



**Consolidated Financial Statements of [Asseco Group](#)
for the year ended 31 December 2020**

ASSECO



Present in
60 countries



PLN 12,190 million
in sales revenues



28,009
highly committed
employees



PLN 401.9 million
of net profit for
Shareholders of
the Parent Company



PLN 7,642 million
in order backlog*
for 2021



PLN 5.7 billion
in market capitalization

*refers to own software and services

Consolidated Financial Statements of Asseco Group

For the year ended 31 December 2020

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Consolidated Statement of Profit and Loss and Other Comprehensive Income

Asseco Group

STATEMENT OF PROFIT AND LOSS		12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated*)
	Note	mPLN	mPLN
Operating revenues	<u>5.1</u>	12,190.3	10,667.4
Cost of sales	<u>5.2</u>	(9,526.1)	(8,368.0)
Gross profit on sales		2,664.2	2,299.4
Selling costs	<u>5.2</u>	(610.1)	(568.3)
General and administrative expenses	<u>5.2</u>	(821.5)	(745.2)
Net profit on sales		1,232.6	985.9
Other operating income	<u>5.3</u>	27.1	41.1
Other operating expenses	<u>5.3</u>	(44.3)	(52.4)
Operating profit		1,215.4	974.6
Financial income	<u>5.4</u>	88.4	46.6
Financial expenses	<u>5.4</u>	(224.7)	(134.6)
Pre-tax profit before share of profits of associates and joint ventures		1,079.1	886.6
Corporate income tax (current and deferred tax expense)	<u>5.5</u>	(215.8)	(190.6)
Share of profits of associates and joint ventures (net of income taxes)	<u>6.7</u>	4.6	6.3
Net profit for the reporting period		867.9	702.3
<i>Attributable to:</i>			
Shareholders of the Parent Company		401.9	321.9
Non-controlling interests		466.0	380.4
Basic consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	4.84	3.88
Diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	4.84	3.88
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period		867.9	702.3
<i>Components that may be reclassified to profit or loss</i>			
Net gain/loss on valuation of financial assets		-	0.4
Differences on currency translation of foreign subsidiaries, associates and joint ventures		159.0	28.7
<i>Components that will not be reclassified to profit or loss</i>			
Amortization of intangible assets recognized directly in equity		-	(2.4)
Actuarial gains/losses		(2.0)	(1.1)
Income tax relating to components of other comprehensive income		(0.3)	0.5
Total other comprehensive income		156.7	26.1
TOTAL COMPREHENSIVE INCOME attributable to:		1,024.6	728.4
Shareholders of the Parent Company		487.6	307.3
Non-controlling interests		537.0	421.1

* The restatement has been described in detail in explanatory note 2.10 to these consolidated financial statements.

Consolidated Statement of Financial Position

Asseco Group

ASSETS	Note	31 Dec. 2020	31 Dec. 2019
		mPLN	(restated*) mPLN
Non-current assets			
Property, plant and equipment	<u>6.1</u>	914.7	822.7
Intangible assets	<u>6.2</u>	2,274.0	2,106.5
Right-of-use assets	<u>6.3</u>	724.7	686.6
Investment property	<u>6.4</u>	18.0	20.6
Goodwill	<u>6.5</u>	5,129.1	4,561.4
Investments accounted for using the equity method	<u>6.7</u>	162.4	145.0
Other receivables and trade receivables	<u>6.9</u>	94.2	110.3
Deferred tax assets	<u>5.5</u>	202.9	177.7
Prepayments and accrued income	<u>6.10</u>	101.6	68.4
Other non-financial assets	<u>6.11</u>	-	0.5
Other financial assets	<u>6.11</u>	128.7	142.2
		9,750.3	8,841.9
Current assets			
Inventories	<u>6.12</u>	186.9	122.6
Prepayments and accrued income	<u>6.10</u>	291.5	242.9
Trade receivables	<u>6.9</u>	2,891.9	2,632.4
Contract assets	<u>6.9</u>	303.9	212.6
Corporate income tax receivable	<u>6.9</u>	100.9	71.5
Receivables from the state and local budgets	<u>6.9</u>	29.7	34.5
Other receivables	<u>6.9</u>	59.3	73.4
Other non-financial assets	<u>6.11</u>	7.5	12.8
Other financial assets	<u>6.11</u>	186.6	194.8
Cash and bank deposits	<u>6.13</u>	2,896.0	2,153.5
		6,954.2	5,751.0
Non-current assets held for sale	<u>6.14</u>	-	1.3
Total current assets and assets held for sale		6,954.2	5,752.3
TOTAL ASSETS		16,704.5	14,594.2

* The restatement has been described in detail in explanatory note 2.10 to these consolidated financial statements.

Consolidated Statement of Financial Position

Asseco Group

EQUITY AND LIABILITIES	Note	31 Dec. 2020 mPLN	31 Dec. 2019 (restated*) mPLN
Equity <i>(attributable to shareholders of the Parent Company)</i>			
Share capital	<u>6.15</u>	83.0	83.0
Share premium		4,180.1	4,180.1
Transactions with non-controlling interests		(129.5)	(171.2)
Differences on currency translation of foreign subsidiaries, associates and joint ventures		94.9	8.2
Retained earnings		1,815.9	1,664.8
		6,044.4	5,764.9
Non-controlling interests	<u>6.8</u>	2,912.9	2,218.9
Total equity		8,957.3	7,983.8
Non-current liabilities			
Bank loans, borrowings and debt securities	<u>6.16</u>	1,552.2	1,366.2
Lease liabilities	<u>6.17</u>	544.7	472.3
Other financial liabilities	<u>6.18</u>	184.0	234.6
Deferred tax liabilities	<u>5.5</u>	529.6	479.6
Contract liabilities	<u>6.20</u>	129.2	57.7
Accruals	<u>6.22</u>	0.9	1.9
Other liabilities	<u>6.19</u>	12.5	10.4
Provisions	<u>6.21</u>	109.7	81.9
Deferred income	<u>6.22</u>	64.7	41.0
		3,127.5	2,745.6
Current liabilities			
Bank loans, borrowings and debt securities	<u>6.16</u>	703.1	689.4
Lease liabilities	<u>6.17</u>	183.9	216.7
Other financial liabilities	<u>6.18</u>	329.4	265.1
Trade payables	<u>6.19</u>	1,191.7	983.5
Contract liabilities	<u>6.20</u>	900.1	627.3
Corporate income tax payable	<u>6.19</u>	67.4	89.5
Liabilities to the state and local budgets	<u>6.19</u>	296.2	231.0
Other liabilities	<u>6.19</u>	482.9	372.8
Provisions	<u>6.21</u>	36.7	39.2
Deferred income	<u>6.22</u>	7.5	9.8
Accruals	<u>6.22</u>	420.8	340.5
		4,619.7	3,864.8
TOTAL LIABILITIES		7,747.2	6,610.4
TOTAL EQUITY AND LIABILITIES		16,704.5	14,594.2

* The restatement has been described in detail in explanatory note 2.10 to these consolidated financial statements.

Consolidated Statement of Changes in Equity

Asseco Group

	Note	Share capital	Share premium	Transactions with non-controlling interests	Differences on currency translation of foreign subsidiaries, associates and joint ventures	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2020 (restated)		83.0	4,180.1	(171.2)	8.2	1,664.8	5,764.9	2,218.9	7,983.8
Net profit for the reporting period		-	-	-	-	401.9	401.9	466.0	867.9
Other comprehensive income for the reporting period		-	-	-	86.7	(1.0)	85.7	71.0	156.7
Total comprehensive income for the reporting period		-	-	-	86.7	400.9	487.6	537.0	1,024.6
Dividend for the year 2019	<u>5.7</u>	-	-	-	-	(249.8)	(249.8)	(233.6)	(483.4)
Share-based payment transactions with employees		-	-	-	-	-	-	44.3	44.3
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))		-	-	41.7	-	-	41.7	325.4	367.1
Obtaining control over subsidiaries		-	-	-	-	-	-	20.5	20.5
Loss of control over subsidiaries		-	-	-	-	-	-	0.4	0.4
As at 31 December 2020		83.0	4,180.1	(129.5)	94.9	1,815.9	6,044.4	2,912.9	8,957.3

Consolidated Statement of Changes in Equity

Asseco Group

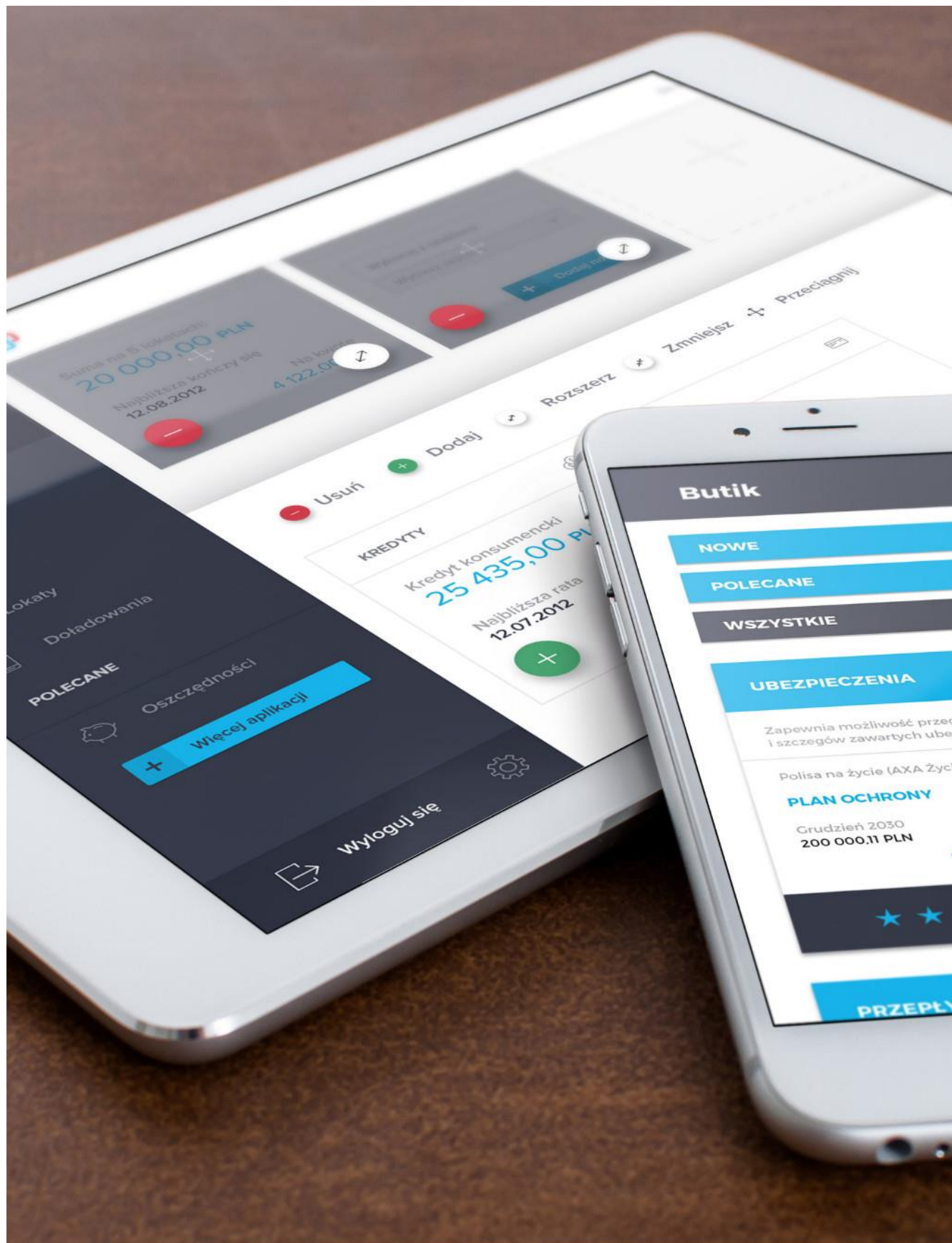
	Note	Share capital	Share premium	Transactions with non-controlling interests	Differences on currency translation of foreign subsidiaries, associates and joint ventures	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2019		83.0	4,180.1	(177.6)	20.3	1,611.9	5,717.7	1,944.6	7,662.3
Impact of the adoption of IFRS 16		-	-	-	-	(11.7)	(11.7)	(11.4)	(23.1)
As at 1 January 2019 (including impact of the adoption of IFRS 16)		83.0	4,180.1	(177.6)	20.3	1,600.2	5,706.0	1,933.2	7,639.2
Net profit for the reporting period		-	-	-	-	321.9	321.9	380.4	702.3
Other comprehensive income for the reporting period		-	-	-	(12.1)	(2.5)	(14.6)	40.7	26.1
Total comprehensive income for the reporting period		-	-	-	(12.1)	319.4	307.3	421.1	728.4
Dividend for the year 2018	5.7	-	-	-	-	(254.8)	(254.8)	(236.7)	(491.5)
Share-based payment transactions with employees		-	-	-	-	-	-	21.3	21.3
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))		-	-	6.4	-	-	6.4	67.4	73.8
Obtaining control over subsidiaries		-	-	-	-	-	-	13.4	13.4
Loss of control over subsidiaries		-	-	-	-	-	-	(0.8)	(0.8)
As at 31 December 2019 (restated)		83.0	4,180.1	(171.2)	8.2	1,664.8	5,764.9	2,218.9	7,983.8

Consolidated Statement of Cash Flows

Asseco Group

	Note	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 (restated) mPLN
Cash flows – operating activities			
Pre-tax profit before share of profits of associates and joint ventures		1,079.1	886.6
Total adjustments:		1,152.2	883.1
Depreciation and amortization	5.2	706.7	637.0
Changes in working capital	7.1	276.4	130.3
Interest income/expenses		75.9	83.7
Gain/loss on foreign currency translation differences		19.0	3.2
Other financial income/expenses		27.3	10.9
Gain/loss on disposal of property, plant and equipment and intangible assets		(3.2)	(2.7)
Gain/loss on disposal of a subsidiary		(0.3)	-
Costs of share-based payment transactions with employees		31.5	16.6
Impairment losses on intangible assets, on property, plant and equipment, and on investment property		7.9	-
Gain/loss on disposal of property, plant and equipment and intangible assets		6.8	3.9
Other adjustments to pre-tax profit		4.2	0.2
Cash provided by (used in) operating activities		2,231.3	1,769.7
Corporate income tax paid		(270.6)	(268.4)
Net cash provided by (used in) operating activities		1,960.7	1,501.3
Cash flows – investing activities			
Inflows			
Disposal of property, plant and equipment, intangible assets, and investment property		10.6	28.2
Proceeds from the sale of shares in related entities, less cash and cash equivalents in entities sold		31.9	12.5
Disposal/settlement of financial assets carried at fair value through profit or loss		0.5	0.2
Disposal of financial assets carried at fair value through other comprehensive income		110.8	12.9
Disposal of investments in other debt securities carried at amortized cost		12.7	6.6
Loans collected	7.2	82.8	61.0
Interest received		6.1	9.2
Dividends received (from associates and joint ventures)		14.1	1.6
Other cash flows from investing activities		9.4	-
Outflows			
Acquisition of property, plant and equipment, intangible assets (including R&D expenditures), and investment property	7.2	(314.0)	(319.7)
Expenditures for the acquisition of subsidiaries and associates, plus cash and cash equivalents in subsidiaries acquired	7.2	(522.6)	(328.2)
Acquisition/settlement of financial assets carried at fair value through profit or loss		(1.2)	(1.6)
Acquisition of financial assets carried at fair value through other comprehensive income		(2.1)	(88.7)
Acquisition of investments in other debt securities carried at amortized cost		(1.9)	(16.2)
Loans granted	7.2	(174.8)	(37.0)
Other cash flows from investing activities		-	(10.5)
Net cash provided by (used in) investing activities		(737.7)	(669.7)

Cash flows – financing activities			
Inflows			
Proceeds from issuance of shares	7.3	424.6	-
Proceeds from the implementation of employee stock option plan		20.7	5.6
Proceeds from bank loans and borrowings	7.3	629.8	555.3
Proceeds from issuance of debt securities	7.3	294.7	320.9
Received grants related to assets and/or development projects	7.3	11.1	5.1
Outflows			
Expenditures for the acquisition of non-controlling interests	7.3	(115.3)	(29.0)
Redemption of debt securities	7.3	(178.5)	(119.3)
Repayments of bank loans and borrowings	7.3	(731.3)	(439.1)
Payments of lease liabilities	7.3	(222.2)	(206.5)
Interest paid (including interest on leases)	7.3	(89.0)	(83.5)
Dividends paid out by the Parent Company	7.3	(249.8)	(254.8)
Dividends paid out to non-controlling shareholders	7.3	(315.1)	(251.4)
Net cash provided by (used in) financing activities		(520.3)	(496.7)
Net increase (decrease) in cash and cash equivalents		702.7	334.9
Net foreign currency translation differences		51.2	15.8
Net cash and cash equivalents as at 1 January		2,118.2	1,767.5
Net cash and cash equivalents as at 31 December	6.13	2,872.1	2,118.2



Explanatory Notes to the Consolidated Financial Statements of [Asseco Group](#)

Explanatory Notes to the Consolidated Financial Statements

1. General information

Asseco Group ("Asseco Group", the "Group") is a group of companies, whose Parent Company is Asseco Poland S.A. (the "Parent Company", "Company", "Issuer").

