'Proprietary licenses and services' includes revenues from contracts with customers under which we supply our own software and/or provide related services.

▪ **Comprehensive IT projects**

A large portion of those revenues is generated from the performance of comprehensive IT projects, whereby the Group is committed to provide the customer with a functional IT system. In those situations the customer can only benefit from a functional system, being the final product that is comprised of our proprietary licenses and significant related services (for example, modifications or implementation). Under such contracts, the Group is virtually always required to provide the customer with comprehensive goods or services, including the supply of proprietary licenses and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts most often result in a separate performance obligation that consists in providing the customer with a functional IT system. In the case of a performance obligation that involves the provision of a functional IT system, we closely examine the promise in granting a licence under each contract. Each license is analyzed for being distinct from other goods or services promised in the contract. As a general rule, the Group considers that a commitment to sell a license under such performance obligation does not satisfy the criteria of being distinct, because the transfer of the license is only part of a larger performance obligation, and services sold together with the license present such a significant value so that it is impossible to determine whether the license itself is a predominant obligation.

Revenues from a performance obligation to provide a functional IT system are recognized over time, during the period of its development. This is because, in accordance with IFRS 15, revenues may be recognized over time of transferring control of the supplied goods/services, as long as the entity's 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 to date throughout the duration of the contract. In the Management's opinion, in the case of execution of comprehensive IT projects the provider cannot generate an asset with an alternative use because such systems together with the accompanying implementation services are "tailor-made". Concurrently, the analysis carried out so far showed that essentially all contracts concluded by the Group meet the criterion of ensuring an enforceable right to payment for performance completed throughout the duration of the contract. This means that revenues from comprehensive IT projects, which include the sale of proprietary licenses and own services, shall be recognized according to the percentage of completion method (based on the costs incurred so far) over time of transferring control of the sold goods/services to the customer. Relatively small IT projects, which are usually completed within one year or generate revenues that are insignificant in the Management's opinion, constitute a specific case where revenues may be recognized in the amount the Group is entitled to invoice. The basic method of revenue recognition for these projects is the percentage of total costs incurred so far on a given project. In the case of projects where such approach is impractical for operational reasons or too expensive compared to the project size, the Group recognizes revenues after the completion of work is confirmed by the customer. Revenues are recognized on the basis of a sales invoice issued to the customer, unless such an invoice has not been issued at the reporting date. In such event, revenues are recognized through a posting instruction. The implementation time for the said IT projects may vary due to many factors of both internal and external nature. The most important internal factor is the availability of resources, in particular due to large-scale projects implemented at the same time. Whereas, the most important external factor is the availability of resources on the customer's part, without which it would be impossible to carry out a project either in the phase of defining the scope and requirements or testing the developed solution. Considering the above, it can be assumed that the duration of small projects is usually between 1 and 3 months.

▪ **Sale of proprietary licenses without significant related services**

In the event the sale of a proprietary license is distinct from other significant modification and/or implementation services, and thereby it constitutes a separate performance obligation, the Group considers whether the promise in granting the licence is to provide the customer with either:

- ✓ a right to access the entity's intellectual property in the form in which it exists throughout the licensing period; or
- ✓ a right to use the entity's intellectual property in the form in which it exists at the time of granting the license.

The vast majority of licenses sold separately by the Group (thus representing a separate performance obligation) are intended to provide the customer with a right to use the intellectual property, which means revenues from the sale of such licenses are recognized at the point in time at which control of the licence is transferred to the customer. This is tantamount to stating that in the case of proprietary licenses sold without significant related services, regardless of the licensing period, the arising revenues are recognized on a one-off basis at the point in time of transferring control of the licence. We have also identified instances of selling licenses the nature of which is to provide a right to access the intellectual property. Those licenses are, as a rule, sold for a definite period. In accordance with IFRS 15, the Group now recognizes such revenues based on the determination whether the license provides the customer with a right to access or a right to use.

▪ **Maintenance services and warranties**

The category of 'Proprietary licenses and services' also presents revenues from own maintenance services, including revenues from warranties. Such services, in principle, constitute a separate performance obligation where the customer consumes the benefits of goods/services as they are delivered by the provider, as a consequence of which revenues are recognized over time during the service performance period.

In many cases, the Group also provides a warranty for goods and services sold. Most warranties granted by the Group meet the definition of service, these are the so-called extended warranties the scope of which is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications. The conclusion regarding the extended nature of a warranty is made whenever the Group contractually undertakes to repair any errors in the delivered software within a strictly specified time limit and/or when such warranty is more extensive than the minimum required by law. In the context of IFRS 15, the fact of granting an extended warranty indicates that the Group actually provides an additional service. In accordance with IFRS 15, this means the Group needs to recognize an extended warranty as a separate performance obligation and allocate a portion of the transaction price to such service. In all cases where an extended warranty is accompanied by a maintenance service, which is even a broader category than an extended warranty itself, revenues are recognized over time because the customer consumes the benefits of such service as it is performed by the provider. If this is the case, the Group continues to allocate a portion of the transaction price to such maintenance service. Likewise, in cases where a warranty service is provided after the project completion and is not accompanied by any maintenance service, then a portion of the transaction price and analogically recognition of a portion of contract revenues will have to be deferred until the warranty service is actually fulfilled. In the case of warranties the scope of which is limited to the statutory minimum, our accounting policy remained unchanged, meaning such future and contingent obligations will be covered by provisions for warranty repairs which, if materialized, will be charged as operating costs.

b) Sale of third-party licenses and services

The category of 'Third-party licenses and services' includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance and outsourcing services provided by their manufacturers). Revenues from the sale of third-party licenses are as a rule accounted for as sales of goods, which means that such revenues are recognized at the point in time at which control of the licence is transferred to the customer. Concurrently, revenues from third-party services, including primarily third-party maintenance services, are recognized over time when such services are provided to the customer. Whenever the Group is involved in the sale of third-party licenses or services, we consider whether the Group acts as a principal or an agent; however, in most cases the conclusion is that the Group is the main party required to satisfy a performance obligation and therefore the resulting revenues are recognized in the gross amount of consideration.

c) Sale of hardware

The category of the 'Sale of hardware' includes revenues from contracts with customers for the supply of infrastructure. In this category, revenues are recognized basically at the point in time at which control of the equipment is transferred. This does not apply only to situations where hardware is not delivered separately from services provided alongside, in which case the sale of hardware is part of a performance obligation involving the supply of a comprehensive infrastructure system. However, such comprehensive projects are a rare practice in the Group as the sale of hardware is predominantly performed on a distribution basis.

In the case of contracts that contain a component of providing a service or equipment, the entity considers whether such arrangements contain a lease (i.e. whether the entity conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Group has not identified any finance lease components within contracts concluded with customers.

Variable consideration

In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Group 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.

The Group is party to a number of contracts which provide for penalties for non-performance or improper performance of contractual obligations. Any contractual penalties may therefore affect the consideration, which has been stated as a fixed amount in the contract, and make it subject to change due to such expected penalties. Therefore, as part of estimating the amount of consideration receivable under a contract, the Group has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as it was until now. Apart from contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Group.

Allocating the transaction price to performance obligations

The Group 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 Group 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 Group 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 Group's 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, the Group 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 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 Group in order to obtain a contract with

a customer that it would not have incurred if the contract had not been obtained. The Group 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 Group satisfies the performance obligations arising from the contract.

As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group 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 Group 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: (i) the costs relate directly to a contract or to an anticipated contract with a customer; (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

Other practical expedients used by the Group

When appropriate, the Group also applies a practical expedient permitted under IFRS 15 whereby if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the Group may recognize revenue in the amount it is entitled to invoice.

Revenues other than revenues from contracts with customers (not subject to IFRS 15)

Revenues other than revenues from contracts with customers are generated by the Group primarily from outsourcing of IT hardware (e.g. ATMs, servers and POS terminals). Each time the Group determines whether all the risks and rewards incidental to the use of rented equipment have been transferred to the customer. Most often, the Group concludes that outsourcing contracts have the characteristics of operating leases.

Estimates

As described above, the Group fulfils performance obligations, a large number of which (including those for the provision of a functional IT system) are measured using the percentage of completion method. Such valuation requires making estimates of future operating cash flows in order to measure the progress of project execution. The percentage of completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required. Making a valuation which results in revenue recognition each time requires the exercise of professional judgment and a significant amount of estimates.

Similarly, estimates and professional judgment are required in determining the expected amount of revenues from contracts with customers, in cases where the consideration is variable usually due to the determination of contractual penalties for delayed delivery of IT systems or performance of related services.

Estimates of revenues other than revenues from contracts with customers are related to the assessment of the nature of contracts involving the provision of assets to customers (the Group acting as a lessor). Considering the fact that the lease term is in most cases shorter than the substantial useful life of leased assets, and that significant risks and rewards incidental to ownership of leased assets have not been transferred to the Group's customers, the Group has concluded that these contracts are operating leases.

Operating revenues in the period of 12 months ended 31 December 2022 and in the comparable period were as follows:

| | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 |
|---|-------------------------------------|-------------------------------------|
| | PLN'000 | PLN'000 |
| Operating revenues by type of products | | |
| Proprietary software and services | 1,027,043 | 830,560 |
| Third-party software and services | 180,857 | 131,693 |
| Hardware and infrastructure | 357,593 | 184,396 |
| Total | 1,565,493 | 1,146,649 |

i. Operating revenues of segments in a breakdown by type of products

Operating revenues of individual segments from sales to external customers by type of products during the period of 12 months ended 31 December 2022 and in the comparable period were as follows:

| | Banking Solutions PLN'000 | Payment Solutions PLN'000 | Dedicated Solutions PLN'000 | Total PLN'000 |
|---|------------------------------|------------------------------|--------------------------------|------------------|
| 12 months ended 31 December 2022 | | | | |
| Proprietary software and services | 263,309 | 491,293 | 272,441 | 1,027,043 |
| Third-party software and services | 4,695 | 9,074 | 167,088 | 180,857 |
| Hardware and infrastructure | 7,696 | 254,180 | 95,717 | 357,593 |
| Total operating revenues | 275,700 | 754,547 | 535,246 | 1,565,493 |

| | Banking Solutions PLN'000 | Payment Solutions PLN'000 | Dedicated Solutions PLN'000 | Total PLN'000 |
|---|------------------------------|------------------------------|--------------------------------|------------------|
| 12 months ended 31 December 2021 | | | | |
| Proprietary software and services | 228,270 | 398,414 | 203,876 | 830,560 |
| Third-party software and services | 4,070 | 4,417 | 123,206 | 131,693 |
| Hardware and infrastructure | 3,547 | 124,927 | 55,922 | 184,396 |
| Total operating revenues | 235,887 | 527,758 | 383,004 | 1,146,649 |

ii. Operating revenues in a breakdown by countries in which they were generated

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Operating revenues by countries | | |
| Austria | 26,651 | 25,792 |
| Bosnia and Herzegovina | 103,518 | 37,971 |
| Bulgaria | 14,997 | 17,721 |
| Croatia | 197,427 | 133,050 |
| Montenegro | 28,573 | 18,554 |
| Czech Republic | 19,582 | 16,790 |
| Spain | 213,426 | 139,807 |
| Kosovo | 23,054 | 16,219 |
| Macedonia | 76,382 | 62,888 |
| Peru | 15,901 | 9,527 |
| Poland | 11,930 | 11,872 |
| Portugal | 14,102 | 13,366 |
| Romania | 201,438 | 145,568 |
| Serbia | 373,079 | 310,539 |
| Slovenia | 24,454 | 26,413 |
| Turkey | 121,728 | 92,298 |
| Italy | 14,788 | 9,767 |
| Other countries | 84,463 | 58,507 |
| Total operating revenues | 1,565,493 | 1,146,649 |

iii. Revenues from contracts with customers by the method of recognition in the statement of profit and loss

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Revenues from contracts with customers recognized in accordance with IFRS 15, of which: | | |
| From goods and services transferred at a specific point in time | 538,222 | 328,093 |
| From goods and services transferred over the passage of time | 932,973 | 727,807 |
| Other operating revenues (mainly from leases) | 94,298 | 90,749 |
| Total operating revenues | 1,565,493 | 1,146,649 |

Operating revenues, which are not recognized in accordance with IFRS 15, represent primarily revenues generated by the Group from the provision of ATMs and POS terminals outsourcing services. Such contracts

are treated as operating lease contracts and revenues generated therefrom are recognized in accordance with IFRS 16.

iv. *Other performance obligations*

The table below discloses revenues that the Group 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 |
|--|------------------|
| 1 year | 575,434 |
| Over 1 year | 519,616 |
| Total | 1,095,050 |

Because the Group closely monitors its revenues for the next three years only, the amount disclosed in the line 'Over 1 year' corresponds to revenues contracted for 2024-2025.

v. *Outsourcing contracts – the Group acting as a lessor*

The Group implements a number of contracts for outsourcing of payment transaction processes. The total amounts of future minimum lease payments receivable under such contracts have been estimated as follows:

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Future minimum lease payments | | |
| (i) within 1 year | 94,636 | 82,227 |
| (ii) within 1 to 5 years | 72,987 | 88,827 |
| (iii) within more than 5 years | 1,858 | 2,707 |
| Total | 169,481 | 173,761 |

5.2. Structure of operating costs

Selected accounting policies

The Group discloses its operating costs both by cost nature and 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 Group companies' 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 Group'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 Group companies in exchange for work performed by their employees or for termination of employment. If an employee performs work for the benefit of Group companies, 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 Group, post-employment benefits, as well as the costs of share-based payment transactions with employees.

Estimates

Due to the fact that the Group's costs are accounted for on an accrual basis, a portion of costs disclosed in the statement of profit and loss 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 Group companies.

The table below presents operating costs incurred in the period of 12 months ended 31 December 2022 and in the comparable period.

| Operating costs | 12 months ended | 12 months ended |
|---|--------------------|--------------------------------|
| | 31 December 2022 | 31 December 2021 (restated) |
| | PLN'000 | PLN'000 |
| Cost of goods, materials and third-party services sold (COGS) | (611,277) | (400,612) |
| Employee benefits | (485,186) | (380,396) |
| Third-party non-project services and outsourcing of employees | (62,995) | (44,533) |
| Depreciation and amortization | (92,876) | (78,542) |
| Maintenance costs of property and company cars | (52,358) | (38,815) |
| Business trips | (7,742) | (1,936) |
| Advertising | (11,163) | (5,704) |
| Other operating expenses | (26,520) | (17,581) |
| Total | (1,350,117) | (968,119) |
| Cost of sales | (1,170,433) | (829,517) |
| Selling costs | (93,039) | (68,612) |
| General and administrative expenses | (84,755) | (68,033) |
| Recognition (reversal) of allowances for trade receivables | (1,890) | (1,957) |
| Total | (1,350,117) | (968,119) |

Third-party non-project services include consulting services which are not related to specific projects, as well as auditing, legal, banking, postal, courier services, and stock exchange fees.

Maintenance costs of property and company cars include the costs of equipment repairs and spare parts used for the executed projects, costs of repairs and maintenance of tangible assets (including infrastructure provided under our outsourcing contracts), maintenance costs of intangible assets, office space rental and maintenance fees, as well as maintenance of company cars.

Share-based payment transactions with employees

Currently, the Group has two share-based payment plans as defined in IFRS 2 which are settled in equity instruments.

2021 plan

On 23 September 2021, Asseco International a.s. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A. The whole incentive plan covers 547,550 shares of ASEE S.A. which represent 1.06% 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 341,336 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 September 2021. The purchase price was set at the market price on the acquisition date and amounted to PLN 40 per share. 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 from 23 September 2021. The payment for shares shall be made in 9 instalments, the first one after signing the agreements and subsequently in 8 annual instalments, payable from 31 July 2023. Interest will be charged starting from the shares acquisition date till making the payment, in the amount of 1.5% + max (EURIBOR12M,0) on an annual basis. The amount of such variable component will be determined at the beginning of each subsequent annual interest period. The accrued interest will be paid each year along with the payment of consecutive instalments of the price. 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 5 years. The managers shall be entitled to make an early payment for all the shares acquired at the agreed price of PLN 40 per share upon expiry of a 4-year period, i.e. from 23 September 2025. Any 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 incentive plan was estimated based on the Black-Scholes Merton model. The value of option rights was measured using Monte Carlo simulation techniques combined with the linear least squares regression, i.e. the Longstaff-Schwartz method. The total fair value of the plan as at the rights vesting date amounted to PLN 1,984 thousand. The incentive plan costs will be accounted for, along with the corresponding increase in equity, as the costs of employee benefits and recognized in the financial results of ASEE Group for the years 2021-2029.

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 40 |
| Purchase price of 1 share | PLN 40 |
| Expected volatility in share price | 29% |
| Expected volatility in EUR/PLN exchange rate | 6% |
| Interest rate on PLN | 1.5% to 1.7% |
| Interest rate on EUR | -0.54% to -0.40% |

The expected share price volatility of 29% was computed based on historical quotes of our shares in the period of six months preceding the date of the shares sale transaction, taking into account their average prices.

In the valuation process, possible changes in the asset value resulting from the payment of dividends were taken into account. As at the valuation date, it is expected that dividends to be paid over the exercise period of purchase rights for ASEE shares will amount to PLN 1.00 per share annually.

The options may be exercised within 1 year for shares to be paid up in 2026, 2 years for shares to be paid up in 2027, and 3 years for shares to be paid up in 2028. These periods were correlated with the lock-up period applicable to the sale of shares.

The standalone financial statements present the costs related to the acquisition of 316,425 shares, including 280,000 shares acquired by Piotr Jeleński, CEO of ASEE S.A., and 25,000 shares acquired by Michał Nitka, Member of the Management Board of ASEE S.A.

The costs of this share-based payment plan disclosed in the consolidated financial statements of ASEE Group for the year ended 31 December 2022 amounted to PLN 291 thousand, as compared to PLN 80 thousand in 2021. In correspondence, this transaction was recognized as a separate item of the Group's equity, in the same amount as disclosed in remuneration costs.

2022 plan

On 22 August 2022, ASEE S.A. signed agreements to sell shares in Payten Holding S.A. to the managers of ASEE Group companies. The whole incentive plan covers 426,571 shares of Payten Holding S.A. which represent 0.93% of the company's share capital.

The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2.

The purchase rights were vested on 22 August 2022. The purchase price amounted to PLN 22.57 per share. 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. The payment for shares shall be made in 9 instalments, the first one after signing the agreements and subsequently in 8 annual instalments, payable from 31 December 2023. Interest will be charged starting from the shares acquisition date till making the payment, in the amount of 1.5% + max (EURIBOR12M,0) on an annual basis. The amount of such variable component will be determined at the beginning of each subsequent annual interest period. The accrued interest will be paid each year along with the payment of consecutive instalments of the price. 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 5 years. The managers shall be entitled to make an early payment for all the shares acquired at the agreed price of PLN 22.57 per share upon expiry of a 4-year period, i.e. from 23 August 2026. Any 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 incentive plan was estimated based on the Black-Scholes Merton model. The value of option rights was measured using Monte Carlo simulation techniques combined with the linear least squares regression, i.e. the Longstaff-Schwartz method. The total fair value of the plan as at the rights vesting date amounted to PLN 2,141 thousand. The incentive plan costs will be accounted for, along with the corresponding increase in equity, as the costs of employee benefits and recognized in the financial results of ASEE Group for the years 2022-2030.

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 Payten Holding S.A. on the acquisition date | PLN 26.06 |
| Purchase price of 1 share | PLN 22.57 |
| Expected volatility in share price | 30-36% |
| Expected volatility in EUR/PLN exchange rate | 6-8% |
| Interest rate on PLN | 5.6%-6.5% |
| Interest rate on EUR | 0.67%-1.26% |

Payten Holding shares are not listed and their market price has been computed by reference to the market price of ASEE shares. The expected volatility in the price of Payten Holding shares has been calibrated based on historical quotes of ASEE shares in the period comparable to the maturity of purchase rights.

In the valuation process, possible changes in the asset value resulting from the payment of dividends were taken into account. As at the valuation date, it is expected that dividends to be paid over the exercise period of purchase rights for Payten Holding shares will amount to PLN 0.73 per share annually.

The options may be exercised within 4 months for shares to be paid up in 2027, 1 year and 4 months for shares to be paid up in 2028, 2 years and 4 months for shares to be paid up in 2029, and 3 years and 4 months for shares to be paid up in 2030. These periods were correlated with the lock-up period applicable to the sale of shares.

The costs of this share-based payment plan disclosed in the consolidated financial statements of ASEE Group for the year ended 31 December 2022 amounted to PLN 127 thousand. In correspondence, this transaction was recognized as a separate item of the Group's equity, in the same amount as disclosed in remuneration costs.

i. Reconciliation of depreciation and amortization charges

The table below presents the reconciliation of depreciation and amortization charges recognized in the statement of profit and loss with those disclosed in the tables of changes in property, plant and equipment, intangible assets, as well as in right-of-use assets:

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 (restated) PLN'000 |
|---|--|--|
| Depreciation charges as disclosed in the table of changes in property, plant and equipment | (49,327) | (47,066) |
| Amortization charges as disclosed in the table of changes in intangible assets | (21,512) | (11,372) |
| Depreciation charges as disclosed in the table of changes in right-of-use assets | (22,002) | (20,069) |
| Depreciation charges on investment property | (35) | (35) |
| Total depreciation and amortization charges disclosed in the statement of profit and loss and in the statement of cash flows | (92,876) | (78,542) |

5.3. Other operating income and expenses

Selected accounting policies

In other operating activities, the Group discloses primarily income and expenses that are not related to our core IT operations.

