



**Consolidated Financial Statements
of Asseco South Eastern Europe Group
for the year ended 31 December 2021**



Present in
23 countries



PLN 1,147 million
in sales revenues



3,392
highly committed
employees



PLN 150.4 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 2021

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 and presentation currency.....	15
2.4. Professional judgement and estimates	15
2.5. Accounting policies applied.....	15
2.6. New standards and interpretations published but not in force yet	16
2.7. Changes in the presentation methods applied.....	17
2.8. Corrections of material errors.....	17
2.9. Changes in the comparable data.....	17
III. ORGANIZATION AND CHANGES IN THE STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP, INCLUDING THE ENTITIES SUBJECT TO CONSOLIDATION	21
IV. INFORMATION ON OPERATING SEGMENTS.....	24
V. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS	27
5.1. Structure of operating revenues	27
5.2. Structure of operating costs.....	31
5.3. Other operating income and expenses	34
5.4. Financial income and expenses.....	34
5.5. Corporate income tax	35
5.6. Earnings per share.....	37
5.7. Information on dividends paid out.....	38
VI. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	38
6.1. Property, plant and equipment.....	38
6.2. Intangible assets	40
6.3. Right-of-use assets	43
6.4. Goodwill	45
6.5. Impairment tests.....	52
6.6. Other financial assets	55
6.7. Prepayments and accrued income	57
6.8. Receivables and contract assets.....	58
6.9. Inventories	60
6.10. Cash and cash equivalents	61
6.11. Share capital and share premium	61
6.12. Non-controlling interests	62
6.13. Lease liabilities	62
6.14. Bank loans and borrowings	64
6.15. Other financial liabilities	66
6.16. Trade payables, state budget liabilities, and other liabilities	68
6.17. Contract liabilities	68
6.18. Provisions	69
6.19. Accruals	71
6.20. Related party transactions	72
VII. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS	74
7.1. Cash flows – investing activities	74
7.2. Cash flows – financing activities.....	74

VIII. EXPLANATORY NOTES ON OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT	75
8.1. Foreign currency risk.....	75
8.2. Interest rate risk.....	77
8.3. Credit risk.....	77
8.4. Financial liquidity risk.....	78
8.5. Items of income, expenses, gains and losses recognized in the statement of profit and loss in correspondence to balance sheet items.....	79
IX. OTHER EXPLANATORY NOTES	80
9.1. Off-balance-sheet liabilities	80
9.2. Seasonal and cyclical business	81
9.3. Employment.....	81
9.4. Remuneration of the entity authorized to audit financial statements	81
9.5. Remuneration of the Management Board and Supervisory Board	82
9.6. Capital management.....	83
9.7. Climate and operations of ASEE Group	83
9.8. Significant events after the reporting period	84
9.9. Significant events related to prior years	84

Consolidated Financial Statements of Asseco South Eastern Europe Group for the year ended 31 December 2021

These consolidated financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A. on 23 February 2022.

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 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2021 EUR'000	12 months ended 31 Dec. 2020 EUR'000
Sales revenues	1,146,649	1,026,490	250,497	229,425
Operating profit	181,451	144,881	39,640	32,382
Pre-tax profit	193,702	140,894	42,316	31,491
Net profit for the reporting period	155,223	117,542	33,910	26,271
Net profit attributable to Shareholders of the Parent Company	150,430	115,988	32,863	25,924
Net cash provided by (used in) operating activities	234,843	204,622	51,304	45,734
Net cash provided by (used in) investing activities	(174,813)	(52,367)	(38,190)	(11,704)
Net cash provided by (used in) financing activities	(82,523)	(99,278)	(18,028)	(22,189)
Cash and cash equivalents at the end of the period	231,003	249,028	50,225	53,963
Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	2.90	2.24	0.63	0.50
Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	2.90	2.24	0.63	0.50

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 2021 to 31 December 2021: EUR 1 = PLN 4.5775
 - in the period from 1 January 2020 to 31 December 2020: EUR 1 = PLN 4.4742
- 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 2021: EUR 1 = PLN 4.5994
 - exchange rate effective on 31 December 2020: EUR 1 = PLN 4.6148

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 Dec. 2021	12 months ended 31 Dec. 2020 (restated)
	Note	PLN'000	PLN'000
Operating revenues	<u>5.1</u>	1,146,649	1,026,490
Cost of sales	<u>5.2</u>	(828,084)	(764,821)
Allowances for trade receivables	<u>5.2</u>	(1,957)	83
Gross profit on sales		316,608	261,752
Selling costs	<u>5.2</u>	(68,612)	(55,543)
General and administrative expenses	<u>5.2</u>	(68,033)	(61,487)
Net profit on sales		179,963	144,722
Other operating income	<u>5.3</u>	3,023	2,973
Other operating expenses	<u>5.3</u>	(1,535)	(2,814)
Share of profits of associates and joint ventures		-	-
Operating profit		181,451	144,881
Financial income	<u>5.4</u>	24,564	8,628
Financial expenses	<u>5.4</u>	(11,988)	(12,615)
Impairment losses on financial instruments		(325)	-
Pre-tax profit		193,702	140,894
Corporate income tax (current and deferred tax expense)	<u>5.5</u>	(38,479)	(23,352)
Net profit for the reporting period		155,223	117,542
<i>Attributable to:</i>			
Shareholders of the Parent Company		150,430	115,988
Non-controlling interests		4,793	1,554
Basic consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	2.90	2.24
Diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	2.90	2.24
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period		155,223	117,542
Components that may be reclassified to profit or loss		(33,692)	37,272
Net gain/loss on valuation of financial assets		4	(5)
Foreign currency translation differences of subsidiaries		(33,696)	37,277
Components that will not be reclassified to profit or loss		-	-
Actuarial gains/losses		-	-
Total other comprehensive income		(33,692)	37,272
TOTAL COMPREHENSIVE INCOME attributable to:		121,531	154,814
Shareholders of the Parent Company		116,863	153,036
Non-controlling interests		4,668	1,778

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

ASSETS	Note	31 Dec. 2021	31 Dec. 2020
		PLN'000	(restated) PLN'000
Non-current assets			
Property, plant and equipment	<u>6.1</u>	129,557	143,173
Intangible assets	<u>6.2</u>	35,121	30,101
Right-of-use assets	<u>6.3</u>	51,008	55,711
Investment property		573	599
Goodwill	<u>6.4</u>	709,419	569,835
Other receivables	<u>0</u>	634	821
Deferred tax assets	<u>5.5</u>	10,638	10,948
Other financial assets	<u>0</u>	47	5,165
Prepayments and accrued income	<u>6.7</u>	2,056	6,142
		939,053	822,495
Current assets			
Inventories	<u>6.9</u>	36,576	27,912
Prepayments and accrued income	<u>6.7</u>	39,348	30,991
Trade receivables	<u>0</u>	205,631	207,672
Contract assets	<u>0</u>	44,233	29,625
Corporate income tax receivable	<u>0</u>	2,818	2,105
Receivables from the state and local budgets	<u>0</u>	3,993	5,100
Other receivables	<u>0</u>	9,766	3,970
Other non-financial assets		5,302	3,557
Other financial assets	<u>0</u>	135	48
Cash and bank deposits	<u>6.10</u>	231,003	249,028
		578,805	560,008
TOTAL ASSETS		1,517,858	1,382,503

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

EQUITY AND LIABILITIES	Note	31 Dec. 2021	31 Dec. 2020
		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	<u>6.11</u>	38,826	38,826
Transactions with non-controlling interests		(19,887)	(11,624)
Other capitals		(500)	(584)
Foreign currency translation differences of subsidiaries		(116,104)	(82,533)
Retained earnings		546,254	447,718
		967,532	910,746
Non-controlling interests	<u>9</u>	4,157	2,460
Total equity		971,689	913,206
Non-current liabilities			
Bank loans and borrowings	<u>6.14</u>	39,614	29,139
Lease liabilities	<u>6.13</u>	33,312	39,847
Other financial liabilities	<u>6.15</u>	54,682	25,885
Deferred tax liabilities	<u>6.5</u>	3,623	4,183
Provisions	<u>6.18</u>	2,311	2,072
Contract liabilities	<u>6.17</u>	6,118	9,402
Other liabilities	<u>9</u>	2,246	4,087
		141,906	114,615
Current liabilities			
Bank loans and borrowings	<u>6.14</u>	46,155	30,145
Lease liabilities	<u>6.13</u>	20,822	18,995
Other financial liabilities	<u>6.15</u>	43,815	21,190
Trade payables	<u>9</u>	89,907	111,830
Contract liabilities	<u>6.17</u>	93,247	74,087
Corporate income tax payable	<u>9</u>	11,005	7,986
Liabilities to the state and local budgets	<u>9</u>	36,783	35,062
Other liabilities	<u>9</u>	33,329	27,184
Provisions	<u>6.18</u>	4,053	3,451
Accruals	<u>6.19</u>	25,147	24,752
		404,263	354,682
TOTAL LIABILITIES		546,169	469,297
TOTAL EQUITY AND LIABILITIES		1,517,858	1,382,503

Consolidated Statement of Changes in Equity

Asseco South Eastern Europe Group

Note	Share capital	Share premium	Transactions with non-controlling interests	Other capitals	Foreign currency translation differences of subsidiaries	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	-	-	-	-	-	150,430	150,430	4,793	155,223
Other comprehensive income for the reporting period	-	-	-	4	(33,571)	-	(33,567)	(125)	(33,692)
Total comprehensive income for the reporting period	-	-	-	4	(33,571)	150,430	116,863	4,668	121,531
Share-based payment transactions with employees	-	-	-	80	-	-	80	-	80
Obtaining control over subsidiaries	<u>6.4</u>	-	-	-	-	-	-	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>0</u>	-	-	-	-	-	(51,894)	(51,894)	(4,192)
As at 31 December 2021	518,943	38,826	(19,887)	(500)	(116,104)	546,254	967,532	4,157	971,689

Consolidated Statement of Changes in Equity

Asseco South Eastern Europe Group

Note	Share capital	Share premium	Transactions with non-controlling interests	Other capitals	Foreign currency translation differences of subsidiaries	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 2020	518,943	38,826	(8,335)	(1,319)	(119,586)	370,132	798,661	2,051	800,712
Net profit for the reporting period	-	-	-	-	-	115,988	115,988	1,554	117,542
Other comprehensive income for the reporting period	-	-	-	(5)	37,053	-	37,048	224	37,272
Total comprehensive income for the reporting period	-	-	-	(5)	37,053	115,988	153,036	1,778	154,814
Share-based payment transactions with employees	-	-	-	740	-	-	740	-	740
Obtaining control over subsidiaries	<u>6.4</u>	-	-	-	-	-	-	861	861
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))	-	-	(3,289)	-	-	-	(3,289)	(1,768)	(5,057)
Dividend for the year 2019	0	-	-	-	-	(38,402)	(38,402)	(462)	(38,864)
As at 31 December 2020 (restated)	518,943	38,826	(11,624)	(584)	(82,533)	447,718	910,746	2,460	913,206

Consolidated Statement of Cash Flows

Asseco South Eastern Europe Group

	Note	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020 (restated)
		PLN'000	PLN'000
Cash flows – operating activities			
Pre-tax profit		193,702	140,894
Total adjustments:		76,316	87,881
Depreciation and amortization	<u>5.2</u>	77,109	78,050
Change in inventories		(4,530)	13,558
Change in receivables and other non-financial assets		11,952	(37,239)
Change in liabilities, accruals and provisions		(11,891)	18,139
Interest income/expenses		2,878	3,635
Gain/loss on foreign exchange differences		(410)	1,497
Other financial income/expenses		1,513	3,105
Gain/loss on sale, disposal and impairment of property, plant and equipment, and intangible assets		(403)	6,069
Costs of share-based payment transactions with employees		80	740
Other adjustments to pre-tax profit		18	327
Cash provided by (used in) operating activities		270,018	228,775
Corporate income tax paid		(35,175)	(24,153)
Net cash provided by (used in) operating activities		234,843	204,622
Cash flows – investing activities			
Inflows			
Disposal of property, plant and equipment, and intangible assets		3,054	1,718
Disposal/settlement of financial assets carried at fair value through profit or loss		83	8
Disposal of investments in other debt securities carried at amortized cost (cash deposits)		4,837	543
Loans collected		251	17
Interest received		15	2
Dividends received		-	1
Outflows			
Acquisition of property, plant and equipment, and intangible assets (including R&D expenditures)	<u>7.1</u>	(40,008)	(35,563)
Expenditures for the acquisition of subsidiaries and associates, less cash and cash equivalents in subsidiaries acquired	<u>7.1</u>	(142,737)	(18,690)
Acquisition/settlement of financial assets carried at fair value through profit or loss		-	(365)
Loans granted		(294)	(38)
Other cash flows from investing activities		(14)	-
Net cash provided by (used in) investing activities		(174,813)	(52,367)
Cash flows – financing activities			
Inflows			
Proceeds from bank loans and borrowings	<u>7.2</u>	31,673	9,939
Outflows			
Repayments of bank loans and borrowings	<u>7.2</u>	(32,887)	(42,822)
Payments of lease liabilities	<u>7.2</u>	(20,039)	(23,656)
Interest paid	<u>7.2</u>	(2,670)	(3,627)
Acquisition of non-controlling interests		(2,514)	
Dividends paid out by the Parent Company	<u>7.2</u>	(51,894)	(38,402)
Dividends paid out to non-controlling shareholders	<u>7.2</u>	(4,192)	(710)
Net cash provided by (used in) financing activities		(82,523)	(99,278)
Net increase (decrease) in cash and cash equivalents		(22,493)	52,977
Net foreign exchange differences		(20,496)	5,222
Net cash and cash equivalents as at 1 January		248,860	190,661
Net cash and cash equivalents as at 31 December	<u>6.10</u>	205,871	248,860

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 2021 and contain comparable data for the year ended 31 December 2020.