General information on the Parent Company	
Name	Asseco Poland S.A.
Seat	14 Olchowa St., Rzeszów, Poland
National Court Register number	0000033391
Statistical ID number (REGON)	010334578
Tax Identification Number (NIP)	522-000-37-82
Core business	Production of software

The Parent Company was established on 18 January 1989. On 4 January 2007, the Issuer changed its corporate name from Softbank S.A. to Asseco Poland S.A.

The period of the Company's operations is indefinite.

Since 1998, the Company's shares have been listed on the main market of the Warsaw Stock Exchange S.A.

Asseco Poland S.A. is one of the largest IT companies listed on the Warsaw Stock Exchange. The Company is also a major player in the European software producers market.

As a leader of the Group, Asseco Poland S.A. is actively engaged in business acquisitions both in the domestic and foreign markets, seeking to strengthen its position across Europe and worldwide. Now the Company is expanding its investment spectrum for software houses, with an eye to gain insight into their local markets and customers, as well as access to innovative and unique IT solutions.

Our comprehensive offering includes products dedicated for the sectors of banking and finance, public administration, as well as industry, trade, and services. The Group has got a wide-range portfolio of proprietary products, unique competence and experience in the execution of complex IT projects, and a broad customer base, including the largest financial institutions, major industrial enterprises as well as public administration bodies.

2. Basis for the preparation of financial statements

2.1. Basis for preparation

The Group prepared these consolidated financial statements for the year ended 31 December 2020, which have been approved for publication on 23 March 2021.

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, financial liabilities carried at fair value through profit or loss, as well as investment property measured at fair value.

These consolidated financial statements have been prepared on a going-concern basis, assuming the Group will continue its business activities in the foreseeable future. As at the date of approving these consolidated financial statements for publication, the Management has considered the impact of the prevailing pandemic on business operations conducted by the Group and all of its companies and found no circumstances that would threaten the Group's ability to continue as a going concern.

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

As stated above, at the date of publication of these consolidated financial statements, based on the current analysis of risks and in particular those arising from the COVID-19 pandemic prevailing in Poland and worldwide, the Management Board concluded that the Group's ability to continue as a going concern over a period not shorter than 12 months from 31 December 2020 is not threatened.

The Group is continuously monitoring how the situation caused by the COVID-19 pandemic affects its member companies. Within its core business during the year ended 31 December 2020, the Group has not recorded a material direct impact of the pandemic on its overall financial position and economic results. However, the epidemiological situation affected the organizational aspect of the Group's operations. As a consequence of actions undertaken by Polish authorities, as well as similar precautions taken by the governments of the countries where the Group companies operate, for the sake of the Group's employees and customers, the Group has made efforts to enable most of our employees to work remotely in order to ensure business continuity and continued provision of IT services to our customers. At the time of publication of this report, apart from Aquapark Sopot and sports clubs, whose activities are not related to the Group's core business, all other companies of our Group operate on an ongoing basis and fulfill their contractual obligations within the deadlines specified in relevant contracts.

Due to the existing circumstances, the Group is trying to minimize the possible negative effects of the pandemic on its future financial results, among others, by implementing local cost savings associated with performing business activities remotely. At the same time, the Group monitors the current situation in individual sectors of the economy, trying to take advantage of business opportunities which in the market of IT products and services are also created by the epidemic.

As described in explanatory note 6.6, after a due analysis, the Group currently sees no significant risk of impairment of assets, and especially goodwill. We have also observed no significant changes in the collection of receivables, which is why the calculation of expected credit losses remained almost unchanged, despite the increased parameter that reflects generally higher business risk at some of the Group's companies. The Group has sufficient financial resources to continue its business operations, including the settlement of current liabilities. The Group has not experienced a negative impact of the epidemic on its financial liquidity and fulfils its obligations under loan agreements and bonds on a timely basis. Some companies from our Group used public aid programs available in the countries where the Group operates, which mostly consisted in deferring the payment deadlines for tax and legal liabilities, receiving subsidies, deferring loan repayments or using bank loans guaranteed by the state. However, the Group did not renegotiate the existing lease contracts on a significant scale and no lease instalments were postponed or suspended, therefore the Group did not apply the practical expedient permitted under IFRS 16.

For obvious reasons, the Group cannot exclude the possibility that in the long run an undoubtedly negative impact of the pandemic on the overall economic situation in Poland and in the world may also have an adverse effect on the operations or financial results of the Group in the future; however, it is now impossible to determine to what extent or scale this could occur.

2.3. 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").

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 2020, as well as the comparable period from 1 January to 31 December 2019.

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.

These consolidated financial statements present a true and fair view of the Group's asset and financial position as at 31 December 2020, as well as the financial results of its operations and cash flows for the year ended 31 December 2020.

2.4. Functional currency and presentation currency

The presentation currency of these consolidated financial statements is the Polish zloty (PLN), and all figures are presented in millions of PLN (mPLN), unless stated otherwise. Any inaccuracies in totals, amounting to PLN 0.1 million, 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 'Differences on foreign currency translation of subsidiaries'.

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

- ✓ exchange rate effective on 31 December 2020: EUR 1 = PLN 4.6148
- ✓ exchange rate effective on 31 December 2019: EUR 1 = PLN 4.2585
- ✓ exchange rate effective on 31 December 2020: USD 1 = PLN 3.7584
- ✓ exchange rate effective on 31 December 2019: USD 1 = PLN 3.7977

2.5. 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.

Presented below is the management's professional judgement regarding the existence of control over companies in which the Group holds less than 50% of shares. Such judgment affects the data presented in each

item of these consolidated financial statements. Therefore, a change in estimates regarding this area might have a significant impact on the Group's future results.

Whereas, 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.

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

Selected estimates	Note	Page number
Operating revenues	<u>5.1</u>	38
Corporate income tax	<u>5.5</u>	49
Property, plant and equipment	<u>6.1</u>	54
Intangible assets	<u>6.2</u>	55
Right-of-use assets	<u>6.3</u>	60
Impairment tests	<u>6.6</u>	75
Contract assets, trade receivables and other receivables	<u>6.9</u>	83
Other financial assets	<u>6.11</u>	88
Lease liabilities	<u>6.17</u>	97
Other financial liabilities	<u>6.18</u>	100
Contract liabilities	<u>6.20</u>	103
Provisions	<u>6.21</u>	104
Accruals and deferred income	<u>6.22</u>	107

In the period of 12 months ended 31 December 2020, our approach to making estimates was not subject to any substantial modification in relation to the consolidated financial statements for the period of 12 months ended 31 December 2019.

i. Consolidation of entities in which the Group holds less than 50% of voting rights

The Group has concluded that despite the lack of an absolute majority of voting rights at the general meeting of shareholders of Formula Systems (1985) Ltd (hereinafter "Formula"), Sapiens International Corporation N.V. (hereinafter "Sapiens"), Magic Software Enterprises Ltd (hereinafter "Magic"), Matrix IT Ltd (hereinafter "Matrix"), Asseco Business Solutions S.A., Asseco Resovia S.A., as well as Gdynski Klub Koszykówki Arka S.A., in accordance with IFRS 10, these companies are still controlled by the Group.

Formula Systems (1985) Ltd

During the period of 12 months ended 31 December 2020, the Parent Company maintained control over Formula Systems (1985) Ltd despite holding less than 50% in its share capital. As at 31 December 2020, Asseco Poland held a 25.6% equity interest in Formula Systems.

The Company's management conclusion regarding the existence of control resulted from the following circumstances.

On 11 October 2017, the Management of Asseco Poland S.A. signed a Shareholders Agreement (hereinafter: the Agreement) between Asseco and the second largest shareholder in Formula, namely Mr. Guy Bernstein (CEO of Formula Group), and his controlled entity Emil Sharvit (2001) Consulting and Project Management Ltd. Under this Agreement, Mr. Guy Bernstein granted an authorization for the exercise of voting rights by Asseco Poland S.A. with respect to all of his shares (13.4% stake) held in Formula Systems (this stake is now 11.89%). Pursuant to this authorization, when exercising voting rights attached to all shares held by Mr. Guy Bernstein, Mr. Marek Panek, Vice President of the Management Board of Asseco Poland S.A., who has been designated as the 'Voting Nominee', is obligated to vote as recommended by the Management Board of Asseco Poland S.A. at each general meeting of Formula Systems.

The Agreement was concluded for a period of 36 months with the possibility of being automatically renewed for further 12-month periods. On 10 October 2020, the original 36-month effective period of the agreement already passed, but the agreement has been automatically extended for 12 consecutive months as of

11 October 2020. During the periods of automatic renewal, either of the parties may terminate the agreement at least 6 months before expiry of the ongoing 12-month extension period.

Moreover, the parties agreed to grant themselves a pre-emption right to acquire each other's shares (right of first refusal) and the right to join the transaction involving Asseco's disposal of Formula's shares to other parties to the agreement (tag-along right).

After the automatic renewal, the said Agreement remained unchanged as far as the Company's prerogatives are concerned. However, in 2020 the Agreement was amended as regards the rights of the CEO of Formula arising directly from its provisions. On 9 September 2020, Asseco Poland received an annex to the said Agreement that was signed on 7 September 2020. The subject of the annex is the resignation by the CEO of Formula from his right to vote on behalf of the Company if (i) the current President of the Management Board of the Company ceases to perform that function, or the current President of the Management Board of the Company ceases to perform the function of the Chairman of the Supervisory Board of the Company should he be appointed to the Supervisory Board, or if (ii) the Company's equity interest in Formula falls below 20%. In addition, the annex provides that any shares which may be granted to the CEO of Formula in exchange for services provided as the Chief Executive Officer in Formula and Chairman and Member of the Board of Directors of Formula subsidiaries after the date of concluding the annex are not covered by the provisions of the said agreement.

The above means the Company's rights under the agreement concluded with the CEO of Formula remained unchanged and thus, in the period covered by these consolidated financial statements as well as at 31 December 2020, the Parent Company upheld its conclusion regarding the existence of control over Formula Systems (1985) Ltd (hereinafter "Formula" or "Formula Systems") in which the Group holds less than 50% of shares. Consequently, the Management of Asseco Poland S.A. believes that as at the reporting date the Company has sufficient rights to ensure the exercise of control over Formula Systems. In the Management's opinion, Asseco has the practical ability to direct the relevant activities of Formula unilaterally.

The Management's assessment was made taking into account all the facts and circumstances, including in particular:

- the fact that, due to shares held by itself and the concluded Agreement, Asseco controls a 37.49% interest in the share capital of Formula which, relative to the size and dispersion of other shareholdings, is sufficient to give it the current ability to direct the relevant activities of Formula. Such conclusion was drawn based on the following factors:

1. the fact that other shareholders exceeding 5% in the share capital of Formula include just Israeli investment funds whose strategy does not assume active participation in the current management of the relevant activities of companies – therefore they can be perceived as basically passive investors;
2. the fact that the Management is not aware of any contractual arrangements between minority shareholders in Formula;
3. the fact that in order to outvote the stake of shares held by Asseco, at least 7 investment funds would have to make an arrangement and agree on specific voting at the general meeting; however, such an arrangement should be previously announced;
4. the fact that in recent years the company's general meetings were attended by shareholders representing the following aggregate percentages of total voting rights: 88.3% in 2020, 83.9% in 2019, 83.8% in 2018, 74% in 2016, and 74% in 2015;
5. the fact that the distribution of votes during the general meetings held over the years 2015-2020 indicates that in all the votes, where the major shareholder exclusion clause was not applicable, more than 90% of all shareholders present at the general meeting voted the same way as Asseco; and moreover 99.9% of minority shareholders present at the general meeting voted for the appointment of Asseco's representatives to the Board of Directors, which is the key body responsible for making important decisions in the company, including decisions to pay out dividends, and in certain matters it can also overrule a decision made by the general meeting of shareholders;
6. the fact that, under the applicable laws of Israel, Asseco Poland S.A. has the status of a controlling shareholder which results from being the largest shareholder and holding more than 25% of voting rights in that company.

Considering all the above-mentioned facts and circumstances, the Management of Asseco Poland S.A. deemed that since the date of signing the Agreement with the second largest shareholder, this is as of 11 October 2017, Asseco Group has maintained control over Formula Systems (1985) Ltd.

In the case of Sapiens, Magic and Matrix, the discussion concerning the exercise of control comes down to determining whether, pursuant to IFRS 10, these companies were controlled by Formula Systems (1985) Ltd, their direct shareholder, in the period of 12 months ended 31 December 2020.

Sapiens International Corporation NV

In the case of Sapiens International Corporation NV (hereinafter "Sapiens"), the conclusion regarding the existence of control in the period of 12 months ended 31 December 2020, in line with IFRS 10, was made considering the following factors:

1. Governing bodies of Sapiens:

- decisions of the general meeting are taken by a simple majority of votes represented at the general meeting;
- the annual (ordinary) general meeting adopts resolutions to appoint individual directors, choose the company's financial auditors for the next year, as well as to approve the company's financial statements and the management's report on operations;
- in accordance with the company's articles of association, the board of directors of Sapiens is responsible for managing the company's current business operations and is authorized to take substantially all decisions which are not specifically reserved to shareholders by the articles of association, including decisions to pay out dividends;
- the company's board of directors is composed of 7 members, 4 of whom are independent directors in accordance with the regulations of the U.S. Securities and Exchange Commission. The remaining three members of the board are associated with Formula Systems. The composition of the board of directors is stable and the general meeting of shareholders consistently elects the same directors for the board.

2. Shareholders structure of Sapiens:

- the company's shareholders structure is dispersed because, apart from Formula Systems, just one shareholder holds more than 5.6% of voting rights at the general meeting;
- there is no evidence that any shareholders have or had any agreement for common voting at the general meeting;
- over the last five years (i.e. 2015-2020), the company's general meetings were attended by shareholders representing in aggregate between 70% and 80% of total voting rights. This means that the level of activity of the company's shareholders is relatively moderate or low. Bearing in mind that Formula presently holds approx. 43.96% of total voting rights, the attendance from shareholders would have to be higher than 87.9% in order to deprive Formula of an absolute majority of votes at the general meeting. The Management believes that achieving such high attendance seems unlikely.

With regard to the above information, the Group has determined that Formula Systems, despite the lack of an absolute majority of shares in Sapiens during the year 2020, has still been able to influence the appointment of directors at Sapiens, and therefore may affect the directions of development as well as current business operations of that company.