Other operating income and expenses in the period of 12 months ended 31 December 2022 and in the comparable period were as follows:

| Other operating income | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Gain on disposal of property, plant and equipment and right-of-use assets | 598 | 1,167 |
| Income from letting of own office space | 56 | 59 |
| Reversal of a provision for the costs of court litigation relating to other operations | 47 | 21 |
| Grants and subsidies received | 640 | 22 |
| Gain on modification of lease contracts | 515 | 83 |
| Other | 1,311 | 1,671 |
| Total | 3,167 | 3,023 |

| Other operating expenses | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Loss on disposal of property, plant and equipment | (74) | (45) |
| Charitable contributions to unrelated parties | (625) | (507) |
| Provisions created, including for the costs of court litigation relating to other operations | (55) | (83) |
| Other | (1,826) | (900) |
| Total | (2,580) | (1,535) |

5.4. Financial income and expenses

Selected accounting policies

Interest income comprises primarily interest on investments in debt securities (including loans granted and cash deposits with a maturity of more than three months). Such income is measured at amortized cost using the effective interest rate. Other interest income comprises interest on trade receivables, interest on leases, as well as discounts on costs (liabilities) accounted for using the effective interest method.

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

Financial income earned during the period of 12 months ended 31 December 2022 and in the comparable period was as follows:

| Financial income | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Interest income on loans granted and bank deposits | 2,127 | 2,385 |
| Positive foreign exchange differences | 17,633 | 20,803 |
| Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss | 227 | 173 |
| Gain on revaluation of conditional payments in transactions to obtain control | - | 1,100 |
| Gain on revaluation of liabilities from the acquisition of non-controlling interests (put options) | 1,607 | - |
| Gain on the net monetary position – hyperinflation | 22,515 | - |
| Other financial income | 67 | 103 |
| Total financial income | 44,176 | 24,564 |

Gain on the net monetary position resulted from the inflation-related revaluation of non-monetary items in the statement of financial position and the statement of profit and loss of our subsidiaries operating in Turkey, using the rate of inflation in the current year. Detailed information on such revaluation is presented in note 2.10.

Financial expenses incurred during the period of 12 months ended 31 December 2022 and in the comparable period were as follows:

| Financial expenses | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|---|--|--|
| Interest expenses on bank loans and borrowings | (2,616) | (1,018) |
| Interest expenses on leases | (1,549) | (1,706) |
| Other interest expenses | (558) | (1,193) |
| Negative foreign exchange differences | (4,699) | (5,068) |
| Expenses related to obtaining control over subsidiaries | - | (448) |
| Loss on revaluation of conditional payments in transactions to obtain control and/or buyout of minority interests | (1,194) | (1,779) |
| Loss on revaluation of liabilities from the acquisition of non-controlling interests (put options) | (3,871) | - |
| Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss | (154) | (727) |
| Loss on sale of a subsidiary company | (3,035) | - |
| Dividends declared for minority shareholders in acquisitions accounted for using the present ownership method | (4,170) | - |
| Other financial expenses | (64) | (49) |
| Total financial expenses | (21,910) | (11,988) |

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

Gain/loss on revaluation of conditional payments in transactions to obtain control resulted from changes in the estimates of deferred contingent liabilities arising from the acquisition of controlling interests in subsidiaries.

Gain/loss on revaluation of liabilities from the acquisition of non-controlling interests (put options) results from changes in the estimates that are the basis for the calculation of a liability arising from put options if, under the purchase agreement, benefits incidental to ownership of such puttable equity instruments shall be transferred to the Parent Company (present ownership).

Loss on sale of a subsidiary company resulted from the sale of our subsidiary Vebspot doo because the value of net assets of the company disposed (including goodwill recognized as at the acquisition date) was higher than the selling price. Detailed information on this transaction has been provided in explanatory note 6.4.

5.5. Corporate income tax

Selected accounting policies

The Group 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 arising from 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 statement of profit and loss.

The Group recognizes deferred tax assets in order to carry unused tax losses forward to the extent that it is probable that sufficient future taxable income will be available to offset unused tax losses. In assessing whether it is probable that future taxable income will be sufficient, the Group takes into account the nature, origin and timing of such income and ensures that convincing evidence is collected.

Estimates

The Group makes an assessment of realizability of deferred income tax assets at each reporting date. This assessment requires the exercise of professional judgment and estimates, among others, regarding the future taxable income.

Pursuant to IFRIC 23, if the Group believes it is probable that a particular tax treatment or group of tax treatments of the Group companies will be accepted by the taxation authority, then each company of the Group shall determine the taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates consistently with the tax treatment that it used or plans to use in its income tax filings. When assessing such probability, the company shall assume that the taxation authority which is authorized to inspect and challenge its tax treatments will carry out such an inspection and will have access to all information.

If the Group concludes it is not probable that a particular tax treatment or group of tax treatments will be accepted by the taxation authority, then a company of the Group shall reflect the effects of such uncertainty in accounting for income tax for the period when so ascertained. The Group shall recognize an income tax liability using one of the following two methods, depending on which approach provides better predictions of the resolution of the uncertainty:

- the Group determines the most likely scenario – the single most likely amount in a range of possible outcomes, or
- the Group recognizes the expected value – the sum of amounts weighted by the probability of possible outcomes.

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

| | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 (restated) |
|--|-------------------------------------|---|
| | PLN'000 | PLN'000 |
| Current corporate income tax expense as disclosed in the statement of profit and loss, of which: | | |
| <i>Current portion of income tax</i> | (44,971) | (39,234) |
| <i>Corrections of CIT filings for prior years</i> | (46,557) | (40,700) |
| Deferred income tax | 1,586 | 1,466 |
| Income tax expense as disclosed in the statement of profit and loss | (42,224) | (38,234) |

Companies of our Group operate in various tax jurisdictions and are subject to different tax laws, while in each country regulations pertaining to the value added tax, corporate income tax, personal income tax or social security are frequently amended, thereby depriving taxpayers of a possibility to refer to well established court decisions and precedents. The current regulations in force are not always unambiguous, which may cause additional discrepancies in their interpretation. Tax treatments may be subject to audit by the taxation authorities. Should any irregularities in tax settlements be detected, a taxpayer is obliged to pay the outstanding amounts along with the statutory interest thereon. Payment of tax arrears does not always release a taxpayer from penal and fiscal liability. Due to such circumstances, tax treatments are subject to a relatively high risk.

Settlement of tax liabilities may come under scrutiny for a period of several years back, depending on the country in which the Group company operates. In effect, the amounts of taxes payable disclosed in the financial statements may be later changed, after they are finally determined by the taxation authorities.

The table below presents the reconciliation of corporate income tax payable on pre-tax profit at the statutory tax rate, with corporate income tax computed at the Group's effective tax rate:

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 (restated) PLN'000 |
|---|--|--|
| Pre-tax profit | 238,210 | 192,269 |
| Statutory corporate income tax rate | 19% | 19% |
| Corporate income tax computed at the statutory tax rate | 45,260 | 36,531 |
| Difference due to different rates of corporate income tax paid abroad | (396) | (392) |
| Change in estimates of deferred tax assets recognized on the so-called "external temporary differences" resulting from dividend payments within the Group | 4,441 | 6,288 |
| Utilization of tax credits and other tax deductibles | (1,065) | (1,126) |
| Non-taxable income achieved in a special technological zone | (7,558) | (6,850) |
| Non-tax-deductible expenses incurred in a technological zone | 3,368 | 3,283 |
| Representation expenses | 289 | 170 |
| Depreciation and amortization charges, differences in rates of depreciation and amortization | 305 | 432 |
| Write-downs on receivables/inventories/tangible assets | 97 | 100 |
| Costs of share-based payment transactions with employees | 79 | 15 |
| Remuneration of the Supervisory Board | 79 | 65 |
| Changes in the calculation of corporate income tax for the prior years | (1,670) | (1,476) |
| Costs of company acquisitions | - | 17 |
| Gain/loss on disposal of a subsidiary | 264 | 1,131 |
| Utilization of tax losses and change in deferred tax assets arising from tax losses | 627 | 183 |
| Impact of hyperinflation | (4,400) | - |
| Other permanent differences | 2,504 | (137) |
| Corporate income tax at the effective tax rate of 17.7% in 2022, and 19.9% in 2021 | 42,224 | 38,234 |

Our effective tax rate equalled 17.7% in 2022, decreasing by 2.2 percentage points in relation to the previous year. Such lower effective tax rate was basically due to:

- impact of hyperinflation on the consolidated statement of profit and loss,
- lower amount of dividends received by the holding company from outside of the European Union,
- transfer of the Croatia-based company Monri Payments completed in the previous year.

Other changes resulted from our operating activities and the geographical structure of generated income.

The table below presents information on deferred tax assets and liabilities:

| | Deferred tax liabilities, gross | | Deferred tax assets, gross | |
|---|---------------------------------|---|-----------------------------|---|
| | 31 December 2022 PLN'000 | 31 December 2021 (restated) PLN'000 | 31 December 2022 PLN'000 | 31 December 2021 (restated) PLN'000 |
| Property, plant and equipment | 2,638 | 1,429 | 3,935 | 3,612 |
| Intangible assets | 4,363 | 7,325 | 364 | 239 |
| Right-of-use assets | 1,205 | 1,141 | - | - |
| Financial assets carried at fair value through profit or loss | 98 | 20 | 48 | 78 |
| Loans granted | 429 | 107 | - | - |
| Inventories | - | - | 1,721 | 1,769 |
| Prepayments and accrued income | - | - | 26 | 40 |
| Trade receivables | 25 | 3 | 1,277 | 941 |
| Contract assets | 1,689 | 762 | 83 | - |
| Other receivables | 1,276 | - | - | 32 |
| Provisions | - | 5 | 1,053 | 594 |
| Trade payables | - | - | 1,226 | 365 |
| Contract liabilities | 6 | 59 | 1,043 | 146 |
| Financial liabilities, including lease liabilities | - | - | 2,147 | 2,182 |
| Other liabilities | 3 | - | 300 | 53 |
| Accruals | 5 | - | 2,313 | 1,211 |
| Deferred income | 41 | - | 2 | - |
| Losses deductible against future taxable income | - | - | 1,283 | 1,906 |

| | | | |
|---|---------------|---------------|---------------|
| Deferred tax liabilities, gross | 11,778 | 10,851 | - |
| Deferred tax assets, gross | - | 16,821 | 13,168 |
| Write-down due to inability to realize a deferred tax asset | | (111) | - |
| Deferred tax assets, net | - | 16,710 | 13,168 |
| Deferred tax liabilities/assets, net | 6,485 | 8,430 | 11,417 |
| | | | 10,747 |

The Group made an estimate of taxable income planned to be achieved in the future and concluded it will enable full recovery of deferred tax assets disclosed in these consolidated financial statements.

5.6. Earnings per share

Selected accounting policies

Basic earnings per share attributable to shareholders of the Parent Company 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 that period.

Diluted earnings per share attributable to shareholders of the Parent Company 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 that period and all shares from potential new issuances.

Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share, hence our basic earnings per share and diluted earnings per share are equal. The table below presents net profits and numbers of shares used for the calculation of earnings per share.

| | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 (restated) |
|--|-------------------------------------|---|
| Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share | 51,894,251 | 51,894,251 |
| Net profit attributable to shareholders of the Parent Company for the reporting period (in thousands of PLN) | 188,258 | 149,242 |
| Consolidated earnings per share for the reporting period (in PLN) | 3.63 | 2.88 |

5.7. 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 21 June 2022 decided to pay out a dividend in the total amount of PLN 66,425 thousand or PLN 1.28 per share to all of the Company's shareholders. The Company's Annual General Meeting established 29 June 2022 as the dividend record date. The dividend was paid out on 12 July 2022. The number of shares eligible for dividend was 51,894,251.

In 2021, the Parent Company paid out to its shareholders a dividend for the year 2020. 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 10 June 2021 decided to pay out a dividend in the total amount of PLN 51,894 thousand or PLN 1.00 per share to all of the Company's shareholders. The Company's Annual General Meeting established 24 June 2021 as the dividend record date. The dividend was paid out on 7 July 2021. The number of shares eligible for dividend was 51,894,251.

VI. Explanatory notes to the consolidated statement of financial position

6.1. Property, plant and equipment

Selected accounting policies

Initial recognition

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 may also include the cost of replacing parts of machinery or equipment at the time that cost is incurred if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the statement of profit and loss 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.

Measurement at each reporting date

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:

| Type | Period (in years) |
|---|----------------------|
| Buildings and structures | 40 |
| Computers and telecommunication equipment | 1-5 |
| Furniture | 2-8 |
| Office equipment | 5-10 |
| Transportation vehicles | 4-6 |
| Other tangible assets | 2-5 |
| Leasehold improvements | 5 |

Impairment of property, plant and equipment

At each reporting date, the Group determines whether there are any indications of impairment of tangible assets. In the event such indications occur, or when it is necessary to carry out an annual impairment test, the Group estimates the recoverable amount of a given asset or cash-generating unit to which such asset has been allocated. Impairment losses on assets used in continuing operations are recognized as operating expenses.

Derecognition

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 in the statement of profit and loss for the period when such derecognition is made.

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that requires substantial time to be prepared to its intended use or sale, are capitalized by the Group as part of such asset's purchase price or production cost. Other borrowing costs are recognized as expenses in the period in which they are incurred.

Estimates

At each reporting date, the Group determines if there are any objective indications of impairment of a given component of property, plant and equipment.

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

The level of depreciation rates is determined on the basis of anticipated period of useful life of property, plant and equipment. In 2022 the rates of depreciation and amortization applied by the Group were not subject to any substantial modifications.

The Group companies verify the adopted periods of useful life on an annual basis, taking into account the current estimates.

Changes in the net book value of property, plant and equipment that took place during the period of 12 months ended 31 December 2022 are presented below:

| | Land and buildings PLN'000 | Outsourcing and other equipment PLN'000 | Transportation on vehicles PLN'000 | Other tangible assets PLN'000 | Tangible assets under construction PLN'000 | Total PLN'000 |
|---|-------------------------------|--|---------------------------------------|----------------------------------|---|------------------|
| Net book value of property, plant and equipment as at 1 January 2022 | 8,144 | 103,021 | 4,638 | 12,324 | 1,222 | 129,349 |
| Additions, of which: | 200 | 41,591 | 3,421 | 8,803 | 13,617 | 67,632 |
| Purchases and modernization | 200 | 23,916 | 3,304 | 7,643 | 12,958 | 48,021 |
| Obtaining control over subsidiaries | - | 404 | 117 | 36 | - | 557 |
| Acquisition of right-of-use assets | - | - | - | - | - | - |
| Transfers from tangible assets under construction | - | 11,508 | - | 765 | - | 12,273 |
| Transfers from inventories to tangible assets | - | 5,763 | - | 359 | 615 | 6,737 |
| Reversal of impairment losses | - | - | - | - | 44 | 44 |

| | | | | | | |
|---|--------------|----------------|--------------|----------------|--------------|----------------|
| Reductions, of which: | (965) | (46,056) | (2,050) | (4,472) | (12,617) | (66,160) |
| Depreciation charges | (434) | (42,627) | (1,939) | (4,327) | - | (49,327) |
| Disposal and liquidation | (531) | (602) | (111) | (141) | - | (1,385) |
| Loss of control over subsidiaries | - | (57) | - | (4) | - | (61) |
| Recognition of impairment losses | - | (501) | - | - | - | (501) |
| Transfers from tangible assets under construction | - | - | - | - | (12,273) | (12,273) |
| Transfers to inventories | - | (2,269) | - | - | (344) | (2,613) |
| Other | - | 6,020 | (190) | (5,240) | - | 590 |
| Impact of hyperinflation | - | 1,335 | 310 | 2,053 | - | 3,698 |
| Exchange differences on translation of foreign operations | 175 | 1,387 | (61) | (669) | 28 | 860 |
| Net book value of property, plant and equipment as at 31 December 2022 | 7,554 | 107,298 | 6,068 | 12,799 | 2,250 | 135,969 |

| | | | | | | |
|--|--------------|----------------|--------------|---------------|--------------|----------------|
| As at 1 January 2022 | | | | | | |
| Gross value | 12,556 | 330,523 | 13,295 | 32,593 | 1,268 | 390,235 |
| Accumulated depreciation and impairment losses | (4,412) | (227,502) | (8,657) | (20,269) | (46) | (260,886) |
| Net book value as at 1 January 2022 | 8,144 | 103,021 | 4,638 | 12,324 | 1,222 | 129,349 |
| As at 31 December 2022 | | | | | | |
| Gross value | 12,223 | 376,329 | 17,144 | 40,713 | 2,253 | 448,662 |
| Accumulated depreciation and impairment losses | (4,669) | (269,031) | (11,076) | (27,914) | (3) | (312,693) |
| Net book value as at 31 December 2022 | 7,554 | 107,298 | 6,068 | 12,799 | 2,250 | 135,969 |

Changes in the net book value of property, plant and equipment that took place during the period of 12 months ended 31 December 2021 are presented below:

| | Land and buildings PLN'000 | Outsourcing and other equipment PLN'000 | Transportation vehicles PLN'000 | Other tangible assets PLN'000 | Tangible assets under construction PLN'000 | Total PLN'000 |
|---|-------------------------------|--|------------------------------------|----------------------------------|---|------------------|
| Net book value of property, plant and equipment as at 1 January 2021 | 8,516 | 116,061 | 3,706 | 6,566 | 8,324 | 143,173 |
| Additions, of which: | 1,294 | 32,233 | 2,738 | 8,559 | 9,157 | 53,981 |
| Purchases and modernization | 2 | 13,893 | 1,374 | 3,183 | 8,558 | 27,010 |
| Obtaining control over subsidiaries | 1,292 | 960 | 1,309 | 133 | - | 3,694 |
| Acquisition of right-of-use assets | - | - | 55 | - | - | 55 |
| Transfers from tangible assets under construction | - | 11,095 | - | 5,145 | - | 16,240 |
| Transfers from inventories to tangible assets | - | 6,244 | - | 98 | 385 | 6,727 |
| Reversal of impairment losses | - | 41 | - | - | 214 | 255 |
| Reductions, of which: | (1,724) | (44,049) | (1,943) | (2,881) | (16,339) | (66,936) |
| Depreciation charges | (476) | (42,227) | (1,565) | (2,798) | - | (47,066) |
| Disposal and liquidation | (1,248) | (857) | (378) | (83) | - | (2,566) |
| Transfers from tangible assets under construction | - | - | - | - | (16,240) | (16,240) |
| Transfers to inventories | - | (965) | - | - | (99) | (1,064) |
| Other | - | (1,023) | 265 | 965 | - | 207 |
| Exchange differences on translation of foreign operations | 58 | (201) | (128) | (885) | 80 | (1,076) |
| Net book value of property, plant and equipment as at 31 December 2021 | 8,144 | 103,021 | 4,638 | 12,324 | 1,222 | 129,349 |

| | | | | | | |
|--|--------------|----------------|--------------|--------------|--------------|------------------|
| As at 1 January 2021 | | | | | | |
| Gross value | 12,417 | 315,840 | 10,669 | 22,810 | 8,581 | 370,317 |
| Accumulated depreciation and impairment losses | (3,901) | (199,779) | (6,963) | (16,244) | (257) | (227,144) |
| Net book value as at 1 January 2021 | 8,516 | 116,061 | 3,706 | 6,566 | 8,324 | 143,173 |
| As at 31 December 2021 | | | | | | |
| Gross value | 12,556 | 330,523 | 13,295 | 32,593 | 1,268 | 390,235 |

| | | | | | | |
|--|--------------|----------------|--------------|---------------|--------------|------------------|
| Accumulated depreciation and impairment losses | (4,412) | (227,502) | (8,657) | (20,269) | (46) | (260,886) |
| Net book value as at 31 December 2021 | 8,144 | 103,021 | 4,638 | 12,324 | 1,222 | 129,349 |

Some pieces of equipment have been transferred from inventories to tangible assets because they are utilized in the performance of our outsourcing contracts.

As at 31 December 2022, tangible assets with a book value of PLN 17,053 thousand served as collateral for bank loans as well as for bank overdraft and guarantee facilities.

As at 31 December 2021, tangible assets with a book value of PLN 18,529 thousand served as collateral for bank loans.

6.2. Intangible assets

Selected accounting policies

Intangible assets purchased

Intangible assets purchased in a separate transaction shall be capitalized at purchase cost. Intangible assets acquired as a result of a company takeover shall be capitalized at fair value as at the takeover date.

Internally generated intangible assets

The Group presents in separate categories the final products of development projects ("internally generated software and licenses") and the products which have not been finished yet ("costs of development projects in progress"). An intangible asset generated internally as a result of development work (or completion of the development phase of an internal project) is recognized if, and only if, the Company is able to demonstrate: (i) the technical feasibility of completing such intangible asset so that it would be available for use or sale; (ii) the intention to complete the construction of such intangible asset; (iii) the ability to use or sell such intangible asset; (iv) how such intangible asset is going to generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development work and to make the intangible asset ready for use or sale; (vi) its ability to reliably measure the expenditure for the development work attributable to such intangible asset.

The cost of an internally generated intangible asset is the sum of expenditures incurred from the date when the intangible asset first meets the above-mentioned recognition criteria. Expenditures previously recognized as expenses may not be capitalized. The cost of an internally generated intangible asset comprises directly attributable costs necessary to create, produce, and prepare that asset to be capable of operating in the manner intended by management.

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 statement of profit and loss.

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.

All the intangible assets subject to amortization are amortized under the straight-line method. Presented below are the periods of useful life adopted for intangible assets:

| Type | Period (in years) |
|--|----------------------|
| Purchased licenses and software | 2-5 |
| Internally generated software and licenses | 2-5 |
| Patents and licenses | 2-5 |
| Other | 3-10 |

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. 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 are measured as the difference between net proceeds from the sale of such an asset and its carrying value, and are recognized in the statement of profit and loss at the time when such derecognition is made.

Estimates

At each reporting date, the Group determines if there are any objective indications of impairment of a given component of intangible assets. 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 statement of profit and loss.

The Group verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

The costs of internally generated intangible assets are measured and capitalized in line with the Group's accounting policy. The determination of when to begin the capitalization of such costs is subject to the management's professional judgement as to the technological and economic feasibility of completing the development project. This moment is determined by reaching a stage (milestone) of the project, at which the Group is reasonably certain of being able to complete the intangible asset so that it will be available for use or sale, and that future economic benefits to be obtained from use or sale of such intangible asset will exceed its production cost. When determining the amount of capitalizable expenditures, the Management Board needs to estimate the present value of future cash flows to be generated by the intangible asset.