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.

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) ("Regulation"), and covers the annual reporting period from 1 January to 31 December 2021, as well as the comparable period from 1 January to 31 December 2020.

Impact of the COVID-19 epidemic on the Group's business operations

As at the date of publication of these annual consolidated financial statements, based on the current analysis of risks and in particular those arising from the coronavirus pandemic prevailing in Poland and worldwide, the Management Board concluded that the Company's and ASEE Group's ability to continue as a going concern over a period not shorter than 12 months from 31 December 2021 is not threatened.

At the time of publication of these annual consolidated financial statements, the Group's Management Board does not see any significant threats to the business operations of ASEE Group. Our Management is monitoring the pandemic-related situation on an ongoing basis and takes due business decisions in response to the changing circumstances. The Group is trying to minimize the negative impact of the pandemic on its business, among others, by reducing costs, while monitoring and taking advantage of new market opportunities created by the current situation. The Management Board of ASEE does not see any significant risk of impairment of assets and has not recorded any significant change in credit risk. ASEE Group has sufficient financial resources to continue its business operations, including the settlement of current liabilities.

Concurrently, it should be noted that the situation related to the COVID-19 coronavirus pandemic is very dynamic and its effects on the economy are difficult to estimate, hence the above judgement has been prepared to the best knowledge of the Company's Management as at the date of publication of this report.

Description of the impact exerted by the COVID-19 coronavirus pandemic on our business operations is provided in the Management Report on Operations of ASEE Group for the year ended 31 December 2021, in the item 'Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten'.

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 and presentation currency

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 such 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 'foreign currency translation differences of subsidiaries'.

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 the period of 12 months ended 31 December 2021, our approach to making estimates was not subject to any substantial modification in relation to the comparable period of 2020.

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
Sales revenues	<u>5.1</u>	27
Operating costs	<u>5.2</u>	31
Other operating activities	<u>5.3</u>	34
Financial income and expenses	<u>5.4</u>	34
Corporate income tax	<u>5.5</u>	35
Earnings per share	<u>5.6</u>	37
Property, plant and equipment	<u>6.1</u>	38
Intangible assets	<u>6.2</u>	40
Right-of-use assets	<u>6.3</u>	43
Goodwill	<u>6.4</u>	45
Impairment testing	<u>6.5</u>	52
Other financial assets	<u>0</u>	54
Prepayments and accrued income	<u>6.7</u>	57
Receivables and contract assets	<u>0</u>	57
Inventories	<u>6.9</u>	60
Cash and cash equivalents	<u>6.10</u>	61
Share capital	<u>6.11</u>	61
Non-controlling interests	<u>0</u>	61
Lease liabilities	<u>6.13</u>	62
Bank loans and borrowings	<u>6.14</u>	64
Other financial liabilities	<u>6.15</u>	66
Trade payables and other liabilities	<u>0</u>	67
Contract liabilities	<u>6.17</u>	68
Provisions	<u>6.18</u>	69
Accruals	<u>6.19</u>	71

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 2020, except for the adoption of amendments to standards that have become effective from 1 January 2021.

Amendments to the International Financial Reporting Standards effective from 1 January 2021

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

The above amendments to standards have been endorsed for adoption by the European Union. The Group performed an analysis in order to assess the IBOR reform impact on its consolidated financial statements.

In line with the current decisions of the entities designated to implement the reform, only the LIBOR rate will be replaced with a risk-free rate based on overnight rate. The IBOR reform also affects other interest reference rates which, however, will not cease to be quoted but will be reformed.

In the event of movements in reference rates, the Group will use a practical expedient allowed under IFRS 9 par B5.4.5, pursuant to which, if modifications to financial instruments are required as a direct consequence of the IBOR reform and the new rate is economically equivalent to the previous one, then the effective interest rate for floating-rate financial instruments shall be adjusted (updated) prospectively only.

- Amendments to IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9';
- Amendments to IFRS 16 'Leases – Covid-19-Related Rent Concessions'.

As a practical expedient, a lessee may choose not to assess whether a rent concession granted as a direct consequence of the Covid-19 pandemic, which meets certain conditions, constitutes a lease modification. The lessee that makes such a decision shall account for any change in lease payments resulting from a rent concession in the same way as it would be accounted for under IFRS 16, if such change was not a lease modification.

As at the reporting date, the Group has not identified any lease contracts for which it could apply the practical expedient permitted under IFRS 16.

The amended standards and interpretations that were first applied in 2021 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 14 'Regulatory Deferral Accounts' (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) and amendments to IFRS 17 (issued on 25 June 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 2023;
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current' and 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date' (issued on 23 January 2020 and 15 July 2020, respectively) – 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 2023;

- Amendments to IFRS 3 'Reference to the Conceptual Framework' (issued on 14 May 2020) – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (issued on 14 May 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 2022;
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract' (issued on 14 May 2020) – effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRSs: 2018-2020 Cycle (issued on 14 May 2020) – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (issued on 12 February 2021) – 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 2023;
- Amendments to IAS 8 'Definition of Accounting Estimates' (issued on 12 February 2021) – 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 2023;
- Amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' (issued on 6 May 2021) – 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 2023;
- Amendments to IFRS 17 'Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (issued on 9 December 2021) – 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 2023.

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. Corrections of material 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 2020 as well as for the period of 12 months ended 31 December 2020 due to changes in the values of assets acquired in subsidiaries that were recognized in the purchase price allocation process.

The 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	Purchase price allocation of subsidiaries	12 months ended
	31 Dec. 2020		31 Dec. 2020
	PLN'000		PLN'000
Operating revenues	1,026,490	-	1,026,490
Cost of sales	(764,055)	(766)	(764,821)
Allowances for trade receivables	83	-	83
Gross profit on sales	262,518	(766)	261,752
Selling costs	(55,543)	-	(55,543)
General and administrative expenses	(61,487)	-	(61,487)
Net profit on sales	145,488	(766)	144,722
Other operating income	2,973	-	2,973
Other operating expenses	(2,814)	-	(2,814)
Operating profit	145,647	(766)	144,881
Financial income	8,628	-	8,628
Financial expenses	(12,615)	-	(12,615)
Impairment losses on financial instruments	-	-	-
Pre-tax profit	141,660	(766)	140,894
Corporate income tax (current and deferred tax expense)	(23,490)	138	(23,352)
Net profit for the reporting period	118,170	(628)	117,542
Attributable to:			
Shareholders of the Parent Company	116,528	(540)	115,988
Non-controlling interests	1,642	(88)	1,554
Basic and diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	2.25	(0.01)	2.24
<hr/>			
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period	118,170	(628)	117,542
<i>Components that may be reclassified to profit or loss</i>	37,255	17	37,272
Net gain/loss on valuation of financial assets	(5)	-	(5)
Foreign currency translation differences of subsidiaries	37,260	17	37,277
<i>Components that will not be reclassified to profit or loss</i>	-	-	-
Actuarial gains/losses	-	-	-
Total other comprehensive income	37,255	17	37,272
TOTAL COMPREHENSIVE INCOME attributable to:	155,425	(611)	154,814
Shareholders of the Parent Company	153,568	(532)	153,036
Non-controlling interests	1,857	(79)	1,778

ASSETS	31 Dec. 2020	Purchase price allocation of subsidiaries	31 Dec. 2020
			(restated)
	PLN'000		PLN'000
Non-current assets			
Property, plant and equipment	143,171	2	143,173
Intangible assets	22,999	7,102	30,101
Right-of-use assets	55,711	-	55,711
Investment property	599	-	599
Goodwill	575,526	(5,691)	569,835
Other receivables	821	-	821
Deferred tax assets	10,948	-	10,948
Other financial assets	5,165	-	5,165
Prepayments and accrued income	6,142	-	6,142
	821,082	1,413	822,495

Current assets			
Inventories	27,912	-	27,912
Prepayments and accrued income	30,991	-	30,991
Trade receivables	207,672	-	207,672
Contract assets	29,625	-	29,625
Corporate income tax receivable	2,105	-	2,105
Receivables from the state and local budgets	5,100	-	5,100
Other receivables	3,970	-	3,970
Other non-financial assets	3,557	-	3,557
Other financial assets	48	-	48
Cash and bank deposits	249,028	-	249,028
	560,008	-	560,008
TOTAL ASSETS	1,381,090	1,413	1,382,503
		31 Dec. 2020	31 Dec. 2020
		Purchase price allocation of subsidiaries	
			(restated)
		PLN'000	PLN'000
EQUITY AND LIABILITIES			
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	(12,290)	666	(11,624)
Other capitals	(584)	-	(584)
Foreign currency translation differences of subsidiaries	(82,541)	8	(82,533)
Retained earnings	448,258	(540)	447,718
	910,612	134	910,746
Non-controlling interests	2,460	-	2,460
Total equity	913,072	134	913,206
Non-current liabilities			
Bank loans and borrowings	29,139	-	29,139
Lease liabilities	39,847	-	39,847
Other financial liabilities	25,885	-	25,885
Deferred tax liabilities	2,905	1,278	4,183
Provisions	2,072	-	2,072
Contract liabilities	9,402	-	9,402
Other liabilities	4,087	-	4,087
	113,337	1,278	114,615
Current liabilities			
Bank loans and borrowings	30,145	-	30,145
Lease liabilities	18,995	-	18,995
Other financial liabilities	21,190	-	21,190
Trade payables	111,830	-	111,830
Contract liabilities	74,087	-	74,087
Corporate income tax payable	7,986	-	7,986
Liabilities to the state and local budgets	35,062	-	35,062
Other liabilities	27,184	-	27,184
Provisions	3,451	-	3,451
Accruals	24,751	-	24,751
	354,681	-	354,681
TOTAL LIABILITIES	468,018	1,278	469,296
TOTAL EQUITY AND LIABILITIES	1,381,090	1,413	1,382,503

12 months ended 31 Dec. 2020	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	226,672	482,241	364,473	-	-	-	226,672	482,241	364,473
Gross profit on sales	84,017	120,678	57,823	-	(766)	-	84,017	119,912	57,823
Selling costs	(13,376)	(24,030)	(18,137)	-	-	-	(13,376)	(24,030)	(18,137)
General and administrative expenses	(17,411)	(30,689)	(13,387)	-	-	-	(17,411)	(30,689)	(13,387)
Net profit on sales	53,230	65,959	26,299	-	(766)	-	53,230	65,193	26,299
Other operating activities	(189)	(148)	496	-	-	-	(189)	(148)	496
Share of profits of associates	-	-	-	-	-	-	-	-	-
Operating profit	53,041	65,811	26,795	-	(766)	-	53,041	65,045	26,795
Goodwill as at 31 December 2020	207,063	188,768	179,695	-	(5,691)	-	207,063	183,077	179,695

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.