Magic Software Enterprises Ltd

In the case of Magic Software Enterprises Ltd (hereinafter “Magic”, a subsidiary of Formula Systems (1985) Ltd), the conclusion regarding the existence of control in the period of 12 months ended 31 December 2020, in line with IFRS 10, was made considering the following factors:

1. Governing bodies of Magic:

- decisions of the general meeting are taken by a simple majority of votes represented at the general meeting;
- the annual (ordinary) general meeting adopts resolutions to appoint individual directors, choose the company’s financial auditors for the next year, as well as to approve the company’s financial statements and the management’s report on operations;
- in accordance with the company’s articles of association, the board of directors of Magic is responsible for managing the company’s current business operations and is authorized to take substantially all decisions which are not specifically reserved to shareholders by the articles of association, including decisions to pay out dividends;
- the company’s board of directors is composed of 5 members, 2 of whom are independent directors in accordance with the recommendations of the U.S. Securities and Exchange Commission, while the remaining 3 members of the board are indirectly associated with Formula Systems. Hence, Formula Systems has the majority of members in the board of directors, and in recent years the general meeting of shareholders has consistently reappointed the same directors for the board. The only exception was the appointment of Mr. Avi Zakaya in 2018, who replaced Mr. Yechezkel Zeir after 9 years of his service in the board of directors.

2. Shareholders structure of Magic:

- the company’s shareholders structure may be considered as dispersed because, apart from Formula Systems, just 3 investment funds hold more than 5% of voting rights (yet the shareholding of none of them exceeds 10%);
- there is no evidence that any shareholders have or had any agreement for common voting at the general meeting;
- over the last five years (i.e. 2015-2020), the company’s general meetings were attended by shareholders representing in aggregate between 65% and 87% of total voting rights. This means that the level of activity of the company’s shareholders is relatively moderate. Bearing in mind that Formula presently holds approx. 45.53% of total voting rights, the attendance from shareholders would have to be higher than 91.1% in order to deprive Formula of an absolute majority of votes at the general meeting. Moreover, the voting results from the last 5 years show that 99% of shareholders at the general meeting voted in the same way as Formula Systems Ltd.

With regard to the above, the Group has determined that Formula Systems, despite the lack of an absolute majority of shares in Magic, is still able to influence the appointment of directors at Magic, and therefore may affect the directions of development as well as current business operations of that company.

Matrix IT Ltd

In the case of Matrix IT Ltd (hereinafter “Matrix IT”), in which the Group held 49.28% of total voting rights as at 31 December 2020, the conclusion regarding the existence of control, in line with IFRS 10, was made considering the following factors:

1. Governing bodies of Matrix IT:

- decisions of the general meeting are taken by a simple majority of votes represented at the general meeting;
- the annual (ordinary) general meeting adopts resolutions to appoint individual directors, choose the company’s financial auditors for the next year, as well as to approve the company’s financial statements and the management’s report on operations;
- in accordance with the company’s articles of association, the board of directors of Matrix IT is responsible for managing the company’s current business operations and is authorized to take

substantially all decisions which are not specifically reserved to shareholders by the articles of association, including the decision to pay out dividends;

- the company's board of directors is composed of 6 members, 2 of whom are external directors as required by the Israeli Securities and Exchange Commission, another one is an independent director, while the remaining 3 directors are associated with Formula Systems, including Mr. Guy Bernstein, CEO of Formula Systems.

2. Shareholders structure of Matrix IT:

- the shareholders structure of Matrix IT may be considered as dispersed because, apart from Formula, just one shareholder holds more than 5% of voting rights (approx. 9%);
- there is no evidence that any shareholders have or had any agreement for common voting at the general meeting;
- over the last five years (i.e. 2015-2020), the company's general meetings were attended by shareholders representing in aggregate between 77% and 82% of total voting rights. This means that the level of activity of the company's shareholders is relatively moderate. Bearing in mind that Formula presently holds approx. 49.28% of total voting rights, the attendance from shareholders would have to be higher than 98.6% in order to deprive Formula of an absolute majority of votes at the general meeting. The Management believes that achieving such high attendance seems unlikely.

With regard to the above, the Group has determined that Formula Systems, despite the lack of an absolute majority of shares in Matrix IT, is still able to influence the appointment of directors at Matrix IT, and therefore may affect the directions of development as well as current business operations of that company.

Asseco Business Solutions S.A.

In the case of Asseco Business Solutions S.A., the conclusion regarding the existence of control in the period of 12 months ended 31 December 2020, in line with IFRS 10, was made considering the following factors:

- decisions of the general meeting are taken by a simple majority of votes represented at the general meeting;
- the company's shareholders structure is dispersed because, apart from Asseco Enterprise Solutions, a.s. (a subsidiary of Asseco Poland), just two shareholders hold more than 5% of voting rights at the general meeting; These shareholders hold respectively 11.37% and 11.28% of voting rights at the general meeting;
- there is no evidence that any shareholders have or had any agreement for common voting at the general meeting;
- over the last five years (i.e. 2015-2020), the company's general meetings were attended by shareholders representing in aggregate between 58.8% and 76.2% of total voting rights. This means that the level of activity of the company's shareholders is relatively moderate or low. Bearing in mind that Asseco presently holds approx. 46.47% of total voting rights, the attendance from shareholders would have to be higher than 92.93% in order to deprive Asseco of an absolute majority of votes at the general meeting. The Management believes that achieving such high attendance seems unlikely.

With regard to the above, the Group has determined that Asseco Poland, despite the lack of an absolute majority of shares in Asseco Business Solutions S.A., is still able to influence the directions of development as well as current business operations of that company.

Hence, in these consolidated financial statements, the financial data of Asseco Business Solutions have been accounted for using the full consolidation method.

Entities related due to dependence on financing

Moreover, the Group has analyzed its relationships with other entities that, in the opinion of the Management of Asseco Poland, are dependent on Company's financing and concluded that, in accordance with IFRS 10, as at 31 December 2020 it has maintained control over Asseco Resovia S.A. and Gdyński Klub Koszykówki Arka S.A. Such assessment was made because both the above-mentioned companies are to a large extent dependent on financing obtained from Asseco Poland S.A. or Asseco Group companies.

Hence, in these consolidated financial statements, the financial data of Asseco Resovia and Arka Gdynia have been accounted for using the full consolidation method.

2.6. 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
Operating revenues	<u>5.1</u>	38
Operating costs	<u>5.2</u>	44
Other operating activities	<u>5.3</u>	47
Financial income and expenses	<u>5.4</u>	47
Corporate income tax	<u>5.5</u>	49
Earnings per share	<u>5.6</u>	52
Property, plant and equipment	<u>6.1</u>	54
Intangible assets	<u>6.2</u>	56
Right-of-use assets	<u>6.3</u>	60
Investment property	<u>6.4</u>	63
Goodwill	<u>6.5</u>	63
Impairment testing	<u>6.6</u>	75
Associates and joint ventures	<u>6.7</u>	80
Entities with significant non-controlling interests	<u>6.8</u>	81
Receivables and contract assets	<u>6.9</u>	83
Prepayments and accrued income	<u>6.10</u>	87
Other financial assets	<u>6.11</u>	88
Inventories	<u>6.12</u>	92
Cash and cash equivalents	<u>6.13</u>	92
Non-current assets held for sale	<u>6.14</u>	93
Share capital	<u>6.15</u>	93
Bank loans, borrowings and debt securities	<u>6.16</u>	94
Lease liabilities	<u>6.17</u>	97
Other financial liabilities	<u>6.18</u>	100
Trade payables, state budget liabilities and other liabilities	<u>6.19</u>	102
Contract liabilities	<u>6.20</u>	103
Provisions	<u>6.21</u>	104
Accruals and deferred income	<u>6.22</u>	107

The accounting policies adopted in the preparation of these consolidated financial statements have not changed in relation to those followed when preparing the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2020.

The amended standards and interpretations that became effective starting from 2020 had no significant impact of these consolidated financial statements. In particular, we would like to point out that the Group did not apply the amendments to IFRS 16 'Leases – Covid-19-Related Rent Concessions' due to insignificant scale of such concessions in the Group companies.

Amendments to the International Financial Reporting Standards effective from 1 January 2020:

- Amendments to IFRS 3 'Definition of a Business';
- Amendments to IFRS 7, IFRS 9 and IAS 39 'Interest Rate Benchmark Reform';
- Amendments to IAS 1 and IAS 8 'Definition of Materiality';
- 'Conceptual Framework for Financial Reporting' issued on 29 March 2018;
- Amendment to IFRS 16 'Leases – Covid-19-Related Rent Concessions' issued on 18 May 2020 – effective retrospectively for annual periods beginning on or after 1 January 2020.

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 mentioned above, the said amendment to IFRS 16 was not applied by the Group in the period reported by these consolidated financial statements.

2.7. 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) – 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 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) – 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;
- Annual Improvements to IFRS Standards 2018-2020 (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 IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9' (issued on 25 June 2020) – effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2' (issued on 27 August 2020) – effective for annual periods beginning on or after 1 January 2021;
- 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.

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.

2.8. Changes in the presentation methods applied

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

2.9. Corrections of material errors

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

2.10. Restatement of comparable data

In 2020, the Group changed the purchase price allocation of companies that were acquired in 2019: Unique Software Industries (a company acquired within Michpal Group, included in the Formula Systems segment), OnTarget (a company acquired within Magic Group, included in the Formula Systems segment), Tecsis and TurboConsult (companies acquired within the Asseco International segment), as well as SONET společnost, SONET Slovakia and Monri Group (companies acquired within ASEE Group, included in the Asseco International segment). These events resulted in changing the values of some assets and liabilities disclosed as at 31 December 2019, as well as some items disclosed in the statement of profit and loss for the year ended 31 December 2019 (only companies of the Asseco International segment), which necessitated a restatement of such data.

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

Restatement of the statement of financial position as at 31 December 2019	31 Dec. 2019	Change of purchase price allocation within the Formula Systems segment	Change of purchase price allocation within the Asseco International segment	31 Dec. 2019 (restated)
	mPLN	mPLN	mPLN	mPLN
Non-current assets	8,845.6	(6.9)	3.2	8,841.9
Property, plant and equipment	822.7	-	-	822.7
Intangible assets	2,095.5	(7.4)	18.4	2,106.5
Right-of-use assets	686.6	-	-	686.6
Investment property	20.6	-	-	20.6
Goodwill	4,576.1	0.5	(15.2)	4,561.4
Investments accounted for using the equity method	145.0	-	-	145.0
Other receivables and trade receivables	110.3	-	-	110.3
Deferred tax assets	177.7	-	-	177.7
Prepayments and accrued income	68.4	-	-	68.4
Other non-financial assets	0.5	-	-	0.5
Other financial assets	142.2	-	-	142.2
Current and non-current assets held for sale	5,752.3	-	-	5,752.3
TOTAL ASSETS	14,597.9	(6.9)	3.2	14,594.2
Total equity	7,981.0	-	2.8	7,983.8
Equity (attributable to shareholders of the Parent Company)	5,762.4	-	2.5	5,764.9
Non-controlling interests	2,218.6	-	0.3	2,218.9
Non-current liabilities	2,752.3	(6.9)	0.2	2,745.6
Bank loans, borrowings and debt securities	1,366.2	-	-	1,366.2
Lease liabilities	472.3	-	-	472.3
Other financial liabilities	246.9	(8.5)	(3.8)	234.6

Deferred tax liabilities	474.0	1.6	4.0	479.6
Contract liabilities	57.7	-	-	57.7
Accruals	1.9	-	-	1.9
Other liabilities	10.4	-	-	10.4
Provisions	81.9	-	-	81.9
Deferred income	41.0	-	-	41.0
Current liabilities	3,864.6	-	0.2	3,864.8
TOTAL LIABILITIES	6,616.9	(6.9)	0.4	6,610.4
TOTAL EQUITY AND LIABILITIES	14,597.9	(6.9)	3.2	14,594.2

Restatement of the statement of profit and loss	Year ended 31 Dec. 2019 mPLN	Change of purchase price allocation within the Asseco International segment mPLN	Year ended 31 Dec. 2019 (restated) mPLN
Operating revenues	10,667.4	-	10,667.4
Cost of sales	(8,366.4)	(1.6)	(8,368.0)
Gross profit on sales	2,301.0	(1.6)	2,299.4
Selling costs	(568.3)	-	(568.3)
General and administrative expenses	(745.2)	-	(745.2)
Net profit on sales	987.5	(1.6)	985.9
Other operating income	41.1	-	41.1
Other operating expenses	(52.4)	-	(52.4)
Operating profit	976.2	(1.6)	974.6
Financial income	46.6	-	46.6
Financial expenses	(134.7)	0.1	(134.6)
Pre-tax profit before share of profits of associates and joint ventures	888.1	(1.5)	886.6
Corporate income tax (current and deferred tax expense)	(191.0)	0.4	(190.6)
Share of profits of associates and joint ventures	6.3	-	6.3
Net profit for the reporting period	703.4	(1.1)	702.3
Attributable to:		-	
Shareholders of the Parent Company	322.4	(0.5)	321.9
Non-controlling interests	381.0	(0.6)	380.4

3. Organization and changes in the structure of Asseco Group, including the entities subject to consolidation

Selected accounting policies

Consolidation rules

These consolidated financial statements of Asseco Group encompass assets, liabilities and equity, revenues and costs, as well as cash flows of the Parent Company – Asseco Poland 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 Group controls a subsidiary only when the Group: (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.

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.

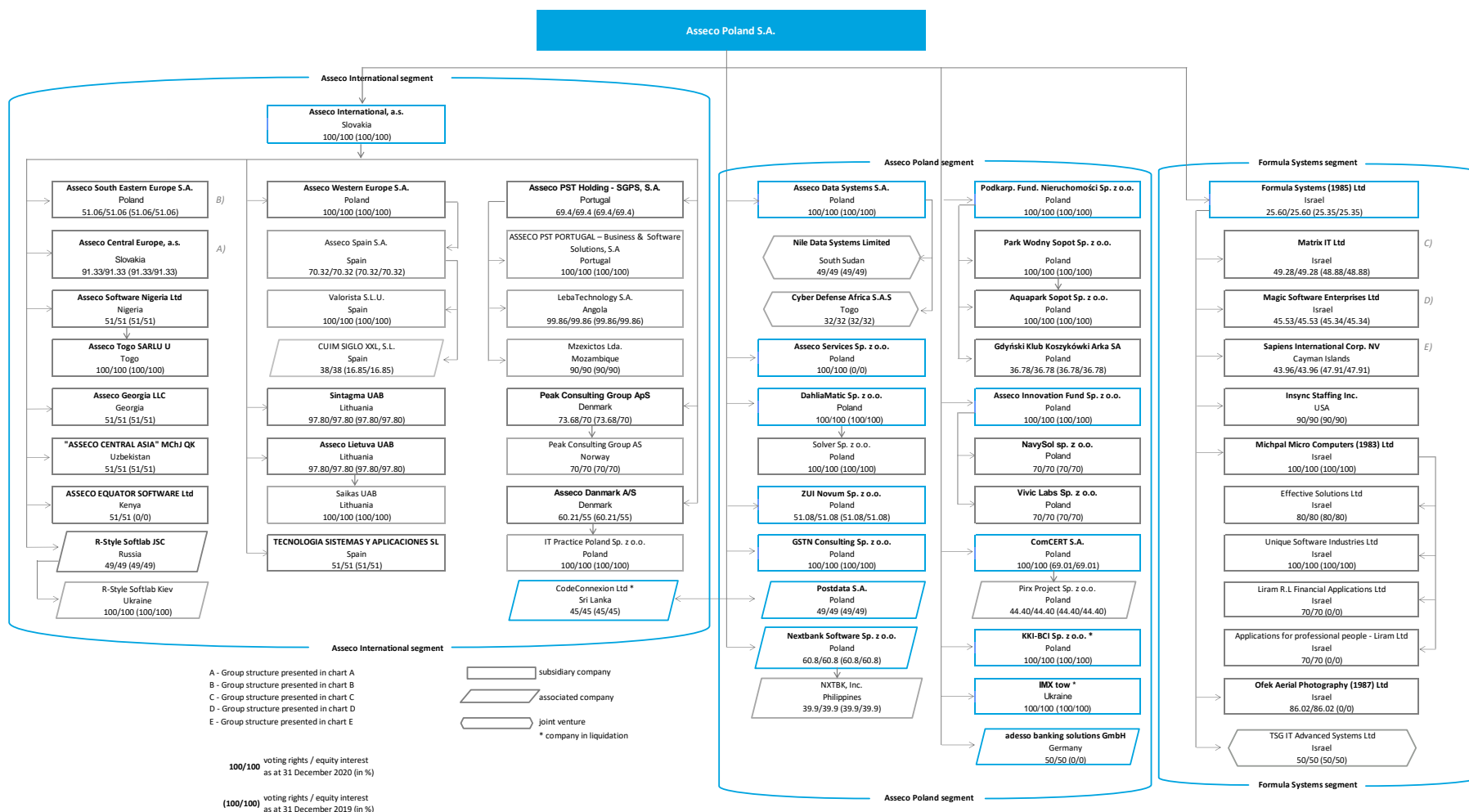
This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two (indirect or direct) subsidiaries of Asseco Poland 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.