Changes in the net book value of intangible assets that took place during the period of 12 months ended 31 December 2022 are presented below:

| | Software and internally generated licenses PLN'000 | Costs of development projects in progress PLN'000 | Purchased software, patents, licenses and other intangibles PLN'000 | Intangible assets recognized in business combinations PLN'000 | Total PLN'000 |
|--|---|--|--|--|------------------|
| Net book value of intangible assets as at 1 January 2022 (restated) | 44,212 | 2,430 | 18,884 | 2,812 | 68,338 |
| Additions, of which: | 3,037 | 2,428 | 3,838 | - | 9,303 |
| Purchases and modernization | - | 13 | 3,818 | - | 3,831 |
| Obtaining control over subsidiaries | 2,161 | 298 | 20 | - | 2,479 |
| Capitalization of development project costs | - | 2,117 | - | - | 2,117 |
| Transfers from the costs of development projects in prog | 876 | - | - | - | 876 |
| Reductions, of which: | (18,986) | (876) | (6,893) | (792) | (27,547) |
| Depreciation charges for the reporting period | (14,050) | - | (6,670) | (792) | (21,512) |
| Disposal and liquidation | - | - | (223) | - | (223) |
| Transfers to internally generated software | - | (876) | - | - | (876) |
| Impairment losses | (4,936) | - | - | - | (4,936) |
| Other | - | (16) | 11 | - | (5) |
| Impact of hyperinflation | 227 | - | 479 | - | 706 |
| Exchange differences on translation of foreign operatio | 673 | 46 | 167 | 126 | 1,012 |
| Net book value of intangible assets as at 31 December 2022 | 29,163 | 4,012 | 16,486 | 2,146 | 51,807 |
| <hr/> | | | | | |
| As at 1 January 2022 | | | | | |
| Gross value | 79,774 | 2,430 | 58,406 | 5,458 | 146,068 |
| Accumulated depreciation and impairment losses | (35,562) | - | (39,522) | (2,646) | (77,730) |
| Net book value as at 1 January 2022 (restated) | 44,212 | 2,430 | 18,884 | 2,812 | 68,338 |
| As at 31 December 2022 | | | | | |
| Gross value | 88,713 | 4,012 | 63,812 | 5,729 | 162,266 |
| Accumulated depreciation and impairment losses | (59,550) | - | (47,326) | (3,583) | (110,459) |
| Net book value as at 31 December 2022 | 29,163 | 4,012 | 16,486 | 2,146 | 51,807 |

Changes in the net book value of intangible assets that took place during the period of 12 months ended 31 December 2021 are presented below:

| | Software and internally generated licenses PLN'000 | Costs of development projects in progress PLN'000 | Purchased software, patents, licenses and other intangibles PLN'000 | Intangible assets recognized in business combinations PLN'000 | Total PLN'000 |
|--|---|--|--|--|------------------|
| Net book value of intangible assets as at 1 January 2021 | 13,230 | - | 12,848 | 4,023 | 30,101 |
| Additions, of which: | 36,778 | 2,678 | 10,955 | - | 50,411 |
| Purchases and modernization | 178 | - | 9,811 | - | 9,989 |
| Obtaining control over subsidiaries | 36,339 | 1,224 | 1,144 | - | 38,707 |
| Capitalization of development project costs | - | 1,454 | - | - | 1,454 |
| Transfers from the costs of development projects in prog | 261 | - | - | - | 261 |
| Reductions, of which: | (5,675) | (261) | (4,831) | (1,383) | (12,150) |
| Depreciation charges for the reporting period | (5,675) | - | (4,819) | (878) | (11,372) |
| Disposal and liquidation | - | - | (11) | - | (11) |
| Transfers to internally generated software | - | (261) | - | - | (261) |
| Impairment losses | - | - | - | (505) | (505) |
| Other | (17) | - | 25 | - | 8 |
| Exchange differences on translation of foreign operations | (104) | 13 | (114) | 172 | (33) |
| Net book value of intangible assets as at 31 December 2021 (restated) | 44,212 | 2,430 | 18,884 | 2,812 | 68,338 |

| | | | | | |
|---|---------------|--------------|---------------|--------------|-----------------|
| As at 1 January 2021 | | | | | |
| Gross value | 39,151 | - | 42,947 | 5,172 | 87,270 |
| Accumulated depreciation and impairment losses | (25,921) | - | (30,099) | (1,149) | (57,169) |
| Net book value as at 1 January 2021 | 13,230 | - | 12,848 | 4,023 | 30,101 |
| As at 31 December 2021 | | | | | - |
| Gross value | 79,774 | 2,430 | 58,406 | 5,458 | 146,068 |
| Accumulated depreciation and impairment losses | (35,562) | - | (39,522) | (2,646) | (77,730) |
| Net book value as at 31 December 2021 (restated) | 44,212 | 2,430 | 18,884 | 2,812 | 68,338 |

Both as at 31 December 2022 and 31 December 2021, intangible assets did not serve as collateral for any bank loans.

In the period of 12 months ended 31 December 2022, the Group recognized impairment losses on intangible assets in the amount of PLN 4,936 thousand. Such impairment write-downs resulted from the Management's assessment of the amount of realizable revenues.

For impairment testing purposes, intangible assets are allocated to individual cash-generating units or groups of cash-generating units. The conducted annual impairment tests have been described in detail in explanatory note 6.5 to these consolidated financial statements. The recoverable amount of the costs of development projects in progress was measured as at the reporting date by analyzing the future cash flows to be generated by each of such ongoing projects. Based on the carried out analysis, it was determined that the costs of development projects in progress were not impaired as at the reporting date.

Development projects

In 2022 as well as in the comparable period, development projects carried out by the Group focused on the generation of new software or significant modification/extension of already marketed applications.

In the year ended 31 December 2022, total development project costs which qualified for capitalization amounted to PLN 2,117 thousand (vs. PLN 1,454 thousand in the comparable period) and they were incurred by the following operating segments:

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|---------------------|---|---|
| Banking Solutions | - | - |
| Payment Solutions | - | 378 |
| Dedicated Solutions | 2,117 | 1,076 |
| | 2,117 | 1,454 |

The value of completed development projects amounted to PLN 876 thousand in the period of 12 months ended 31 December 2022, as compared with PLN 261 thousand in 2021.

The total amount of research and development expenditures that were expensed in the period of 12 months ended 31 December 2022 equalled PLN 22,645 thousand, as compared with PLN 26,897 thousand in the comparable period.

6.3. Right-of-use assets

Selected accounting policies

At the contract inception, the Group 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 Group 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 Group recognizes a right-of-use asset and a lease liability.

Short-term leases and leases of low-value assets

The Group 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 Group 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

In the case of contracts identified as leases, the Group recognizes 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 Group).

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 Group 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 Group basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group 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 Group 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 Group applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired.

Estimates

At the contract inception, the Group makes an assessment whether the contract is a lease or contains a lease, and estimates the incremental borrowing rate and the lease term.

At each reporting date, the Group determines if there are any objective indications of impairment of a given right-of-use asset. Such assets are as a rule depreciated using the straight-line method over their expected useful lives.

Changes in the net book value of right-of-use assets that took place during the period of 12 months ended 31 December 2022 are presented below:

| | Land and buildings PLN'000 | Transportation vehicles PLN'000 | Other PLN'000 | Total PLN'000 |
|---|-------------------------------|---------------------------------------|------------------|------------------|
| Net book value of right-of-use assets as at 1 January 2022 | 41,813 | 7,326 | 2,077 | 51,216 |
| Additions, of which: | 10,284 | 4,800 | - | 15,084 |
| Conclusion of new lease contracts | 6,040 | 4,487 | - | 10,527 |
| Modification of existing contracts (lease extension, interest rate change) | 3,787 | 313 | - | 4,100 |
| Obtaining control over subsidiaries | 457 | - | - | 457 |
| Reductions, of which: | (18,305) | (4,214) | (730) | (23,249) |
| Depreciation charges for the reporting period | (17,269) | (4,003) | (730) | (22,002) |
| Acquisition of right-of-use assets | - | - | - | - |
| Early termination of contracts | (273) | (191) | - | (464) |
| Modification of existing contracts (lease shortening, interest rate change) | (763) | (20) | - | (783) |
| Other | (10) | 56 | (751) | (705) |
| Exchange differences on translation of foreign operations | 724 | 21 | 40 | 785 |
| Net book value of right-of-use assets as at 31 December 2022 | 34,506 | 7,989 | 636 | 43,131 |
| As at 1 January 2022 | | | | |
| Gross value | 86,416 | 19,176 | 10,039 | 115,631 |
| Accumulated depreciation and impairment losses | (44,603) | (11,850) | (7,962) | (64,415) |
| Net book value as at 1 January 2022 | 41,813 | 7,326 | 2,077 | 51,216 |
| As at 31 December 2022 | | | | |
| Gross value | 88,181 | 19,513 | 2,912 | 110,606 |
| Accumulated depreciation and impairment losses | (53,675) | (11,524) | (2,276) | (67,475) |
| Net book value as at 31 December 2022 | 34,506 | 7,989 | 636 | 43,131 |

Changes in the net book value of right-of-use assets that took place during the period of 12 months ended 31 December 2021 are presented below:

| | Land and buildings PLN'000 | Transportation vehicles PLN'000 | Other PLN'000 | Total PLN'000 |
|---|-------------------------------|---------------------------------------|------------------|------------------|
| Net book value of right-of-use assets as at 1 January 2021 | 43,158 | 8,698 | 3,855 | 55,711 |
| Additions, of which: | 16,506 | 3,125 | - | 19,631 |
| Conclusion of new lease contracts | 10,191 | 2,339 | - | 12,530 |
| Modification of existing contracts (lease extension, interest rate change) | 1,349 | 17 | - | 1,366 |
| Obtaining control over subsidiaries | 4,966 | 769 | - | 5,735 |
| Reductions, of which: | (17,405) | (4,244) | (1,814) | (23,463) |
| Depreciation charges for the reporting period | (14,491) | (3,764) | (1,814) | (20,069) |
| Acquisition of right-of-use assets | - | (55) | - | (55) |
| Early termination of contracts | (854) | (425) | - | (1,279) |
| Modification of existing contracts (lease shortening, interest rate change) | (2,060) | - | - | (2,060) |
| Other | - | (193) | - | (193) |
| Exchange differences on translation of foreign operations | (446) | (60) | 36 | (470) |
| Net book value of right-of-use assets as at 31 December 2021 | 41,813 | 7,326 | 2,077 | 51,216 |

As at 1 January 2021

| | | | | |
|--|---------------|--------------|--------------|-----------------|
| Gross value | 72,752 | 18,681 | 9,907 | 101,340 |
| Accumulated depreciation and impairment losses | (29,594) | (9,983) | (6,052) | (45,629) |
| Net book value as at 1 January 2021 | 43,158 | 8,698 | 3,855 | 55,711 |
| As at 31 December 2021 | | | | |
| Gross value | 86,416 | 19,176 | 10,039 | 115,631 |
| Accumulated depreciation and impairment losses | (44,603) | (11,850) | (7,962) | (64,415) |
| Net book value as at 31 December 2021 | 41,813 | 7,326 | 2,077 | 51,216 |

6.4. Goodwill

Selected accounting policies

Goodwill

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

Goodwill arising from the acquisition of an entity is initially recognized at purchase cost, which represents the excess of: (i) the value of the consideration transferred; (ii) the amount of any non-controlling interest in the acquired entity; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquired entity; over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects arising from a business combination.

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis as at 31 December, or more frequently if there are indications to do so. Goodwill is not subject to amortization.

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.

Goodwill is derecognized in the case of losing control over the cash-generating unit to which it was allocated.

Within the Group, there are often combinations of businesses under common control, 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. Under such transactions, the fair value of combined assets (including intangible assets) is not remeasured. Likewise, goodwill previously recognized in the consolidated financial statements remains unchanged.

Estimates

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.

Detailed information on impairment tests has been provided in explanatory note 6.5.

For impairment testing purposes, goodwill arising from obtaining control over subsidiaries is allocated to the group of cash-generating units that constitute operating segments.

The following table presents the amounts of goodwill as at 31 December 2022 and 31 December 2021, in a breakdown by operating segments:

| | 31 December 2022 | 31 December 2021 (restated) |
|--|------------------|--------------------------------|
| | PLN'000 | PLN'000 |
| Goodwill | | |
| Goodwill at the beginning of the period | 680,774 | 569,835 |
| Banking Solutions | 205,431 | 207,063 |
| Payment Solutions | 198,392 | 183,077 |
| Dedicated Solutions | 276,951 | 179,695 |
| Change in consolidation goodwill due to the acquisition of shares (+/-) | 59,180 | 124,832 |
| Banking Solutions | 8,037 | - |
| Payment Solutions | 475 | 22,991 |
| Dedicated Solutions | 50,668 | 101,841 |
| Change in consolidation goodwill due to the sale of shares (+/-) | (5,348) | - |
| Banking Solutions | - | - |
| Payment Solutions | (5,348) | - |
| Dedicated Solutions | - | - |
| Change due to hyperinflation (+/-): | 70,739 | - |
| Banking Solutions | 6,480 | - |
| Payment Solutions | 35,630 | - |
| Dedicated Solutions | 28,629 | - |
| Foreign exchange differences (+/-) | (3,719) | (13,893) |
| Banking Solutions | 2,708 | (1,632) |
| Payment Solutions | (5,566) | (7,676) |
| Dedicated Solutions | (861) | (4,585) |
| Total goodwill | 801,626 | 680,774 |
| Banking Solutions | 222,656 | 205,431 |
| Payment Solutions | 223,583 | 198,392 |
| Dedicated Solutions | 355,387 | 276,951 |
| Total as at 31 December | 801,626 | 680,774 |

In the period of 12 months ended 31 December 2022, the balance of goodwill arising from consolidation was affected by the following transactions:

i. Hyperinflation in Turkey

Due to the recognition of the Turkish economy as hyperinflationary, the Group has applied IAS 29 which requires the restatement of non-monetary assets to take into account the change in purchasing power based on the general price index and to be expressed in the measuring units current at the end of the reporting period. One of the non-monetary assets is goodwill recognized as at the date of obtaining control over our Turkish subsidiaries. Such goodwill was comes from the years 2010-2021. The inflation-related revaluation of goodwill from the date of obtaining control till the end of the previous financial year, which amounted to PLN 36,598 thousand, has been disclosed in other comprehensive income and in equity, in the line 'Exchange differences on translation of foreign operations'. The effect of restating goodwill for the inflation rate in the current financial year in the amount of PLN 34,141 thousand has been recognized in financial income or expenses, in the line 'Gain/Loss on the net monetary position'. Both of these revaluations were also translated using the exchange rates effective at the end of the reporting periods. The effect of translation at the closing exchange rate of the previous financial year in the amount of PLN -8,094 thousand was charged against other comprehensive income, whereas the effect of translation of the change in goodwill in the current financial year at the closing exchange rate of the reporting period in the amount of PLN -4,435 thousand decreased

the 'Gain/Loss on the net monetary position'. In correspondence, the effect of exchange rate differences was recognized in 'Exchange differences on translation of foreign operations'.

The impact of hyperinflation on our consolidated financial statements has been described in explanatory note 2.10.

ii. Acquisition of shares in Bithat Solutions s.r.l.

On 16 June 2022, Asseco SEE s.r.l., (Bucharest) acquired 70% of shares in Bithat Solutions s.r.l., a company based in Bucharest (Romania), for the total amount EUR 7.8 million. The purchase price includes conditional payments in the amount of EUR 1.3 million depending on financial results achieved by the acquired company. All non-controlling interests are subject to put/call options and accounted for using the present ownership method. As at the acquisition date, the value of put options was measured at purchase price amounting to EUR 3.5 million, while the carrying amount of non-controlling interests stood at 0.

Until 31 December 2022, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Bithat Solutions s.r.l. as disclosed below may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of Bithat Solutions s.r.l. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/RON effective on the acquisition date):

| | Initial provisional values as at the acquisition date RON'000 | Initial provisional values as at the acquisition date PLN'000 | Provisional values as at the acquisition date RON'000 | Provisional values as at the acquisition date PLN'000 | Level in fair value hierarchy |
|--|---|---|--|--|-------------------------------------|
| Assets acquired | | | | | |
| Property, plant and equipment | 128 | 121 | 128 | 121 | 3 |
| Intangible assets | 2,590 | 2,458 | 2,590 | 2,458 | 3 |
| Right-of-use assets | 144 | 137 | 144 | 137 | 3 |
| Trade receivables | 1,666 | 1,581 | 1,666 | 1,581 | 3 |
| Contract assets | - | - | 608 | 577 | 3 |
| Cash and cash equivalents | 1,821 | 1,728 | 1,821 | 1,728 | 3 |
| Other assets | 433 | 411 | 433 | 411 | 3 |
| Total assets | 6,782 | 6,436 | 7,390 | 7,013 | |
| Liabilities acquired | | | | | |
| Lease liabilities | 145 | 138 | 145 | 138 | 3 |
| Trade payables | 317 | 301 | 317 | 301 | 3 |
| Contract liabilities | - | - | 1,834 | 1,740 | 3 |
| Liabilities to the state and local budgets | 132 | 125 | 132 | 125 | 3 |
| Other liabilities | 359 | 341 | 321 | 305 | 3 |
| Total liabilities | 953 | 905 | 2,749 | 2,609 | |
| Net assets value | 5,829 | 5,531 | 4,641 | 4,404 | |
| Equity interest acquired | 100%* | 100%* | 100%* | 100%* | |
| Value of non-controlling interests | | | | | |
| Purchase price | 38,478 | 36,512 | 35,767 | 33,939 | |
| Goodwill as at the acquisition date | 32,649 | 30,981 | 31,126 | 29,535 | |

*The acquisition has been accounted for using the present ownership method due to the put/call options contained in the company acquisition agreement.

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 17.06.2022: RON 1 = PLN 0.9489

Input data were derived from the company's financial statements drawn up as at 30 June 2022. The input data were prepared in accordance with the ASEE Group's accounting policy.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Bithat Solutions s.r.l. was allocated to the Dedicated Solutions segment.

Acquisition-related expenses were recognized in the statement of profit and loss.

iii. Acquisition of shares in Helius Systems Sh.p.k.

On 27 September 2022, Asseco SEE Sh.p.k. (Kosovo) signed an agreement to acquire 70% of shares in Helius Systems Sh.p.k., a company based in Albania. The Group obtained control over Helius company after the acquisition had been entered into the Albanian register of commercial companies which took place 19 October 2022. The total purchase price equalled EUR 6.9 million. The purchase price includes conditional payments in the amount of EUR 2.0 million depending on financial results achieved by the acquired company. All non-controlling interests are subject to put/call options and accounted for using the present ownership method. As at the acquisition date, the value of put options was measured at purchase price amounting to EUR 2.3 million, while the carrying amount of non-controlling interests stood at 0.

Until 31 December 2022, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Helius Systems as disclosed below may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of Helius Systems as at the date of obtaining control are presented below (converted at the exchange rate of PLN/ALL effective on the acquisition date):

| | Provisional values as at the acquisition date ALL'000 | Provisional values as at the acquisition date PLN'000 | Level in fair value hierarchy |
|---|--|--|----------------------------------|
| Assets acquired | | | |
| Property, plant and equipment | 10,998 | 450 | 3 |
| Intangible assets | 450 | 18 | 3 |
| Right-of-use assets | 8,107 | 332 | 3 |
| Investments accounted for using the equity method | 4,569 | 187 | 3 |
| Trade receivables | 42,486 | 1,740 | 3 |
| Financial assets | 6,633 | 272 | 3 |
| Cash and cash equivalents | 58,015 | 2,376 | 3 |
| Other assets | 1,739 | 71 | 3 |
| Total assets | 132,997 | 5,446 | |
| Liabilities acquired | | | |
| Lease liabilities | 8,107 | 332 | 3 |
| Trade payables | 5,790 | 237 | 3 |
| Contract liabilities | 6,447 | 264 | 3 |
| Liabilities to the state and local budgets | 19,560 | 801 | 3 |
| Prepayments and accrued income | 3,151 | 129 | 3 |
| Other liabilities | 650 | 27 | 3 |
| Total liabilities | 43,705 | 1,790 | |
| Net assets value | 89,292 | 3,656 | |
| Equity interest acquired | | | |
| Value of non-controlling interests | 100%* | 100%* | |
| Purchase price | 813,078 | 33,302 | |
| Goodwill as at the acquisition date | 723,786 | 29,646 | |

*The acquisition has been accounted for using the present ownership method due to the put/call options contained in the company acquisition agreement.

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 19.10.2022: ALL 1 = PLN 0.0410

Input data were derived from the company's financial statements drawn up as at 31 October 2022. The input data were prepared in accordance with the ASEE Group's accounting policy.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Helius Systems was allocated to the Banking Solutions segment in the amount of PLN 8,037 thousand, the Payment Solutions segment in the amount of PLN 475 thousand, and to the Dedicated Solutions segment in the amount of PLN 21,134 thousand.

Acquisition-related expenses were recognized in the statement of profit and loss.

iv. Allocation of the purchase price of Vebspot d.o.o.

On 17 February 2021, Payten Macedonia (Skopje) acquired 100% of shares in the company Vebspot d.o.o. based in Skopje, for the total amount of EUR 1.25 million.