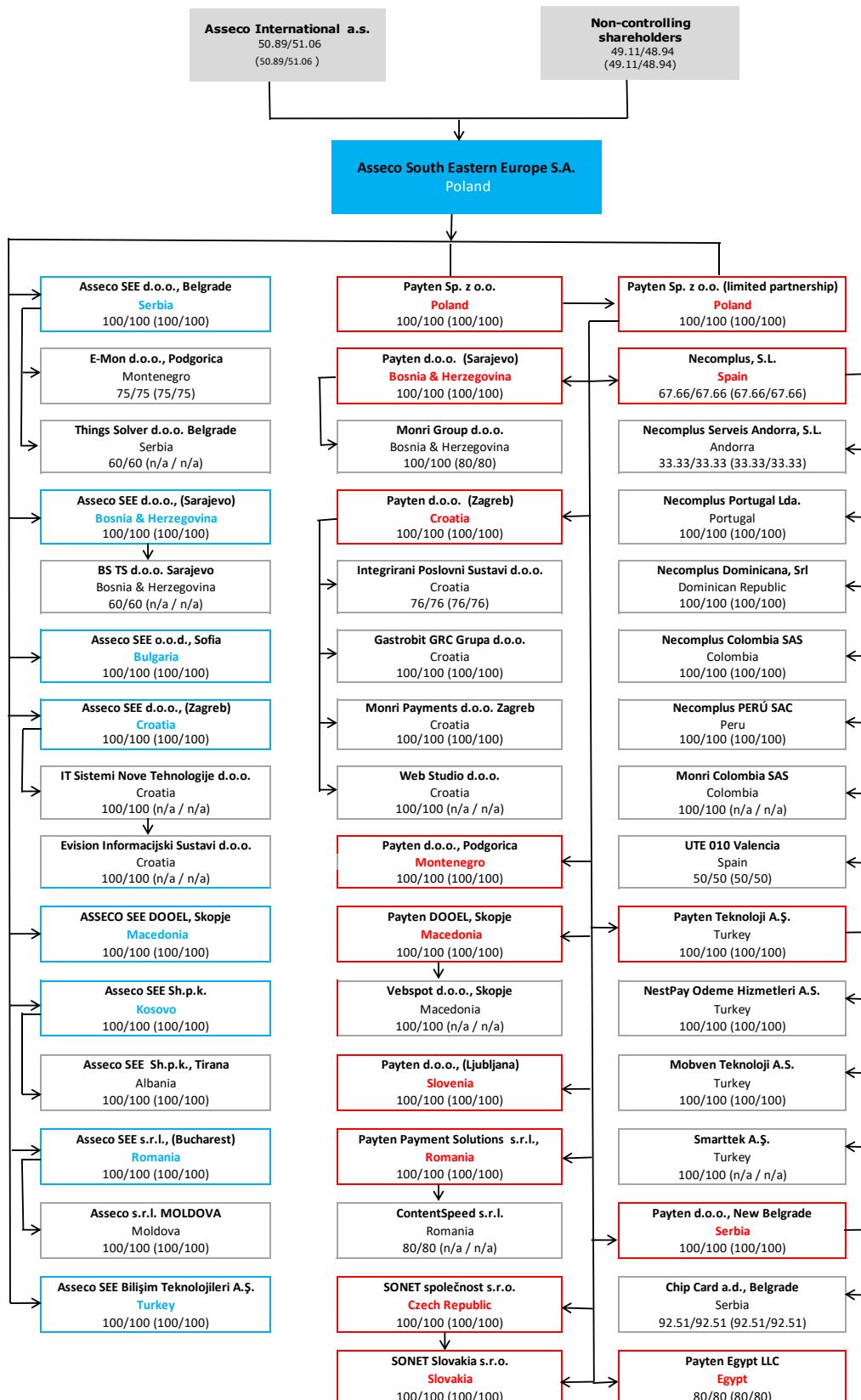
This refers in particular to transactions such as a transfer of companies or ventures between individual companies within the Group, or a merger of the Parent Company with its subsidiary.

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 2021 (in %)
 (100/100) voting rights / equity interest as at 31 December 2020 (in %)

During the period of 12 months ended 31 December 2021, the Group's composition changed as follows:

- ***Acquisition of shares in Things Solver d.o.o. Belgrade***

On 7 October 2020, ASEE Serbia concluded a conditional agreement to acquire 53.76% of shares in the company Things Solver d.o.o. based in Belgrade. The Group obtained control over Things Solver d.o.o. on 8 January 2021 upon satisfying all the conditions precedent. On 28 February 2021, the equity interest held by ASEE Serbia in that company increased to 60% following an increase of its share capital.

- ***Merger of Payten d.o.o. (Sarajevo) with Bassilichi CEE LLC***

The merger of Payten d.o.o. (Sarajevo) (the taking-over company) with Bassilichi CEE LLC (the acquired company) was registered on 1 February 2021.

- ***Acquisition of shares in Vebspot d.o.o. Skopje***

On 17 February 2021, Payten DOOEL, Skopje acquired 100% of shares in the company Vebspot d.o.o. based in Skopje (Macedonia).

- ***Acquisition of a minority interest in Monri Group d.o.o.***

On 10 June 2021, Payten d.o.o. (Sarajevo) acquired 20% of shares in the company Monri Group d.o.o. based in Sarajevo, thereby becoming the owner of 100% of shares in this company.

- ***Acquisition of shares in ContentSpeed s.r.l.***

On 22 July 2021, Payten Payment Solutions s.r.l. acquired 80% of shares in ContentSpeed s.r.l., a company based in Bucharest (Romania).

- ***Acquisition of shares in 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). The Group obtained control over IT Sistemi d.o.o. on 8 September 2021 upon satisfying all the conditions precedent.

- ***Establishing of a new company Monri Columbia SAS***

Monri Columbia SAS, based in Bogota, was established on 25 October 2021. 100% of shares in this company were acquired by Necoplus SL, based in Alicante (Spain).

- ***Acquisition of shares in 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).

- ***Acquisition of shares in Smarttek A.Ş.***

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

- ***Acquisition of shares in 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.

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 to segments. The table below presents the key financial information reviewed by the chief operating decision maker in the Company.

Revenues from none of our clients exceeded 10% of total sales generated by the Group in the period of 12 months ended 31 December 2021.

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

12 months ended 31 Dec. 2021	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	150,007	69,202	-	316,608
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	88,243	31,618	-	179,963
Other operating activities	23	933	532	-	1,488
Share of profits of associates	-	-	-	-	-
Operating profit	60,125	89,176	32,150	-	181,451
Goodwill	205,431	209,057	294,931	-	709,419
12 months ended 31 Dec. 2021	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	32,771	15,117	-	69,166
Selling costs	(3,572)	(6,535)	(4,882)	-	(14,989)
General and administrative expenses	(4,575)	(6,958)	(3,329)	-	(14,862)
Net profit on sales	13,131	19,278	6,906	-	39,315
Other operating activities	5	204	116	-	325
Share of profits of associates	-	-	-	-	-
Operating profit	13,136	19,482	7,022	-	39,640
Goodwill	44,665	45,453	64,124	-	154,242

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.

Selected financial data for the period of 12 months ended 31 December 2020, in a breakdown to operating segments:

12 months ended 31 Dec. 2020 (restated)	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Eliminations PLN'000	Total PLN'000
Sales revenues:	226,672	482,241	364,473	(46,896)	1,026,490
Sales to external customers	207,667	460,044	358,779	-	1,026,490
Sales between and/or within segments	19,005	22,197	5,694	(46,896)	-
Gross profit on sales	84,017	119,912	57,823	-	261,752
Selling costs	(13,376)	(24,030)	(18,137)	-	(55,543)
General and administrative expenses	(17,411)	(30,689)	(13,387)	-	(61,487)
Net profit on sales	53,230	65,193	26,299	-	144,722
Other operating activities	(189)	(148)	496	-	159
Share of profits of associates	-	-	-	-	-
Operating profit	53,041	65,045	26,795	-	144,881
Goodwill	207,063	183,077	179,695	-	569,835
12 months ended 31 Dec. 2020	Banking	Payment	Dedicated	Eliminations	Total

(restated)	Solutions	Solutions	Solutions		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales revenues:	50,663	107,783	81,461	(10,482)	229,425
Sales to external customers	46,415	102,822	80,188	-	229,425
Sales between and/or within segments	4,248	4,961	1,273	(10,482)	-
Gross profit on sales	18,778	26,801	12,924	-	58,503
Selling costs	(2,990)	(5,371)	(4,054)	-	(12,415)
General and administrative expenses	(3,891)	(6,859)	(2,992)	-	(13,742)
Net profit on sales	11,897	14,571	5,878	-	32,346
Other operating activities	(42)	(33)	111	-	36
Share of profits of associates	-	-	-	-	-
Operating profit	11,855	14,538	5,989	-	32,382
Goodwill	44,869	39,672	38,939	-	123,480

The financial results presented above have been converted at the average exchange rate for the period of 12 months ended 31 December 2020: EUR 1 = PLN 4.4742, whereas the financial position data have been converted at the exchange rate effective on 31 December 2020: EUR 1 = PLN 4.6148.

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 of 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 provides the right to control the use of the 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 2021 and in the comparable period were as follows:

	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Operating revenues by type of products		
Proprietary software and services	830,560	710,972
Third-party software and services	131,693	124,903
Hardware and infrastructure	184,396	190,615
Total	1,146,649	1,026,490

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 2021 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 Dec. 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

	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Total PLN'000
12 months ended 31 Dec. 2020				
Proprietary software and services	200,539	344,920	165,513	710,972
Third-party software and services	2,968	7,206	114,729	124,903
Hardware and infrastructure	4,160	107,918	78,537	190,615
Total operating revenues	207,667	460,044	358,779	1,026,490

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

	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Operating revenues by countries		
Austria	25,792	27,439
Bosnia and Herzegovina	37,971	36,109
Bulgaria	17,721	14,955
Croatia	133,050	108,265
Montenegro	18,554	18,575
Czech Republic	16,790	17,324
Spain	139,807	98,522
Kosovo	16,219	14,515
Macedonia	62,888	67,302
Peru	9,527	11,226
Poland	11,872	11,207
Portugal	13,366	13,266
Romania	145,568	143,195
Serbia	310,539	302,587
Slovenia	26,413	16,555
Turkey	92,298	75,170
Italy	9,767	11,913
Other countries	58,507	38,364
Total operating revenues	1,146,649	1,026,490

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

	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 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	328,093	318,689
From goods and services transferred over the passage of time	727,807	611,108
Other operating revenues (mainly from leases)	90,749	96,693
Total operating revenues	1,146,649	1,026,490

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	897,802
Over 1 year	651,732
Total	1,549,534

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 2023-2024. Revenues from contracts already signed, which will be implemented in subsequent years, are not recorded by the Group and are therefore not included in the table above.

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:

	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Future minimum lease payments		
(i) within 1 year	82,227	86,075
(ii) within 1 to 5 years	88,827	105,484
(iii) within more than 5 years	2,707	4,481
Total	173,761	196,040

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 2021 and in the comparable period.

Operating costs	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020 (restated)
	PLN'000	PLN'000
Cost of goods, materials and third-party services sold (COGS)	(400,612)	(382,552)
Employee benefits	(380,396)	(327,971)
Third-party non-project services and outsourcing of employees	(44,533)	(33,780)
Depreciation and amortization	(77,109)	(78,050)
Maintenance costs of property and company cars	(38,815)	(33,440)
Business trips	(1,936)	(1,817)
Advertising	(5,704)	(3,637)
Other operating expenses	(17,581)	(20,521)
Total	(966,686)	(881,768)
Cost of sales	(828,084)	(764,821)
Selling costs	(68,612)	(55,543)
General and administrative expenses	(68,033)	(61,487)
Recognition (reversal) of allowances for trade receivables	(1,957)	83
Total	(966,686)	(881,768)

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

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 shares acquisition 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 2022. 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. An unpaid portion of the selling price shall be secured by establishing a pledge on shares purchased by each buyer.

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

The fair value of this incentive plan was estimated based on the Black-Scholes Merton model. The value of option rights was measured the use of 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
Acquisition 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.

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

The previous incentive plan accounted for in the period 2017-2020 was finished in 2020. Detailed information on that incentive plan was provided in the consolidated financial statements of ASEE Group for the year ended 31 December 2020 which were published on 24 February 2021.

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 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 (restated) PLN'000
Depreciation charges as disclosed in the table of changes in property, plant and equipment	(47,066)	(47,722)
Amortization charges as disclosed in the table of changes in intangible assets	(9,939)	(7,720)
Depreciation charges as disclosed in the table of changes in right-of-use assets	(20,069)	(22,575)
Depreciation charges on investment property	(35)	(33)
Reduction of amortization charges due to recognition of grants to internally generated licenses	-	-
Total depreciation and amortization charges disclosed in the statement of profit and loss and in the statement of cash flows	(77,109)	(78,050)

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 2021 and in the comparable period were as follows:

Other operating income	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Gain on disposal of property, plant and equipment and right-of-use assets	1,167	542
Income from letting of own office space	59	58
Reversal of a provision for the costs of court litigation relating to other operations	21	6
Other	1,776	2,367
Total	3,023	2,973

Other operating expenses	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Loss on disposal of property, plant and equipment	(45)	(13)
Charitable contributions to unrelated parties	(507)	(421)
Provisions created, including for the costs of court litigation relating to other operations	(83)	(88)
Other	(900)	(2,292)
Total	(1,535)	(2,814)

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 2021 and in the comparable period was as follows:

Financial income	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Interest income on loans granted and bank deposits	2,385	1,253
Positive foreign exchange differences	20,803	6,393
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	173	8
Gain on revaluation of conditional payments in transactions to obtain control	1,100	868
Other financial income	103	106
Total financial income	24,564	8,628

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

Financial expenses	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Interest expenses on bank loans and borrowings	(1,018)	(1,474)
Interest expenses on leases	(1,706)	(2,189)
Other interest expenses	(1,193)	(322)
Negative foreign exchange differences	(5,068)	(4,511)
Expenses related to obtaining control over subsidiaries	(448)	(29)
Loss on revaluation of conditional payments in transactions to obtain control	(1,779)	(3,483)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(727)	(508)
Other financial expenses	(49)	(99)
Total financial expenses	(11,988)	(12,615)

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.