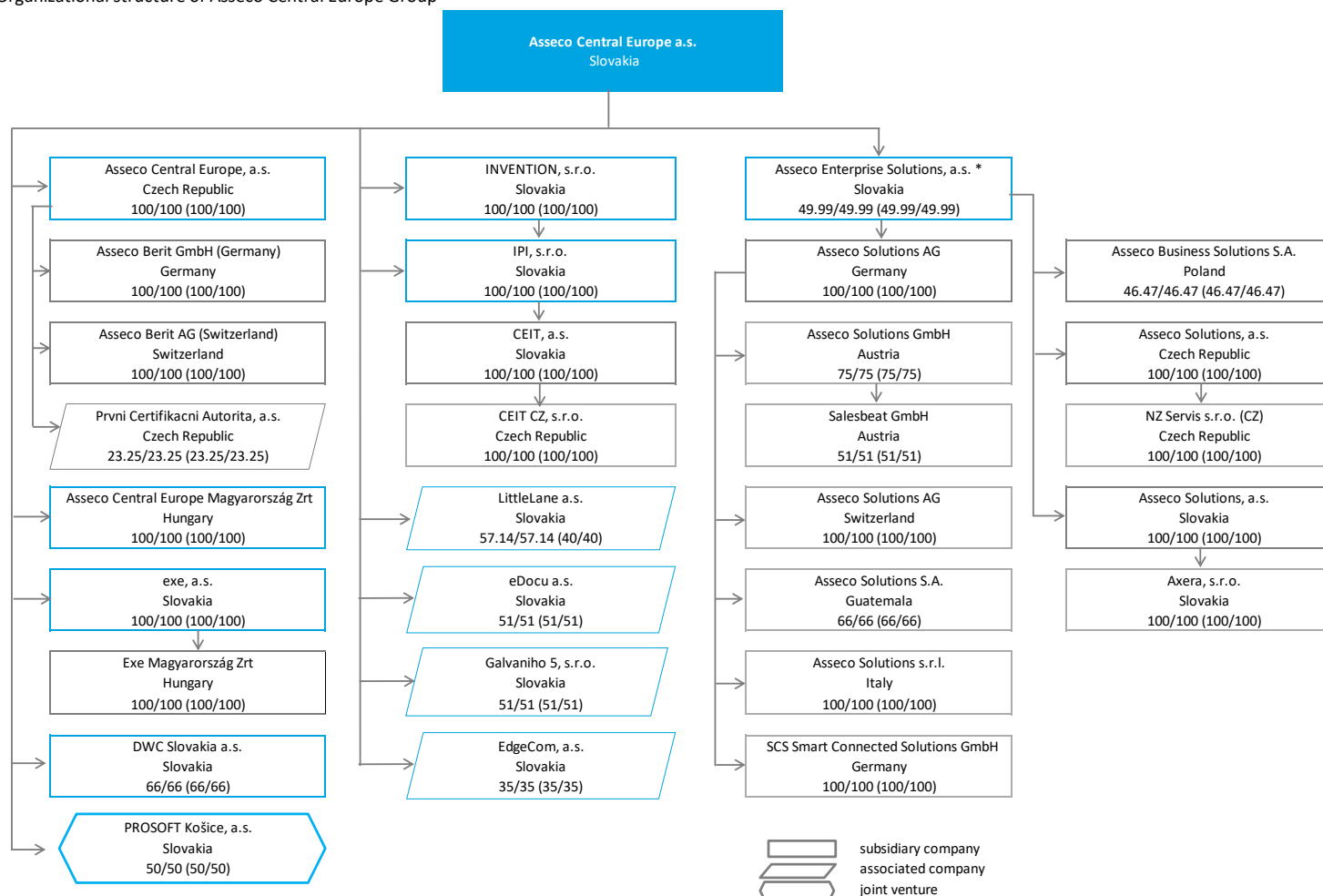
The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method, assuming that:

- 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.

The organizational structure of Asseco Group has been presented in the chart below (the voting rights and equity interest held as at 31 December 2020 and 31 December 2019 are disclosed under the name of each company):



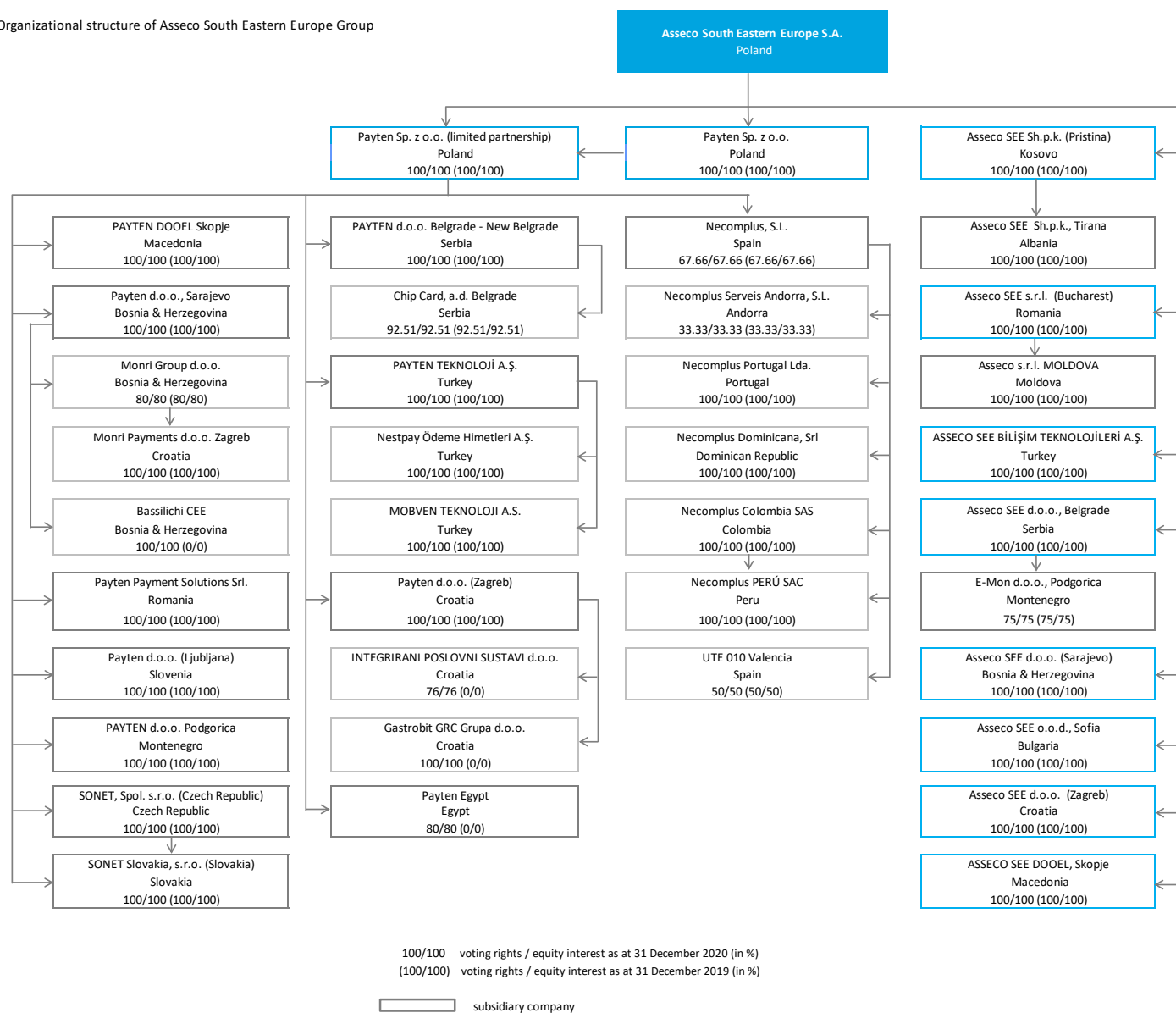
A. Organizational structure of AssecO Central Europe Group



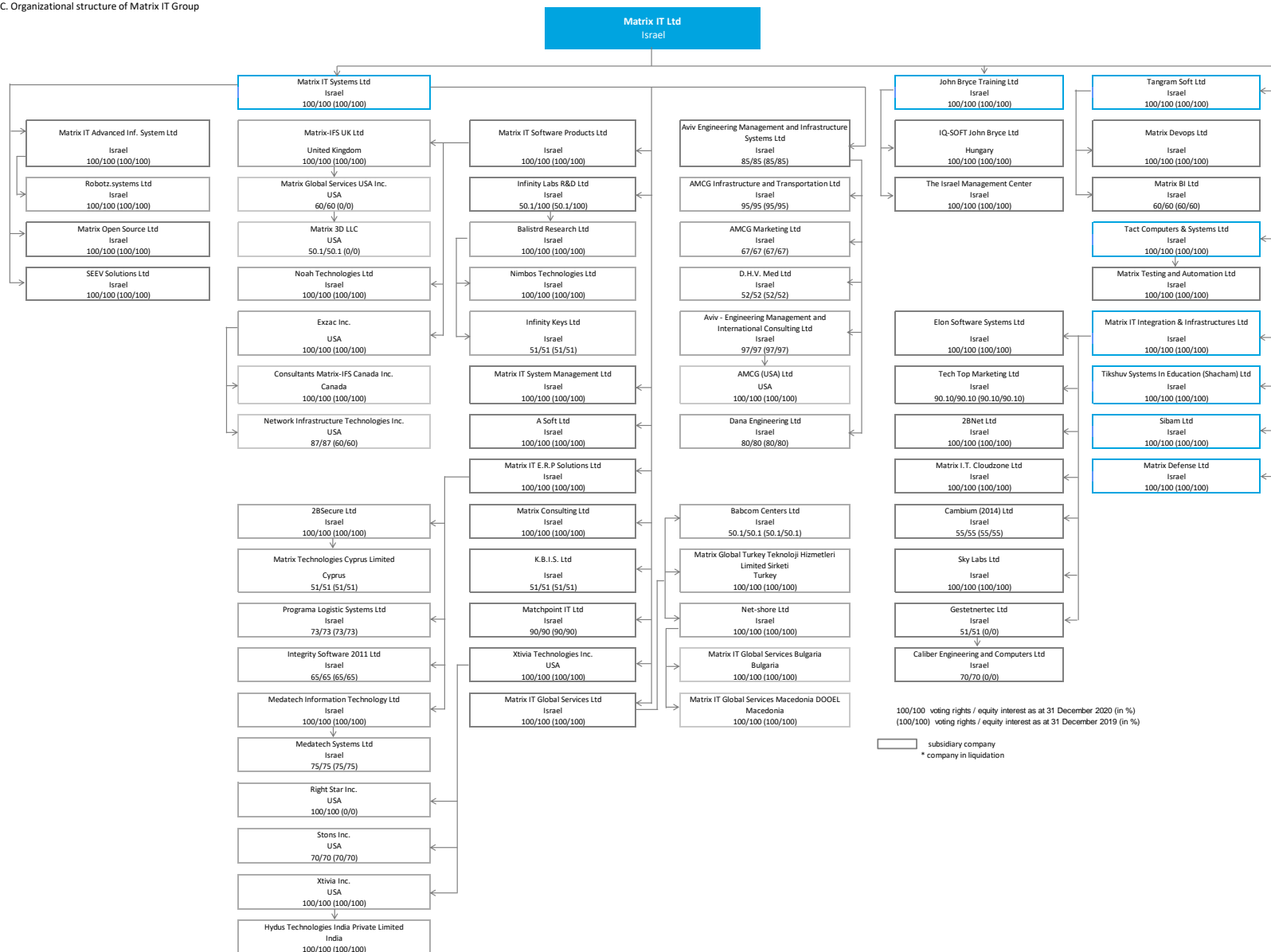
100/100 voting rights / equity interest as at 31 December 2020 (in %)
 (100/100) voting rights / equity interest as at 31 December 2019 (in %)

* AssecO Central Europe, a.s. holds a 49.999999% stake in AssecO Enterprise Solutions, while the remaining 50.000001% of shares are held by AssecO International, a.s.
 AssecO Central Europe, a.s. maintains direct control over AssecO Enterprise Solutions, a.s.