The process of purchase price allocation was completed in the first half of 2022. The fair values of identifiable assets and liabilities of the acquired company as at the date of obtaining control are presented below (converted at the exchange rate of PLN/MDK effective on the acquisition date):

| | Provisional values as at the acquisition date | Provisional values as at the acquisition date | Fair values as at the acquisition date | Fair values as at the acquisition date | Level in fair value hierarchy |
|--|---|---|--|--|-------------------------------|
| | MKD'000 | PLN'000 | MKD'000 | PLN'000 | |
| Assets acquired | | | | | |
| Property, plant and equipment | 1,615 | 118 | 1,615 | 118 | 3 |
| Intangible assets | 3,838 | 280 | 3,838 | 280 | 3 |
| Trade receivables | 4,325 | 316 | 4,325 | 316 | 3 |
| Receivables from the state and local budgets | 181 | 13 | 181 | 13 | 3 |
| Prepayments and accrued income | 23 | 2 | 23 | 2 | 3 |
| Cash and cash equivalents | 3,468 | 253 | 3,468 | 253 | 3 |
| Other assets | 34 | 2 | 34 | 2 | 3 |
| Total assets | 13,484 | 984 | 13,484 | 984 | |
| Liabilities acquired | | | | | |
| Trade payables | 107 | 8 | 107 | 8 | 3 |
| Liabilities to the state and local budgets | 596 | 43 | 596 | 43 | 3 |
| Prepayments and accrued income | 4,153 | 303 | 4,153 | 303 | 3 |
| Other liabilities | 2,516 | 184 | 2,516 | 184 | 3 |
| Total liabilities | 7,372 | 538 | 7,372 | 538 | |
| Net assets value | 6,112 | 446 | 6,112 | 446 | |
| Equity interest acquired | 100% | 100% | 100% | 100% | |
| Purchase price | 92,321 | 6,738 | 76,313 | 5,570 | |
| Goodwill as at the acquisition date | 86,209 | 6,292 | 70,201 | 5,124 | |

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 17.02.2021: MKD 1 = PLN 0.0730

Input data were derived from the company's financial statements drawn up as at 28 February 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Vebspot d.o.o. was allocated to the Payment Solutions segment.

v. Allocation of the purchase price of shares in ContentSpeed s.r.l.

On 22 July 2021, Payten Payment Solutions s.r.l. (Bucharest) acquired 80% of shares in ContentSpeed s.r.l., a company based in Bucharest (Romania), for the total of EUR 2.4 million. The purchase price includes conditional payments in the amount of EUR 0.7 million depending on financial results achieved by the acquired company. All non-controlling interests are subject to put/call options and accounted for using the present ownership method. As at the acquisition date, the value of put options was measured at purchase price amounting to EUR 1.2 million, while the carrying amount of non-controlling interests stood at 0.

The process of purchase price allocation was completed in the first half of 2022. The fair values of identifiable assets and liabilities of ContentSpeed s.r.l. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/RON effective on the acquisition date):

| | Provisional values as at the acquisition date | Provisional values as at the acquisition date | Fair values as at the acquisition date | Fair values as at the acquisition date | Level in fair value hierarchy |
|--|---|---|--|--|-------------------------------|
| | RON'000 | PLN'000 | RON'000 | PLN'000 | PLN'000 |
| Assets acquired | | | | | |
| Property, plant and equipment | 176 | 164 | 176 | 164 | 3 |
| Intangible assets, of which: | 622 | 578 | 9,376 | 8,713 | 3 |
| <i>Intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 8,754 | 8,135 | 3 |
| Right-of-use assets | 886 | 823 | 886 | 823 | 3 |
| Trade receivables and contract assets | 1,097 | 1,019 | 1,097 | 1,019 | 3 |
| Receivables from the state and local budgets | 97 | 90 | 97 | 90 | 3 |
| Inventories | 2 | 2 | 2 | 2 | 3 |
| Cash and cash equivalents | 126 | 117 | 126 | 117 | 3 |
| Other assets | 203 | 189 | 203 | 189 | 3 |
| Total assets | 3,209 | 2,982 | 11,963 | 11,117 | |

| Liabilities acquired | | | | | |
|--|---------------|---------------|---------------|---------------|---|
| Bank loans and borrowings | 438 | 407 | 438 | 407 | 3 |
| Lease liabilities | 856 | 795 | 856 | 795 | 3 |
| Trade payables | 77 | 72 | 77 | 72 | 3 |
| Liabilities to the state and local budgets | 172 | 160 | 172 | 160 | 3 |
| Contract liabilities | 1,078 | 1,002 | 1,078 | 1,002 | |
| Deferred tax liabilities, of which: | - | - | 1,401 | 1,302 | 3 |
| <i>Deferred tax liabilities on intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 1,401 | 1,302 | 3 |
| Other liabilities | 280 | 260 | 280 | 260 | 3 |
| Total liabilities | 2,901 | 2,696 | 4,302 | 3,998 | |
| Net assets value | 308 | 286 | 7,661 | 7,119 | |
| Equity interest acquired | 100%* | 100%* | 100%* | 100%* | |
| Value of non-controlling interests | - | - | - | - | |
| Purchase price | 20,620 | 19,162 | 20,620 | 19,162 | |
| Goodwill as at the acquisition date | 20,312 | 18,876 | 12,959 | 12,043 | |

*The acquisition has been accounted for using the present ownership method due to the put/call options contained in the company acquisition agreement.

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 22.07.2021: RON 1 = PLN 0.9293

Input data were derived from the company's financial statements drawn up as at 31 July 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

As a result of the purchase price allocation, the Group recognized intangible assets constituted by the software of e-Commerce platform. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed. The estimated cash flows were discounted with a discount rate equivalent to the weighted average cost of capital determined for the acquired company. In correspondence to the recognition of assets, the Group recognized deferred tax liabilities.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of ContentSpeed company was allocated to the Payment Solutions segment.

vi. Allocation of the purchase price of IT SISTEMI-NOVE TEHNOLOGIJE d.o.o.

On 28 July 2021, Asseco SEE d.o.o., (Zagreb) signed an agreement to acquire 100% of shares in IT SISTEMI-NOVE TEHNOLOGIJE d.o.o., a company based in Split (Croatia), for the total amount of EUR 6 million. The Group obtained control over IT Sistemi d.o.o. on 8 September 2021 upon satisfying all the conditions precedent. IT Sistemi holds 100% of shares in the company Evision Informacijski Sustavi d.o.o.

The purchase price allocation process was completed in the third quarter of 2022. The fair values of identifiable assets and liabilities of IT Sistemi Group as at the date of obtaining control are presented below (converted at the exchange rate of PLN/HRK effective on the acquisition date):

| | Provisional values as at the acquisition date HRK'000 | Provisional values as at the acquisition date PLN'000 | Fair values as at the acquisition date HRK'000 | Fair values as at the acquisition date PLN'000 | Level in fair value hierarchy |
|--|---|---|--|--|-------------------------------|
| Assets acquired | | | | | |
| Property, plant and equipment | 199 | 120 | 199 | 120 | 3 |
| Intangible assets, of which: | 1,811 | 1,094 | 16,621 | 10,039 | 3 |
| <i>Intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 14,810 | 8,946 | 3 |
| Right-of-use assets | 2,866 | 1,731 | 2,866 | 1,731 | 3 |
| Trade receivables and contract assets | 4,775 | 2,884 | 4,775 | 2,884 | 3 |
| Receivables from the state and local budgets | 510 | 308 | 510 | 308 | 3 |
| Financial assets | 170 | 103 | 170 | 103 | 3 |
| Cash and cash equivalents | 17,375 | 10,495 | 17,375 | 10,495 | 3 |
| Other assets | 1,470 | 888 | 1,470 | 888 | 3 |
| Total assets | 29,176 | 17,623 | 43,986 | 26,568 | |
| Liabilities acquired | | | | | |
| Lease liabilities | 2,923 | 1,765 | 2,923 | 1,765 | 3 |
| Trade payables | 429 | 259 | 429 | 259 | 3 |
| Contract liabilities | 5,060 | 3,056 | 5,060 | 3,056 | |
| Liabilities to the state and local budgets | 759 | 458 | 759 | 458 | 3 |
| Deferred tax liabilities, of which: | - | - | 2,666 | 1,610 | 3 |
| <i>Deferred tax liabilities on intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 2,666 | 1,610 | 3 |
| Other liabilities | 1,877 | 1,134 | 1,877 | 1,134 | 3 |
| Total liabilities | 11,048 | 6,672 | 13,714 | 8,282 | |
| Net assets value | 18,128 | 10,951 | 30,272 | 18,286 | |
| Equity interest acquired | 100% | 100% | 100% | 100% | |
| Value of non-controlling interests | - | - | - | - | |
| Purchase price | 44,938 | 27,143 | 44,938 | 27,143 | |
| Goodwill as at the acquisition date | 26,810 | 16,192 | 14,666 | 8,857 | |

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 08.09.2021: HRK 1 = PLN 0.6040

Input data were derived from the company's financial statements drawn up as at 31 August 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

As a result of the purchase price allocation, the Group recognized intangible assets constituted by BPM-class software. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed. The estimated cash flows were discounted with a discount rate equivalent to the weighted average cost of capital determined for the acquired company. In correspondence to the recognition of assets, the Group recognized deferred tax liabilities.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of IT Sistemi Group was allocated to the Dedicated Solutions segment.

vii. Allocation of the purchase price of Web Studio d.o.o.

On 25 October 2021, Payten d.o.o. (Zagreb) acquired 100% of shares in Web Studio d.o.o., a company based in Rijeka (Croatia). The transaction price amounted to EUR 2.5 million.

The purchase price allocation process was completed in 2022. The fair values of identifiable assets and liabilities of Web Studio d.o.o. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/HRK effective on the acquisition date):

| | Provisional values as at the acquisition date HRK'000 | Provisional values as at the acquisition date PLN'000 | Fair values as at the acquisition date HRK'000 | Fair values as at the acquisition date PLN'000 | Level in fair value hierarchy PLN'000 |
|--|---|---|--|--|---------------------------------------|
| Assets acquired | | | | | |
| Property, plant and equipment | 2,608 | 1,594 | 2,608 | 1,594 | 3 |
| Intangible assets, of which: | 27 | 17 | 7,667 | 4,687 | 3 |
| <i>Intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 7,640 | 4,670 | 3 |
| Trade receivables and contract assets | 1,497 | 915 | 1,497 | 915 | 3 |
| Cash and cash equivalents | 2,412 | 1,474 | 2,412 | 1,474 | 3 |
| Other assets | 100 | 61 | 100 | 61 | 3 |
| Total assets | 6,644 | 4,061 | 14,284 | 8,731 | |
| Liabilities acquired | | | | | |
| Bank loans and borrowings | 768 | 469 | 768 | 469 | 3 |
| Lease liabilities | 251 | 153 | 251 | 153 | |
| Trade payables | 287 | 175 | 287 | 175 | 3 |
| Liabilities to the state and local budgets | 165 | 101 | 165 | 101 | 3 |
| Deferred tax liabilities, of which: | - | - | 1,375 | 841 | 3 |
| <i>Deferred tax liabilities on intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 1,375 | 841 | 3 |
| Other liabilities | 354 | 216 | 354 | 216 | 3 |
| Total liabilities | 1,825 | 1,114 | 3,200 | 1,955 | |
| Net assets value | 4,819 | 2,947 | 11,084 | 6,776 | |
| Equity interest acquired | 100% | 100% | 100% | 100% | |
| Value of non-controlling interests | - | - | - | - | |
| Purchase price | 18,769 | 11,473 | 18,769 | 11,473 | |
| Goodwill as at the acquisition date | 13,950 | 8,526 | 7,685 | 4,697 | |

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 25.10.2021: HRK 1 = PLN 0.6113

Input data were derived from the company's financial statements drawn up as at 31 October 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

As a result of the purchase price allocation, the Group recognized intangible assets constituted by the payment platform software for e-Commerce. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed. The estimated cash flows were discounted with a discount rate equivalent to the weighted average cost of capital determined for the acquired company. In correspondence to the recognition of assets, the Group recognized deferred tax liabilities.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Web Studio d.o.o. was allocated to the Payment Solutions segment.

viii. Allocation of the purchase price of Smarttek A.Ş.

On 1 December 2021, Payten Teknoloji A.Ş. (Istanbul) acquired 100% of shares in Smarttek Yazılım ve Endüstriyel Otomasyon Sanayi ve Ticaret Anonim Şirketi, a company based in Manisa (Turkey).

The transaction price amounted to EUR 375 thousand which constituted a conditional payment depending on future profits achieved by the acquired company.

As at 31 December 2022, the process of purchase price allocation has already been completed by the Group. The fair values of identifiable assets and liabilities of Smarttek A.Ş. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/TRY effective on the acquisition date):

| | Provisional values as at the acquisition date TRY'000 | Provisional values as at the acquisition date PLN'000 | Fair values as at the acquisition date TRY'000 | Fair values as at the acquisition date PLN'000 | Level in fair value hierarchy |
|--|--|--|---|---|-------------------------------|
| Assets acquired | | | | | |
| Property, plant and equipment | 8 | 2 | 8 | 2 | 3 |
| Intangible assets | 1,484 | 442 | 1,484 | 442 | 3 |
| Trade receivables | 109 | 32 | 109 | 32 | 3 |
| Receivables from the state and local budgets | 59 | 18 | 59 | 18 | 3 |
| Inventories | 11 | 3 | 11 | 3 | 3 |
| Cash and cash equivalents | 26 | 8 | 26 | 8 | 3 |
| Other assets | 3 | 1 | 3 | 1 | 3 |
| Total assets | 1,700 | 506 | 1,700 | 506 | |
| Liabilities acquired | | | | | |
| Bank loans and borrowings | 37 | 11 | 37 | 11 | 3 |
| Trade payables | 1,045 | 311 | 1,045 | 311 | 3 |
| Liabilities to the state and local budgets | 21 | 6 | 21 | 6 | 3 |
| Deferred tax liabilities | 63 | 19 | 63 | 19 | 3 |
| Other liabilities | 72 | 21 | 72 | 21 | 3 |
| Total liabilities | 1,238 | 368 | 1,238 | 368 | |
| Net assets value | 462 | 138 | 462 | 138 | |
| Equity interest acquired | 100% | 100% | 100% | 100% | |
| Value of non-controlling interests | - | - | - | - | |
| Purchase price | 4,201 | 1,250 | 4,201 | 1,250 | |
| Goodwill as at the acquisition date | 3,739 | 1,112 | 3,739 | 1,112 | |

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 01.12.2021: TRY 1 = PLN 0.2976

Input data were derived from the company's financial statements drawn up as at 30 November 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Smarttek A.Ş. was allocated to the Payment Solutions segment.

ix. Allocation of the purchase price of BS Telecom Solutions d.o.o. Sarajevo

On 10 December 2021, Asseco SEE d.o.o. (Sarajevo) acquired 60% of shares in BS Telecom Solutions d.o.o. Sarajevo, a company based in Sarajevo (Bosnia and Herzegovina). The Group obtained control over BS Telecom Solutions d.o.o. Sarajevo on 16 December 2021 upon satisfying all the conditions precedent. The transaction price amounted to EUR 15.5 million, of which EUR 7.3 million constitutes a conditional payment depending on future profits achieved by the acquired company. All non-controlling interests are subject to put/call options and accounted for using the present ownership method. As at the acquisition date, the value of put options was measured at purchase price amounting to EUR 9 million, while the carrying amount of non-controlling interests stood at 0.

As at 31 December 2022, the process of purchase price allocation has already been completed by the Group. The fair values of identifiable assets and liabilities of BS Telecom Solutions d.o.o. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/BAM effective on the acquisition date):

| | Provisional values as at the acquisition date BAM'000 | Provisional values as at the acquisition date PLN'000 | Fair values as at the acquisition date BAM'000 | Fair values as at the acquisition date PLN'000 | Level in fair value hierarchy PLN'000 |
|--|--|--|---|---|--|
| Assets acquired | | | | | |
| Property, plant and equipment | 739 | 1,742 | 651 | 1,534 | 3 |
| Intangible assets, of which: | 358 | 844 | 5,808 | 13,689 | 3 |
| <i>Intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 5,450 | 12,845 | 3 |
| Right-of-use assets | 1,266 | 2,984 | 1,355 | 3,194 | 3 |
| Trade receivables | 14,523 | 34,229 | 8,577 | 20,215 | 3 |
| Contract assets | - | - | 5,946 | 14,014 | 3 |
| Receivables from the state and local budgets | 286 | 674 | 65 | 153 | 3 |
| Financial assets | - | - | 531 | 1,252 | 3 |
| Inventories | 4,088 | 9,635 | 4,088 | 9,635 | 3 |
| Cash and cash equivalents | 2,330 | 5,492 | 1,801 | 4,245 | 3 |
| Other assets | 1,373 | 3,236 | 1,417 | 3,340 | 3 |
| Total assets | 24,963 | 58,836 | 30,239 | 71,271 | |
| Liabilities acquired | | | | | |
| Bank loans and borrowings | 11,334 | 26,713 | 11,356 | 26,765 | 3 |
| Lease liabilities | 1,357 | 3,198 | 1,357 | 3,198 | 3 |
| Other financial liabilities | 9 | 21 | - | - | 3 |
| Trade payables | 5,882 | 13,863 | 5,181 | 12,211 | 3 |
| Contract liabilities | - | - | 1,100 | 2,593 | 3 |
| Liabilities to the state and local budgets | 22 | 52 | 280 | 660 | 3 |
| Deferred tax liabilities, of which: | - | - | 545 | 1,285 | 3 |
| <i>Deferred tax liabilities on intangible assets recognized as at the acquisition date (PPA)</i> | - | - | 545 | 1,285 | 3 |
| Other liabilities | 1,010 | 2,380 | 573 | 1,351 | 3 |
| Total liabilities | 19,614 | 46,227 | 20,392 | 48,063 | |
| Net assets value | 5,349 | 12,609 | 9,847 | 23,208 | |
| Equity interest acquired | 100%* | 100%* | 100%* | 100%* | |
| Value of non-controlling interests | - | - | - | - | |
| Purchase price | 47,892 | 112,877 | 47,892 | 112,877 | |
| Goodwill as at the acquisition date | 42,543 | 100,268 | 38,045 | 89,669 | |

*The acquisition has been accounted for using the present ownership method due to the put/call options contained in the company acquisition agreement.

Figures converted to PLN at the exchange rate effective on the acquisition date, i.e. 16.12.2021: BAM 1 = PLN 2.3569

Input data were derived from the company's financial statements drawn up as at 31 December 2021. The input data were prepared in accordance with the ASEE Group's accounting policy.

As a result of the purchase price allocation, the Group recognized intangible assets constituted by the software of intelligent traffic management systems. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed. The estimated cash flows were discounted with a discount rate equivalent to the weighted average cost of capital determined for the acquired company. In correspondence to the recognition of assets, the Group recognized deferred tax liabilities.

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of BS Telecom Solutions d.o.o. was allocated to the Dedicated Solutions segment.

x. Sale of Vebspot doo company

On 23 August 2022, Payten dooel Skopje signed a conditional agreement to sell its subsidiary Vebspot d.o.o. The conditions for this transaction were to obtain an approval of the Macedonian competition protection authority as well as to register the sale in the Central Commercial Register of Macedonia. The approval of the competition protection authority was issued of 7 September 2022, and the appropriate registration was made on 29 September 2022. Hence, the Group lost control over the company of Vebspot d.o.o. on 29 September 2022. As a result of losing control over that company, the Group recognized a financial loss of PLN 3,035 thousand because the value of net assets of the company disposed (including goodwill recognized as at the acquisition date) was higher than the selling price.

6.5. Impairment tests

Selected accounting policies

At each reporting date, the Group 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 Group 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. The 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 Group 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 Group 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.

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 Group 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. 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

Each impairment test requires making estimates of the value in use of cash-generating units or groups of cash-generating units to which goodwill and/or intangible assets with indefinite useful life have been allocated. The value in use is estimated by determining both the future cash flows expected to be achieved from the cash-generating unit or units and a discount rate to be subsequently used in order to calculate the net present value of those cash flows.

Goodwill is presented in the consolidated financial statements in a breakdown corresponding to the Group's operating segments, i.e. Banking Solutions, Payment Solutions, and Dedicated Solutions.

Goodwill is subject to impairment testing on an annual basis and it was tested for impairment as at 31 December 2022.

The starting point for determining the value of cash generating units to which goodwill has been allocated was to estimate the recoverable amount of our investments in subsidiaries, in a breakdown by business units constituting the Group's operating segments. Subsequently, the recoverable amounts of individual business units from various subsidiaries were aggregated by operating segments to which they were assigned, together creating the value of the cash-generating unit to which goodwill was allocated.

The recoverable amount of investments in subsidiaries as at 31 December 2022 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 calculations were based on the following uniform assumptions:

- the budgets and forecasts of individual subsidiaries were analyzed in a breakdown to operating segments;
- the detailed forecast covered the period of 5 years at minimum. The first year data were adopted based on the budgets, while forecasted changes in cash flows were assumed for subsequent years;

- the assumed changes in cash flows depend upon the strategy of the entire Group and plans of individual companies, taking due account of conditions prevailing in particular geographical markets and sectors, and at the same time reflecting 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 forecasts for foreign subsidiaries assumed growth in their functional currencies after converting revenues forecasted in the local currency of each market in which the given segment operates to PLN at the exchange rate of 31 December 2022, the rate of revenue growth calculated as the compound annual growth rate (CAGR) in the period of detailed forecast equalled: 6.73% for the Banking Solutions segment, 5.99% for the Payment Solutions segment, and 12.0% for the Dedicated Solutions segment;
- the discount rates applied were equivalent to the weighted average cost of capital determined for individual subsidiaries (a single discount rate was applied for different business segments within one subsidiary). Particular components of the adopted discount rates were determined taking into account the market values of risk-free interest rates, the beta coefficient leveraged to reflect the average market debt/equity ratio, as well as the expected market yield. The discount rate ranged from 10.03% to 34.59% depending on the market where the segment section operates.