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.

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.

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

	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020 (restated)
	PLN'000	PLN'000
Current corporate income tax expense as disclosed in the statement of profit and loss, of which:		
Current portion of income tax	(40,700)	(27,896)
Corrections of CIT filings for prior years	1,466	2,011
Deferred income tax	755	2,533
Income tax expense as disclosed in the statement of profit and loss	(38,479)	(23,352)

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 Dec. 2021	12 months ended 31 Dec. 2020 (restated)
	PLN'000	PLN'000
Pre-tax profit	193,702	140,894
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	36,803	26,770
Difference due to different rates of corporate income tax paid abroad	(418)	(3,387)
Change in estimates of deferred tax assets recognized on the so-called "external temporary differences" resulting from dividend payments within the Group	6,288	2,741
Utilization of tax credits and other tax deductibles	(1,126)	(576)
Non-taxable income achieved in a special technological zone	(6,850)	(5,325)
Non-tax-deductible expenses incurred in a technological zone	3,283	2,415
Representation expenses	170	57
Depreciation and amortization charges, differences in rates of depreciation and amortization	432	604
Write-downs on receivables/inventories/tangible assets	100	161
Costs of share-based payment transactions with employees	15	141
Remuneration of the Supervisory Board	65	236
Changes in the calculation of corporate income tax for the prior years	(1,476)	(2,011)
Costs of company acquisitions	17	220
Gain on the sale of a subsidiary company within the Group	1,131	-
Utilization of tax losses and change in deferred tax assets arising from tax losses	183	97
Other permanent differences	(138)	1,209
Corporate income tax at the effective tax rate of 19.9% in 2021, and 16.6% in 2020	38,479	23,352

In 2021, our effective tax rate equalled 19.9%, increasing by 3.3 percentage points in relation to the previous year. The higher effective tax rate was basically due to:

- positive foreign exchange differences generated in Turkey which, according to local regulations, was taxed at 25% income tax rate;
- transaction of transferring the Croatian company Monri Payments, as described in section III of this report; and
- higher amount of dividends received by the holding company from outside of the European Union.

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 Dec. 2021	31 Dec. 2020 (restated)	31 Dec. 2021	31 Dec. 2020
	PLN'000	PLN'000	PLN'000	PLN'000
Property, plant and equipment	1,429	1,525	3,612	3,192
Intangible assets	2,518	3,513	239	385
Right-of-use assets	1,141	1,839	-	-
Financial assets carried at fair value through profit or loss	20	-	78	78
Loans granted	107	77	-	-
Inventories	-	-	1,769	1,743
Prepayments and accrued income	-	-	40	24
Trade receivables	3	2	941	642
Contract assets	762	505	-	-
Other receivables	-	-	32	-
Provisions	5	2	594	653
Trade payables	-	25	365	398
Contract liabilities	59	74	37	91
Financial liabilities, including lease liabilities	-	-	2,182	2,992
Other liabilities	-	-	53	-
Accruals	-	-	1,211	1,487
Losses deductible against future taxable income	-	-	1,906	2,642
Deferred tax liabilities, gross	6,044	7,562		
Deferred tax assets, gross			13,059	14,327
Write-down due to inability to realize a deferred tax asset			-	-
Deferred tax assets, net			13,059	14,327
Deferred tax liabilities/assets, net	3,623	4,183	10,638	10,948

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 Dec. 2021	12 months ended 31 Dec. 2020 (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)	150,430	115,988
Consolidated earnings per share for the reporting period (in PLN)	2.90	2.24

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 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.

In 2020, the Parent Company paid out to its shareholders a dividend for the year 2019. 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 16 June 2020 decided to pay out a dividend in the total amount of PLN 38,402 thousand or PLN 0.74 per share to all of the Company's shareholders.

The Company's Annual General Meeting established 25 June 2020 as the dividend record date. The dividend was paid out on 8 July 2020. 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

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 2021

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 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	2,946	8,559	9,157	54,189
Purchases and modernization	2	13,893	1,374	3,183	8,558	27,010
Obtaining control over subsidiaries	1,292	960	1,517	133	-	3,902
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
Foreign currency translation differences of subsidiaries	58	(201)	(128)	(885)	80	(1,076)
Net book value of property, plant and equipment as at 31 December 2021	8,144	103,021	4,846	12,324	1,222	129,557
<hr/>						
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	13,503	32,593	1,268	390,443
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	4,846	12,324	1,222	129,557

Changes in the net book value of property, plant and equipment that took place during the period of 12 months ended 31 December 2020 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 2020	7,945	118,043	4,790	10,700	5,583	147,061
Additions, of which:	621	34,572	1,217	2,889	17,330	56,629
Purchases and modernization	621	18,122	1,124	1,506	16,962	38,335
Obtaining control over subsidiaries	-	1,903	93	267	-	2,263
Acquisition of right-of-use assets	-	789	-	-	-	789
Transfers from tangible assets under construction	-	10,161	-	1,094	-	11,255
Transfers from inventories to tangible assets	-	3,597	-	22	368	3,987
Reductions, of which:	(626)	(45,301)	(2,343)	(7,034)	(14,958)	(70,262)
Depreciation charges	(508)	(42,367)	(1,739)	(3,108)	-	(47,722)
Disposal and liquidation	(118)	(1,301)	(650)	(508)	(86)	(2,663)
Recognition of impairment losses	-	(68)	46	(3,383)	(213)	(3,618)
Transfers from tangible assets under construction	-	-	-	-	(11,255)	(11,255)
Transfers to inventories	-	(1,565)	-	(35)	(3,404)	(5,004)

Other	-	2,025	-	-	-	2,025
Foreign currency translation differences of subsidiaries	576	6,722	42	11	369	7,720
Net book value of property, plant and equipment as at 31 December 2020	8,516	116,061	3,706	6,566	8,324	143,173
<hr/>						
As at 1 January 2020						
Gross value	11,211	267,756	11,172	20,326	5,623	316,088
Accumulated depreciation and impairment losses	(3,266)	(149,713)	(6,382)	(9,626)	(40)	(169,027)
Net book value as at 1 January 2020	7,945	118,043	4,790	10,700	5,583	147,061
As at 31 December 2020						
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 31 December 2020	8,516	116,061	3,706	6,566	8,324	143,173

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 2021, tangible assets with a book value of PLN 18,529 thousand served as collateral for bank loans as well as for bank overdraft and guarantee facilities.

As at 31 December 2020, tangible assets with a book value of PLN 8,087 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 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 (restated)	13,231	-	12,848	4,022	30,101
Additions, of which:	2,250	2,678	10,955	-	15,883
Purchases and modernization	178	-	9,811	-	9,989
Obtaining control over subsidiaries	1,811	1,224	1,144	-	4,179
Capitalization of development project costs	-	1,454	-	-	1,454
Transfers from the costs of development projects in prog	261	-	-	-	261
Reductions, of which:	(4,242)	(261)	(4,830)	(1,383)	(10,716)
Amortization charges for the reporting period	(4,242)	-	(4,819)	(878)	(9,939)
Disposal and liquidation	-	-	(11)	-	(11)
Transfers to internally generated software	-	(261)	-	-	(261)
Impairment loss	-	-	-	(505)	(505)
Differences on foreign currency translation of foreign subsidiaries	(227)	13	(114)	173	(155)
Net book value of intangible assets as at 31 December 2021	10,995	2,430	18,884	2,812	35,121
<hr/>					
As at 1 January 2021					
Gross value	39,152	-	42,947	5,171	87,270
Accumulated amortization and impairment losses	(25,921)	-	(30,099)	(1,149)	(57,169)
Net book value as at 1 January 2021 (restated)	13,231	-	12,848	4,022	30,101
As at 31 December 2021					
Gross value	41,712	2,430	58,407	5,458	108,007
Accumulated amortization and impairment losses	(30,717)	-	(39,523)	(2,646)	(72,886)
Net book value as at 31 December 2021	10,995	2,430	18,884	2,812	35,121

Changes in the net book value of intangible assets that took place during the period of 12 months ended 31 December 2020 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 2020	8,739	91	10,478	4,670	23,978
Additions, of which:	8,721	804	5,595	-	15,120
Purchases and modernization	6	-	5,408	-	5,414
Obtaining control over subsidiaries	7,911	-	187	-	8,098
Capitalization of development project costs	-	804	-	-	804
Transfers from the costs of development projects in prog	804	-	-	-	804
Reductions, of which:	(4,623)	(903)	(3,701)	(829)	(10,056)
Amortization charges for the reporting period	(3,304)	-	(3,587)	(829)	(7,720)
Disposal and liquidation	-	(99)	(89)	-	(188)
Transfers to internally generated software	-	(804)	-	-	(804)
Impairment loss	(1,319)	-	(25)	-	(1,344)
Differences on foreign currency translation of foreign subsidiaries	394	8	476	181	1,059
Net book value of intangible assets as at 31 December 2020 (restated)	13,231	-	12,848	4,022	30,101
<hr/>					
As at 1 January 2020					
Gross value	28,669	91	37,029	4,944	70,733
Accumulated amortization and impairment losses	(19,930)	-	(26,551)	(274)	(46,755)
Net book value as at 1 January 2020	8,739	91	10,478	4,670	23,978
As at 31 December 2020					
Gross value	39,152	-	42,947	5,171	87,270
Accumulated amortization and impairment losses	(25,921)	-	(30,099)	(1,149)	(57,169)
Net book value as at 31 December 2021 (restated)	13,231	-	12,848	4,022	30,101

Both as at 31 December 2021 and 31 December 2020, intangible assets did not serve as collateral for any bank loans.

In the period of 12 months ended 31 December 2021, the Group recognized impairment losses on intangible assets arising from purchase price allocation in 2019, in the amount of PLN 505 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 2021 as well as in the comparable period, the 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 2021, total development project costs which qualified for capitalization amounted to PLN 1,454 thousand (vs. PLN 804 thousand in the comparable period) and they were incurred by the following operating segments:

	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
Banking Solutions	-	-
Payment Solutions	-	804
Dedicated Solutions	1,454	-

The value of completed development projects amounted to PLN 261 thousand in the period of 12 months ended 31 December 2021, as compared with PLN 804 thousand in 2020.

The total amount of research and development expenditures that were expensed in the period of 12 months ended 31 December 2021 equalled PLN 26,897 thousand, as compared with PLN 24,494 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

Since 1 January 2020, in the case of contracts identified as leases, the Group has recognized right-of-use assets as at the lease commencement date (i.e. the date when the asset being leased is available for use by the 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 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	2,917	-	19,423
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	561	-	5,527
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)
Foreign currency translation differences of subsidiaries	(446)	(60)	36	(470)
Net book value of right-of-use assets as at 31 December 2021	41,813	7,118	2,077	51,008

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	18,968	10,039	115,423
Accumulated depreciation and impairment losses	(44,603)	(11,850)	(7,962)	(64,415)
Net book value as at 31 December 2021	41,813	7,118	2,077	51,008

Changes in the net book value of right-of-use assets that took place during the period of 12 months ended 31 December 2020 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 2020	47,575	9,095	8,385	65,055
Additions, of which:	14,547	3,290	1,495	19,332
Conclusion of new lease contracts	8,290	2,422	1,495	12,207
Modification of existing contracts (lease extension, interest rate change)	5,319	132	-	5,451
Obtaining control over subsidiaries	938	736	-	1,674
Reductions, of which:	(21,382)	(4,159)	(4,474)	(30,015)
Depreciation charges for the reporting period	(15,550)	(3,939)	(3,086)	(22,575)
Acquisition of right-of-use assets	-	-	(789)	(789)
Early termination of contracts	(2,414)	(166)	(135)	(2,715)
Modification of existing contracts (lease shortening, interest rate change)	(3,418)	(54)	(464)	(3,936)
Other	-	-	(2,025)	(2,025)
Foreign currency translation differences of subsidiaries	2,418	472	474	3,364
Net book value of right-of-use assets as at 31 December 2020	43,158	8,698	3,855	55,711

As at 1 January 2020

Gross value	64,739	15,075	15,026	94,840
Accumulated depreciation and impairment losses	(17,164)	(5,980)	(6,641)	(29,785)
Net book value as at 1 January 2020	47,575	9,095	8,385	65,055
As at 31 December 2020				

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 31 December 2020	43,158	8,698	3,855	55,711

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 an operating segment.