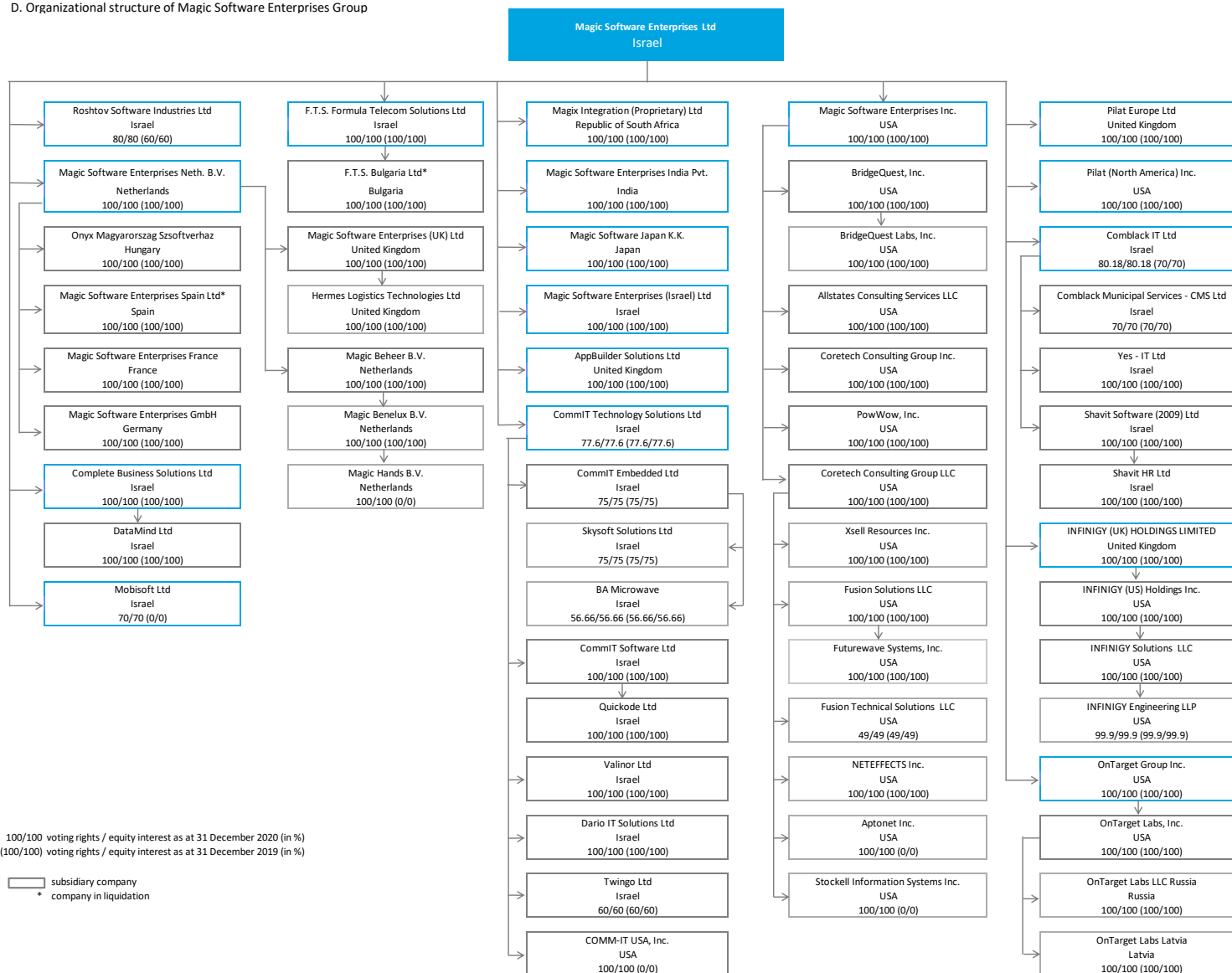
B. Organizational structure of Asseco South Eastern Europe Group



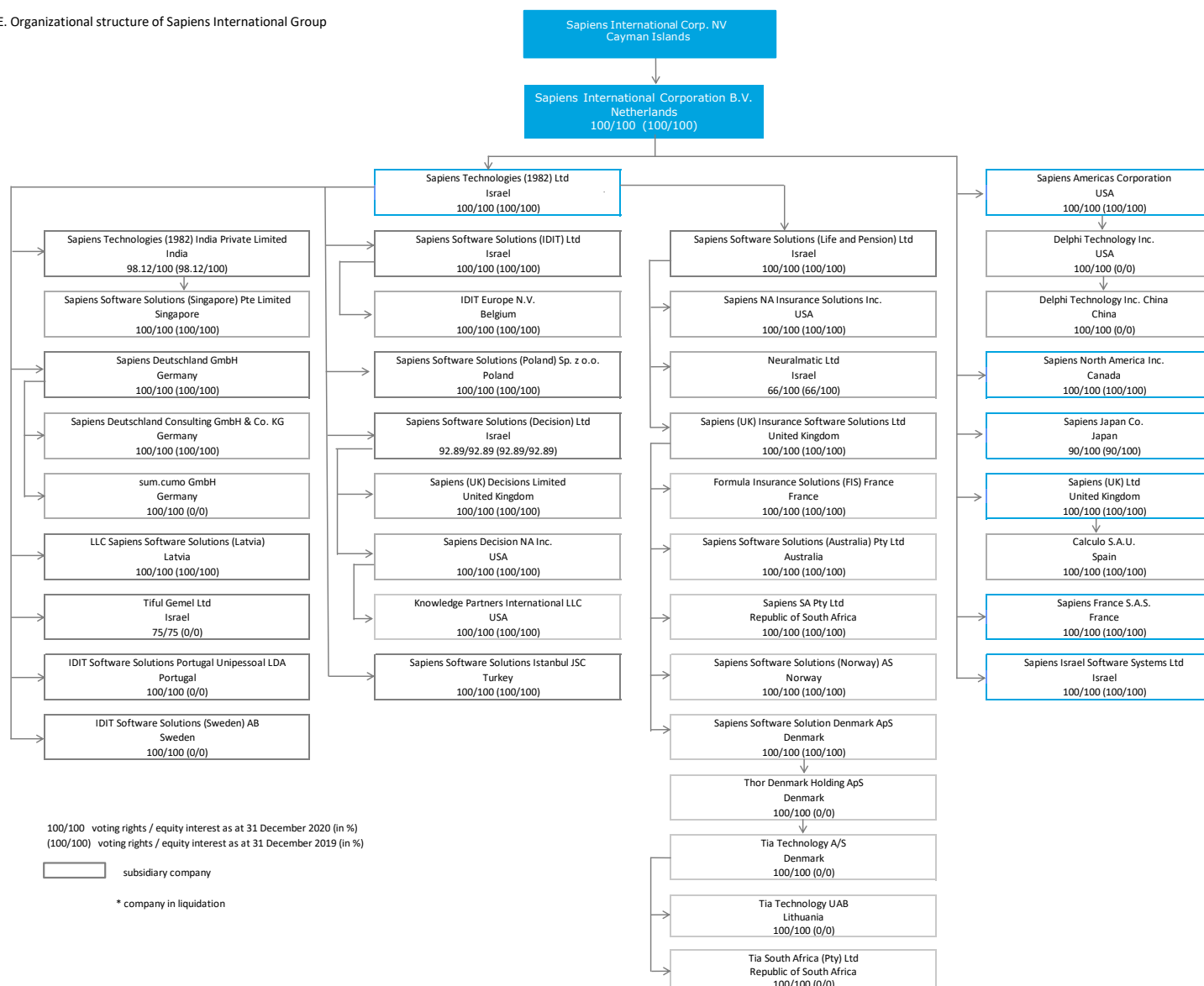
C. Organizational structure of Matrix IT Group



D. Organizational structure of Magic Software Enterprises Group



E. Organizational structure of Sapiens International Group



During the period of 12 months ended 31 December 2020, the Group's composition changed as follows:

Asseco Poland segment

Changes within the Asseco Poland segment	Date of transaction	Percentage of voting rights after transaction	Impact on the Group's equity
Change of shareholdings in companies			
Asseco Poland S.A. increased its equity interest in ComCERT S.A.	16 June 2020	100%	(0.8) mPLN
Merger of companies			
Merger of SKG S.A. with Asseco Poland S.A. acting as the taking-over company	1 July 2020	n/a	-
Sale of shares in companies			
Asseco Poland S.A. sold shares in the company Eversoft Poland Sp. z o.o.	26 November 2020	-	0.6 mPLN
Establishing of new companies			
Asseco Poland S.A. established the company Asseco Services Sp. z o.o.	18 March 2020	100%	-
Asseco Poland S.A. established the company adesso banking solutions GmbH (jointly controlled entity)	14 September 2020	50%	-
Liquidation of companies			
Liquidation of the company Gladstone Consulting Ltd	3 November 2020	-	(0.3) mPLN

Asseco International segment

Changes within the Asseco International segment	Date of transaction	Percentage of voting rights after transaction	Impact on the Group's equity
Acquisition of shares in new companies			
Detailed information on transactions is presented in explanatory note 6.5 to these consolidated financial statements.			
Payten d.o.o., Sarajevo acquired shares in Basilichi CEE	20 January 2020	100%	-
Payten d.o.o. (Zagreb) acquired shares in INTEGRIRANI POSLOVNI SUSTAVI d.o.o.	4 June 2020	76%	-
Payten d.o.o. (Zagreb) acquired shares in Gastrobit GRC Group d.o.o.	23 July 2020	100%	-
Change of shareholdings in companies			
Asseco South Eastern Europe S.A. contributed shares in the company Payten Teknoloji A.Ş. to Payten Sp. z o.o. (limited partnership). This transaction consisted in making a non-cash contribution of an investment in one subsidiary to another subsidiary company of Asseco South Eastern Europe S.A. and therefore it had no impact on the financial position and financial results of the Group.	20 March 2020	n/a	-
Asseco Spain S.A. increased its equity interest in CUIM SIGLO XXL, S.L.	4 June 2020	25%	-
Asseco Central Europe a.s. increased its equity interest in LittleLane a.s.	8 June 2020	57.14%	-
Asseco South Eastern Europe S.A. contributed shares in	26 June 2020	n/a	-

the company Payten d.o.o., Novi Beograd to Payten Sp. z o.o. (limited partnership). This transaction consisted in making a non-cash contribution of an investment in one subsidiary to another subsidiary company of Asseco South Eastern Europe S.A. and therefore it had no impact on the financial position and financial results of the Group.

Asseco Spain S.A. increased its equity interest in CUIM SIGLO XXL, S.L. following a new issuance of shares	13 November 2020	38%	-
Merger of companies			
Merger of TurboConsult s.r.o. with Asseco Central Europe, a.s. acting as the taking-over company	1 August 2020	n/a	-
Merger of Basilichi CEE d. o.o. with Payten d.o.o. Belgrade – New Belgrade acting as the taking-over company	2 November 2020	n/a	-
Merger of B Services d o.o. Podgorica with Payten d o.o. Podgorica acting as the taking-over company	31 December 2020	n/a	-
Establishing of new companies			
Payten Sp. z o.o. (limited partnership) established the company Payten Egypt	26 January 2020	80%	-
Asseco International, a.s. established the company ASSECO EQUATOR SOFTWARE Ltd	29 May 2020	51%	-
Liquidation of companies			
Liquidation of TSUNAMI US HOLDINGS Inc.	20 August 2020	-	-

Formula Systems segment

Changes within the Formula Systems segment	Date of transaction	Percentage of voting rights after transaction	Impact on the Group's equity
Acquisition of shares in new companies			
Detailed information on transactions is presented in explanatory note 6.5 to these consolidated financial statements.			
Sapiens Deutschland GmbH acquired shares in sum.cumo GmbH	5 February 2020	100%	-
Formula Systems (1985) Ltd acquired shares in Ofek Aerial Photography (1987) Ltd	13 March 2020	86.02%	-
Coretech Consulting Group LLC acquired shares in Aptonet Inc.	1 May 2020	100%	-
Michpal Micro Computers (1983) Ltd acquired shares in Liram R.L Financial Applications Ltd	12 May 2020	70%	-
Michpal Micro Computers (1983) Ltd acquired shares in Applications for professional people – Liram Ltd	12 May 2020	70%	-
Sapiens Technologies (1982) Ltd acquired shares in Tiful Gemel Ltd	1 June 2020	75%	-
Magic Benelux B.V. acquired shares in Magic Hands B.V.	1 June 2020	100%	-
Magic Software Enterprises Ltd acquired shares in Mobisoft Ltd	1 July 2020	70%	-
Matrix IT Integration & Infrastructures Ltd acquired shares in Gestetnertec Ltd	9 July 2020	51%	-
Indirect acquisition of shares in Caliber Engineering and Computers Ltd by Matrix IT Integration & Infrastructures Ltd	21 July 2020	70%	-
Sapiens Americas Corporation acquired shares in Delphi Technology Inc. and indirectly shares in Delphi Technology Inc. China	27 July 2020	100%	-
Coretech Consulting Group LLC acquired shares in Stockell	2 September 2020	100%	-

Information Systems Inc.			
Acquisition of shares in Right Star Inc. by Xtivia Technologies Inc.	16 November 2020	100%	-
Sapiens Software Solutions Denmark ApS acquired shares in Thor Denmark Holding ApS, and indirectly shares in the companies: Tia Technology A/S, Tia Technology UAB, and Tia South Africa (Pty) Ltd	30 November 2020	100%	-
Change of shareholdings in companies			
Exzac Inc. increased its equity interest in Network Infrastructure Technologies Inc.	16 January 2020	87%	(0.1) mPLN
Magic Software Enterprises Ltd increased its equity interest in Roshtov Software Industries Ltd	19 January 2020	80%	(8.9) mPLN
Magic Software Enterprises Ltd increased its equity interest in Comblack IT Ltd	15 April 2020	80.18%	0.5 mPLN
Asseco Poland S.A. increased its equity interest in Formula Systems (1985) Ltd	1 st half of 2020	25.60%	(4.7) mPLN
Formula Systems (1985) Ltd increased its equity interest in Matrix IT Ltd	2020	49.28%	(0.7) mPLN
Formula Systems (1985) Ltd decreased its equity interest in Sapiens International Corp. NV	2020	43.96%	41.1 mPLN
Formula Systems (1985) Ltd increased its equity interest in Magic Software Enterprises Ltd	2020	45.53%	(4.0) mPLN
Merger of companies			
Merger of Alius Corp. with Exzac Inc. acting as the taking-over company	12 May 2020	n/a	-
Merger of Cyber Box with 2B Secure acting as the taking-over company	6 December 2020	n/a	-
Merger of Top Q Aqua with Matrix Testing & Automation Ltd acting as the taking-over company	6 December 2020	n/a	-
Merger of Ono Apps z Matrix I.T. Systems Ltd with acting as the taking-over company	6 December 2020	n/a	-
Establishing of new companies			
Matrix-IFS UK Ltd established the company Matrix Global Services USA Inc.	21 January 2020	60%	-
Matrix Global Services USA Inc. established the company Matrix 3D LLC	29 January 2020	50.1%	-
Sapiens Technologies (1982) Ltd established the company IDIT Software Solutions (Sweden) AB	12 February 2020	100%	-
Sapiens Technologies (1982) Ltd established the company IDIT Software Solutions Portugal Unipessoal LDA	2 June 2020	100%	-
CommIT Technology Solutions Ltd established the company COMM-IT USA, Inc.	14 October 2020	100%	-
Change of company corporate names			
Changing the name of Ignition Point Ltd to Balistrd Research Ltd	27 October 2020	100%	-
Liquidation of companies			
Liquidation of Matrix Nit.	24 February 2020	-	-
Commencement of the liquidation process of F.T.S. Bulgaria Ltd	1 st quarter of 2020	n/a	-

4. 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 Group has identified the following operating segments:

Asseco Poland segment comprises our companies which generate revenues mostly in the Polish market. Performance of this segment is analyzed on a regular basis by the Management of the Parent Company acting as the chief operating decision maker. This segment includes, among others, the following companies: Asseco Poland, Asseco Data Systems, DahliaMatic, ZUI Novum, Asseco Services, ComCERT, GSTN Consulting, and Asseco Innovation Fund. The aforementioned companies offer comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, public administration, and enterprises.

Asseco International segment comprises our companies which generate revenues mostly in the markets of Central Europe, South Eastern Europe, as well as Western Europe and Eastern Europe. Performance of these companies is assessed on a periodic basis by the Management of Asseco International, a.s. This segment is identical with the composition of Asseco International Group. The segment's performance as a whole is subject to regular verification by the Management of Asseco Poland. The aforementioned companies offer comprehensive IT services intended for a broad range of clients operating primarily in the sectors of financial institutions, public administration, and enterprises.

Formula Systems segment comprises our companies which generate revenues mostly in the markets of Israel, North America, Japan, as well as in Europe, Middle East, and Africa (EMEA region). Performance of these companies is assessed on a periodic basis by the Management of Formula Systems; hence, the segment's composition corresponds to the structure of Formula Systems Group. The segment's performance as a whole is subject to regular verification by the Management of Asseco Poland.

Revenues from none of our clients exceeded 10% of total sales generated by the Group in the period of 12 months ended 31 December 2020 and the comparable period.