Presented below are the levels of discount rates, in a breakdown by countries in which our subsidiaries operate:

| Country of the company's seat | 31 December 2022 | 31 December 2021 |
|-------------------------------|------------------|------------------|
| Albania / Kosovo | 17.43% - 19.73% | 11.04% |
| Bosnia and Herzegovina | 20.59% - 22.7% | 13.87% - 14.02% |
| Bulgaria | 13.54% | 8.30% |
| Croatia | 11.01% - 11.91% | 8.24% - 8.32% |
| Czechia / Slovakia | 10.03% - 11.41% | 8.22% - 8.95% |
| Montenegro | 17.01% - 18.69% | 11.71% - 11.59% |
| Spain | 10.10% | 8.19% |
| Macedonia | 15.56% - 17.05% | 11.02% - 11.13% |
| Romania / Moldova | 18.07% - 19.28% | 11.22% - 11.30% |
| Serbia | 16.5% - 17.68% | 9.71% - 9.79% |
| Slovenia | 10.51% | 8.24% |
| Turkey | 29.73% - 31.29% | 31.68% - 31.80% |

Based on the conducted tests, we did not recognize any impairment losses on goodwill in the year ended 31 December 2022 or in the comparable period.

Additionally, the Parent Company carried out a sensitivity analysis of the goodwill impairment tests. The analysis of sensitivity shows how much the recoverable amount is going to change if the discount rate is increased by 1 pp with other assumptions remaining constant, or if the revenue growth rate is decreased by 1 pp with other assumptions remaining constant.

The results of such sensitivity analysis carried out as at 31 December 2022 are presented in the following table:

| | Discount rate Change by 1 pp | Sales revenue growth rate Change by 1 pp |
|---------------------|---------------------------------|---|
| Banking Solutions | (45,834) | (85,116) |
| Payment Solutions | (85,346) | (167,922) |
| Dedicated Solutions | (44,691) | (84,512) |

Any reasonable modification of the key assumptions adopted in the model of valuation of goodwill allocated to our operating segments should not indicate a necessity of recognizing any goodwill impairment charges.

6.6. Other financial assets

Selected accounting policies

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

At initial recognition, the Group 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 some trade receivables, the Group'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 entity may increase their fair value by transaction costs directly attributable to their acquisition.

Measurement after initial recognition

Measurement of financial assets at amortized cost

Financial assets that are measured by the Group at amortized cost include: cash and cash equivalents, loans granted (which pass the SPPI classification test), assets from contracts with customers, trade receivables, as well as other receivables which are in the scope of IFRS 9.

Trade receivables with a maturity of less than 12 months are measured at an amount due for payment, less any allowance for expected losses. Long-term receivables that are within the scope of IFRS 9 are discounted as at the reporting date.

The Group measures its financial assets at amortized cost using the effective interest method.

Interest income on investments in debt securities is recognized by the Group as financial income. On disposal of investments in debt securities, the Group recognizes cumulative gains/losses through profit or loss.

Measurement of financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are measured by the Group at fair value through other comprehensive income include: treasury and corporate bonds, as well as investments in equity instruments of companies not quoted in an active market.

Interest income on investments in debt securities is recognized by the Group as financial income. Dividends on equity instruments measured at fair value through other comprehensive income are recognized by the Group as financial income.

On disposal of investments in debt securities, the Group recognizes cumulative gains/losses through profit or loss. At the time of derecognition of an investment in equity instruments measured at fair value through other comprehensive income, cumulative gains or losses arising from the fair value measurement of that investment that were previously recognized in other comprehensive income, are not reclassified by the Group to profit or loss. However, such revaluation gains and losses may be transferred to another item within equity, for example to retained earnings.

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 by the Group through profit or loss. Interest income and dividends received on equity instruments quoted in an active market are recognized as financial income.

Derecognition

A financial asset is derecognized by the Group 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 Group along with substantially all the risks and rewards of ownership of the financial asset.

Impairment of financial assets

In line with IFRS 9, impairment of financial assets is estimated based on the expected loss model. The model applies to financial assets measured at amortized cost as well as to financial assets measured at fair value through other comprehensive income, except for investments in equity instruments.

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

- general approach,
- simplified approach.

The Group 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 receivables and contract assets.

Under the general approach, the Group estimates impairment losses on financial assets using a three-stage model based on changes in the credit risk of financial assets since their initial recognition.

Where the credit risk of financial assets has not increased significantly since initial recognition (stage 1), the Group estimates an allowance for 12-month expected credit losses. Where the credit risk of financial assets has increased significantly since initial recognition (stages 2 and 3), the Group estimates an allowance for expected credit losses over the lifetime of financial instruments.

At each reporting date, the Group analyzes if there are indications of a significant increase in the credit risk of financial assets held.

In the case of trade receivables and assets from contracts with customers, the Group applies the simplified approach and therefore changes in credit risk are not monitored, while an impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. Detailed information on estimating impairment losses has been provided in explanatory note 6.8 to these consolidated financial statements.

Both as at 31 December 2022 and 31 December 2021, apart from receivables and cash and cash equivalents described in other notes, the Group also held other financial assets as presented in the table below.

| | 31 December 2022 | | 31 December 2021 | |
|---|------------------|------------|----------------------|------------|
| | Long-term | Short-term | Long-term (restated) | Short-term |
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Financial assets carried at fair value through profit or loss, of which: | | | | |
| Currency forward contracts | - | 19 | - | 20 |
| Shares in companies not quoted in an active market | - | 27 | - | 2 |
| | - | 46 | - | 22 |
| Financial assets carried at fair value through other comprehensive income, of which: | | | | |
| Shares in companies quoted in an active market | 28 | 1 | 25 | - |
| Shares in companies not quoted in an active market | 22 | - | 22 | - |
| Other assets | 1,035 | - | - | - |
| | 1,085 | 1 | 47 | - |
| Financial assets carried at amortized cost, of which: | | | | |
| Loans granted, of which: | 15 | 63 | - | 105 |
| <i>granted to related parties</i> | - | - | - | - |
| <i>granted to employees</i> | 15 | 63 | - | 97 |
| <i>granted to other entities</i> | - | - | - | 8 |
| Cash deposits | 1,324 | 209 | 1,242 | 8 |
| | 1,339 | 272 | 1,242 | 113 |
| Total other financial assets | 2,424 | 319 | 1,289 | 135 |

As at 31 December 2022 and 31 December 2021, financial assets carried at amortized cost included term cash deposits which serve as collateral for bank loans that were obtained to finance the performance of contracts.

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 2022, the Group did not change its methods for measuring the fair value of financial instruments carried at fair value nor did it transfer any instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2022 and 31 December 2021, the fair values of financial assets were not significantly different from their book values.

| As at 31 December 2022 | Carrying value PLN'000 | Level 1 ⁱ⁾ PLN'000 | Level 2 ⁱⁱ⁾ PLN'000 | Level 3 ⁱⁱⁱ⁾ PLN'000 |
|--|---------------------------|----------------------------------|-----------------------------------|------------------------------------|
| Financial assets carried at fair value through profit or loss | | | | |
| Currency forward contracts | 19 | - | 19 | - |
| Shares in companies not quoted in an active market | 27 | - | - | 27 |
| Total | 46 | - | 19 | 27 |
| Financial assets carried at fair value through other comprehensive income | | | | |
| Shares in companies quoted in an active market | 29 | 29 | - | - |
| Shares in companies not listed on regulated markets | 22 | - | - | 22 |
| Other assets | 1,035 | 822 | - | 213 |
| Total | 1,086 | 851 | - | 235 |

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;

ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;

iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

| As at 31 December 2021 | Carrying value PLN'000 | Level 1 ⁱ⁾ PLN'000 | Level 2 ⁱⁱ⁾ PLN'000 | Level 3 ⁱⁱⁱ⁾ PLN'000 |
|---|---------------------------|----------------------------------|-----------------------------------|------------------------------------|
| <i>Financial assets carried at fair value through profit or loss</i> | | | | |
| Currency forward contracts | 20 | - | 20 | - |
| Other assets | 2 | - | - | 2 |
| Total | 22 | - | 20 | 2 |
| <i>Financial assets carried at fair value through other comprehensive income</i> | | | | |
| Shares in companies quoted in an active market | 25 | 25 | - | - |
| Shares in companies not listed on regulated markets | 22 | - | - | 22 |
| Total | 47 | 25 | - | 22 |

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.7. 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. Prepayments include in particular: (i) prepaid third-party services (inclusive of maintenance services) which shall be provided in future periods, (ii) advance payments of insurance, subscription, rental fees, etc., and (iii) any other expenses incurred in the current period but related to future periods.

Moreover, the Group capitalizes the costs incurred in obtaining a contract with a customer or in fulfilling a contract with a customer, if those costs are expected to be recovered by the Group.

Costs of contracts with customers

The costs of obtaining a contract are those additional (incremental) costs incurred by the Group in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group 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 Group satisfies the performance obligations arising from the contract.

As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group 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 Group 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 by the Group.

As at 31 December 2022 and 31 December 2021, prepayments and accrued income included the following items:

| | 31 December 2022 | | 31 December 2021 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Prepaid services, of which: | | | | |
| <i>maintenance services and license fees</i> | 1,451 | 46,204 | 1,986 | 36,218 |
| <i>insurances</i> | 1,254 | 39,200 | 1,914 | 29,552 |
| <i>rents and averaged instalments under operating leases</i> | - | 1,719 | - | 1,373 |
| <i>prepaid consulting services</i> | - | 363 | - | 250 |
| <i>other services</i> | 197 | 24 | 72 | 114 |
| Expenses related to services performed for which revenues have not been recognized yet | - | 4,898 | 72 | 4,929 |
| Other prepayments and accrued income | 3 | 687 | 70 | 1,095 |
| Total | 1,454 | 48,008 | 2,056 | 39,348 |

6.8. Receivables and contract assets

Selected accounting policies

Contract assets represent the right to payment in exchange for goods or services that the entity transferred to the customer.

Contract assets include receivables arising from valuation of IT contracts and from uninvoiced deliveries. 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 Group 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. Receivables from uninvoiced deliveries arise from the supply of services which were performed during the reporting period (the Group has completed its performance obligation), but have not been invoiced until the end of the reporting period.

Trade receivables represent receivables arising from the sale of goods and services, as well as receivables from operating leases. 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.

Allowances for trade receivables

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 Group 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 Group 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 Group 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 Group 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 receivables 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

Each time, the Group exercises professional judgment involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued. Similarly, a certain amount of estimates and professional judgment is needed in allocating the transaction price to individual performance obligations, which in turn affects the recognition of receivables/assets from contracts with customers.

The Group 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 receivables as at 31 December 2022 as well as at 31 December 2021.

| | 31 December 2022 | | 31 December 2021 | |
|---|------------------|------------|------------------|------------|
| | Long-term | Short-term | Long-term | Short-term |
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Trade receivables, of which: | | | | |
| Trade receivables: | | | | |
| from related parties | - | 925 | - | 762 |
| from other entities | - | 290,614 | - | 205,056 |
| Receivables from operating leases | - | 9,229 | - | 7,509 |
| Allowances for trade receivables | - | (10,410) | - | (7,696) |
| Corporate income tax receivable | - | 2,433 | - | 2,818 |
| Receivables from the state and local budgets | - | 3,806 | - | 3,993 |
| Value added tax | - | 1,406 | - | 1,174 |
| Other | - | 2,400 | - | 2,819 |
| Other receivables | 7,886 | 23,822 | 634 | 9,766 |
| Security deposits receivable | 758 | 1,387 | 634 | 1,328 |
| Other receivables | 7,128 | 22,522 | - | 8,524 |
| Allowance for other doubtful receivables | - | (87) | - | (86) |
| Total receivables | 7,886 | 320,419 | 634 | 222,208 |

The balance of other short-term receivables includes, among others, restricted cash intended for settlement of other liabilities arising from payment transactions, receivables relating to guarantees of due performance of contracts (i.e. security deposits provided to customers in order to compensate for their potential losses in case

we fail to fulfil any contractual obligations), receivables from disposal of tangible assets, receivables from security deposits paid-in, as well as other receivables.

The balance of other long-term receivables includes deferred payments for shares in Payten Holding S.A. which were sold to the managers of ASEE Group companies. Detailed information on this transaction has been provided in explanatory note 5.2.

The table below presents assets from contracts with customers as at 31 December 2022 as well as at 31 December 2021.

| Contract assets | 31 December 2022 | | 31 December 2021 | |
|---|------------------|---------------|------------------|---------------|
| | Long-term | Short-term | Long-term | Short-term |
| Uninvoiced receivables | | 14,375 | | 23,548 |
| from related parties | - | 26 | - | - |
| from other entities | - | 14,349 | - | 23,548 |
| Receivables from valuation of IT contracts | | 64,364 | | 20,685 |
| from related parties | - | 727 | - | 780 |
| from other entities | - | 63,637 | - | 19,905 |
| Total contract assets | | 78,739 | | 44,233 |

During the period of 12 months ended 31 December 2022, assets from contracts with customers changed as follows:

| | 12 months ended 31 December | 12 months ended 31 December |
|--|-----------------------------|-----------------------------|
| | 2022 | 2021 |
| | PLN'000 | PLN'000 |
| Contract assets as at 1 January | 44,233 | 29,625 |
| Reclassification of contract assets due to obtaining an unconditional right to payment | (88,320) | (61,089) |
| Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions | 121,659 | 75,114 |
| Obtaining control over subsidiaries | 577 | 498 |
| Exchange differences on translation of foreign operations | 590 | 85 |
| Contract assets as at 31 December | 78,739 | 44,233 |

Related party transactions have been presented in explanatory note 6.20 to these consolidated financial statements.

The Group has adopted a relevant policy that allows for selling products and services to verified customers. Owing to that, in the Management's opinion the credited sales risk would not exceed the level covered with allowances for doubtful receivables.

The table below presents the ageing structure of receivables as at 31 December 2022.

| | 31 December 2022 | | | | | |
|--|------------------------------------|------------|-----------------|------------|------------------------------|------------|
| | Amount before allowance (gross) | | Allowance | | Amount after allowance (net) | |
| | PLN'000 | % | PLN'000 | % | | |
| Receivables not yet due | 220,919 | 73% | (1,577) | 15% | 219,342 | 76% |
| Past-due receivables | 79,849 | 27% | (8,833) | 85% | 71,016 | 24% |
| Receivables past-due up to 3 months | 51,033 | 17% | (783) | 8% | 50,250 | 17% |
| Receivables past-due from 3 to 6 months | 19,575 | 7% | (281) | 3% | 19,294 | 7% |
| Receivables past-due from 6 to 12 months | 2,530 | 1% | (1,388) | 13% | 1,142 | 0% |
| Receivables past-due over 12 months | 6,711 | 2% | (6,381) | 61% | 330 | 0% |
| Book value of trade receivables | 300,768 | | (10,410) | | 290,358 | |

The table below presents the ageing structure of receivables as at 31 December 2021.

| | 31 December 2021 | | | | | |
|--|------------------------------------|------------|----------------|------------|------------------------------|------------|
| | Amount before allowance (gross) | | Allowance | | Amount after allowance (net) | |
| | PLN'000 | % | PLN'000 | % | PLN'000 | % |
| Receivables not yet due | 168,156 | 79% | (323) | 4% | 167,833 | 82% |
| Past-due receivables | 45,171 | 21% | (7,373) | 96% | 37,798 | 18% |
| Receivables past-due up to 3 months | 31,717 | 15% | (428) | 6% | 31,289 | 15% |
| Receivables past-due from 3 to 6 months | 5,405 | 3% | (55) | 1% | 5,350 | 3% |
| Receivables past-due from 6 to 12 months | 1,931 | 1% | (963) | 13% | 968 | 0% |
| Receivables past-due over 12 months | 6,118 | 3% | (5,927) | 77% | 191 | 0% |
| Book value of trade receivables | 213,327 | | (7,696) | | 205,631 | |

The Group has concluded that its assets from contracts with customers are not exposed to credit risk, and therefore it is not necessary to recognize any allowances for expected credit losses related to these assets.

Changes in the amount of allowances for trade receivables during the period of 12 months ended 31 December 2022 and in the comparable period are presented in the table below:

| Allowances for trade receivables | 12 months ended | 12 months ended |
|--|-----------------------------|-----------------------------|
| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
| Allowances as at 1 January | (7,696) | (6,373) |
| Recognized during the reporting period | (8,043) | (5,809) |
| Utilized during the reporting period | 170 | 617 |
| Reversed during the reporting period | 6,153 | 3,418 |
| Obtaining control over subsidiaries | (1,365) | (700) |
| Loss of control over subsidiaries | 45 | - |
| Foreign exchange differences | 326 | 1,151 |
| As at 31 December | (10,410) | (7,696) |

6.9. Inventories

Selected accounting policies

The Group distinguishes two categories of inventories: goods for resale, and service parts (spare parts and computer hardware that have been purchased for the purposes of maintenance service contracts).

Inventories are measured by the Group at the lower of the following two values: purchase cost/production cost or net value realizable upon sale.

The initial value of service parts is expensed on a straight-line basis over the duration of the maintenance service contract, for which such parts have been purchased. The value of consumed inventories is measured using the specific identification method.

At each reporting date, the Group analyzes whether the carrying value of inventories is higher than or equal to their net realizable value. Impairment losses on inventories are recognized as operating expenses.

The table below presents inventories as at 31 December 2022 and in the comparable period:

| Inventories | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| | PLN'000 | PLN'000 |
| Computer hardware, third-party software licenses and other goods for resale | 58,756 | 40,156 |
| Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services | 15,145 | 12,478 |
| Impairment losses on inventories | (16,856) | (16,058) |
| Total | 57,045 | 36,576 |

Changes in the amount of impairment losses on inventories during the period of 12 months ended 31 December 2022 and in the comparable period are presented in the table below:

| Impairment losses on inventories | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Allowances as at 1 January | (16,058) | (17,365) |
| Recognized during the reporting period | (5,217) | (5,057) |
| Utilized during the reporting period | 58 | 2,913 |
| Reversed during the reporting period | 4,695 | 3,533 |
| Obtaining of control over subsidiaries | - | (10) |
| Loss of control over subsidiaries | 11 | - |
| Foreign exchange differences | (345) | (72) |
| As at 31 December | (16,856) | (16,058) |

6.10. 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 original maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Group decided not to include bank overdraft facilities (used as an element of financing for current operations) nor restricted cash in the balance of cash and cash equivalents.

The table below presents cash and cash equivalents as at 31 December 2022 and in the comparable period:

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|--|-----------------------------|-----------------------------|
| Cash at bank and on hand | 241,925 | 193,642 |
| Cash at split payment accounts | 57 | 90 |
| Short-term bank deposits (up to 3 months) | 55,923 | 36,018 |
| Cash in transit and other cash equivalents | 129 | 11 |
| Total cash and cash equivalents as disclosed in the statement of financial position | 298,034 | 229,761 |
| Interest accrued on cash and cash equivalents | (10) | (8) |
| Bank overdraft facilities utilized for current liquidity management | (33,260) | (25,124) |
| Total cash and cash equivalents as disclosed in the cash flow statement | 264,764 | 204,629 |

As at 31 December 2022, cash in the amount of PLN 13,541 thousand held in bank accounts of ASEE S.A. was subject to a registered pledge in order to secure the repayment of a bank loan. As at the reporting date, liabilities under the loan secured with these assets amounted to PLN 35,174 thousand.

6.11. Share capital and share premium

Share capital

The Parent Company's share capital as at 31 December 2022 and in the comparable period amounted to PLN 518,942,510.00 and has been fully paid up. The share capital is divided into 51,894,251 ordinary shares with a par value of PLN 10 each. The Parent Company has not issued any preference shares. The Parent Company's authorized capital is equal to its share capital.

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 35 thousand.

6.12. Non-controlling interests

Selected accounting policies

For each acquisition of a subsidiary company, the Group measures the value of non-controlling interests as at the acquisition date using the method of proportionate share in identifiable net assets of the entity acquired, or at fair value.

The table below presents changes in non-controlling interests:

| | 31 December 2022 | 31 December 2021 (restated) |
|--|------------------|--------------------------------|
| | PLN'000 | PLN'000 |
| As at 1 January | 4,157 | 2,460 |
| Share in profits of subsidiaries | 7,728 | 4,793 |
| Obtaining control over subsidiaries | 4 | 976 |
| Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options)) | 51 | (214) |
| Increase of share capital in subsidiaries | - | 459 |
| Dividends paid out to non-controlling shareholders | (3,797) | (4,192) |
| Exchange differences on translation of foreign operations | 372 | (125) |
| As at 31 December | 8,515 | 4,157 |

The line 'Transactions with non-controlling interests' presents changes in non-controlling interests resulting from:

- changes in equity interest / voting rights in a subsidiary that do not result in a loss of control over the subsidiary or purchase of additional shares in the subsidiary. In 2022, this item represented basically the sale of a 0.93% stake in Payten Holding S.A. to the managers of ASEE Group. As at the transaction date, non-controlling interests amounted to PLN 4,167 thousand. In addition, the Group purchased shares in IPS company from its non-controlling shareholders; these shares were subject to a put option in previous years;
- settlement of a contingent financial liability to non-controlling shareholders (put options) if the purchase agreement does not provide for the transfer to the parent company of benefits incidental to ownership of equity instruments subject to a put option. At each reporting date non-controlling interests (to which a portion of net profit attributable to non-controlling interests is still allocated) are reclassified by the Group as a financial liability, as if such puttable equity instrument was purchased on that date. In 2022, this item was related to the reclassification of puttable non-controlling interests in Necoplus Spain.

The line of 'Obtaining control over subsidiaries' as at 31 December 2021 was related to the acquisition of Things Solver company in which the Group holds 60% of shares.

6.13. Lease liabilities

Selected accounting policies

Lease liabilities – initial recognition

At the lease commencement date, the Group measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Group 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 Group is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Group 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 Group using the lessee's incremental borrowing rate, which constitutes the sum of the risk-free interest rate (being determined by the Group companies based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium for the Group companies (being quantified on the basis of margins offered to the Group companies on investment loans adequately secured with assets of these companies).

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.

Estimates

The lease payments are discounted by the Group 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 Group companies, which is quantified on the basis of margins offered to the Group companies on investment loans adequately secured with assets of these companies. Some lease contracts contain options to extend or terminate the lease. The Group 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 2022, the Group was a lessee under lease contracts. Assets leased under such contracts included:

- offices and warehouses,
- cars,
- IT hardware and other assets.