The following table presents the amounts of goodwill as at 31 December 2021 and 31 December 2020, in a breakdown to operating segments:

	31 Dec. 2021	31 Dec. 2020 (restated)
	PLN'000	PLN'000
Goodwill		
Goodwill at the beginning of the period	569,835	532,139
Banking Solutions	207,063	194,903
Payment Solutions	183,077	165,893
Dedicated Solutions	179,695	171,343
Change in consolidation goodwill due to the acquisition of shares (+/-)	153,429	13,898
Banking Solutions	-	-
Payment Solutions	33,654	13,898
Dedicated Solutions	119,775	-
Foreign exchange differences (+/-)	(13,845)	23,798
Banking Solutions	(1,632)	12,160
Payment Solutions	(7,674)	3,286
Dedicated Solutions	(4,539)	8,352
Total goodwill	709,419	569,835
Banking Solutions	205,431	207,063
Payment Solutions	209,057	183,077
Dedicated Solutions	294,931	179,695
Total as at 31 December	709,419	569,835

In the period of 12 months ended 31 December 2021, the balance of goodwill arising from consolidation was affected by the following transactions:

i. Allocation of the purchase price of shares in Things Solver d.o.o., Belgrade

On 7 October 2020, ASEE Serbia concluded a conditional agreement to acquire 53.76% of shares in the company Things Solver d.o.o. based in Belgrade. The Group obtained control over Things Solver d.o.o. on 8 January 2021 upon satisfying all the conditions precedent. The total purchase price amounted to EUR 979 thousand, of which EUR 879 thousand constituted a conditional payment depending on financial results achieved by the acquired company. The first instalment of such conditional payment was paid in the first half of 2021.

As at 31 December 2021, the Group has already completed the process of purchase price allocation. The fair values of identifiable assets and liabilities of Things Solver d.o.o. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/RSD effective on the acquisition date):

THINGS SOLVER D.O.O.	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
	RSD'000	PLN'000	RSD'000	PLN'000	
Assets acquired					
Property, plant and equipment	4,581	177	4,581	177	3
Intangible assets	18,380	711	18,380	711	3
Trade receivables	30,946	1,198	30,946	1,198	3
Inventories	227	9	227	9	3
Cash and cash equivalents	13,894	538	13,894	538	3
Other assets	3,048	118	3,048	118	3
Total assets	71,076	2,751	71,076	2,751	
Liabilities acquired					
Bank loans and borrowings	3,747	145	3,747	145	3
Trade payables	2,050	79	2,050	79	3
Liabilities to the state and local budgets	2,384	92	2,384	92	3
Provisions and accruals	179	7	179	7	3
Other liabilities	7,889	305	7,889	305	3
Total liabilities	16,249	628	16,249	628	
Net assets value	54,827	2,123	54,827	2,123	
Equity interest acquired	53.76%	53.76%	53.76%	53.76%	
Value of non-controlling interests	25,352	982	25,352	982	
Purchase price	115,137	4,456	115,137	4,456	
Goodwill as at the acquisition date	85,662	3,315	85,662	3,315	

The values have been converted to PLN at the exchange rate effective on the acquisition date, i.e. 08.01.2021: RSD 1 = PLN 0.0387

The input data were obtained from the company's financial statements drawn up as at 31 December 2020 and the valuation of acquired assets by an independent expert. 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 Things Solver was allocated to the Dedicated Solutions segment.

ii. Acquisition of shares in Vebspot d.o.o.

On 17 February 2021, Payten DOOEL, Skopje (Macedonia) acquired 100% of shares in the company Vebspot d.o.o. based in Skopje, for the total of EUR 1.5 million. The purchase price includes conditional payments in the amount of EUR 746 thousand depending on financial results achieved by the acquired company.

Until 31 December 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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 Vebspot d.o.o. as at the date of obtaining control are presented below (converted at the exchange rate of PLN/MKD effective on the acquisition date):

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

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

The input data were obtained 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.

iii. Allocation of the purchase price of shares in Integrirani Poslovni Sustavi d.o.o., based in Orlavje

On 4 June 2020, Payten d.o.o. Zagreb signed an agreement to acquire 76% of shares in the company Integrirani Poslovni Sustavi d.o.o. ("IPS"), based in Orlavje.

The transaction price amounted to EUR 1,851 thousand, of which EUR 847 thousand constitutes a conditional payment depending on future financial results achieved by the acquired company.

Payten d.o.o. Zagreb also signed a put option agreement with the non-controlling shareholders of IPS. The amount of liabilities under put options has been disclosed in explanatory note 6.12 to these consolidated financial statements.

The purchase price allocation process was completed in the second quarter of 2021. The fair values of identifiable assets and liabilities of IPS company as at the date of obtaining control are presented below (converted at the exchange rate of PLN/HRK effective on the acquisition date):

INTEGRIRANI POSLOVNI SUSTAVI d.o.o.	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	Intangible assets recognized from PPA* as at the acquisition date	Fair values as at the acquisition date	Level in fair value hierarchy
	HRK'000	PLN'000	HRK'000	PLN'000	PLN'000	PLN'000	
Assets acquired							
Property, plant and equipment	101	59	101	59		59	3
Intangible assets	97	57	97	57	3,795	3,852	3
Right-of-use assets	693	406	693	406		406	3
Trade receivables	1,170	685	1,170	685		685	3
Receivables from the state and local budgets	55	32	55	32		32	3
Inventories	413	242	413	242		242	3
Cash and cash equivalents	1,322	774	1,322	774		774	3
Other assets	445	261	445	261		261	3
Total assets	4,296	2,516	4,296	2,516	3,795	6,311	
Liabilities acquired							
Bank loans and borrowings	800	469	800	469		469	3
Lease liabilities	708	415	708	415		415	3
Other financial liabilities	418	245	418	245		245	3
Trade payables	674	395	674	395		395	3
Liabilities to the state and local budgets	507	297	507	297		297	3
Deferred tax liabilities	-	-	-	-	683	683	3

Other liabilities	394	231	394	231	231	231	3
Total liabilities	3,501	2,052	3,501	2,052	683	2,735	
Net assets value	795	464	795	464	3,112	3,576	
Equity interest acquired	76%	76%	76%	76%		76%	
Value of non-controlling interests	191	111	191	111		858	
Purchase price	14,037	8,221	14,037	8,221		8,221	
Goodwill	13,433	7,868	13,433	7,868		5,503	

The values have been converted to PLN at the exchange rate effective on the acquisition date, i.e. 04.06.2021: HRK

1 = PLN 0.5857

*Intangible assets recognized from PPA (purchase price allocation) as at the company acquisition date

The input data were obtained from the financial statements of IPS company drawn up as at 31 May 2020. 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 Remaris software. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed, using the DCF method. The estimated cash flows were discounted with the discount rate equivalent to the weighted average cost of capital determined for IPS 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 IPS company was allocated to the Payment Solutions segment.

iv. Allocation of the purchase price of shares in Gastrobit – GRC Grupa d.o.o., based in Dugo Selo

On 23 July 2020, Payten d.o.o. Zagreb signed an agreement to acquire 100% of shares in the company Gastrobit – GRC Grupa d.o.o. ("Gastrobit"), based in Dugo Selo.

The transaction price amounted to EUR 2,276 thousand, of which EUR 1,238 thousand constituted a conditional payment depending on future financial results achieved by the acquired company.

The purchase price allocation process was completed in the third quarter of 2021. The fair values of identifiable assets and liabilities of Gastrobit company as at the date of obtaining control are presented below (converted at the exchange rate of PLN/HRK effective on the acquisition date):

Gastrobit	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	Intangible assets recognized from PPA* as at the acquisition date	Fair values as at the acquisition date	Level in fair value hierarchy
	HRK'000	PLN'000	HRK'000	PLN'000	PLN'000	PLN'000	
Assets acquired							
Property, plant and equipment	1,176	689	1,176	689		689	3
Intangible assets	6	4	6	4	3,769	3,773	3
Right-of-use assets	1,439	844	1,439	844		844	3
Trade receivables	403	236	403	236		236	3
Inventories	637	373	637	373		373	3
Cash and cash equivalents	1,386	813	1,386	813		813	3
Other assets	153	90	154	90		90	3
Total assets	5,200	3,049	5,201	3,049	3,769	6,818	
Liabilities acquired							
Lease liabilities	1,466	860	1,466	860		860	3
Trade payables	13	8	13	8		8	3
Liabilities to the state and local budgets	708	415	708	415		415	3
Deferred tax liabilities	-	-	-	-	678	678	3
Other liabilities	553	324	554	325		325	3
Total liabilities	2,740	1,607	2,741	1,608	678	2,286	
Net assets value	2,460	1,442	2,460	1,441	3,091	4,532	
Equity interest acquired	100%	100%	100%	100%		100%	
Purchase price	19,169	11,239	19,169	11,239		11,239	
Goodwill	16,709	9,797	16,709	9,798		6,707	

The values have been converted to PLN at the exchange rate effective on the acquisition date, i.e. 23.07.2020:

HRK 1 = PLN 0.5863

*Intangible assets recognized from PPA (purchase price allocation) as at the company acquisition date

The input data were obtained from the financial statements of Gastrobit company drawn up as at 31 July 2020. 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 Smart and Thor software products. The software valuation was made on the basis of expected future sales revenues, expected EBITDA margin and return on assets employed, using the DCF method. The estimated cash flows were discounted with the discount rate equivalent to the weighted average cost of capital determined for Gastrobit d.o.o. 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 Gastrobit company was allocated to the Payment Solutions segment.

v. Acquisition 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 expected purchase method. As at 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.

Until 31 December 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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 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 RON'000	Provisional values as at the acquisition date PLN'000	Level in fair value hierarchy
Assets acquired			
Property, plant and equipment	176	164	3
Intangible assets	622	578	3
Right-of-use assets	886	823	3
Trade receivables	1,097	1,019	3
Receivables from the state and local budgets	98	91	3
Inventories	2	2	3
Cash and cash equivalents	126	117	3
Other assets	203	189	3
Total assets	3,210	2,983	
Liabilities acquired			
Bank loans and borrowings	438	407	3
Lease liabilities	856	795	3
Trade payables	77	72	3
Liabilities to the state and local budgets	172	160	3
Other liabilities	1,359	1,263	3
Total liabilities	2,902	2,697	
Net assets value	308	286	
Equity interest acquired	100%*	100%*	
Value of non-controlling interests	-	-	
Purchase price	20,620	19,162	
Goodwill as at the acquisition date	20,312	18,876	

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

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

The input data were obtained 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.

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

vi. Acquisition of shares in 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.

Until 30 September 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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

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	Level in fair value hierarchy
Assets acquired			
Property, plant and equipment	199	120	3
Intangible assets	1,811	1,094	3
Right-of-use assets	2,866	1,731	3
Trade receivables	4,775	2,884	3
Receivables from the state and local budgets	510	308	3
Financial assets	170	103	3
Cash and cash equivalents	17,375	10,495	3
Other assets	1,470	888	3
Total assets	29,176	17,623	
Liabilities acquired			
Lease liabilities	2,923	1,765	3
Trade payables	429	259	3
Liabilities to the state and local budgets	759	458	3
Other liabilities	6,937	4,190	3
Total liabilities	11,048	6,672	
Net assets value	18,128	10,951	
Equity interest acquired	100%	100%	
Value of non-controlling interests	-	-	
Purchase price	44,938	27,143	
Goodwill as at the acquisition date	26,810	16,192	

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

The input data were obtained 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.

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. Acquisition of shares in 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.

Until 31 December 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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 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	Level in fair value hierarchy
Assets acquired			
Property, plant and equipment	2,608	1,594	3
Intangible assets	27	17	3
Trade receivables	1,497	915	3
Receivables from the state and local budgets	8	5	3
Inventories	8	5	3
Cash and cash equivalents	2,412	1,474	3
Other assets	84	51	3
Total assets	6,644	4,061	
Liabilities acquired			
Bank loans and borrowings	768	469	3
Lease liabilities	251	153	3
Trade payables	287	175	3
Liabilities to the state and local budgets	165	101	3
Other liabilities	354	216	3

Total liabilities	1,825	1,114
Net assets value	4,819	2,947
Equity interest acquired	100%	100%
Value of non-controlling interests	-	-
Purchase price	18,769	11,473
Goodwill	13,950	8,526

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

The input data were obtained 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.

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. Acquisition of shares in 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 and it constitutes a conditional payment depending on future financial results achieved by the acquired company.

Until 31 December 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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 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	Level in fair value hierarchy
Assets acquired			
Property, plant and equipment	8	2	3
Intangible assets	1,484	442	3
Trade receivables	109	32	3
Receivables from the state and local budgets	59	18	3
Inventories	11	3	3
Cash and cash equivalents	26	8	3
Other assets	3	1	3
Total assets	1,700	506	
Liabilities acquired			
Bank loans and borrowings	37	11	3
Trade payables	1,045	311	3
Liabilities to the state and local budgets	21	6	3
Deferred tax liabilities	63	19	3
Other liabilities	72	21	3
Total liabilities	1,238	368	
Net assets value	462	138	
Equity interest acquired	100%	100%	
Value of non-controlling interests	-	-	
Purchase price	4,201	1,250	
Goodwill as at the acquisition date	3,739	1,112	

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

The input data were obtained 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. Acquisition of shares in 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 financial results achieved by the acquired company. All non-controlling interests are subject to put/call options and accounted for using the expected purchase method. As at 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.