Selected data from the statement of profit and loss and the cash flow statement for the period of 12 months ended 31 September 2020, in a breakdown to operating segments:

12 months ended 31 Dec. 2020	AssecO Poland segment mPLN	AssecO International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Revenues from external customers	1,422.8	3,218.3	7,549.2	-	12,190.3
Inter-segment transactions	9.4	7.4	12.2	(29.0)	-
Total operating revenues of segment	1,432.2	3,225.7	7,561.4	(29.0)	12,190.3
Operating profit (loss) of operating segment	214.8	389.0	614.6	(3.0)	1,215.4
Interest income ¹⁾	2.7	5.8	3.3	-	11.8
Interest expenses ²⁾	(4.0)	(9.6)	(76.7)	0.6	(89.7)
Corporate income tax	(37.1)	(72.7)	(106.0)	-	(215.8)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(91.8)	(170.5)	(446.3)	1.9	(706.7)
<i>of which amortization of intangible assets recognized in purchase price allocation (PPA)</i>	<i>(20.4)</i>	<i>(14.2)</i>	<i>(197.4)</i>	<i>-</i>	<i>(232.0)</i>
Costs of share-based payment transactions with employees	-	(0.7)	(30.8)	-	(31.5)
Impairment losses on segment assets	(18.4)	(8.2)	(10.9)	-	(37.5)
Share of profits of associates and joint ventures	(2.3)	1.2	5.7	-	4.6
Net profit/loss attributable to the Parent Company	167.9	195.9	40.5	(2.4)	401.9
Cash provided by (used in) financing activities	317.6	579.8	1,336.2	(2.3)	2,231.3

¹⁾ Interest income on loans granted, debt securities, leases, trade receivables, and bank deposits

²⁾ Interest expenses on bank loans, borrowings, debt securities, leases, and trade payables

³⁾ Cash generated from operating activities before income tax paid

Selected data from the statement of financial position as at 31 December 2020, in a breakdown to operating segments:

31 December 2020	AssecO Poland segment mPLN	AssecO International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Non-current assets	3,334.2	2,344.2	4,090.3	(18.4)	9,750.3
of which goodwill	2,257.1	1,517.7	1,354.3	-	5,129.1
Current assets	777.5	1,715.1	4,473.8	(12.2)	6,954.2
including:					
trade receivables and contract assets	419.7	718.5	2,068.9	(11.3)	3,195.8
cash and cash equivalents	271.7	740.3	1,884.0	-	2,896.0
Non-current liabilities	225.0	385.3	2,534.9	(17.7)	3,127.5
including:					
liabilities under bank loans, borrowings and debt securities	-	112.8	1,439.4	-	1,552.2
lease liabilities	68.1	144.3	346.2	(13.9)	544.7
Current liabilities	389.9	1,160.5	3,079.6	(10.3)	4,619.7
including:					
liabilities under bank loans, borrowings and debt securities	4.8	88.0	610.3	-	703.1
lease liabilities	12.2	55.0	118.5	(1.8)	183.9
trade payables and contract liabilities	242.9	577.1	1,278.5	(6.7)	2,091.8

Selected data from the statement of profit and loss and the cash flow statement for the period of 12 months ended 31 September 2019, in a breakdown to operating segments:

12 months ended 31 Dec. 2019 (restated)	Asseco Poland segment mPLN	Asseco International segment (restated) mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Revenues from external customers	1,199.7	2,926.2	6,541.5	-	10,667.4
Inter-segment transactions	12.6	3.2	12.9	(28.7)	-
Total operating revenues of segment	1,212.3	2,929.4	6,554.4	(28.7)	10,667.4
Operating profit (loss) of operating segment	153.1	348.3	472.7	0.5	974.6
Interest income ¹⁾	5.2	6.7	4.6	-	16.5
Interest expenses ²⁾	(8.4)	(8.6)	(65.3)	0.4	(81.9)
Corporate income tax	(29.0)	(72.0)	(89.6)	-	(190.6)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(91.7)	(150.3)	(399.6)	4.6	(637.0)
of which amortization of intangible assets recognized in purchase price allocation (PPA)	(16.7)	(11.2)	(185.3)	-	(213.2)
Costs of share-based payment transactions with employees (SBP)	-	(2.1)	(14.5)	-	(16.6)
Impairment losses on segment assets	0.7	(10.2)	(3.3)	-	(12.8)
Share of profits of associates and joint ventures	(1.4)	0.7	7.0	-	6.3
Net profit/loss attributable to the Parent Company	113.7	175.1	32.3	0.8	321.9
Cash provided by (used in) operating activities ³⁾	295.7	493.2	982.1	(1.3)	1,769.7

¹⁾ Interest income on loans granted, debt securities, leases, trade receivables, and bank deposits

²⁾ Interest expenses on bank loans, borrowings, debt securities, leases, and trade payables

³⁾ Cash generated from operating activities before income tax paid

Selected data from the statement of financial position as at 31 December 2019, in a breakdown to operating segments:

31 Dec. 2019 (restated)	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Non-current assets	3,319.9	2,213.8	3,325.2	(17.0)	8,841.9
of which goodwill	2,260.6	1,419.6	881.2	-	4,561.4
Current assets	640.5	1,384.2	3,741.3	(13.7)	5,752.3
<i>including:</i>					
trade receivables and contract assets	327.7	609.8	1,913.8	(6.3)	2,845.0
cash and cash equivalents	215.2	546.7	1,391.6	-	2,153.5
Non-current liabilities	178.8	414.2	2,167.1	(14.5)	2,745.6
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	-	86.0	1,280.2	-	1,366.2
lease liabilities	62.1	140.9	281.5	(12.2)	472.3
Current liabilities	306.4	940.3	2,632.9	(14.8)	3,864.8
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	-	92.6	596.8	-	689.4
lease liabilities	31.6	51.0	135.5	(1.4)	216.7
trade payables and contract liabilities	154.9	488.4	973.8	(6.3)	1,610.8

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

5.1. Structure of operating revenues

Selected accounting policies

Revenues are recognized by the Group in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to customers, in accordance with the 'Five-Step Model'.

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.

▪ **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. Our accounting policy regarding the recognition of revenues from maintenance services remained unchanged after the adoption of IFRS 15, because in the Management's opinion 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. Based on the conducted analysis, we have ascertained that 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 Group considers whether such arrangements contain a lease component (i.e. whether the Group 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 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.

Such an asset is depreciated on a systematic basis over the period of delivering the related goods and services to the customer.

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, and therefore revenues from such services are recognized in accordance with IFRS 16 (the Group acting as a lessor).

Other practical expedients used by the Group

The Group generates revenues, among others, from lease contracts whereby the Group's assets are leased to customers for a fee. In accordance with IFRS 16, the Group determines whether the concluded contract transfers substantially all the risks and rewards incidental to ownership of the leased asset to the customer, and consequently makes and appropriate classification of contracts as operating or finance 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 and professional judgment are also used in allocating the contract consideration to individual performance obligations. This applies in particular to the allocation of consideration to extended warranty services which, as a rule, are not specified separately within a contract.

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). The lease term is in most cases shorter than the substantial useful life of leased assets, and significant risks and rewards incidental to ownership of leased assets have not been transferred to the Group's customers, therefore the Group has concluded that these contracts are operating leases.

Operating revenues in the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Operating revenues by type of products		
Proprietary software and services	9,634.4	8,647.9
Third-party software and services	854.4	782.1
Hardware and infrastructure	1,701.5	1,237.4
Total	12,190.3	10,667.4
Operating revenues by sectors		
Banking and Finance	4,407.9	4,061.6
General Business	4,738.6	4,064.6
Public Institutions	3,043.8	2,541.2
Total operating revenues	12,190.3	10,667.4

i. Operating revenues in a breakdown by type of products

Operating revenues of individual segments generated by type of products during the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
12 months ended 31 Dec. 2020					
Proprietary software and services	1,230.3	2,146.8	6,282.0	(24.7)	9,634.4
Third-party software and services	144.4	379.8	334.5	(4.3)	854.4
Hardware and infrastructure	57.5	699.1	944.9	-	1,701.5
Total operating revenues	1,432.2	3,225.7	7,561.4	(29.0)	12,190.3

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
12 months ended 31 Dec. 2019					
Proprietary software and services	1,055.1	1,987.6	5,626.2	(21.0)	8,647.9
Third-party software and services	106.9	378.6	305.0	(8.4)	782.1
Hardware and infrastructure	50.3	563.2	623.2	0.7	1,237.4
Total operating revenues	1,212.3	2,929.4	6,554.4	(28.7)	10,667.4

ii. Breakdown of segment operating revenues by sectors

Operating revenues of individual segments generated by sectors during the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
12 months ended 31 Dec. 2020					
Banking and Finance	440.1	1,070.6	2,909.8	(12.6)	4,407.9
General Business	335.2	1,488.0	2,925.1	(9.7)	4,738.6
Public Institutions	656.9	667.1	1,726.5	(6.7)	3,043.8
Total operating revenues	1,432.2	3,225.7	7,561.4	(29.0)	12,190.3

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
12 months ended 31 Dec. 2019					
Banking and Finance	443.5	996.3	2,637.7	(15.9)	4,061.6
General Business	277.9	1,265.8	2,530.6	(9.7)	4,064.6
Public Institutions	490.9	667.3	1,386.1	(3.1)	2,541.2
Total operating revenues	1,212.3	2,929.4	6,554.4	(28.7)	10,667.4

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

	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Operating revenues by countries		
Israel	4,702.4	4,037.0
USA	1,929.4	1,752.7
Poland	1,633.5	1,426.5
Spain	596.7	464.6
Slovakia	417.8	416.6
Czech Republic	324.7	358.7
Germany	309.0	226.2
Serbia	301.4	251.5
United Kingdom	218.1	211.0
Denmark	160.6	188.9
Romania	150.6	149.3
Croatia	119.4	104.5
Other countries	1,326.7	1,079.9
Total	12,190.3	10,667.4

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

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Revenues from contracts with customers recognized in accordance with IFRS 15, of which:	12,091.3	10,581.2
From goods and services transferred at a specific point in time	2,502.5	1,953.4
Asseco Poland segment	177.4	121.7
Asseco International segment	1,082.9	949.8
Formula Systems segment	1,249.0	888.8
Intragroup transactions	(6.8)	(6.9)
From goods and services transferred over the passage of time	9,588.8	8,627.8
Asseco Poland segment	1,254.8	1,090.6
Asseco International segment	2,043.8	1,893.4
Formula Systems segment	6,312.4	5,665.6
Intragroup transactions	(22.2)	(21.8)
Other operating revenues (mainly from leases)**	99.0	86.2
Total operating revenues	12,190.3	10,667.4

***Other operating revenues are related entirely to the Asseco International segment.*

Other operating revenues disclosed in the table above, which are not recognized in accordance with IFRS 15, represent primarily revenues generated by the Asseco International segment (and in particular by Asseco South Eastern Europe Group) from the provision of outsourcing services of ATMs and POS terminals. Such contracts are treated as operating leases.

v. *Other performance obligations*

The table below provides information on the total transaction price allocated to other performance obligations which remained unfulfilled (or partially unfulfilled) at the end of the reporting period. The Group

has applied a practical expedient whereby it is not obliged to disclose information about the transaction price allocated to unfulfilled performance obligations, if a performance obligation is part of a contract whose expected duration is one year or shorter, or if the Group recognizes revenues from the fulfilment of a performance obligation in the amount it is entitled to invoice.

Value of unfulfilled performance obligations from which revenues will be recognized in the coming years	31 Dec. 2020 mPLN
2021*	1,100.8
2022	536.5
2023 and later	343.5
Total	1,980.8

* The line of 2021 includes only revenues to be recognized in the coming year from contracts to be completed after 1 January 2022 or later, which means that this amount does not include any revenues from contracts to be completed in the course or by the end of 2021.

As at 31 December 2020, the Group analyzed the total amount of the transaction price allocated to performance obligations which remained unfulfilled (or partially unfulfilled) at the end of the reporting period. The conducted analysis showed that, as at 31 December 2020, a significant portion of performance obligations involving the delivery of a comprehensive IT system (measured using the percentage of completion method) resulted from contracts to be completed before or on 31 December 2021. Similarly, a significant majority of contracts for maintenance of IT systems are concluded for an indefinite period with a termination notice period shorter than 12 months, or for a definite period ending before or on 31 December 2021. Therefore, the Group considers such performance obligations to be short-term ones and thus subject to the above-described practical expedient. This means that as a result of applying the practical expedient, the table presents in a breakdown by years only the portion of performance obligations arising from contracts to be completed in 2021 or later, or from contracts concluded for an indefinite period with a termination notice period longer than one year.

vi. *Future minimum lease payments (the Group acting as a lessor)*

The table below presents future lease payments from operating leases, by maturity, showing the amounts of undiscounted lease payments to be received by the Group in the future.

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Future undiscounted lease payments from operating leases, of which:		
in the period shorter than 1 year	88.9	80.4
within 1 to 2 years	37.0	48.4
within 2 to 3 years	52.9	20.7
within 3 to 4 years	14.5	16.7
within 4 to 5 years	7.1	11.7
in the period longer than 5 years	5.5	7.7
Total future lease payments	205.9	185.6

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's management and administration activities.

Cost of goods, materials and services sold (COGS) represent the costs of purchases of goods and subcontractor services (excluding personal outsourcing) used for the implementation of projects. Such costs are associated both with revenues presented as own revenues (regarding revenues from services that are performed by subcontractors, if the use of third-party resources results from the 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, as well as post-employment benefits.

Costs related to the operation of Employee Capital Plans (PPK) and Employee Pension Plans (PPE) in companies operating in Poland as well as costs related to similar pension schemes in other countries represent the costs of post-employment benefits in the form of a defined contribution plan, and are recognized in the 'Costs of pension benefits' (relevant commitments are disclosed under state budget liabilities).

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 2020 and in the comparable period.

Operating costs	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 (restated) mPLN
Cost of goods, materials and third-party services sold (COGS)	(2,140.2)	(1,695.2)
Employee benefits	(5,951.3)	(5,260.7)
Depreciation and amortization	(699.5)	(628.8)
Third-party services*	(1,603.6)	(1,480.3)
Other	(563.1)	(616.5)
Total	(10,957.7)	(9,681.5)
Cost of sales	(9,502.0)	(8,358.1)
Selling costs	(610.1)	(568.3)
General and administrative expenses	(821.5)	(745.2)
Recognition (reversal) of impairment losses on financial instruments	(24.1)	(9.9)
Total	(10,957.7)	(9,681.5)

* The costs of third-party services include the costs of human resources outsourcing as well as the costs of subcontractors involved in the execution of IT projects, in total amounting to PLN 1,177.6 million in the period of 12 months ended 31 December 2020, as compared with PLN 1,074.6 million incurred in the period of 12 months ended 31 December 2019.

In the period of 12 months ended 31 December 2020, other operating costs included primarily maintenance of property and company cars in the amount of PLN 326.4 million, as well as business trips in the amount of PLN 28.5 million. Whereas, in the comparable period other operating costs included primarily maintenance of property and company cars in the amount of PLN 334.2 million, as well as business trips in the amount of PLN 102.7 million. The costs of business trips decreased in relation to the comparable period last year due to a significant reduction in business travels caused by the COVID-19 pandemic.

i. Costs of employee benefits

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Salaries	(5,001.5)	(4,454.7)
Social insurance contributions	(362.0)	(317.1)
Costs of pension benefits	(406.7)	(366.2)
Costs of share-based payment transactions with employees	(31.5)	(16.6)
Other costs of employee benefits	(149.6)	(106.1)
Total costs of employee benefits	(5,951.3)	(5,260.7)

The average level of employment during the reporting period presented in full-time salaried jobs, i.e. employment in full-time jobs adjusted for (reduced by) positions which are not salaried by the Group companies (such as an unpaid leave, maternity leave, etc.), exclusive of companies whose financial results are disclosed under other operating activities or discontinued operations, however inclusive of companies which joined the Group during the reporting period (calculated proportionally to the period of their consolidation) equalled 26,831 persons, as compared with 26,226 persons in the comparable period.

ii. Share-based payment transactions with employees

The costs of equity-settled share-based payment transactions with employees correspond to stock option plans that were awarded to employees and managers of companies incorporated within the Formula Systems segment and the Asseco International segment. During the period of 12 months ended 31 December 2020, such costs amounted to PLN 31.5 million as compared with PLN 16.6 million in the comparable period. In the financial results for 2020, the Group recognized a portion of costs of the new stock option plan awarded to the CEO of Formula Systems, about which the Group informed in its quarterly report for the third quarter of 2020. Under this plan, the CEO has been granted Restricted Share Units (RSUs) that will be convertible into a 4% stake in Formula Systems after the passage of 8 years, i.e. after the end of 2027. The stock option plan is worth in total ILS 170 million (PLN 183.9 million) which will be expensed by the Group on a straight-line basis over the period of 7 years. The cost of this stock option plan amounted to ILS 4.4 million (PLN 5.0 million) in 2020.