The table below presents the amounts of lease liabilities as at 31 December 2022 as well as at 31 December 2021.

| Lease liabilities | 31 December 2022 | | 31 December 2021 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Leases of real estate | 21,233 | 15,104 | 28,407 | 15,996 |
| Leases of transportation vehicles | 4,369 | 3,696 | 4,202 | 3,261 |
| Leases of IT hardware and other assets | 98 | 618 | 703 | 1,565 |
| | 25,700 | 19,418 | 33,312 | 20,822 |

Leases of real estate

Net value of office buildings which are held under lease contracts amounted to PLN 34,506 thousand as at 31 December 2022, as compared with PLN 41,813 thousand as at 31 December 2021.

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

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|---|-----------------------------|-----------------------------|
| Minimum lease payments | | |
| in the period shorter than 1 year | 16,044 | 17,075 |
| in the period from 1 to 5 years | 21,374 | 24,745 |
| in the period longer than 5 years | 873 | 4,938 |
| Future minimum lease payments | 38,291 | 46,758 |
| Future interest expenses | (1,954) | (2,355) |
| Present value of lease liabilities | 36,337 | 44,403 |
| in the period shorter than 1 year | 15,104 | 15,996 |
| in the period from 1 to 5 years | 20,386 | 23,496 |
| in the period longer than 5 years | 847 | 4,911 |
| Lease liabilities | 36,337 | 44,403 |

Within the Group, the average effective interest rate on the above-mentioned leases equalled 3.3% as at 31 December 2022.

Leases of cars, IT hardware and other assets

The net value of IT hardware, cars and other assets which are held under lease contracts amounted to PLN 8,625 thousand as at 31 December 2022, as compared with PLN 9,403 thousand as at 31 December 2021.

The aggregate future cash flows and liabilities arising from leases of cars, IT hardware and other assets are as follows:

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|---|-----------------------------|-----------------------------|
| Minimum lease payments | | |
| in the period shorter than 1 year | 4,500 | 5,400 |
| in the period from 1 to 5 years | 4,781 | 4,745 |
| in the period longer than 5 years | - | - |
| Future minimum lease payments | 9,281 | 10,145 |
| Future interest expenses | (500) | (414) |
| Present value of lease liabilities | 8,781 | 9,731 |
| in the period shorter than 1 year | 4,314 | 4,826 |
| in the period from 1 to 5 years | 4,467 | 4,905 |
| in the period longer than 5 years | - | - |
| Lease liabilities | 8,781 | 9,731 |

Within the Group, the average effective interest rate on the above-mentioned leases equalled 4.4% as at 31 December 2022.

The table below presents the amounts of income, expenses, profits and losses arising from lease contracts that have been recognized in the consolidated statement of profit and loss / statement of comprehensive income:

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|--|-----------------------------|-----------------------------|
| Depreciation of right-of-use assets | (22,002) | (20,069) |
| Interest expenses on lease liabilities | (1,549) | (1,706) |
| Costs of short-term leases | (11,270) | (9,232) |
| Costs of leases of low-value assets | (1,797) | (1,630) |
| Total amount recognized in the statement of profit and loss | (36,618) | (32,637) |

6.14. Bank loans and borrowings

Selected accounting policies

The Group 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 Group at amortized cost include bank loans, borrowings and debt securities. Other financial liabilities are measured by the Group 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 and borrowings are initially recognized at their purchase cost, representing the fair value of cash received net of any transaction costs directly attributable to incurring financial liabilities.

Subsequently to initial recognition, bank loans and borrowings 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, as well as any discounts or bonuses received upon repayment of the liability.

A financial liability is removed by the Group 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.

The table below presents the Group's debt outstanding as at 31 December 2022 and 31 December 2021.

| | Currency | Repayment date | 31 December 2022 | | 31 December 2021 | |
|----------------------------------|----------|----------------|----------------------|-----------------------|----------------------|-----------------------|
| | | | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Bank overdraft facilities | | | - | 33,260 | - | 25,125 |
| fixed interest rate | MKD | 31.12.2022 | - | 40 | - | 13 |
| fixed interest rate | EUR | 10.01.2023 | - | 97 | - | 27 |
| fixed interest rate | TRY | 09.01.2023 | - | 111 | - | 59 |
| fixed interest rate | COP | 04.01.2023 | - | 20 | - | 10 |
| fixed interest rate | BGN | 30.04.2025 | - | 4 | - | - |
| fixed interest rate | BAM | 13.06.2023 | - | 3,379 | - | 1,784 |
| fixed interest rate | BAM | 28.05.2023 | - | 4,036 | - | 4,537 |
| fixed interest rate | BAM | 30.11.2022 | - | - | - | 1,173 |
| fixed interest rate | BAM | 23.05.2023 | - | 3,600 | - | 3,519 |

| | | | | | | |
|----------------------------|-----|------------|---------------|---------------|---------------|---------------|
| <i>fixed interest rate</i> | BAM | 15.03.2023 | - | 5,954 | - | 1,335 |
| <i>fixed interest rate</i> | BAM | 12.01.2024 | - | 2 | - | 1,877 |
| <i>fixed interest rate</i> | BAM | 01.09.1923 | - | 8,646 | - | 8,445 |
| <i>fixed interest rate</i> | BAM | 11.02.2023 | - | - | - | 1,408 |
| <i>fixed interest rate</i> | BAM | 05.08.2022 | - | - | - | 938 |
| <i>fixed interest rate</i> | BAM | 01.04.2023 | - | 1,920 | - | - |
| <i>fixed interest rate</i> | BAM | 01.06.2023 | - | 537 | - | - |
| <i>fixed interest rate</i> | BAM | 01.06.2023 | - | 1,200 | - | - |
| <i>fixed interest rate</i> | BAM | 29.01.2023 | - | 3,700 | - | - |
| <i>fixed interest rate</i> | BAM | 15.05.2023 | - | 14 | - | - |
| Other bank loans | | | 48,635 | 33,195 | 39,614 | 21,081 |
| 1M EURIBOR + margin | EUR | 31.07.2023 | - | 2,680 | 2,628 | 5,523 |
| 3M EURIBOR + margin | EUR | 30.06.2024 | 1,708 | 3,701 | 5,025 | 3,350 |
| 3M EURIBOR + margin | EUR | 31.12.2022 | - | - | - | 1,012 |
| 3M EURIBOR + margin | EUR | 29.07.2026 | 29,763 | 5,411 | 25,297 | - |
| 6M EURIBOR + margin | BAM | 22.04.2024 | 235 | 694 | 911 | 713 |
| 6M EURIBOR + margin | BAM | 25.10.2025 | 1,489 | 778 | - | - |
| 6M EURIBOR + margin | EUR | 01.03.2022 | - | - | - | 70 |
| 6M EURIBOR + margin | EUR | 30.09.2023 | - | 44 | 39 | 56 |
| 6M EURIBOR + margin | EUR | 08.07.2026 | 1,339 | 460 | 1,897 | 360 |
| 6M EURIBOR + margin | EUR | 05.02.2024 | - | - | 297 | 325 |
| 1Y EURIBOR + margin | EUR | 30.06.2022 | - | - | - | 11 |
| 1Y EURIBOR + margin | EUR | 22.06.2027 | 3,529 | 458 | - | - |
| ROBOR + margin | RON | 29.04.2022 | - | - | - | 279 |
| <i>fixed interest rate</i> | EUR | 14.09.2022 | - | - | - | 3,441 |
| <i>fixed interest rate</i> | EUR | 03.06.2022 | - | - | - | 1,379 |
| <i>fixed interest rate</i> | EUR | 22.04.2023 | - | 939 | 919 | 2,758 |
| <i>fixed interest rate</i> | EUR | 30.06.2024 | 879 | 1,759 | 2,587 | 1,725 |
| <i>fixed interest rate</i> | EUR | 05.02.2024 | 56 | 299 | - | - |
| <i>fixed interest rate</i> | EUR | 10.01.2025 | 7,626 | 6,453 | - | - |
| <i>fixed interest rate</i> | EUR | 20.05.2024 | 2,011 | 4,827 | - | - |
| <i>fixed interest rate</i> | HRK | 10.08.2023 | - | 2,187 | - | - |
| <i>fixed interest rate</i> | HRK | 30.11.2023 | - | 2,490 | - | - |
| <i>fixed interest rate</i> | PEN | 13.02.2023 | - | 15 | 14 | 79 |
| Total | | | 48,635 | 66,455 | 39,614 | 46,206 |

The Group's total debt amounted to PLN 115,090 thousand as at 31 December 2022, as compared with PLN 85,820 thousand as at 31 December 2021. The total amount of debt increased as a result of new bank loans that were obtained for company acquisitions as well as for financing of infrastructure being used in our payment process outsourcing projects.

Total proceeds from and repayments of bank loans disclosed in the statement of cash flows for the year 2022 amounted to PLN 55,057 thousand (proceeds) and PLN 34,869 thousand (repayments).

As at 31 December 2022, tangible assets with a book value of PLN 17,053 thousand, trade receivables in the amount of PLN 8,012 thousand, cash in the amount of PLN 13,541 thousand, and financial assets (deposits) in the amount of PLN 1,257 thousand served as collateral for bank loans as well as for bank overdraft and guarantee facilities. As at 31 December 2022, liabilities that were secured with such assets amounted to PLN 55,786 thousand.

As at 31 December 2021, tangible assets with a book value of PLN 18,529 thousand and trade receivables in the amount of PLN 6,041 thousand served as collateral for bank loans. As at 31 December 2021, liabilities that were secured with such assets amounted to PLN 16,096 thousand.

In the reporting period, the margins realized by lenders to ASEE Group companies ranged from 1.0 to 7.5 percentage points on an annual basis. Whereas, in the comparable period such margins ranged from 1.0 to 11.3 percentage points per annum.

Some loans obtained from banks come with the so-called covenants which impose an obligation to maintain certain financial ratios at the levels required by banks. These ratios are related to the level of indebtedness, e.g. debt to EBITDA. Both as at 31 December 2022 and 31 December 2021, ASEE Group companies did not infringe on any covenants defined in their bank loan agreements.

Fair value of financial liabilities

In the period of 12 months ended 31 December 2022, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2022 and 31 December 2021, the fair values of bank loans were not significantly different from their book values.

| As at 31 December 2022 | Carrying value | Level 1 ⁱ⁾ | Level 2 ⁱⁱ⁾ | Level 3 ⁱⁱⁱ⁾ |
|--|----------------|-----------------------|------------------------|-------------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| <i>Interest-bearing bank loans and borrowings</i> | | | | |
| Bank loans | 115,090 | - | - | 115,090 |
| - <i>overdraft facilities</i> | 33,260 | - | - | 33,260 |
| - <i>non-revolving loans</i> | 81,830 | - | - | 81,830 |
| Total | 115,090 | - | - | 115,090 |

- i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
- ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
- iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

| As at 31 December 2021 | Carrying value | Level 1 ⁱ⁾ | Level 2 ⁱⁱ⁾ | Level 3 ⁱⁱⁱ⁾ |
|--|----------------|-----------------------|------------------------|-------------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| <i>Interest-bearing bank loans and borrowings</i> | | | | |
| Bank loans | 85,820 | - | - | 85,820 |
| - <i>overdraft facilities</i> | 25,125 | - | - | 25,125 |
| - <i>non-revolving loans</i> | 60,695 | - | - | 60,695 |
| Total | 85,820 | - | - | 85,820 |

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.15. Other financial liabilities

Selected accounting policies

Liabilities under put options represent liabilities arising from agreements concluded with shareholders or non-controlling shareholders of subsidiary companies. Under such agreements, the Group has an obligation to purchase equity instruments which is recognized at the estimated amount of future payment, even if such purchase obligation is conditional on the counterparty's exercise of its contractual right to cause such redemption (e.g. in situation where non-controlling shareholders are entitled to put shares of a subsidiary to be purchased by the parent company). If the purchase agreement does not provide for the transfer to the parent company of any benefits incidental to ownership of an equity instrument subject to a put option, then at each reporting date non-controlling interests (to which a portion of net profit attributable to non-controlling interests is still allocated) are reclassified by the Group as a financial liability, as if such puttable equity instrument was redeemed on that date. Changes in the amount of such reclassified items are recognized directly in the Group's equity, under 'Transactions with non-controlling interests'.

If, under the purchase agreement, benefits incidental to ownership of such puttable equity instruments shall be transferred to the Parent Company (present ownership), then at the date of obtaining control as well as at each subsequent reporting date, non-controlling interests resulting from such puttable equity instruments are not recognized. Hence, a business combination is accounted for as if, at the date of obtaining control, the Parent Company acquired not only an equity interest in a subsidiary but also any existing puttable equity instruments. Liabilities under put options are measured at fair value at each reporting date, whereas any changes in such estimates are recognized in the statement of profit and loss (as financial income/expenses). The share of profits attributable to puttable equity interests is allocated to the Parent Company, whereas any dividends paid out to non-controlling shareholders are recognized as financial expenses.

Deferred payments for the acquisition of shares

Liabilities under deferred payments for the acquisition of shares are recognized at the present value of the agreed consideration and they increase the purchase price of the controlling interest.

Conditional payments for the acquisition of shares

Liabilities under conditional payments for the acquisition of shares are recognized at the present value of the expected payment and they increase the purchase price of the controlling interest. In contrast to deferred payments, the amount of conditional payments may change at each reporting date due to changes in the probability of meeting the conditions set out in the agreement concluded with the seller of shares. Any changes in the amount of liabilities under conditional payments for the controlling interest are recognized as financial income or expenses, respectively.

Financial derivative instruments

Derivative instruments utilized by the Group 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 net financial profit or loss of the year in which they occurred.

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

Estimates

As at 31 December 2022, the Group recognized liabilities under future conditional payments to the sellers of controlling interests in our subsidiaries, as well as liabilities under put options granted to non-controlling shareholders. Determination of the amounts payable under such liabilities required making estimates of future financial results of our subsidiaries. Such liabilities are discounted to the present value.

| Financial liabilities | 31 December 2022 | | 31 December 2021 | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Dividends payable | - | 4,067 | - | - |
| Liabilities under deferred and/or conditional payments for controlling interests / buyout of minority interests | 13,735 | 10,546 | 4,595 | 18,591 |
| Liabilities from the acquisition of non-controlling interests in subsidiaries (put options) | 77,691 | 47,135 | 49,571 | 25,156 |
| Currency forward contracts | 140 | 317 | 516 | 15 |
| Other financial liabilities | - | 6 | - | 2 |
| | 91,566 | 62,071 | 54,682 | 43,764 |

As at 31 December 2022, ASEE Group recognized liabilities under put options granted to non-controlling shareholders in the total amount of PLN 124,826 thousand which were related to the following companies: Necomplus – PLN 47,135 thousand, ContentSpeed – PLN 5,014 thousand, BS Telecom – PLN 46,847 thousand, Bithat Solutions – PLN 14,881 thousand, and Helius Solutions – PLN 10,949 thousand. The above-mentioned liabilities have been estimated using the price calculation formula as defined in the acquisition agreement, which corresponds to the amount of profits for the contractual term multiplied by a predetermined coefficient.

As at 31 December 2022, liabilities under conditional payments for controlling interests amounted in total to PLN 24,281 thousand and were related to acquisitions of the following companies: Helius Systems – PLN 10,018 thousand, ContentSpeed – PLN 3,870 thousand, Bithat Solutions – PLN 3,658 thousand, and Smarttek – PLN 1,376 thousand. The amount of PLN 5,359 thousand represents a conditional payment for the buyout of minority interests in IPS company. The above-mentioned liabilities have been estimated using the price calculation formula as defined in the acquisition agreement, which corresponds to the company's profit for the contractual term multiplied by a predetermined coefficient.

Fair value of financial liabilities

In the period of 12 months ended 31 December 2022, the Group did not transfer any financial liabilities between individual levels of the fair value hierarchy.

Both as at 31 December 2022 and 31 December 2021, the fair values of financial liabilities were not significantly different from their book values.

| As at 31 December 2022 | Carrying value | Level 1 ⁱ | Level 2 ⁱⁱ | Level 3 ⁱⁱⁱ |
|--|----------------|----------------------|-----------------------|------------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Financial liabilities | | | | |
| dividends payable | 4,067 | - | - | 4,067 |
| liabilities from the acquisition of shares – deferred and conditional payments for controlling interests | 24,281 | - | - | 24,281 |
| liabilities from the acquisition of non-controlling interests in subsidiaries (put options) | 124,826 | - | - | 124,826 |
| Currency forward contracts | 457 | - | 457 | - |
| Other financial liabilities | 6 | - | - | 6 |
| Total | 153,637 | - | 457 | 153,180 |

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;

ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;

iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

| As at 31 December 2021 | Carrying value | Level 1 ⁱⁱ⁾ | Level 2 ⁱⁱ⁾ | Level 3 ⁱⁱⁱ⁾ |
|--|----------------|------------------------|------------------------|-------------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Financial liabilities | | | | |
| liabilities from the acquisition of shares – deferred and conditional payments for controlling interests | 23,186 | - | - | 23,186 |
| liabilities from the acquisition of non-controlling interests in subsidiaries (put options) | 74,727 | - | - | 74,727 |
| Currency forward contracts | 531 | - | 531 | - |
| Other financial liabilities | 2 | - | - | 2 |
| Total | 98,446 | - | 531 | 97,915 |

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.16. Trade payables, state budget liabilities, and other liabilities

Selected accounting policies

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. Such liabilities result from goods and services provided to the Group companies, which have already been invoiced or have not been invoiced yet but receiving such invoices is considered as highly probable by the Management and their amount can be precisely determined.

Liabilities to the state and local budgets represent liabilities resulting from taxes and public levies, as well as from social security contributions and customs duties. Such liabilities are recognized at the amounts due for payment, determined in accordance with regulations applicable in the countries in which the Group companies operate.

Other liabilities include liabilities to employees arising from unpaid salaries as at the reporting date, liabilities from purchases of tangible and intangible assets, as well as other liabilities.

The table below presents the Group's liabilities outstanding as at 31 December 2022 and 31 December 2021:

| | 31 December 2022 | | 31 December 2021 | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Trade payables, of which: | | | | |
| Trade payables | - | 123,980 | - | 89,907 |
| from related parties | - | 191 | - | 236 |
| from other entities | - | 106,552 | - | 81,586 |
| Uninvoiced payables | - | 17,237 | - | 8,085 |
| from related parties | - | 48 | - | 216 |
| from other entities | - | 17,189 | - | 7,869 |
| Corporate income tax payable | - | 9,081 | - | 11,005 |
| Liabilities to the state and local budgets | - | 46,357 | - | 36,783 |
| Value added tax (VAT) | - | 30,959 | - | 22,154 |
| Personal income tax (PIT) | - | 4,270 | - | 4,628 |
| Social insurance | - | 9,636 | - | 8,670 |
| Withholding income tax | - | 1,137 | - | 490 |
| Other | - | 355 | - | 841 |
| Other liabilities | 74 | 48,894 | 2,246 | 33,329 |
| Liabilities to employees (including salaries payable) | - | 24,613 | - | 21,617 |
| Liabilities from purchases of tangible assets and intangible assets | - | 2,562 | 1,921 | 4,706 |
| Other liabilities | 74 | 21,719 | 325 | 7,006 |
| Total | 74 | 228,312 | 2,246 | 171,024 |

Trade payables are non-interest bearing. Related party transactions are presented in explanatory note 6.20 to these consolidated financial statements.

6.17. Contract liabilities

Selected accounting policies

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

Contract liabilities include liabilities arising from the valuation of IT contracts, deferred income from right-to-access licenses that have not been recognized as at the reporting date, future revenues from the provision of services such as IT support (maintenance) which are recognized over time, as well as advance payments for deliveries of hardware.

Due to the large variety of performance obligations, it is difficult to determine the point in time at which the Group's performance obligations are satisfied. Most often, in the case of contracts for the implementation of comprehensive IT systems and maintenance contracts, the Group fulfills its performance obligations while providing services to customers. In the case of an obligation to provide the customer with a software license (with a right to use), the Group considers its performance obligation to have been fulfilled at the time of granting the license, but not earlier than at the beginning of the period when the customer can start using that software (usually when the license key is provided), which in the Group's opinion is tantamount to transferring the control of the license to the customer.

Estimates

Each time, the Group 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 2022, the Group's liabilities from contracts with customers resulted from obligations listed in the table below.

| | 31 December 2022 | | 31 December 2021 | |
|--|------------------|----------------|------------------|-----------------------|
| | Long-term | Short-term | Long-term | Short-term (restated) |
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Liabilities from valuation of IT contracts, of which: | | 33,872 | | 20,812 |
| From related parties | - | 2 | - | 17 |
| From other entities | - | 33,870 | - | 20,795 |
| Deferred income from IT projects, of which: | 8,455 | 114,488 | 6,118 | 71,891 |
| Maintenance services | 7,258 | 60,250 | 3,484 | 41,089 |
| License fees | 1,197 | 7,150 | 2,634 | 4,592 |
| Prepaid implementation services | - | 12,240 | - | 2,506 |
| Obligations to supply hardware | - | 34,822 | - | 23,669 |
| Other prepaid services | - | 26 | - | 35 |
| Total contract liabilities | 8,455 | 148,360 | 6,118 | 92,703 |

The table below explains changes in the balance of contract liabilities during the periods of 12 months ended 31 December 2022 and 31 December 2021:

| | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 (restated) |
|--|-------------------------------------|---|
| | PLN'000 | PLN'000 |
| Liabilities from valuation of long-term IT contracts and deferred income from IT projects as at 1 January | 98,821 | 83,489 |
| Invoices issued above the level of performance obligations satisfied | 310,620 | 149,990 |
| Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions | (255,089) | (137,761) |
| Obtaining control over subsidiaries | 2,055 | 2,735 |
| Impact of hyperinflation | 3,506 | - |
| Exchange differences on translation of foreign operations | (3,098) | 368 |
| Contract liabilities as at 31 December | 156,815 | 98,821 |

6.18. Provisions

Selected accounting policies

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

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

Onerous contracts and provisions for losses

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

A contract with a customer is onerous when the total amount of revenues is lower than the total of the cost of goods and services sold and production costs.