Until 31 December 2021, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition 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 BS Telecom Solutions d.o.o. 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 BAM'000	Provisional values as at the acquisition date PLN'000	Level in fair value hierarchy
Assets acquired			
Property, plant and equipment	739	1,742	3
Intangible assets	358	844	3
Right-of-use assets	1,266	2,984	3
Trade receivables	14,523	34,229	3
Receivables from the state and local budgets	286	674	3
Inventories	4,088	9,635	3
Cash and cash equivalents	2,330	5,492	3
Other assets	1,373	3,236	3
Total assets	24,963	58,836	
Liabilities acquired			
Bank loans and borrowings	11,334	26,713	3
Lease liabilities	1,357	3,198	3
Other financial liabilities	9	21	3
Trade payables	5,882	13,863	3
Liabilities to the state and local budgets	22	52	3
Other liabilities	1,010	2,380	3
Total liabilities	19,614	46,227	
Net assets value	5,349	12,609	
Equity interest acquired	100%	100%	
Value of non-controlling interests	-	-	
Purchase price	47,892	112,877	
Goodwill	42,543	100,268	

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

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

The input data were obtained 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.

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.

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 2021.

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 to business units assigned to respective business units at the Group level (i.e. 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 2021 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no real growth of the achieved margins after the forecast period.

The calculations were based on the following uniform assumptions:

- the so-called business units were analyzed which, when put together, comprise the budgets and forecasts of individual subsidiaries;
- 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 residual value for later operations of each subsidiary was computed assuming no real changes in cash flows;
- 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 for each market in which the given segment operates to PLN at the exchange rate of 31 December 2021, the rate of revenue growth calculated as the compound annual growth rate (CAGR) in the period of detailed forecast equalled: 3.28% for Banking Solutions, 5.67% for Payment Solutions, and 8.34% for Dedicated Solutions;
- 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, and depending on the operating market of a given segment section ranged from 8.19% to 31.8%.

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 Dec. 2021	31 Dec. 2020
Albania / Kosovo	11.04%	13.10%
Bosnia and Herzegovina	13.87% - 14.02%	8.60% - 19.80%
Bulgaria	8.30%	8.50%
Croatia	8.24% - 8.32%	8.60% - 9.30%
Czechia / Slovakia	8.22% - 8.95%	7.90%
Montenegro	11.71% - 11.59%	10.5% - 15.10%
Spain	8.19%	8.40%
Macedonia	11.02% - 11.13%	14.0% - 15.3%
Romania / Moldova	11.22% - 11.30%	10.60% - 11.50%
Serbia	9.71% - 9.79%	9.7% - 10.50%
Slovenia	8.24%	8.60%
Turkey	31.68% - 31.80%	23.50% - 24.80%

Based on the conducted tests, we did not recognize any impairment losses on goodwill in the year ended 31 December 2021 or in the comparable period.

Additionally, the Parent Company carried out a sensitivity analysis of the impairment tests conducted on goodwill arising from the acquisition of shares in its subsidiaries. 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 2021 are presented in the following table:

	Discount rate Change by 1 pp	Sales revenue growth rate Change by 1 pp
Banking Solutions	(75,676)	(67,582)
Payment Solutions	(99,475)	(83,568)
Dedicated Solutions	(43,700)	(56,445)

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

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 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.

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

In order to estimate impairment losses on financial assets, the 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 2021 and 31 December 2020, 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 Dec. 2021 Long-term PLN'000	31 Dec. 2020 Short-term PLN'000	31 Dec. 2020 Long-term PLN'000	31 Dec. 2020 Short-term PLN'000
Financial assets carried at fair value through profit or loss, of which:				
Currency forward contracts	-	20	-	-
Other assets	-	2	-	2
	-	22	-	2
Financial assets carried at fair value through other comprehensive income, of which:				
Shares in companies quoted in an active market	25	-	53	26
Shares in companies not quoted in an active market	22	-	21	-
	47	-	74	26
Financial assets carried at amortized cost, of which:				
Loans granted, of which:	-	105	315	12
<i>granted to related parties</i>	-	-	315	-
<i>granted to employees</i>	-	97	-	8
<i>granted to other entities</i>	-	8	-	4
Cash deposits	-	8	4,776	8
	-	113	5,091	20
Total other financial assets	47	135	5,165	48

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 2021, 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 2021 and 31 December 2020, the fair values of financial assets were not significantly different from their book values.

As at 31 December 2021	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	20	-	20	-
Other assets	2	-	-	2
Total	22	-	20	2
Financial assets carried at fair value through other comprehensive income				
Shares in companies quoted in an active market	25	25	-	-
Shares in companies not listed on regulated markets	22	-	-	22
Total	47	25	-	22

- 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 2020	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	-	-	-	-
Other assets	2	-	-	2
Total	2	-	-	2
Financial assets carried at fair value through other comprehensive income				
Shares in companies quoted in an active market	79	79	-	-
Shares in companies not listed on regulated markets	21	-	-	21
Total	100	79	-	21

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 2021 and 31 December 2020, prepayments and accrued income included the following items:

	31 Dec. 2021		31 Dec. 2020	
	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>	1,986	36,218	6,142	27,240
<i>insurances</i>	1,914	29,552	6,141	24,039
<i>insurances</i>	-	1,373	-	955
<i>rents and averaged instalments under operating leases</i>	-	250	-	207
<i>prepaid consulting services</i>	-	114	-	46
<i>other services</i>	72	4,929	1	1,993
Expenses related to services performed for which revenues have not been recognized yet	-	1,095	-	2,552
Other prepayments and accrued income	70	2,035	-	1,199
Total	2,056	39,348	6,142	30,991

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 2021 as well as at 31 December 2020.

	31 Dec. 2021		31 Dec. 2020	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Trade receivables, of which:				
Trade receivables:				
from related parties	-	762	-	1,742
from other entities	-	205,056	-	203,694
Receivables from operating leases	-	7,509	-	8,609
Allowances for trade receivables	-	(7,696)	-	(6,373)
Corporate income tax receivable	-	2,818	-	2,105
Receivables from the state and local budgets	-	3,993	-	5,100
Value added tax	-	1,174	-	3,350
Other	-	2,819	-	1,750
Other receivables	634	9,766	821	3,970
Security deposits receivable	634	1,328	819	1,272
Other receivables	-	8,524	2	2,784
Allowance for other doubtful receivables	-	(86)	-	(86)
Total receivables	634	222,208	821	218,847

The table below presents assets from contracts with customers as at 31 December 2021 as well as at 31 December 2020.

Contract assets	31 Dec. 2021		31 Dec. 2020	
	Long-term	Short-term	Long-term	Short-term
Uninvoiced receivables		23,548		11,938
from related parties	-	-	-	497
from other entities	-	23,548	-	11,441
Receivables from valuation of IT contracts		20,685		17,687
from related parties	-	780	-	238
from other entities	-	19,905	-	17,449
Total contract assets		44,233		29,625

During the period of 12 months ended 31 December 2021, assets from contracts with customers changed as follows:

	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020
	PLN'000	PLN'000
Contract assets as at 1 January	29,625	28,050
Reclassification of contract assets due to obtaining an unconditional right to payment	(65,966)	(58,593)
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	80,427	59,179
Impairment losses	-	(296)
Foreign currency translation differences of subsidiaries	-	-
Contract assets as at 31 December	147	1,285

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

The balance of other receivables includes, among others, receivables relating to guarantees of due performance of contracts (i.e. cash security provided to customers in order to compensate for their potential losses should 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 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 2021.

	31 Dec. 2021					
	Amount before allowance (gross)		Allowance		Amount after allowance (net)	
	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	100%	(7,696)	100%	205,631	100%

The table below presents the ageing structure of receivables as at 31 December 2020.

	31 Dec. 2020					
	Amount before allowance (gross)		Allowance		Amount after allowance (net)	
	PLN'000	%	PLN'000	%	PLN'000	%
Receivables not yet due	177,306	83%	(656)	9%	176,650	86%
Past-due receivables	36,739	17%	(5,717)	74%	31,022	14%
Receivables past-due up to 3 months	26,472	12%	(183)	2%	26,289	13%
Receivables past-due from 3 to 6 months	4,090	2%	(192)	2%	3,898	2%
Receivables past-due from 6 to 12 months	1,616	1%	(781)	10%	835	0%
Receivables past-due over 12 months	4,561	2%	(4,561)	59%	-	0%
Book value of trade receivables	214,045	100%	(6,373)	100%	207,672	100%

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 2021 and in the comparable period are presented in the table below:

Allowances for trade receivables	12 months ended		12 months ended	
	31 Dec. 2021	PLN'000	31 Dec. 2020	PLN'000
As at 1 January		(6,373)		(6,026)
Recognized during the reporting period		(5,809)		(4,442)
Utilized during the reporting period		617		151
Reversed during the reporting period		3,418		4,527
Acquisition of subsidiaries		(700)		(416)
Foreign exchange differences		1,151		(167)
As at 31 December		(7,696)		(6,373)

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 2021 and in the comparable period:

Inventories	31 Dec. 2021		31 Dec. 2020	
	PLN'000	PLN'000	PLN'000	PLN'000
Computer hardware, third-party software licenses and other goods for resale	40,156		32,696	
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	12,478		12,581	
Impairment losses on inventories	(16,058)		(17,365)	
Total	36,576		27,912	

Changes in the amount of impairment losses on inventories during the period of 12 months ended 31 December 2021 and in the comparable period are presented in the table below:

Impairment losses on inventories	12 months ended 31 Dec. 2021 PLN'000	12 months ended 31 Dec. 2020 PLN'000
As at 1 January	(17,365)	(13,991)
Recognized during the reporting period	(5,057)	(4,580)
Utilized during the reporting period	2,913	1,233
Reversed during the reporting period	3,533	2,681
Obtaining of control over subsidiaries	(10)	(1,705)
Foreign exchange differences	(72)	(1,003)
As at 31 December	(16,058)	(17,365)

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 initial 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 2021 and in the comparable period:

	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Cash at bank and on hand	193,642	180,779
Cash at split payment accounts	90	276
Short-term bank deposits (up to 3 months)	36,018	67,956
Cash in transit and other cash equivalents	1,253	17
Total cash and cash equivalents as disclosed in the statement of financial position	231,003	249,028
Interest accrued on cash and cash equivalents	(7)	(76)
Bank overdraft facilities utilized for current liquidity management	(25,125)	(92)
Total cash and cash equivalents as disclosed in the cash flow statement	205,871	248,860

6.11. Share capital and share premium

Share capital

The Parent Company's share capital as at 31 December 2021 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 36 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 Dec. 2021	31 Dec. 2020 (restated)
	PLN'000	PLN'000
As at 1 January	2,460	2,051
Share in profits of subsidiaries	4,793	1,554
Obtaining control over subsidiaries	976	861
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))	(214)	(1,768)
Increase of share capital in subsidiaries	459	-
Dividends paid out to non-controlling shareholders	(4,192)	(462)
Foreign currency translation differences of subsidiaries	(125)	224
As at 31 December	4,157	2,460

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

The line of 'Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))' represents the reclassification of non-controlling interests (to which a portion of financial results and other changes in equity of subsidiaries attributable to non-controlling interests are allocated during a year) as a financial liability, as if such puttable equity instrument was redeemed on that date. This item is related to put options that were granted to non-controlling shareholders of our subsidiaries Necomplus and IPS.

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 2021, the Group was a lessee under lease contracts. Assets leased under such contracts included:

- office and warehouse space,
- cars,

- IT hardware and other assets.

The table below presents the amounts of lease liabilities as at 31 December 2021 as well as at 31 December 2020.

Lease liabilities	31 Dec. 2021		31 Dec. 2020	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Leases of real estate	28,407	15,996	32,453	13,319
Leases of transportation vehicles	4,202	3,261	5,149	3,595
Leases of IT hardware and other assets	703	1,565	2,245	2,081
	33,312	20,822	39,847	18,995

Leases of real estate

Net value of office buildings which are held under lease contracts amounted to PLN 41,813 thousand as at 31 December 2021, as compared with PLN 43,158 thousand as at 31 December 2020.

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

	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Minimum lease payments		
in the period shorter than 1 year	17,075	14,629
in the period from 1 to 5 years	24,745	30,446
in the period longer than 5 years	4,938	3,546
Future minimum lease payments	46,758	48,621
Future interest expenses	(2,355)	(2,849)
Present value of lease liabilities	44,403	45,772
in the period shorter than 1 year	15,996	13,319
in the period from 1 to 5 years	23,496	29,030
in the period longer than 5 years	4,911	3,423
Lease liabilities	44,403	45,772

Within the Group, the average effective interest rate on the above-mentioned leases equalled 2.7% as at 31 December 2021.

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 9,195 thousand as at 31 December 2021, as compared with PLN 12,553 thousand as at 31 December 2020.