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Stock option plan for managers of companies in the Formula Systems segment	(30.8)	(14.5)
Stock option plan for managers of companies in the Asseco International segment	(0.7)	(2.1)
Total costs of share-based payment transactions with employees	(31.5)	(16.6)

iii. 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:

Depreciation and amortization	Note	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 (restated) mPLN
Depreciation charges as disclosed in the table of changes in property, plant and equipment	<u>6.1</u>	(162.6)	(140.9)
Amortization charges as disclosed in the table of changes in intangible assets	<u>6.2</u>	(333.1)	(305.4)
Depreciation charges as disclosed in the table of changes in right-of-use assets	<u>6.3</u>	(214.7)	(197.7)
Amortization charges recognized directly in other comprehensive income		-	2.4
Reduction of amortization charges due to recognition of grants to internally generated licenses		2.0	1.9
Amortization charges capitalized for development projects in progress		1.4	2.7
Other		0.3	-
Total depreciation and amortization charges disclosed in the statement of cash flows		(706.7)	(637.0)
Depreciation charges transferred to other operating activities		7.2	8.2
Total depreciation and amortization charges recognized in operating costs		(699.5)	(628.8)

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, and in particular sports and recreational activities.

Other operating income and expenses in the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

Other operating income	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Gain on disposal of property, plant and equipment	3.2	2.7
Reversal of provision	0.3	0.8
Proceeds from letting of own office space recognized in accordance with IFRS 16*	2.5	3.6
Cash discounts and bonuses received	0.3	0.1
Proceeds from sports and recreational activities	13.6	25.5
Other	7.2	8.4
Total	27.1	41.1

* Proceeds from letting of own office space are recognized in accordance with IFRS 16 (letting of office space is classified by the Group as operating lease)

Other operating expenses	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Provisions created during the reporting period	(0.2)	(0.4)
Charitable contributions to unrelated parties	(3.1)	(1.2)
Expenses related to proceeds from letting of own office space	(2.5)	(4.0)
Expenses related to proceeds from sports and recreational activities	(31.4)	(39.9)
Allowances for other receivables	(0.2)	(0.1)
Other	(6.9)	(6.8)
Total	(44.3)	(52.4)

Proceeds from sports and recreational activities for 2020 suffered a considerable decline because Park Wodny Sopot S.A. (aqua park) remained closed for the most part of the year due to the prevailing pandemic. The epidemiological situation similarly affected other sports clubs controlled by the Group which, due to restrictions imposed in 2020, lost most of their match ticket revenues. Such deterioration in revenues was, however, partially offset by cost savings in all of the above-mentioned entities.

5.4. Financial income and expenses

Selected accounting policies

Interest income comprises primarily interest on investments in debt securities (including in particular loans granted) and on bank deposits. Such income is measured at amortized cost using the effective interest rate. Other interest income comprises interest on trade receivables, interest on finance 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 and on lease liabilities are charged at amortized cost.

Financial income earned during the period of 12 months ended 31 December 2020 and in the comparable period was as follows:

Financial income	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Interest income on investments in debt securities and bank deposits carried at amortized cost	10.0	14.2
Interest income on other investments in debt securities, finance leases and trade receivables	1.8	2.3
Other interest income	0.2	0.3
Positive foreign currency translation differences	58.7	18.7
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	1.1	5.0
Gain on revaluation of deferred and conditional payments for controlling interests in subsidiaries	5.1	0.5
Gain on sale of subsidiaries and associates	-	0.2
Gain on revaluation of liabilities from the acquisition of non-controlling interests (put options)	10.1	2.8
Other financial income	1.4	2.4
Financial income	88.4	46.4
Reversal of impairment losses on financial instruments	-	0.2
Total financial income	88.4	46.6

Financial expenses incurred during the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

Financial expenses	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Interest expenses on bank loans, borrowings, debt securities, leases and trade payables	(89.7)	(81.9)
Other interest expenses	(10.3)	(10.5)
Negative foreign currency translation differences	(65.1)	(19.4)
Expenses related to obtaining control over subsidiaries	(19.8)	(5.5)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(4.2)	(2.5)
Loss on revaluation of conditional payments for controlling interests in subsidiaries	(17.0)	(2.5)
Loss on revaluation of liabilities from the acquisition of non-controlling interests (put options)	(6.1)	(5.6)
Impairment losses on financial instruments	(0.9)	-
Other financial expenses	(11.6)	(6.7)
Total financial expenses	(224.7)	(134.6)

Positive and negative foreign currency translation 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 deferred and conditional payments for controlling interests in subsidiaries 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. 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.

On 15 July 2019, the European Securities and Markets Authority (ESMA) issued a Public Statement regarding the recognition of deferred tax assets arising from unused tax losses ('DTAs for unused losses'). In accordance with the ESMA's Statement and IAS 12 'Income Taxes', the Group recognizes deferred tax assets in order to carry unused tax losses forward to the extent that it is probable that sufficient future taxable income will be available to offset unused tax losses. In assessing whether it is probable that future taxable income will be sufficient, the Group takes into account the nature, origin and timing of such income and ensures that convincing evidence is collected.

Estimates

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

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

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

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

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

	12 months ended 31 December 2020	12 months ended 31 Dec. 2019 (restated)
	mPLN	mPLN
Current income tax and prior years' adjustments	(268.1)	(264.2)
Deferred income tax	52.3	73.6
Income tax expense as disclosed in the statement of profit and loss	(215.8)	(190.6)

The table below presents the amount of current income tax expense for the years 2020 and 2019, in a breakdown by type of operations and other items:

Corporate income tax expense as disclosed in the statement of profit and loss	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Current income tax – core operations	(274.4)	(256.8)
Current income tax – capital gains	(5.3)	(4.1)
Corrections of CIT filings for prior years	11.6	(1.8)
Provision for income tax of controlled foreign companies (CFC)	-	(1.5)
Total corporate income tax expense as disclosed in the statement of profit and loss	(268.1)	(264.2)

Uncertainty over income tax treatments

On 15 July 2016, Poland's Tax Code was amended to include the provisions of General Anti-Abuse Rule (GAAR). GAAR is intended to prevent the creation and use of artificial legal arrangements aiming to avoid payment of taxes in Poland. GAAR defines tax avoidance as an action carried out for the essential purpose of obtaining a tax benefit that under the circumstances is inconsistent with the object and purpose of relevant tax provisions. According to GAAR, an action shall not result in achieving a tax advantage if it is conducted on a non-genuine basis. The occurrence of (i) an unjustified division of operations, (ii) involvement of intermediaries without an economic or commercial reason, (iii) mutually cancelling or offsetting elements, as well as (iv) any other actions of similar nature may be considered to indicate the undertaking of artificial actions that are subject to GAAR provisions. The new regulations will require much greater judgment when assessing the tax effects of each transaction.

The general anti-abuse rule shall apply to transactions conducted after its entry into force as well as to transactions that were carried out prior to its entry into force but brought tax benefits after that time or still continue to bring such benefits. The implementation of the above-mentioned regulations shall enable the Polish tax control authorities to put into question the legal arrangements and agreements undertaken by taxpayers, including the restructuring or reorganization of a group of companies.

Regulations pertaining to the value added tax, corporate income tax, personal income tax or social security are frequently amended, thereby depriving taxpayers of a possibility to refer to well established court decisions and precedents. The current regulations in force are not always unambiguous, which may cause additional discrepancies in their interpretation. Tax treatments are subject to control by the taxation authorities. Should any irregularities in tax settlements be detected, a taxpayer is obliged to pay the outstanding amounts along with the statutory interest thereon. Payment of tax arrears does not always release a taxpayer from penal and fiscal liability. Due to such circumstances, tax treatments are subject to a relatively high risk. Settlement of tax liabilities may come under control in a period of five years, counting from the end of the year in which relevant tax returns were filed. In effect, the amounts of taxes payable disclosed in the financial statements may be later changed, after they are finally determined by the taxation authorities.

The table below presents the reconciliation of corporate income tax payable on pre-tax profit before share of profits of associates and joint ventures at the statutory tax rate, with corporate income tax computed at the Group's effective tax rate:

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 (restated) mPLN
Pre-tax profit	1,079.1	886.6
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	205.0	168.5
Difference due to different rates of corporate income tax paid abroad	11.2	17.5
Income tax on dividends	1.5	2.8
Derecognition of / (Utilization of formerly unrecognized) deferred tax assets arising from prior years' losses and other items	9.2	1.3

Provision for income tax of controlled foreign companies (CFC)	-	(1.5)
Changes in the calculation of corporate income tax for the prior years	(11.6)	(1.8)
Costs of share-based payment transactions with employees	1.0	-
Adjustment of VAT	-	1.7
Representation expenses	0.9	1.4
Depreciation and amortization charges, differences in rates of depreciation and amortization, write-downs and other differences related to tangible and intangible assets	0.9	1.5
Contractual penalties – reversal of assets	0.5	0.8
Change in estimates of deferred tax assets recognized on the so-called “external temporary differences” resulting from dividend payments within the Group	2.7	2.4
Expenses related to tax-exempt dividend income	2.5	2.2
R&D tax reliefs (including prior year adjustments)	(4.8)	(7.3)
Utilization of other tax credits	(5.2)	(2.9)
Special technological zone	(2.9)	(1.9)
Reversal of a provision for tax risks	(4.3)	-
Impairment losses on inventories and allowances for receivables	1.5	-
Other permanent differences	7.7	5.9
Corporate income tax at the effective tax rate of 20.0% in 2020, and 21.5% in 2019	215.8	190.6

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

	Deferred tax liabilities, gross		Deferred tax assets, gross	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
	mPLN	<i>restated</i> mPLN	mPLN	mPLN
Property, plant and equipment	34.8	33.9	11.6	11.3
Investment property	0.1	0.1	3.2	3.6
Intangible assets	460.9	420.7	5.8	4.7
Right-of-use assets	100.8	95.7	-	-
Shares in subsidiaries	-	-	0.7	0.7
Financial assets carried at fair value through profit or loss	0.2	0.7	1.0	1.2
Investments in debt securities and cash deposits carried at amortized cost	-	-	0.2	-
Loans granted	0.8	0.7	0.1	0.1
Inventories	-	-	2.8	2.3
Prepayments and accrued income	13.8	7.8	7.0	6.5
Trade receivables	6.0	3.9	19.2	10.5
Contract assets	31.6	19.7	-	-
Other receivables	11.8	9.9	5.9	4.9
Cash and cash equivalents	0.8	0.8	-	-
Non-current assets classified as held for sale	-	-	-	-
Bank loans, borrowings and debt securities	0.1	0.5	0.2	0.1
Provisions	-	-	23.6	19.6
Trade payables	-	-	9.5	9.6
Contract liabilities	0.1	0.1	35.5	16.5
Financial liabilities	0.1	0.2	111.0	104.8
Other liabilities	2.2	4.1	1.9	1.1

Accruals	-	-	58.1	46.3
Deferred income tax on share-based payment transactions	-	-	18.9	17.6
Losses deductible against future taxable income	-	-	21.2	35.5
Deferred tax liabilities, gross	664.1	598.8	n/a	n/a
Deferred tax assets, net	n/a	n/a	337.4	296.9
Deferred tax liabilities/assets, net	529.6	479.6	202.9	177.7

Income generated by the Parent Company in 2020 from fees or proceeds arising from contracts that involved qualified IP rights, multiplied by the Nexus ratio, was taxed with the preferential CIT rate of 5% permitted under the so-called IP Box tax relief. Revenues from qualified intellectual property rights include: fees or proceeds resulting from license agreements related to qualified IP rights; proceeds from the sale of qualified IP rights or the sale of qualified IP rights included in the selling price of products or services.

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.

	31 December 2020	31 Dec. 2019
	mPLN	mPLN (restated)
Deferred tax assets	202.9	177.7
Deferred tax liabilities	(529.6)	(479.6)
Deferred tax assets (+) / liabilities (-), net	(326.7)	(301.9)

Deferred tax assets arising from prior years' tax losses, which were not recognized by the Group amounted to PLN 146.5 million as at 31 December 2020, as compared with PLN 130.4 million as at 31 December 2019. Such non-recognition resulted primarily from the inability to utilize the cumulative tax loss of Formula Systems (1985) Ltd, which is engaged solely in holding activities and its income is not taxable, and therefore any accumulated tax losses cannot be utilized in tax settlements. Contrary to the tax regulations applicable in Poland, in Israel tax-deductible losses can be utilized without time limits.

5.6. Earnings per share

Selected accounting policies

Basic earnings per share attributable to shareholders of the Parent Company for each reporting period shall be computed by dividing the net profit from continuing operations for the reporting period by the weighted average number of shares outstanding in that period.

Diluted earnings per share attributable to shareholders of the Parent Company for each reporting period shall be calculated by dividing the net profit from continuing operations for the reporting period by the total of weighted average number of shares outstanding in that period and all shares from potential new issuances.

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

	12 months ended 31 December 2020	12 months ended 31 Dec. 2019 (restated)
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	83,000,303	83,000,303
Net profit attributable to shareholders of the Parent Company for the reporting period (in millions of PLN)	401.9	321.9
Consolidated earnings per share for the reporting period (in PLN)	4.84	3.88

5.7. Information on dividends paid out

In 2020, the Parent Company paid out to its shareholders a dividend for the year 2019. On 27 May 2020, the General Meeting of Shareholders of Asseco Poland S.A. resolved that the whole amount of net profit for the financial year 2019, which equalled PLN 206.8 million, shall be distributed among Shareholders in the form of a dividend payment. Additionally, the GMS decided to increase such dividend payment by distributing a portion of prior years' retained earnings in the amount of PLN 43.0 million. This means that the total amount allocated to dividend payment reached PLN 249.8 million or PLN 3.01 per share. The dividend record date was set for 5 June 2020; whereas, the dividend payment was scheduled for 17 June 2020.

In 2019, the Parent Company paid out to its shareholders a dividend for the year 2018. On 26 April 2019, the General Meeting of Shareholders of Asseco Poland S.A. resolved that the whole amount of net profit for the financial year 2018, which equalled PLN 166.5 million, shall be distributed among Shareholders in the form of a dividend payment. Additionally, the General Meeting of Shareholders decided to increase such dividend payment by distributing a portion of prior years' retained earnings in the amount of PLN 88.3 million. This means that the total amount allocated to dividend payment reached PLN 254.8 million or PLN 3.07 per share. The dividend record date was set for 20 May 2019; whereas, the dividend payment was scheduled for 5 June 2019.

6. Explanatory notes to the consolidated statement of financial position

6.1. Property, plant and equipment

Selected accounting policies

Initial recognition and measurement

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.