Once an onerous contract is identified (which may happen at any time during the contract execution), the entire loss expected to be incurred on such contract should be immediately recognized as a cost in the current reporting period (by creating a provision for the expected loss).

The amount of provision for onerous contracts is verified at each reporting date (the amount of provision should be equal to the difference between the entire expected loss and the loss already incurred till the reporting date), which may result in an increase or decrease in the provision.

Provision for warranty repairs

The provision for warranty repairs is created to cover any anticipated future costs of warranty or service obligations resulting from the executed IT contracts, provided such warranty obligations meet the definition of a standard warranty under IFRS 15.

If the warranty meets the definition of a service (is an extended warranty in accordance with IFRS 15), i.e. the warranty scope is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications, then no provision is created. This is because the fulfilment of a non-standard guarantee is an obligation to perform a service, and as such should be recognized in revenues but not in the category of provisions.

The provision for (standard) warranty repairs is set aside in the cases where:

- (i) no contract for maintenance services has been signed with the customer, or
- (ii) the scope of the maintenance services contract does not fully cover all anticipated costs of the fulfilment of warranty obligations; or
- (iii) the scope of the manufacturer's warranty for any equipment resold is narrower than the scope of warranty the Group is contractually committed to provide to its customer.

The provision amount recognized at the reporting date shall be proportional to the progress of IT contract execution.

Any costs associated with the provision of our warranty services shall be, when incurred, deducted from the previously created provision.

At the reporting date, the Group verifies the amount of carried provision for warranty repairs. If the actual costs of warranty services or anticipated future costs are lower/higher than assumed at the time of initial recognition of a provision, such provision shall be decreased/increased accordingly to reflect the Group's current expectations in respect of the fulfilment of its warranty obligations in future periods.

Post-employment benefits

In accordance with our corporate remuneration schemes, the Group's employees are entitled to receive a retirement benefit. The amount of retirement benefits depends on the regulations of the labour law in force in individual countries where the Group companies operate. The present value of such liabilities is measured by an independent actuary at each reporting date. Any actuarial gains or losses resulting from the remeasurement of obligations under defined benefit plans shall be recognized in other comprehensive income and cannot be later reclassified to profit or loss.

Provision for contractual penalties

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

Changes in the amounts of provisions during the period of 12 months ended 31 December 2022 are presented in the table below:

| Provisions | Warranty repairs and product returns | Provisions for contractual penalties | Provisions for losses on contracts | Costs related to ongoing court litigation | Post- employment benefits | Other provisions | Total |
|---|---|---|--|---|---------------------------------|---------------------|---------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2022 | 1,602 | 1,389 | 192 | 396 | 2,621 | 164 | 6,364 |
| Obtaining control over subsidiaries | - | - | - | - | - | - | - |
| Provisions created during the reporting period | 784 | 337 | 3,179 | 52 | 2,728 | 1,361 | 8,441 |
| Provisions utilized/reversed | (1,406) | (1,755) | (638) | (10) | (574) | (808) | (5,191) |
| Loss of control over subsidiaries | - | - | - | - | (3) | (10) | (13) |
| Exchange differences on translation of foreign operations | 33 | 29 | 10 | (27) | (409) | (62) | (426) |

| | | | | | | | |
|--|--------------|--------------|--------------|------------|--------------|------------|--------------|
| As at 31 December 2022, of which: | 1,013 | - | 2,743 | 411 | 4,363 | 645 | 9,175 |
| Short-term | 1,013 | - | 2,743 | 286 | 713 | 534 | 5,289 |
| Long-term | - | - | - | 125 | 3,650 | 111 | 3,886 |
| As at 1 January 2022, of which: | 1,602 | 1,389 | 192 | 396 | 2,621 | 164 | 6,364 |
| Short-term | 1,602 | 1,389 | 192 | 265 | 545 | 60 | 4,053 |
| Long-term | - | - | - | 131 | 2,076 | 104 | 2,311 |

In the comparable period, the amounts of provisions changed as follows:

| Provisions | Warranty repairs and product returns | Provisions for contractual penalties | Provisions for losses on contracts | Costs related to ongoing court litigation | Post- employment benefits | Other provisions | Total |
|---|---|---|---|--|--|-----------------------------|----------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2021 | 1,361 | 1,036 | 409 | 296 | 2,334 | 87 | 5,523 |
| Obtaining control over subsidiaries | - | - | - | 111 | - | - | 111 |
| Provisions created during the reporting period | 1,114 | 384 | 41 | 82 | 1,357 | 765 | 3,743 |
| Provisions utilized/reversed | (894) | (48) | (263) | (21) | (385) | (690) | (2,301) |
| Exchange differences on translation of foreign operations | 21 | 17 | 5 | (72) | (685) | 2 | (712) |
| As at 31 December 2021, of which: | 1,602 | 1,389 | 192 | 396 | 2,621 | 164 | 6,364 |
| Short-term | 1,602 | 1,389 | 192 | 265 | 545 | 60 | 4,053 |
| Long-term | - | - | - | 131 | 2,076 | 104 | 2,311 |
| As at 1 January 2021, of which: | 1,361 | 1,036 | 409 | 296 | 2,334 | 87 | 5,523 |
| Short-term | 1,361 | 1,036 | 409 | 172 | 465 | 8 | 3,451 |
| Long-term | - | - | - | 124 | 1,869 | 79 | 2,072 |

The provision for the costs of warranty repairs was created in connection with our obligations to provide contractually guaranteed repair services on software and hardware products supplied to our clients. The amount of reversed provisions represents our project-related provisions that were created in previous periods (based on historical data) and, subsequently, were not utilized for such projects.

The provision for post-employment benefits represents retirement benefits which are to be paid to the Group's employees when they go into retirement or leave the company, provided such entitlement was acquired in accordance with the country's applicable regulations.

6.19. Accruals and deferred income

Selected accounting policies

Accruals for unused holiday leaves

The Group 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 Group's employees in countries where 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 Group recognizes the costs of unused holiday leaves on an accrual basis, based on estimated amounts, and discloses them in the statement of profit and loss under salaries (where they occur).

Accruals for employee bonuses

An obligation under bonus plans results from employee service and not from a transaction with the Group'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 Group 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 Group has no realistic alternative but to make the payments.

Grants related to assets

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held by the Group companies. Grants are recognized when there is reasonable assurance that a Group company will comply with the conditions attaching to them, and that the grants will be received. The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. While the purpose of allocating a grant received is an important issue. Therefore, a grant shall be accounted for in the same manner whether it is received in cash or as a reduction of a liability. If a grant received is related to assets, then it is accounted for as deferred income which is afterwards systematically, by way of equal annual write-offs, recognized in profit or loss over the estimated useful life of the related asset as a reduced depreciation expense.

Estimates

The Group 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. Accruals for employee bonuses, in a large number of cases, depend on the estimates of profits achieved at various levels by the Group or its subsidiary companies.

The Group does not recognize any grant until there is reasonable assurance that the Group will comply with the conditions attaching to the grant, and that the grant will be received. The assessment of compliance with such conditions requires professional judgment and is often associated with making estimates.

| | 31 December 2022 | | 31 December 2021 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Long-term PLN'000 | Short-term PLN'000 | Long-term PLN'000 | Short-term PLN'000 |
| Accruals, of which: | | | | |
| Accruals for unused holiday leaves | - | 8,440 | - | 6,906 |
| Accruals for employee and management bonuses | - | 24,101 | - | 18,241 |
| | - | 32,541 | - | 25,147 |
| Deferred income, of which: | | | | |
| Grants related to assets | - | 2,570 | - | 1,631 |
| Other | - | - | - | - |
| | - | 2,570 | - | 1,631 |

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

The balance of deferred income comprises mainly grants related to assets. Grants related to assets represent subsidies received by the Group in connection with its development projects or projects related to the creation of IT competence centers.

6.20. Related party transactions

The table below discloses the total values of transactions conducted with our related parties during the period of 12 months ended 31 December 2022 and in the comparable period, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2022 and 31 December 2021:

| | Sales to related parties PLN'000 | Purchases from related parties PLN'000 | Trade receivables and other receivables PLN'000 | Trade payables and other liabilities PLN'000 | Lease liabilities PLN'000 |
|--|--|--|--|--|------------------------------|
| | | | | | |
| Transactions with Asseco Poland S.A. | | | | | |
| 2022 | - | 326 | 47 | 10 | - |
| 2021 | 20 | 263 | 51 | 7 | - |
| Transactions with other entities of Asseco Poland Group | | | | | |
| 2022 | 1,550 | 1,177 | 1,620 | 93 | - |
| 2021 | 2,660 | 472 | 1,541 | 220 | - |
| Transactions with associates | | | | | |
| 2022 | - | - | 58 | - | - |
| 2021 | - | - | - | - | - |

| Transactions with entities or individuals related through the Group's Key Management Personnel | | | | | |
|---|----|-------|-------|-----|--------|
| 2022 | 52 | 2,492 | - | 133 | 10,213 |
| 2021 | - | 1,571 | - | 90 | 15,345 |
| Transactions with Members of Management Board and Supervisory Board of ASEE S.A. and companies of ASEE Group | | | | | |
| 2022 | - | 35 | 8,166 | 28 | 62 |
| 2021 | - | 10 | - | 186 | 55 |

As at 31 December 2022, total receivables from related parties comprised trade receivables amounting to PLN 925 thousand, contract assets amounting to PLN 753 thousand, and other receivables amounting to PLN 8,213 thousand, of which PLN 8,166 thousand represent receivables arising from the sale of shares in Payten Holding S.A. to the managers of ASEE Group companies, and PLN 47 thousand constitute deposits for rental of office space.

As at 31 December 2021, total receivables from related parties comprised trade receivables amounting to PLN 762 thousand, contract assets amounting to PLN 780 thousand, and other receivables amounting to PLN 50 thousand.

As at 31 December 2022, total liabilities to related parties comprised trade payables amounting to PLN 239 thousand, and other liabilities amounting to PLN 25 thousand. As at 31 December 2021, total liabilities to related parties comprised trade payables amounting to PLN 452 thousand, and other liabilities amounting to PLN 51 thousand.

Purchases from and sales to related parties presented in the table above resulted from purchases and sales of hardware and services that were conducted by companies of ASEE Group with related companies of Asseco Poland Group as well as with parties related through the Key Management Personnel or directly with the Key Management Personnel. The Group also incurs costs arising from rentals of space from MHM d.o.o., Beograd, Miljan Mališ and Mini Invest d.o.o., Beograd that meet the definition of a lease under IFRS 16. Hence, the Group disclosed right-of-use assets which are subject to depreciation, as well as lease liabilities in the statement of financial position. Lease liabilities arising from rental contracts concluded with parties related through the Key Management Personnel and directly with the Key Management Personnel amounted to PLN 10,275 thousand as at 31 December 2022, as compared with PLN 15,400 thousand outstanding as at 31 December 2021.

Furthermore, Asseco International a.s., our parent company, received dividends from the Company in the total gross amount of PLN 33,801 thousand, compared to PLN 26,495 thousand in 2021.

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

On 23 September 2021, managers of ASEE Group companies signed agreements with Asseco International a.s. to acquire shares in ASEE S.A. and subsequently, on 22 August 2022, managers of ASEE Group companies signed agreements with ASEE S.A. to acquire shares in Payten Holding S.A. Both the share-based payment plans have been described in detail in explanatory note 5.2 in this report. Members of the Management Board of ASEE S.A., acting directly or through their related parties, acquired the following numbers of shares:

| Management Board Members | Number of shares acquired |
|---------------------------------|----------------------------------|
| Piotr Jeleński | 280,000 |
| Miljan Mališ | 30,621 |
| Michał Nitka | 25,000 |
| Kostadin Slavkoski | 5,715 |
| Total | 341,336 |

In the consolidated financial statements for the year ended 31 December 2022, the costs of share-based payment plan related to shares acquired by Members of the Management Board amounted to PLN 181 thousand.

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 2,171 thousand, compared to PLN 1,355 thousand distributed in 2021. The above-stated amount does not include dividends payable to Asseco International a.s. The numbers of ASEE shares held by

its Management Personnel as well as by their related parties have been presented in the item 'Shares and Shareholders' in the Management Report on Operations of the Group for the year ended 31 December 2022. The dividend was paid out on 12 July 2022.

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

VII. Explanatory notes to the consolidated statement of cash flows

7.1. Cash flows – operating activities

The table below presents items included in the line 'Changes in working capital':

| | 12 months ended 31 December 2022 PLN'000 | 12 months ended 31 December 2021 PLN'000 |
|--|--|--|
| Change in inventories | (23,134) | (4,530) |
| Change in receivables and non-financial assets | (134,882) | 11,952 |
| Change in liabilities | 74,307 | (25,312) |
| Change in prepayments and accruals | 41,261 | 11,978 |
| Change in provisions | 3,250 | 1,443 |
| Total | (39,198) | (4,469) |

7.2. Cash flows – investing activities

In the period of 12 months ended 31 December 2022, the amount of cash flows from investing activities was affected primarily by:

- proceeds from the sale of shares in Payten Holding S.A. in the amount of PLN 1,436 thousand, and proceeds from the sale of shares in Vebspot less cash held by that company as at the date of losing control in the net amount of PLN 1,987 thousand;
- acquisitions of property, plant and equipment for PLN 50,091 thousand, purchases of intangible assets for PLN 6,943 thousand, and expenditures for development projects in the amount of PLN 2,117 thousand;
- expenditures for acquisition of subsidiaries, net of cash and cash equivalents in subsidiaries acquired, as disclosed in the table below:

| | Acquisition of subsidiaries PLN'000 | Cash in subsidiaries acquired PLN'000 |
|------------------|--|--|
| Bithat Solutions | (14,027) | 1,730 |
| BS Telecom | (16,996) | - |
| Helius Systems | (11,745) | 2,295 |
| ThingsSolver | (1,834) | - |
| ContentSpeed | (215) | - |
| Smarttek | (108) | - |
| Total | (44,925) | 4,025 |

7.3. Cash flows – financing activities

The table below explains changes in financial liabilities attributable to financing activities, including both changes arising from cash flows and non-cash changes in 2022:

| Change in financial liabilities | Bank loans and borrowings PLN'000 | Lease liabilities PLN'000 | Dividends payable PLN'000 | Total PLN'000 |
|--|---|------------------------------|------------------------------|------------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2022 | 60,695 | 54,134 | - | 114,829 |
| Changes arising from cash flows | 17,911 | (23,435) | (70,350) | (75,874) |
| Inflows | 55,057 | - | - | 55,057 |
| Repayment of principal amount | (34,869) | (21,886) | (70,350) | (127,105) |
| Interest paid | (2,277) | (1,549) | - | (3,826) |
| Non-cash changes | 2,672 | 13,608 | 74,417 | 90,697 |
| Interest accrued | 2,246 | 1,549 | - | 3,795 |
| Non-cash increase in liabilities | - | 14,627 | 74,392 | 89,019 |
| Non-cash decrease in liabilities | - | (1,247) | - | (1,247) |
| Obtaining control over subsidiaries | - | 457 | 25 | 482 |

| | | | | |
|--|---------------|---------------|--------------|----------------|
| Foreign exchange differences recognized in financial income/expenses | 426 | (1,778) | - | (1,352) |
| Exchange differences on translation of foreign operations | 552 | 811 | - | 1,363 |
| As at 31 December 2022 | 81,830 | 45,118 | 4,067 | 131,015 |

The table below explains changes in financial liabilities attributable to financing activities, including both changes arising from cash flows and non-cash changes in 2021:

| Change in financial liabilities | Bank loans and borrowings | Lease liabilities | Dividends payable | Total |
|--|---------------------------|-------------------|-------------------|-----------------|
| | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| As at 1 January 2021 | 59,192 | 58,842 | - | 118,034 |
| Changes arising from cash flows | (2,178) | (21,745) | (56,086) | (80,009) |
| Inflows | 31,673 | - | - | 31,673 |
| Repayment of principal amount | (32,887) | (20,039) | (56,086) | (109,012) |
| Interest paid | (964) | (1,706) | - | (2,670) |
| Non-cash changes | 3,416 | 17,669 | 56,086 | 77,171 |
| Interest accrued | 1,018 | 1,706 | - | 2,724 |
| Non-cash increase in liabilities | - | 13,896 | 56,086 | 69,982 |
| Non-cash decrease in liabilities | - | (3,339) | - | (3,339) |
| Obtaining control over subsidiaries | 2,260 | 5,527 | - | 7,787 |
| Foreign exchange differences recognized in financial income/expenses | 138 | (121) | - | 17 |
| Exchange differences on translation of foreign operations | 214 | (632) | - | (418) |
| As at 31 December 2021 | 60,644 | 54,134 | - | 114,778 |

Non-cash increase in lease liabilities resulted from the conclusion of new lease contracts as well as modification of existing contracts. Non-cash decrease in lease liabilities resulted from the modification or early termination of lease contracts.

Dividends paid out to non-controlling shareholders represent payments to the minority shareholders of Necoplus, eMon, ContentSpeed and ChipCard companies in the current reporting period, and eMon and ChipCard companies in the comparable period.

VIII. Explanatory notes on objectives and principles of financial risk management

ASEE Group is exposed to risks arising either from the macroeconomic situation of the countries where the Group companies operate as well as from microeconomic situation in individual companies. The main market factors that may have an adverse impact on the Group's financial performance are: (i) fluctuations in foreign currency exchange rates versus the functional currencies of the Group companies, and (ii) changes in market interest rates. Business operations conducted by the Group are also exposed to credit risk and financial liquidity risk.

8.1. Foreign currency risk

Selected accounting policies

The currency of measurement applied by the Parent Company as well as the reporting currency used in these consolidated financial statements is the Polish zloty (PLN). The functional currencies of the Group's foreign subsidiaries include: EUR (euro), RON (Romanian new leu), HRK (Croatian kuna), RSD (Serbian dinar), MKD (Macedonian denar), TRY (Turkish lira), BGN (Bulgarian lev), BAM (Bosnia and Herzegovina convertible mark), and CZK (Czech koruna).

Transactions denominated in foreign currencies (i.e. other than the functional currency) are, at the time of initial recognition, translated into the functional currency at the exchange rate effective on the transaction date. Assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate effective at the end of the reporting period. Foreign currency non-cash items carried at historical cost are converted at the exchange rate effective on the original transaction date. Foreign currency non-cash items carried at fair value are converted using the exchange rate as of the date when such fair value is determined.

As at the reporting date, assets and liabilities denominated in currencies other than the Polish zloty (if it is the entity's functional currency) are translated into Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. The resulting foreign exchange differences are accounted for respectively as financial income (expenses) or they may be capitalized as assets if so provided in the adopted accounting policies.

Individual items disclosed in the financial statements of our foreign operations are translated into the Group's functional currency in the following way:

- *assets and liabilities are translated at the mid exchange rate effective at the end of the reporting period as published by the National Bank of Poland;*
- *revenues and costs are translated at the arithmetic average of mid exchange rates effective on the last day of each month as published by the National Bank of Poland;*
- *any foreign exchange differences resulting from such translation are recognized in other comprehensive income.*

The Group's presentation currency is the Polish zloty; however, many of the Group's subsidiaries use different functional currencies in which their operating activities are conducted. The Group identifies the foreign currency risk associated with transactions concluded by the Group companies in currencies other than their functional currencies. As a result, the Group is exposed to potential losses arising from changes in the exchange rate of a transaction currency against the functional currency of a given subsidiary over the period from concluding a transaction denominated in a foreign currency till the date of issuing an invoice, receiving the payment, and the settlement of a financial instrument transaction.

As part of monitoring the Group's foreign currency risk, all transactions denominated in currencies other than the functional currency of a given subsidiary are subject to special registration. Moreover, our procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as generated cash flows with regard to changes resulting from fluctuations in foreign exchange rates.