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

	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Minimum lease payments		
in the period shorter than 1 year	5,400	6,148
in the period from 1 to 5 years	4,745	7,558
in the period longer than 5 years	-	-
Future minimum lease payments	10,145	13,706
Future interest expenses	(414)	(636)
Present value of lease liabilities	9,731	13,070
in the period shorter than 1 year	4,826	5,676
in the period from 1 to 5 years	4,905	7,394
in the period longer than 5 years	-	-
Lease liabilities	9,731	13,070

Within the Group, the average effective interest rate on the above-mentioned leases equalled 3.7% as at 31 December 2021.

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 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Depreciation of right-of-use assets	(20,069)	(22,575)
Interest expenses on lease liabilities	(1,706)	(2,189)
Costs of short-term leases	(9,232)	(4,726)
Costs of leases of low-value assets	(1,630)	(285)
Total amount recognized in the statement of profit and loss	(32,637)	(29,775)

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 2021 and 31 December 2020.

Currency	Repayment date	31 Dec. 2021		31 Dec. 2020	
		Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Bank overdraft facilities			25,125		92
fixed interest rate	MKD	10.01.2022	13	-	20
fixed interest rate	EUR	10.01.2022	27	-	26
fixed interest rate	TRY	07.01.2022	59	-	37
fixed interest rate	COP	04.01.2022	10	-	9
fixed interest rate	BAM	10.06.2022	1,784	-	-
fixed interest rate	BAM	28.05.2022	4,537	-	-
fixed interest rate	BAM	30.11.2022	1,173	-	-
fixed interest rate	BAM	30.03.2022	3,519	-	-
fixed interest rate	BAM	31.05.2022	1,335	-	-
fixed interest rate	BAM	15.02.2022	1,877	-	-
fixed interest rate	BAM	30.06.2022	8,445	-	-
fixed interest rate	BAM	11.02.2022	1,408	-	-
fixed interest rate	BAM	05.08.2022	938	-	-
		39,614	21,030	29,139	28,096
Other bank loans					
1M EURIBOR + margin	EUR	31.07.2023	2,628	5,523	8,178
3M EURIBOR + margin	EUR	30.06.2024	5,025	3,350	8,388
3M EURIBOR + margin	EUR	31.12.2022	-	1,012	982
3M EURIBOR + margin	EUR	21.09.2022	-	-	1,208
3M EURIBOR + margin	EUR	05.06.2023	-	-	238
3M EURIBOR + margin	EUR	29.07.2026	25,297	-	-
6M EURIBOR + margin	BAM	22.04.2024	911	663	-
6M EURIBOR + margin	EUR	01.03.2022	-	70	-
6M EURIBOR + margin	EUR	05.02.2024	297	325	-
6M EURIBOR + margin	EUR	08.07.2026	1,897	360	928
6M EURIBOR + margin	EUR	30.09.2023	39	56	-
1Y EURIBOR + margin	EUR	30.06.2022	-	11	12
fixed interest rate	EUR	22.04.2023	919	2,758	3,621
fixed interest rate	RON	29.04.2022	-	279	-
fixed interest rate	EUR	31.03.2021	-	-	246

<i>fixed interest rate</i>	EUR	31.05.2022	-	3,441	-	-
<i>fixed interest rate</i>	EUR	28.06.2021	-	-	-	905
<i>fixed interest rate</i>	EUR	04.06.2021	-	-	-	1,509
<i>fixed interest rate</i>	EUR	03.06.2022	-	1,379	1,358	2,716
<i>fixed interest rate</i>	EUR	02.07.2021	-	-	-	1,760
<i>fixed interest rate</i>	EUR	28.08.2021	-	-	-	241
<i>fixed interest rate</i>	EUR	30.06.2024	2,587	1,725	4,326	1,731
<i>fixed interest rate</i>	EUR	31.12.2021	-	-	-	582
<i>fixed interest rate</i>	EUR	01.03.2022	-	-	69	276
<i>fixed interest rate</i>	EUR	05.02.2024	-	-	667	229
<i>fixed interest rate</i>	PEN	13.02.2023	14	78	92	73
<i>fixed interest rate</i>	TRY	01.04.2021	-	-	-	63
Loans			-	-	-	1,957
<i>3M EURIBOR + margin</i>	EUR	30.06.2021	-	-	-	1,957
Total			39,614	46,155	29,139	30,145

The Group's total debt amounted to PLN 85,769 thousand as at 31 December 2021, as compared with PLN 59,284 thousand as at 31 December 2020. The total amount of debt increased as a result of new bank loans that were obtained for financing of infrastructure being used in our payment process outsourcing projects as well as for new company acquisitions.

Total proceeds from and repayments of bank loans disclosed in the statement of cash flows for the year 2021 amounted to PLN 31,673 thousand (proceeds) and PLN 32,887 thousand (repayments).

As at 31 December 2021, tangible assets with a book value of PLN 18,529 thousand, trade receivables in the amount of PLN 6,041 thousand and financial assets (deposits) in the amount of PLN 1,232 thousand served as collateral for bank loans as well as for bank overdraft and guarantee facilities. As at 31 December 2021, liabilities that were secured with such assets amounted to PLN 16,096 thousand.

As at 31 December 2020, tangible assets with a book value of PLN 8,087 thousand and trade receivables in the amount of PLN 4,013 thousand served as collateral for bank loans. As at 31 December 2020, liabilities that were secured with such assets amounted to PLN 2,602 thousand.

In the reporting period, the margins realized by lenders to ASEE Group companies ranged from 1.0 to 11.3 percentage points on an annual basis. Whereas, in the comparable period such margins ranged from 1.2 to 4.2 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 2021 and 31 December 2020, 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 2021, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2021 and 31 December 2020, the fair values of bank loans were not significantly different from their book values.

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	85,769	-	-	85,769
- <i>overdraft facilities</i>	25,125	-	-	25,125
- <i>non-revolving loans</i>	60,644	-	-	60,644
Loans	-	-	-	-
Total	85,769	-	-	85,769

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 2020	Carrying value	Level 1 ⁱ⁾	Level 2 ⁱⁱ⁾	Level 3 ⁱⁱⁱ⁾
------------------------	----------------	-----------------------	------------------------	-------------------------

	PLN'000	PLN'000	PLN'000	PLN'000
Interest-bearing bank loans and borrowings				
Bank loans	57,327	-	-	57,327
- <i>overdraft facilities</i>	92	-	-	92
- <i>non-revolving loans</i>	57,235	-	-	57,235
Loans	1,957	-	-	1,957
Total	59,284	-	-	59,284

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 2021, 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 Dec. 2021		31 Dec. 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities under deferred and/or conditional payments for controlling interests	4,595	18,591	4,006	21,114
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	49,571	25,156	21,874	-
Currency forward contracts	516	15	5	74
Other financial liabilities	-	53	-	2
	54,682	43,815	25,885	21,190

As at 31 December 2021, ASEE Group recognized liabilities under put options granted to non-controlling shareholders in the total amount of PLN 74,727 thousand which were related to the following companies: Necomplus – PLN 25,156 thousand, ContentSpeed – PLN 5,846 thousand, IPS – PLN 2,280 thousand, and BS TS – PLN 41,445 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 2021, liabilities under conditional payments for controlling interests amounted in total to PLN 23,186 thousand and were related to acquisitions of the following companies: Smartek – PLN 1,275 thousand, ContentSpeed – PLN 3,427 thousand, BS TS – PLN 16,687 thousand, and Things Solver – PLN 1,797 thousand. 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.

Both as at 31 December 2021 and 31 December 2020, the fair values of financial liabilities were not significantly different from their book values.

As at 31 December 2021	Carrying value	Level 1 ⁱ⁾	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	53	-	-	53
Total	98,497	-	531	97,966

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 2020	Carrying value	Level 1 ⁱ⁾	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	25,120	-	-	25,120
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	21,874	-	-	21,874
Currency forward contracts	79	-	79	-
Other financial liabilities	2	-	-	2
Total	47,075	-	79	46,996

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 2021 and 31 December 2020:

	31 Dec. 2021		31 Dec. 2020	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Trade payables, of which:				
Trade payables	-	89,907	-	111,830
from related parties	-	236	-	325
from other entities	-	81,586	-	102,159
Uninvoiced payables	-	8,085	-	9,346
from related parties	-	216	-	62
from other entities	-	7,869	-	9,284
Corporate income tax payable	-	11,005	-	7,986
Liabilities to the state and local budgets	-	36,783	-	35,062
Value added tax (VAT)	-	22,154	-	19,615
Personal income tax (PIT)	-	4,628	-	4,479
Social insurance	-	8,670	-	10,349
Withholding income tax	-	490	-	148
Other	-	841	-	471
Other liabilities	2,246	33,329	4,087	27,184
Liabilities to employees (including salaries payable)	-	21,617	-	19,796
Liabilities from purchases of tangible assets and intangible assets	1,921	4,706	4,034	3,940
Other liabilities	325	7,006	53	3,448
Total	2,246	171,024	4,087	182,062

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.

From the time of implementing IFRS 15 by the Group, this is since 1 January 2020, contract liabilities have included 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 2021, the Group's liabilities from contracts with customers resulted from obligations listed in the table below.

	31 Dec. 2021		31 Dec. 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities from valuation of IT contracts, of which:	-	19,725	-	23,134
From related parties	-	17	-	-
From other entities	-	19,708	-	23,134
Deferred income from IT projects, of which:	6,118	73,522	9,402	50,953
Maintenance services	3,484	41,089	2,388	38,041
License fees	2,634	4,592	7,014	2,080
Prepaid implementation services	-	2,506	-	1,613
Obligations to supply hardware	-	25,335	-	9,219
Total contract liabilities	6,118	93,247	9,402	74,087

The table below explains changes in the balance of contract liabilities during the periods of 12 months ended 31 December 2021 and 31 December 2020:

	12 months ended	12 months ended
	31 Dec. 2021	31 Dec. 2020
	PLN'000	PLN'000
Liabilities from valuation of long-term IT contracts and deferred income from IT projects as at 1 January	83,489	59,511
Invoices issued above the level of performance obligations satisfied	149,990	126,358
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	(137,761)	(103,665)
Obtaining control over subsidiaries	3,279	301
Foreign currency translation differences of subsidiaries	368	984
Contract liabilities as at 31 December	99,365	83,489

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, if the 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 2021 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 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)
Foreign currency translation differences of subsidiaries	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

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 2020	1,100	974	269	324	2,124	69	4,860
Provisions created during the reporting period	1,101	-	898	-	1,424	494	3,917
Provisions utilized/reversed	(912)	-	(774)	(7)	(981)	(480)	(3,154)
Foreign currency translation differences of subsidiaries	72	62	16	(21)	(233)	4	(100)
As at 31 December 2020, 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
As at 1 January 2020, of which:	1,100	974	269	324	2,124	69	4,860

Short-term	1,100	974	269	167	330	7	2,847
Long-term	-	-	-	157	1,794	62	2,013

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 contractual penalties was created with regard to a contract executed in Serbia, under which software licenses were delivered while further contract stages (including implementation of the solution) were not performed. Discussions are being held in order to complete the contract by mutual agreement. The company has created provisions for potential customer claims related to the contract completion.

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

Selected accounting policies

Accrual 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).

Accrual 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.

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

	31 Dec. 2021		31 Dec. 2020	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Accruals, of which:				
Accrual for unused holiday leaves	-	6,906	-	4,719
Accrual for employee and management bonuses	-	18,241	-	20,033
	-	25,147	-	24,752

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.

6.20. Related party transactions

	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.					
2021	20	335	51	7	-
2020	60	242	53	17	-
Transactions with other entities of Asseco Poland Group					
2021	2,660	472	1,541	220	-
2020	3,082	1,078	2,472	294	-
Transactions with entities or individuals related through the Group's Key Management Personnel					
2021	-	1,571	-	90	15,345
2020	-	1,138	-	90	11,851
Transactions with Members of Management Board and Supervisory Board of ASEE S.A. and companies of ASEE Group					
2021	-	10	-	186	55
2020	-	19	2	-	109

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 2020, total receivables from related parties comprised trade receivables amounting to PLN 1,742 thousand, contract assets amounting to PLN 735 thousand, and other receivables amounting to PLN 50 thousand.

As at 31 December 2021, total liabilities to related parties comprised trade payables amounting to PLN 452 thousand, liabilities arising from valuation of IT contracts amounting to PLN 17 thousand, and other liabilities amounting to PLN 34 thousand. As at 31 December 2020, total liabilities to related parties comprised trade payables amounting to PLN 387 thousand, and other liabilities amounting to PLN 14 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 15,400 thousand as at 31 December 2021, as compared with PLN 11,960 thousand outstanding as at 31 December 2020.

Furthermore, Asseco International a.s., our parent company, received dividends from the Company in the total gross amount of PLN 25,495 thousand, as compared with PLN 19,606 thousand in 2020.

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

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., which has 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 2021, the costs of share-based payment plan related to shares acquired by Members of the Management Board amounted to PLN 80 thousand.

The previous incentive plan accounted for in the period 2017-2020 was finished in 2020. Detailed information on that incentive plan was provided in the consolidated financial statements of ASEE Group for the year ended 31 December 2020 which were published on 24 February 2021.