The tables below present the currency structure and the Group's exposure to fluctuations in the exchange rates of the Polish zloty against currencies in which most of our foreign transactions are concluded. These tables present the currency structure of various classes of financial instruments held as at 31 December 2022 and 31 December 2021.

| Groups/categories of financial instruments | Carrying value as at 31 Dec. 2022 PLN'000 | Foreign currency exposure as at 31 Dec. 2022 PLN'000 | EUR | USD | Other currencies PLN'000 |
|--|---|--|---------|---------|-----------------------------|
| | | | | | |
| | | | PLN'000 | PLN'000 | |
| Financial assets | | | | | |
| Cash and cash equivalents | 298,034 | 295,756 | 131,695 | 30,491 | 133,570 |
| Loans granted and bank deposits | 1,611 | 1,611 | 2 | - | 1,609 |
| Other financial assets | 1,132 | 1,132 | 20 | - | 1,112 |
| Trade receivables and contract assets | 369,097 | 368,836 | 85,084 | 12,613 | 271,139 |

| Financial liabilities | | | | | |
|------------------------------|---------|---------|---------|--------|--------|
| Bank loans and borrowings | 115,090 | 115,090 | 74,039 | - | 41,051 |
| Lease liabilities | 45,118 | 45,118 | 30,210 | 695 | 14,213 |
| Other financial liabilities | 153,637 | 153,637 | 153,535 | 70 | 32 |
| Trade payables | 123,980 | 122,707 | 20,195 | 11,659 | 90,853 |

| Groups / categories of financial instruments | Carrying value as at 31 Dec. 2021 PLN'000 | Foreign currency exposure as at 31 Dec. 2021 PLN'000 | EUR | | | USD Other currencies |
|---|---|--|---------|---------|---------|-------------------------|
| | | | EUR | | USD | |
| | | | PLN'000 | PLN'000 | PLN'000 | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 229,761 | 223,588 | 90,107 | 22,171 | 111,310 | |
| Loans granted and bank deposits | 1,355 | 1,355 | 8 | - | 1,347 | |
| Other financial assets | 69 | 69 | 20 | - | 49 | |
| Trade receivables and contract assets | 249,864 | 249,583 | 63,191 | 8,190 | 178,202 | |
| Financial liabilities | | | | | | |
| Bank loans and borrowings | 85,820 | 85,820 | 58,726 | - | 27,094 | |
| Lease liabilities | 54,134 | 54,134 | 36,010 | 812 | 17,312 | |
| Other financial liabilities | 98,446 | 98,446 | 96,120 | 44 | 2,282 | |
| Trade payables and liabilities arising from valuation of IT contracts | 110,719 | 110,028 | 57,315 | 7,328 | 45,385 | |

The tables below present the analysis of sensitivity of our financial results to fluctuations in foreign exchange rates as at 31 December 2022 and in the comparable period:

| Groups / categories of financial instruments | Analysis of sensitivity to foreign currency risk as at 31 December 2022 | | | |
|--|---|--|--|--|
| | EUR | | USD | |
| | +10% | -10% | +10% | -10% |
| | Impact on financial results PLN'000 | Impact on financial results PLN'000 | Impact on financial results PLN'000 | Impact on financial results PLN'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 13,170 | (13,170) | 3,049 | (3,049) |
| Loans granted and bank deposits | - | - | - | - |
| Other financial assets | 2 | (2) | - | - |
| Trade receivables and contract assets | 8,508 | (8,508) | 1,261 | (1,261) |
| Financial liabilities | | | | |
| Bank loans and borrowings | (7,404) | 7,404 | - | - |
| Lease liabilities | (3,021) | 3,021 | (70) | 70 |
| Other financial liabilities | (15,354) | 15,354 | (7) | 7 |
| Trade payables | (2,020) | 2,020 | (1,166) | 1,166 |

| Groups / categories of financial instruments | Analysis of sensitivity to foreign currency risk as at 31 December 2021 | | | |
|---|---|--|--|--|
| | EUR | | USD | |
| | +10% | -10% | +10% | -10% |
| | Impact on financial results PLN'000 | Impact on financial results PLN'000 | Impact on financial results PLN'000 | Impact on financial results PLN'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 9,011 | (9,011) | 2,217 | (2,217) |
| Loans granted and bank deposits | 1 | (1) | - | - |
| Other financial assets | 2 | (2) | - | - |
| Trade receivables and contract assets | 6,319 | (6,319) | 819 | (819) |
| Financial liabilities | | | | |
| Bank loans and borrowings | (5,873) | 5,873 | - | - |
| Lease liabilities | (3,601) | 3,601 | (81) | 81 |
| Other financial liabilities | (9,612) | 9,612 | (4) | 4 |
| Trade payables and liabilities arising from valuation of IT contracts | (5,732) | 5,732 | (733) | 733 |

8.2. Interest rate risk

The Group identifies and measures the interest rate risk on a regular basis, and takes actions aiming to minimize its impact on our financial position. Any instruments bearing a variable interest rate expose the Group to the risk of cash flow fluctuations as a result of interest rate changes, which may affect the amount of interest income or expenses recognized in financial results. Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group's exposure to changes in this market factor is attributable to changes in the amount of interest charged on variable-interest loans that are granted to the Group companies by external financial institutions.

The interest rate risk is identified by the Group at the time of concluding a transaction or a financial instrument exposed to such risk. All transactions vulnerable to the risk of market interest rate changes are subject to special registration and control by a competent department at each company of our Group.

Exposure to interest rate risk is measured as the total amount arising from all financial instruments exposed to the risk of changing interest rates.

In order to reduce their interest rate risk, the Group companies may: (i) try to avoid obtaining bank loans that are based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements if the costs of such precaution are justified in relation to the expected benefits.

Detailed information on bank loans and borrowings, including their interest rates, currencies, and maturities are presented in explanatory note 6.14 to these consolidated financial statements.

The analysis of the Group's financial instruments exposed to interest rate risk showed that bank loans and borrowings as well as other receivables from the sale of Payten Holding shares to managers of the Group companies are exposed to changes in interest rates, because they bear interest based on EURIBOR. The amounts exposed to risk as well as the analysis of sensitivity are presented in the table below:

| | Carrying value PLN'000 | Amount exposed to risk of changes in EURIBOR PLN'000 | Deviation assumed (in percentage points) | Impact on financial results | | | | |
|-------------------------------|---------------------------|--|---|-----------------------------|---------|--|--|--|
| | | | | PLN'000 | PLN'000 | | | |
| As at 31 December 2022 | | | | | | | | |
| Financial assets | | | | | | | | |
| Other receivables | 8,166 | 8,166 | + 1.0 pp - 1.0 pp | 82 | (82) | | | |
| Financial liabilities | | | | | | | | |
| Bank loans and borrowings | 115,090 | 52,289 | + 1.0 pp - 1.0 pp | (523) | 523 | | | |
| As at 31 December 2021 | | | | | | | | |
| Financial liabilities | | | | | | | | |
| Bank loans and borrowings | 85,820 | 44,420 | + 1.0 pp - 1.0 pp | (444) | 444 | | | |

The analysis of sensitivity has been carried out for financial instruments held by ASEE Group as at 31 December 2022 and 31 December 2021. The impact of changes in interest rates has been presented on an annual basis. The sensitivity of financial instruments to interest rate risk has been determined by multiplying the total amount of instruments exposed to risk by adequate deviation in interest rates as assumed in the calculation.

8.3. Credit risk

The Group identifies the credit risk arising in situations where the counterparty to a transaction fails to perform its obligations towards the Group's company, thus exposing the Group to a potential financial loss. The Group's credit risk management policy is presented in explanatory note 6.8 relating to long- and short-term receivables.

The Group's total exposure to credit risk results from the fact of having receivables (note 6.8) and other financial assets (note 6.6).

8.4. Financial liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of financial investments and financial assets, as well as projected cash flows from operations.

The Group'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 Group's financial liabilities as at 31 December 2022 and 31 December 2021, by maturity:

| Maturity of financial liabilities as at 31 December 2022 | 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 | |
| Trade payables | 123,899 | 30 | 51 | - | 123,980 |
| Bank loans and borrowings | 26,223 | 40,232 | 48,635 | - | 115,090 |
| Lease liabilities * | 5,563 | 14,981 | 26,155 | 873 | 47,572 |
| Dividends payable | 25 | 4,042 | - | - | 4,067 |
| Ageing of conditional payments recognized due to business acquisitions | 899 | 9,647 | 13,735 | - | 24,281 |
| Ageing of liabilities under put options granted to non-controlling shareholders | - | 47,135 | 77,691 | - | 124,826 |
| Ageing of liabilities under forward/future contracts | - | 317 | 140 | - | 457 |
| Total | 156,609 | 116,384 | 166,407 | 873 | 440,273 |

* The amount analyzed for aging includes contractual undiscounted cash flows only, as opposed to the value presented in the statement of financial position

| Maturity of financial liabilities as at 31 December 2021 | 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 | |
| Trade payables | 78,238 | 11,008 | 661 | - | 89,907 |
| Bank loans and borrowings | 12,656 | 33,550 | 39,614 | - | 85,820 |
| Lease liabilities * | 5,879 | 16,596 | 29,490 | 4,938 | 56,903 |
| Ageing of conditional payments recognized due to business acquisitions | 1,797 | 16,794 | 4,595 | - | 23,186 |
| Ageing of liabilities under put options granted to non-controlling shareholders | - | 25,156 | 49,571 | - | 74,727 |
| Ageing of liabilities under forward/future contracts | 15 | - | 516 | - | 531 |
| Total | 98,585 | 103,104 | 124,447 | 4,938 | 331,074 |

* The amount analyzed for aging includes contractual undiscounted cash flows only, as opposed to the value presented in the statement of financial position

8.5. Items of income, expenses, gains and losses recognized in the statement of profit and loss in correspondence to balance sheet items

As at 31 December 2022, the following items of income, expenses, gains and losses were recognized in the Group's statement of profit and loss, in a breakdown to corresponding items in the statement of financial position:

| Items of income, expenses, gains and losses recognized in the statement of profit and loss | Category according to IFRS 9 | Interest income (expenses) | Reversal (recognition) of impairment losses | Gain (loss) on exercise and valuation | Total |
|--|------------------------------|----------------------------|---|---------------------------------------|---------|
| For 12 months ended 31 December 2022 | | PLN'000 | PLN'000 | PLN'000 | PLN'000 |
| Financial assets | | 2,124 | (1,906) | 16 | 234 |
| Loans granted | MaAC | 14 | (16) | - | (2) |
| Cash deposits | MaAC | - | - | - | - |
| Financial assets carried at fair value through profit or loss | FVtPL | - | - | 16 | 16 |

| | | | | | |
|---|-------|----------------|----------------|----------------|----------------|
| Trade receivables | MaAC | 197 | (1,890) | - | (1,693) |
| Cash and cash equivalents | FVtPL | 1,913 | - | - | 1,913 |
| Financial liabilities | | (4,249) | (1) | (3,463) | (7,713) |
| Forward/future contracts | FVtPL | - | - | 74 | 74 |
| Liabilities under deferred and/or conditional payments for controlling interests | FVtPL | - | - | (1,194) | (1,194) |
| Liabilities from the acquisition of non-controlling interests in subsidiaries (put options) | FVtPL | - | - | (2,264) | (2,264) |
| Bank loans and borrowings | MaAC | (2,616) | - | - | (2,616) |
| Lease liabilities | MaAC | (1,549) | - | - | (1,549) |
| Trade payables | MaAC | (84) | (1) | (79) | (164) |
| Total | | (2,125) | (1,907) | (3,447) | (7,479) |

As at 31 December 2021, the following items of income, expenses, gains and losses were recognized in the Group's statement of profit and loss, in a breakdown to corresponding items in the statement of financial position:

| Items of income, expenses, gains and losses recognized in the statement of profit and loss | Category according to IFRS 9 | Interest income (expenses) | Reversal (recognition) of impairment losses | Gain (loss) on exercise and valuation | Total |
|--|------------------------------|----------------------------|---|---------------------------------------|----------------|
| For 12 months ended 31 December 2021 | | | | | |
| Financial assets | | 2,412 | (2,666) | - | (254) |
| Loans granted | MaAC | 15 | (330) | - | (315) |
| Cash deposits | MaAC | 10 | - | - | 10 |
| Trade receivables | MaAC | 26 | (2,336) | - | (2,310) |
| Cash and cash equivalents | FVtPL | 2,361 | - | - | 2,361 |
| Financial liabilities | | (3,944) | - | (685) | (4,629) |
| Forward/future contracts | FVtPL | - | - | (6) | (6) |
| Liabilities under deferred and/or conditional payments for controlling interests | FVtPL | - | - | (679) | (679) |
| Bank loans and borrowings | MaAC | (1,367) | - | - | (1,367) |
| Lease liabilities | MaAC | (1,706) | - | - | (1,706) |
| Trade payables | MaAC | (871) | - | - | (871) |
| Total | | (1,532) | (2,666) | (685) | (4,883) |

IX. Other explanatory notes

9.1. Off-balance-sheet liabilities

Selected accounting policies

Off-balance-sheet liabilities are primarily contingent liabilities, by which the Group 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 Group, 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 Group 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, no right-of-use assets and corresponding financial liabilities are recognized. Such operating lease liabilities are recognized as off-balance-sheet liabilities.

Within its commercial activities ASEE Group uses bank guarantees as well as contract performance guarantees as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies.

As at 31 December 2022, the related contingent liabilities equalled PLN 69,912 thousand, while as at 31 December 2021 they amounted to PLN 57,776 thousand.

Assets serving as collateral for bank guarantee facilities:

| Category of assets | Net value of assets | | Amount of granted guarantee secured with assets | |
|--------------------|-----------------------------|-----------------------------|---|-----------------------------|
| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
| Financial assets | - | - | - | - |
| Trade receivables | - | 14,807 | - | 5,302 |
| Other receivables | 379 | 300 | 379 | 300 |
| Total | 379 | 15,107 | 379 | 5,602 |

None of the above-described guarantee obligations meet the definition of a financial guarantee under IFRS 9, and therefore they are not recognized as liabilities in the statement of financial position of the Group as at 31 December 2022.

The Group is party to a number of contracts for rental of:

- offices and warehouses,
- locations for ATMs,
- transportation vehicles,
- office equipment,
- other assets.

As at 31 December 2022 and 31 December 2021, the above-mentioned contracts resulted in the following off-balance-sheet liabilities to make future payments:

| | 31 December 2022 PLN'000 | 31 December 2021 PLN'000 |
|--|-----------------------------|-----------------------------|
| Liabilities from rental of space | | |
| In the period up to 1 year | 3,567 | 4,252 |
| In the period from 1 to 5 years | 3,356 | 4,974 |
| Over 5 years | - | - |
| | 6,923 | 9,226 |
| Liabilities under operating leases of equipment | | |
| In the period up to 1 year | 469 | 333 |
| In the period from 1 to 5 years | - | - |
| Over 5 years | - | - |
| | 469 | 333 |

The said contracts meet the definition of a lease under IFRS 16. Off-balance-sheet liabilities disclosed as at 31 December 2022 are related to lease contracts that were subject to exemptions provided under IFRS 16 (short-term leases and leases of low-value assets).

Disputes in litigation as at the end of the reporting period

During the reporting period, no significant proceedings were pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of ASEE Group companies.

9.2. Seasonal and cyclical business

The Group's sales revenues are subject to some seasonality in individual quarters of the year. The fourth quarter revenues tend to be higher than in the remaining periods, as bulk of such turnover is generated from the sale of IT services for large enterprises and public administration. Such entities often decide to make higher purchases of hardware and licenses in the last months of a year.

9.3. Employment

| Number of employees in the Group companies as at: | 31 December 2022 | 31 December 2021 |
|---|------------------|------------------|
| Management Board of the Parent Company | 4 | 4 |
| Management Boards of the Group companies | 64 | 61 |
| Production departments | 3,189 | 2,782 |
| Sales departments | 275 | 237 |
| Administration departments | 342 | 308 |
| Total | 3,874 | 3,392 |
| | | |
| Number of employees in the Group companies as at: | 31 December 2022 | 31 December 2021 |
| ASEE S.A. | 31 | 28 |
| ASEE B&H | 111 | 96 |
| ASEE Bulgaria | 17 | 17 |
| ASEE Macedonia | 248 | 239 |
| ASEE Turkey | 100 | 88 |
| BS Telecom Solutions | 134 | 128 |
| ASEE Croatia Group | 347 | 327 |
| ASEE Kosovo Group | 150 | 82 |
| ASEE Romania Group | 146 | 127 |
| ASEE Serbia Group | 608 | 546 |
| Necomplus Group | 866 | 741 |
| Payten B&H Group | 68 | 67 |
| Payten Macedonia Group | 33 | 55 |
| Payten Romania Group | 107 | 70 |
| Payten Serbia Group | 207 | 182 |
| Payten Turkey Group | 349 | 271 |
| Sonet Group | 83 | 86 |
| Monri Croatia | 106 | 89 |
| Payten Croatia | 102 | 104 |
| Payten Montenegro | 19 | 20 |
| Payten Egypt | 9 | - |
| Payten Slovenia | 33 | 29 |
| Total | 3,874 | 3,392 |

9.4. 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 and the Group's financial statements for the years ended 31 December 2022 and 31 December 2021, in a breakdown by type of service:

| Remuneration of the entity authorized to audit financial statements | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 |
|---|----------------------------------|----------------------------------|
| Audit of the annual financial statements | 268 | 308 |
| Review of the semi-annual financial statements | 135 | 119 |
| Other certification services | 12 | - |
| Total | 415 | 427 |

In the year ended 31 December 2022, the entity authorized to audit financial statements was BDO Sp. z o.o. (limited partnership). It was selected by a resolution of the Supervisory Board of ASEE S.A. of 7 July 2022.

Moreover, in 2022 other firms of the BDO network carried out the audits of annual financial statements and reviews of interim financial statements, as well as other certification services, in favour of ASEE Group companies in countries other than Poland. In 2022, the total remuneration for such services amounted to PLN 572 thousand.

In the year ended 31 December 2021, the entity authorized to audit financial statements was Deloitte Audit Sp. z o.o. (limited partnership). It was selected by a resolution of the Supervisory Board of ASEE S.A. of 27 March 2018 and its subsequent resolution of 24 February 2021.

Moreover, in 2021 other firms of the Deloitte network carried out the audits of annual financial statements and reviews of interim financial statements, as well as other certification services, in favour of ASEE Group companies in countries other than Poland. In 2021, the total remuneration for such services amounted to PLN 535 thousand.

9.5. 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 2022 and 2021.

| Fixed remuneration for the period of | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 |
|---|----------------------------------|----------------------------------|
| Management Board | | |
| Piotr Jeleński | 365 | 370 |
| Miljan Mališ | 182 | 189 |
| Michał Nitka (since 1 May 2021) ¹⁾ | 269 | 170 |
| March Rulnicki (till 30 April 2021) ²⁾ | - | 95 |
| Kostadin Slavkoski | 224 | 207 |
| | 1,040 | 1,031 |
| Supervisory Board | | |
| Jozef Klein | 61 | 36 |
| Adam Góral | 49 | 30 |
| Jacek Duch | 70 | 60 |
| Artur Kucharski | 100 | 90 |
| Adam Pawłowicz | 70 | 60 |
| | 350 | 276 |

¹⁾ Mr. Michał Nitka was appointed as Member of the Company's Management Board with effect from 1 May 2021.

²⁾ Mr. Marcin Rulnicki filed a resignation from the position of Member of the Company's Management Board, with effect from 30 April 2021.

| Variable remuneration for the period of | 12 months ended 31 December 2022 | 12 months ended 31 December 2021 |
|---|----------------------------------|----------------------------------|
| Management Board | | |
| Piotr Jeleński | 6,714 | 5,493 |
| Miljan Mališ | 986 | 714 |

| | | |
|--|--------------|--------------|
| Michał Nitka (since 1 May 2021) 1) | 953 | 310 |
| March Rulnicki (till 30 April 2021) 2) | - | 468 |
| Kostadin Slavkoski | 634 | 550 |
| | 9,287 | 7,535 |

The amounts of remuneration disclosed in the tables above are due for performing managerial and supervisory functions in ASEE S.A. as well as in its subsidiary companies. The data presented in the tables above reflect the amounts of remuneration already paid out, as well as accruals for the part of variable remuneration which has not been paid out by the end of the reporting period.

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2022 amounted to PLN 31,032 thousand (excluding the amounts stated in the tables above).

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2021 amounted to PLN 24,271 thousand (excluding the amounts stated in the tables above).

9.6. Capital management

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

The Group 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 Group may decide to change its dividend policy, return some capital to shareholders, or issue new shares. During the last two years ended 31 December 2022 and 31 December 2021, we did not introduce any changes to our objectives, policies and processes adopted in this area.

The Group consistently monitors the level of its capital using the leverage ratio, which is calculated as the relation of net debt to total equity increased by net debt. Net debt includes interest-bearing bank loans and borrowings, trade payables and other liabilities, decreased by cash and cash equivalents. The capital represents equity attributable to shareholders of the Parent Company.

| Capital management | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Bank loans and borrowings | 115,090 | 85,820 |
| Lease liabilities | 45,118 | 54,134 |
| Trade payables, contract liabilities, state budget liabilities and other liabilities | 538,838 | 370,537 |
| Minus cash and cash equivalents | (298,034) | (229,761) |
| Net debt | 401,012 | 280,730 |
| Equity | 1,119,117 | 970,476 |
| Equity and net debt | 1,520,129 | 1,251,206 |
| Leverage ratio | 26.38% | 22.44% |

9.7. Climate and operations of ASEE Group

The environmental impact of ASEE is quite limited because the Group is not engaged in any manufacturing activities. For the same reason, changes in the environment do not affect the Group's business significantly in the short or medium term.

Nevertheless, in 2022 ASEE Group implemented a policy for managing its climate and environmental impact with the objective to:

- reduce the consumption of energy and natural resources;
- contribute to solving the climate crisis by reducing greenhouse gas (CO₂) emissions;
- increase the proportion of energy from renewable sources in total consumption;
- care for the local natural environment.

Climate changes may affect the Group's operations in the following areas:

- global warming may affect our subsidiary companies in the long run, mainly due to its potential impact on tourism;
- extreme weather phenomena may affect the supply of equipment and limit our ability to provide on-site support services;
- new climate regulations may be introduced and impose new obligations on the operations of ASEE;
- increasing electricity costs may affect the operating expenses of ASEE.

The Group's operations may affect climate change in the following areas:

- transportation of purchased equipment over long distances;
- fuel consumption by company cars used when servicing the installed devices;
- use of electric and heating energy at numerous offices operated by the Group;
- business trips;
- management of waste materials;
- scale of cashless payment operations.

In 2022, the risk management process focused more on assessing threats and opportunities related to climate change. Due to the lack of energy-intensive production lines, the importance of climate issues is quite limited.

Impact exerted by climate change on the business operations of ASEE Group has been described in detail in the 'Report on non-financial information', section 'Environment', which was published on 22 February 2023.

9.8. Significant events after the reporting period

▪ ***Merger of Integrirani Poslovni Sustavi, Gastrobit, Web Studio and Monri Payments***

The companies of Integrirani Poslovni Sustavi d.o.o., Gastrobit d.o.o., Web Studio d.o.o. and Monri Payments d.o.o. merged on 14 February 2023 and from that date they will operate as one company called Monri Payments d.o.o.

In the period from 31 December 2022 till the date of approval of these consolidated financial statements, this is until 22 February 2023, 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 Group.

9.9. Significant events related to prior years

Until the date of preparing these consolidated financial statements for the period of 12 months ended 31 December 2022, we have not observed any significant events related to prior years, which have not but should have been included in these financial statements.

Technology for business, solutions for people.

Asseco South Eastern Europe S.A.

14 Olchowa St., 35-322 Rzeszów, Poland

Phone: +48 22 574 86 30

Fax: +48 22 574 86 90

Email: office@asseco-see.com

see.asseco.com