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 1,355 thousand, as compared with PLN 1,008 thousand distributed in 2020. 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 2021. The dividend was paid out on 7 July 2021.

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 – investing activities

In the period of 12 months ended 31 December 2021, the amount of cash flows from investing activities was affected primarily by:

- acquisitions of property, plant and equipment (PLN 28,565 thousand), intangible assets (PLN 9,989 thousand), and expenditures for development projects (PLN 1,454 thousand),
- expenditures for the acquisition of subsidiaries decreased by cash and cash equivalents in subsidiaries acquired, as disclosed in the table below:

	Acquisition of subsidiaries	Cash in subsidiaries acquired
	PLN'000	PLN'000
Necomplus Group	(4,932)	-
Things Solver	(3,016)	535
Vebspot	(5,738)	329
Mobven	(10,718)	-
Gastrobot	(5,061)	-
IPS	(3,598)	-
ContentSpeed	(10,231)	117
IT Sistemi	(27,333)	10,570
Web Studio	(11,415)	1,465
Smarttek	-	(5)
BS TS	(54,229)	(19,477)
Total	(136,271)	(6,466)

7.2. Cash flows – financing activities

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

Change in financial liabilities	Bank loans and borrowings	Lease liabilities	Dividend payment liabilities	Total
	PLN'000	PLN'000	PLN'000	
As at 1 January 2021	59,192	58,842	-	118,034
Changes arising from cash flow	(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
Foreign currency translation differences of subsidiaries	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 eMon, ChipCard and IPS companies.

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 2021 and 31 December 2020.

Groups/categories of financial instruments	Carrying value as at 31 Dec. 2021	Foreign currency exposure as at 31.12.2021	EUR	USD	Other currencies
			PLN'000	PLN'000	
			PLN'000	PLN'000	
Financial assets					
Cash and cash equivalents	231,003	224,830	90,107	22,171	112,552
Loans granted and bank deposits	113	113	8	-	105
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	85,769	85,769	58,726	-	27,043
Lease liabilities	54,134	54,134	36,010	812	17,312
Other financial liabilities	98,497	98,497	96,120	44	2,333
Trade payables and liabilities arising from valuation of IT contracts	109,632	108,941	57,315	7,328	44,298

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2020 PLN'000	Foreign currency exposure as at 31.12.2020 PLN'000	EUR	USD	Other currencies PLN'000
			PLN'000	PLN'000	
Financial assets					
Cash and cash equivalents	249,028	235,731	98,468	19,899	117,364
Loans granted and bank deposits	5,111	5,111	9	-	5,102
Other financial assets	102	102	2	-	100
Trade receivables and contract assets	237,297	236,523	52,123	19,106	165,294
Financial liabilities					
Bank loans and borrowings	59,284	59,284	58,989	-	295
Lease liabilities	58,842	58,842	47,674	29	11,139
Other financial liabilities	47,075	42,143	22,008	10,479	9,656
Trade payables and liabilities arising from valuation of IT contracts	134,964	133,880	46,839	13,138	73,903

The tables below present the analysis of sensitivity of our financial results to fluctuations in foreign exchange rates as at 31 December 2021 and in the comparable period:

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2021			
	EUR		USD	
	+10%	-10%	+10%	-10%
Impact on financial results				
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)
Impact on financial results				
	PLN'000	PLN'000	PLN'000	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

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2020			
	EUR		USD	
	+10%	-10%	+10%	-10%
Impact on financial results				
Cash and cash equivalents	9,847	(9,847)	1,990	(1,990)
Loans granted and bank deposits	1	(1)	-	-
Other financial assets	-	-	-	-
Trade receivables and contract assets	5,212	(5,212)	1,911	(1,911)
Impact on financial results				
	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets				
Cash and cash equivalents	9,847	(9,847)	1,990	(1,990)
Loans granted and bank deposits	1	(1)	-	-
Other financial assets	-	-	-	-
Trade receivables and contract assets	5,212	(5,212)	1,911	(1,911)
Financial liabilities				
Bank loans and borrowings	(5,899)	5,899	-	-
Lease liabilities	(4,767)	4,767	(3)	3
Other financial liabilities	(2,201)	2,201	(1,048)	1,048
Trade payables and liabilities arising from valuation of IT contracts	(4,684)	4,684	(1,314)	1,314

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 basically only bank loans and borrowings 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			
			+ 1.0 pp	- 1.0 pp	PLN'000	PLN'000		
Bank loans and borrowings as at 31 December 2021, of which:								
Bank overdraft facilities	25,125	-	+ 1.0 pp	- 1.0 pp	-	-		
Other loans	60,644	44,420	+ 1.0 pp	- 1.0 pp	(444)	444		
Borrowings from related parties	-	-	+ 1.0 pp	- 1.0 pp	-	-		
Bank loans and borrowings as at 31 December 2020, of which:								
Bank overdraft facilities	92	-	+ 1.0 pp	- 1.0 pp	-	-		
Bank loans	57,236	34,056	+ 1.0 pp	- 1.0 pp	(341)	341		
Borrowings from related parties	1,956	1,956	+ 1.0 pp	- 1.0 pp	(20)	20		

The analysis of sensitivity has been carried out for financial instruments held by ASEE Group as at 31 December 2021 and 31 December 2020. 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 2021 and 31 December 2020, by maturity:

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 and liabilities arising from valuation of IT contracts	97,963	11,008	661	-	109,632
Bank loans and borrowings	12,605	33,550	39,614	-	85,769
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
Other financial liabilities	53	-	-	-	53
Total	118,312	103,104	124,447	4,938	350,801

* 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 2020	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 and liabilities arising from valuation of IT contracts	133,317	1,647	-	-	134,964
Bank loans and borrowings	9,555	20,590	29,139	-	59,284
Lease liabilities *	5,150	15,627	38,004	3,546	62,327
Ageing of liabilities for unpaid shares	4,932	-	-	-	4,932
Ageing of conditional payments recognized due to business acquisitions	1,426	14,756	4,006	-	20,188
Ageing of liabilities under put options granted to non-controlling shareholders	-	-	21,874	-	21,874
Ageing of liabilities under forward/future contracts	74	-	5	-	79
Total	154,454	52,620	93,028	3,546	303,648

* 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 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)	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
For 12 months ended 31 December 2021		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets		2,412	19,940	(2,666)	-	19,686
Currency forward contracts	FVtPL	-	-	-	-	-
Loans granted	MaAC	15	-	(330)	-	(315)
Cash deposits	MaAC	10	-	-	-	10
Trade receivables	MaAC	26	3,975	(2,336)	-	1,665
Cash and cash equivalents	FVtPL	2,361	15,965	-	-	18,326
Financial liabilities		(3,944)	(4,205)	-	(685)	(8,834)
Forward/future contracts	FVtPL	-	111	-	(6)	105
Liabilities under deferred and/or conditional payments for controlling interests	FVtPL	-	-	-	(679)	(679)
Bank loans and borrowings	MaAC	(1,367)	138	-	-	(1,229)
Lease liabilities	MaAC	(1,706)	(121)	-	-	(1,827)
Trade payables	MaAC	(871)	(4,333)	-	-	(5,204)
Total		(1,532)	15,735	(2,666)	(685)	10,852

As at 31 December 2020, 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)	Gain (loss) on foreign exchange differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
For 12 months ended 31 December 2020		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets		1,236	4,596	85	8	5,925
Currency forward contracts	FVtPL	-	-	-	8	8
Loans granted	MaAC	1	-	-	-	1
Cash deposits	MaAC	-	-	-	-	-
Trade receivables	MaAC	18	1,984	85	-	2,087
Cash and cash equivalents	FVtPL	1,217	2,612	-	-	3,829
Financial liabilities		(3,868)	(2,714)	-	(3,121)	(9,703)
Forward/future contracts	FVtPL	-	275	-	(506)	(231)
Liabilities under deferred and/or conditional payments for controlling interests	FVtPL	-	(51)	-	(2,615)	(2,666)
Bank loans and borrowings	MaAC	(1,474)	(916)	-	-	(2,390)
Lease liabilities	MaAC	(2,189)	(171)	-	-	(2,360)
Trade payables	MaAC	(205)	(1,851)	-	-	(2,056)
Total		(2,632)	1,882	85	(3,113)	(3,778)

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 2021, the related contingent liabilities equalled PLN 57,776 thousand, while as at 31 December 2020 they amounted to PLN 54,491 thousand.

Assets serving as collateral for bank guarantee facilities:

Category of assets	Net value of assets		Amount of granted guarantee secured with assets	
	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Financial assets	-	4,776	-	12,218
Trade receivables	14,806	3,205	5,302	2,371
Other receivables	300	287	300	287
Total	15,106	8,268	5,602	14,876

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 2021.

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

- office and warehouse space,
- locations for ATMs,
- transportation vehicles,
- office equipment,
- other assets.

As at 31 December 2021 and 31 December 2020, the above-mentioned contracts resulted in the following off-balance-sheet liabilities to make future payments:

	31 Dec. 2021 PLN'000	31 Dec. 2020 PLN'000
Liabilities from rental of space		
In the period up to 1 year	4,252	2,862
In the period from 1 to 5 years	4,974	5,361
Over 5 years	-	-
	9,226	8,223
Liabilities under operating leases of equipment		
In the period up to 1 year	333	1,040
In the period from 1 to 5 years	-	-
Over 5 years	-	-
	333	1,040

The said contracts meet the definition of a lease under IFRS 16. Off-balance-sheet liabilities disclosed as at 31 December 2021 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 Dec. 2021	31 Dec. 2020
Management Board of the Parent Company	4	4
Management Boards of the Group companies	61	46
Production departments	2,782	2,470
Sales departments	237	201
Administration departments	308	257
Total	3,392	2,978

Number of employees in the Group companies as at:	31 Dec. 2021	31 Dec. 2020
ASEE S.A.	28	29
ASEE Bulgaria	17	17
ASEE Macedonia	239	228
ASEE Turkey	88	90
ASEE B&H Group	224	82
ASEE Croatia Group	327	218
ASEE Kosovo Group	82	76
ASEE Romania Group	127	136
ASEE Serbia Group	546	488
Necomplus Group	741	751
Payten B&H Group	67	70
Payten Croatia Group	193	180
Payten Macedonia Group	55	31
Payten Romania Group	70	47
Payten Serbia Group	182	178
Payten Turkey Group	271	217
Payten Montenegro	20	18
Payten Slovenia	29	31
Sonet Group	86	91
Total	3,392	2,978

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 2021 and 31 December 2020, in a breakdown by type of service:

Remuneration of the entity authorized to audit financial statements	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020

Audit of the annual financial statements	308	170
Review of the semi-annual financial statements	119	114
Other certification services	-	10
Total	427	294

In the year ended 31 December 2021 as well as in the year 2020, to the entity authorized to audit financial statements was Deloitte Audit Sp. z o.o. (limited partnership). It has been selected by a resolution of the Supervisory Board of ASEE S.A. of 27 March 2018 and its subsequent resolution of 24 February 2020.

Moreover, other firms of the Deloitte network carry 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, as compared with PLN 568 thousand in 2020.

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 2021 and 2020.

Fixed remuneration for the period of	12 months ended 31 Dec. 2021	12 months ended 31 Dec. 2020
Management Board		
Piotr Jeleński	370	365
Miljan Mališ	189	184
Michał Nitka (since 1 May 2021) ¹⁾	170	-
March Rulnicki (till 30 April 2021) ²⁾	95	281
Kostadin Slavkoski	207	201
	1,031	1,031
Supervisory Board		
Józef Klein	36	36
Adam Góral	30	30
Jacek Duch	60	60
Artur Kucharski	90	90
Adam Pawłowicz	60	60
	276	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 Dec. 2021	12 months ended 31 Dec. 2020
Management Board		
Piotr Jeleński	5,493	4,187
Miljan Mališ	714	1,128
Michał Nitka (since 1 May 2021) ¹⁾	310	-
March Rulnicki (till 30 April 2021) ²⁾	468	1,129
Kostadin Slavkoski	550	840
	7,535	7,284

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 2021 amounted to PLN 24,271 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 2020 amounted to PLN 22,726 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 2021 and 31 December 2020, 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 Dec. 2021	31 Dec. 2020
Bank loans and borrowings	85,769	59,284
Lease liabilities	54,134	58,842
Trade payables, contract liabilities, state budget liabilities and other liabilities	371,132	316,713
Minus cash and cash equivalents	(231,003)	(249,028)
Net debt	280,032	185,811
Equity	971,689	913,206
Equity and net debt	1,251,721	1,099,017
Leverage ratio	22.37%	16.91%

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 2021 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 2021, 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 23 February 2022.

9.8. Significant events after the reporting period

- ***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.

- ***Signing a loan agreement***

On 10 January 2022, Payten d.o.o. New Belgrade signed a 3-year agreement for a bank loan in the amount of EUR 3 million.

In the period from 31 December 2021 till the date of approval of these consolidated financial statements, this is until 23 February 2022, 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 2021, 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