Impairment

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 2020 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 2020 are presented below:

	Land and buildings	Computers and other office equipment	Transportation vehicles	Other tangible assets	Tangible assets under construction	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Net book value of property, plant and equipment as at 1 January 2020	442.0	257.6	46.1	47.8	29.2	822.7
Additions, of which:	18.9	141.9	27.3	17.0	64.7	269.8
Purchases and modernization	12.1	81.4	15.8	10.1	64.3	183.7
Obtaining control over subsidiaries	2.5	41.5	5.1	5.2	-	54.3
Acquisition of right-of-use assets	-	0.8	5.6	0.3	-	6.7
Transfers from tangible assets under construction	3.5	14.0	0.7	1.4	-	19.6
Transfers from inventories and investment property to tangible assets	0.8	3.6	-	-	0.4	4.8
Reversal of impairment losses	-	0.6	0.1	-	-	0.7

Reductions, of which:	(26.0)	(113.1)	(20.4)	(16.7)	(23.4)	(199.6)
Depreciation charges for the reporting period	(25.2)	(108.5)	(16.2)	(12.7)	-	(162.6)
Disposal and liquidation	(0.7)	(2.3)	(4.2)	(0.5)	(0.1)	(7.8)
Transfers from tangible assets under construction	-	-	-	-	(19.6)	(19.6)
Transfers to inventories and investment property	-	(1.6)	-	(0.2)	(3.4)	(5.2)
Impairment losses	(0.1)	(0.7)	-	(3.3)	(0.3)	(4.4)
Other	(0.3)	2.1	0.1	(0.3)	0.2	1.8
Differences on foreign currency translation of subsidiaries	5.0	13.3	1.7	(0.6)	0.6	20.0
Net book value of property, plant and equipment as at 31 December 2020	439.6	301.8	54.8	47.2	71.3	914.7

Changes in the net book value of property, plant and equipment that took place during the period of 12 months ended 31 December 2019 are presented below:

	Land and buildings mPLN	Computers and other office equipment mPLN	Transportation vehicles mPLN	Other tangible assets mPLN	Tangible assets under construction mPLN	Total mPLN
Net book value of property, plant and equipment as at 1 January 2019	441.0	230.3	38.7	29.5	9.4	748.9
Additions, of which:	30.3	125.7	25.8	24.0	60.1	265.9
Purchases and modernization	27.8	75.0	16.7	20.7	59.6	199.8
Obtaining control over subsidiaries	1.0	10.6	7.3	0.9	-	19.8
Acquisition of right-of-use assets	-	-	0.2	-	-	0.2
Transfers from tangible assets under construction	0.4	34.5	1.6	2.4	-	38.9
Transfers from inventories to tangible assets	1.1	5.6	-	-	0.5	7.2
Reductions, of which:	(27.9)	(93.8)	(18.8)	(12.4)	(40.2)	(193.1)
Depreciation charges for the reporting period	(22.3)	(91.4)	(15.3)	(11.9)	-	(140.9)
Disposal and liquidation	(5.6)	(1.3)	(3.5)	(0.4)	-	(10.8)
Loss of control	-	(0.1)	-	-	-	(0.1)
Transfers from tangible assets under construction	-	-	-	-	(38.9)	(38.9)
Transfers to inventories and investment property	-	(1.0)	-	(0.1)	(1.3)	(2.4)
Other	(0.1)	(5.2)	(0.1)	5.4	-	0.0
Differences on foreign currency translation of subsidiaries	(1.3)	0.6	0.5	1.3	(0.1)	1.0
Net book value of property, plant and equipment as at 31 December 2019	442.0	257.6	46.1	47.8	29.2	822.7

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.

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.

In the consolidated financial statements, goodwill is an asset resulting from obtaining control over business entities. The amount of goodwill is measured as the excess of the purchase price paid over the net value of identifiable assets acquired.

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.

"ASSECO" trademark

The ASSECO trademark is the only intangible asset considered by the Management Board of the Parent Company to have an indefinite useful life. Therefore, this asset is not amortized and only tested for impairment on an annual basis. The Management has decided that the useful life of this trademark is indefinite, because it is expected to contribute to the generation of net cash flows by the Parent Company in the future for an indefinite period of time.

For impairment testing purposes, this trademark is considered to be a common asset and its value is allocated on a consistent basis to individual operating segments identified within the Parent Company that are treated as cash-generating units.

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.

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. Thus, 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.

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.

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	Costs of development projects in progress	Purchased software, patents, licenses and other intangibles	Intangible assets recognized in business combinations	"ASSECO" trademark	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Net book value of intangible assets as at 1 January 2020 (restated)	175.5	134.3	70.9	1,588.2	137.6	2,106.5
Additions, of which:	80.2	95.4	33.6	315.1	-	524.3
Purchases and modernization	-	-	33.3	-	-	33.3
Obtaining control over subsidiaries	0.2	-	0.3	315.1	-	315.6
Capitalization of development project costs	-	95.4	-	-	-	95.4
Transfers from the costs of development projects in progress	80.0	-	-	-	-	80.0
Reductions, of which:	(82.4)	(81.2)	(23.4)	(227.6)	-	(414.6)
Amortization charges for the reporting period	(82.4)	-	(23.2)	(227.5)	-	(333.1)
Disposal and liquidation	-	(1.2)	(0.2)	(0.1)	-	(1.5)
Transfers to internally generated software	-	(80.0)	-	-	-	(80.0)
Impairment losses / (Reversal of impairment losses)	(1.5)	-	(2.9)	(4.2)	-	(8.6)
Other	-	(0.1)	0.2	(0.1)	-	-
Differences on foreign currency translation of subsidiaries	9.0	(0.5)	2.7	55.2	-	66.4
Net book value of intangible assets as at 31 December 2020	180.8	147.9	81.1	1,726.6	137.6	2,274.0

Changes in the net book value of intangible assets that took place during the period of 12 months ended 31 December 2019 are presented below:

	Software and internally generated licenses	Costs of development projects in progress	Purchased software, patents, licenses and other intangibles	Intangible assets recognized in business combinations	"ASSECO" trademark	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Net book value of intangible assets as at 1 January 2019	183.8	95.4	56.6	1,517.6	137.6	1,991.0
Additions, of which:	71.2	107.0	34.5	193.0	-	405.7
Purchases and modernization	-	-	24.3	-	-	24.3
Obtaining control over subsidiaries	10.5	4.8	10.2	193.0	-	218.5
Capitalization of development project costs	-	102.2	-	-	-	102.2
Transfers from the costs of development projects in progress	60.7	-	-	-	-	60.7
Reductions, of which:	(71.0)	(64.4)	(20.8)	(214.9)	-	(371.1)
Amortization charges for the reporting period	(69.7)	-	(20.8)	(214.9)	-	(305.4)
Disposal and liquidation	(1.3)	(1.7)	-	-	-	(3.0)
Loss of control over subsidiaries	-	(2.0)	-	-	-	(2.0)
Transfers to internally generated software	-	(60.7)	-	-	-	(60.7)
Impairment losses / (Reversal of impairment losses)	(1.6)	0.6	-	-	-	(1.0)
Other	(13.5)	(3.8)	(0.6)	13.6	-	(4.3)
Differences on foreign currency translation of subsidiaries	6.6	(0.5)	1.2	78.9	-	86.2
Net book value of intangible assets as at 31 December 2019 (restated)	175.5	134.3	70.9	1,588.2	137.6	2,106.5

For impairment testing purposes, intangible assets are allocated to individual cash-generating units or groups of cash-generating units, which are constituted by individual subsidiaries or groups of subsidiaries. The conducted annual impairment tests have been described in detail in explanatory note 6.6 to these consolidated financial statements.

The column 'Intangible assets recognized in business combinations' discloses intangible assets identified at obtaining control over subsidiaries, including in particular: internally generated but non-capitalized technologies and products of the acquired companies, customer relations, and backlog. A substantial asset identified in the accounting for obtaining control over Formula Group in 2017 was the 'Matrix IT' trademark, the carrying value of which stands at USD 135.0 million (PLN 527.1 million) as at the reporting date, and which has been assigned an indefinite period of useful life. For impairment testing purposes, the 'Matrix IT' trademark has been allocated to the operating assets of the Formula Systems segment.

The largest additions to intangible assets recognized during 2020 were constituted by internally generated products of companies acquired within the Formula Systems segment (PLN 80.3 million) as well as customer relations identified in the same segment (PLN 231.8 million).

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 2020 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 2020, total development project costs which qualified for capitalization amounted to PLN 95.4 million (vs. PLN 102.2 million in the comparable period) and they were incurred by the following operating segments:

	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
	mPLN	mPLN
Asseco Poland segment	35.4	41.4
Asseco International segment	24.5	23.1
Formula Systems segment	35.5	37.7
Total	95.4	102.2

Asseco Poland segment

During the period of 12 months ended 31 December 2020, within the Asseco Poland segment, the largest expenditures for development work were made by Asseco Poland S.A. (PLN 20.6 million), and Asseco Data Systems S.A. (PLN 14.3 million).

The largest projects implemented by companies of the Asseco Poland segment included:

AMMSPLUS – project carried out by Asseco Poland S.A. The goal of this project is to change the graphical user interface technology in the AMMS system. The project is aimed to develop and implement a proprietary tool for smooth introduction of technological changes in the application production process, and also develop a prototype version of the Asseco Medical Management Solutions PLUS system. This product is dedicated to the Healthcare sector. In 2020, expenditures for development of this project reached PLN 8.3 million.

PBR NGUI – project carried out by Asseco Poland S.A. The aim of this project is to replace the existing forms of the system's User Interface with new ones. The new system will be devoid of any elements that are sensitive to changes or discontinuation of IT tools and platforms, and it will enable seamless implementation of language versions and comply with contemporary standards. In 2020, expenditures for development of this project reached PLN 2.6 million.

In turn, as part of development projects carried out by Asseco Data Systems S.A., capitalized expenditures were related to the development and modernization of the company's own products which are dedicated mainly to municipal governments (e.g. ERP systems for state institutions, toll collection systems, etc.) and public cloud solutions. The enterprise resource planning (ERP) system is based on the Microsoft Dynamics solution. The software is designed to support the work of local government units.

Asseco International segment

During the period of 12 months ended 31 December 2020, within the Asseco International segment, the largest expenditures for development work were made by Asseco Business Solutions S.A. (PLN 13.8 million), and Asseco Central Europe Hungary (PLN 3.3 million).

The largest projects implemented by companies of the Asseco International segment included:

Macrologic ERP WNIP 3.0 – project carried out by Asseco Business Solutions S.A. The goal of the project is to add necessary functionalities to the Macrologic ERP product line in order to meet the market needs. This product is dedicated to large and medium-sized enterprises, supporting the management of defined modes of operation of the organization. In 2020, expenditures for development of this project reached PLN 4.2 million. The project has been completed by 31 December 2020.

SLERP 13.0 – project carried out by Asseco Business Solutions S.A. The goal of the project is to add necessary functionalities to the Softlab ERP products in order to meet the market needs. Softlab ERP is to improve company management and controls by taking advantage of precise definition of business processes within the system. This product is dedicated to large and medium-sized enterprises. In 2020, expenditures for development of this project reached PLN 1.4 million. The project has been completed by 31 December 2020.

ABS Mobile Touch 10.0 – project carried out by Asseco Business Solutions S.A. The objective of the project is to extend the functionality of the Mobile Touch solution. The Mobile Touch application is a system that combines sales, CRM, presentation, management and control functions. It can be operated on modern tablets or smartphones thereby enabling effective cooperation via phone, e-mail or external applications. The Mobile Touch system is designed for companies that have extensive sales forces operating in the field. The application provides convenient, fast and safe access to information from any place and at any time, increases the efficiency of daily work of sales representatives, and allows the managerial staff to monitor the status of tasks performed by salespeople on an ongoing basis. In 2020, expenditures for development of this project reached PLN 4.7 million. The project has been completed by 31 December 2020.

FIEK – project carried out by Asseco Central Europe Hungary. The aim of the project is to develop a decision support system in order to increase agricultural crops. In 2020, expenditures for development of this application amounted to PLN 1.3 million.

Formula Systems segment

During the period of 12 months ended 31 December 2020, within the Formula Systems segment, the largest expenditures for development work were made by Sapiens International (PLN 22.6 million), and Magic Software (PLN 12.9 million).

The largest projects implemented by companies of the Formula Systems segment included:

IDIT P&C – project carried out by Sapiens International. IDIT software supports mainly traditional property and casualty insurances, direct insurance and bank assurance products, as well as other operations of insurance brokers. In 2020, expenditures for development of this application amounted to PLN 13.7 million.

Adaptik – project carried out by Sapiens International. The aim of this project is to develop software for the administration of various kinds of insurance, depending on the individual needs of users. In 2020, expenditures for development of this application amounted to PLN 3.2 million.

LPES – project carried out by Sapiens International. The aim of this project is to develop software for the administration of various kinds of life and endowment insurance, depending on the individual user needs. In 2020, expenditures for development of this application amounted to PLN 2.8 million.

LifeApply – project carried out by Sapiens International. The aim of this project is to develop software for the administration of various kinds of insurance, depending on the individual needs of users. In 2020, expenditures for development of this application amounted to PLN 1.9 million.

6.3. Right-of-use assets

Selected accounting policies

In accordance with IFRS 16, 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 right to control the use is transferred under a contract if the lessee has both of the following:

- *the right to obtain substantially all of the economic benefits from use of the identified asset; and*
- *the right to direct the use of the identified asset.*

Initial recognition and measurement of right-of-use assets

In the case of contracts identified as leases, the Group recognizes right-of-use assets as at the lease commencement date (i.e. the date when the asset being leased is available for use by the Group).

Right-of-use assets are initially recognized at cost.

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

Subsequent measurement of right-of-use assets

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

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

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

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

In both the above-mentioned exceptions, the lease payments are recognized as operating expenses basically on a straight-line basis, in the period to which they are related. The recognition of costs in the appropriate category, by function or nature, depends on the purpose of the leased asset. In such case, no right-of-use assets and corresponding financial liabilities are recognized.

Exemptions from applying IFRS 16

The Group does not apply the provisions of IFRS 16 to rental contracts and other contracts of similar nature for which the underlying assets are recognized as intangible assets. Moreover, IFRS 16 does not apply to intellectual property licensing agreements which are within the scope of IAS 38.

Estimates

The Group applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired. At each reporting date, the Group determines if there are any objective indications of impairment of a given right-of-use asset. In addition, at the end of each financial year, the Company's Management makes judgments for contracts concluded for an indefinite period in order to determine their duration with reasonable certainty.

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 a company of 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.

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	Computers and other office equipment	Transportati on vehicles	Other	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Net book value of right-of-use assets as at 1 January 2020	589.1	12.4	84.5	0.6	686.6
Additions, of which:	239.4	3.5	22.0	0.4	265.3
Conclusion of new lease contracts	155.4	3.3	18.8	0.4	177.9
Modification of existing contracts (lease extension, interest rate change)	40.5	0.2	2.3	-	43.0
Obtaining control over subsidiaries	43.1	-	0.9	-	44.0
Other	0.4	-	-	-	0.4
Reductions, of which:	(185.4)	(7.0)	(54.1)	(0.5)	(247.0)
Depreciation charges for the reporting period	(161.2)	(5.5)	(47.7)	(0.3)	(214.7)
Early termination of contracts	(19.2)	(0.7)	(0.7)	-	(20.6)
Modification of existing contracts (lease shortening, interest rate change)	(5.0)	-	-	-	(5.0)
Acquisition of right-of-use assets	-	(0.8)	(5.7)	(0.2)	(6.7)
Change in presentation	-	(2.0)	-	-	(2.0)
Differences on foreign currency translation of subsidiaries	18.0	0.5	3.3	-	21.8
Net book value of right-of-use assets as at 31 December 2020	661.1	7.4	55.7	0.5	724.7

The largest portion of the Group's right-of-use assets is constituted by land and buildings. In the case of land, the balance disclosed as at 31 December 2020 includes mainly contracts for perpetual usufruct of land that have been concluded by the Group companies based in Poland. The remaining contractual period of the perpetual usufruct of land is long (ranging for 68 to 99 years) and we have constructed our own office buildings on such perpetually leased land, as a result of which we have relatively small flexibility as regards the option to terminate such lease contracts.

Whereas, assets representing the right to use buildings result from contracts for rental of office space concluded in many countries around the world. The lease terms under such contracts are up to 20 years. Our office space lease contracts contain just standard provisions which are in line with the market practice, and therefore they do not generate any unusual risks.

Financial liabilities corresponding to the value of right-of-use assets have been presented in explanatory note 6.17.

Changes in the net book value of right-of-use assets that took place during the period of 12 months ended 31 December 2019 are presented below:

	Land and buildings	Computers and other office equipment	Transportati on vehicles	Other	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Net book value of right-of-use assets as at 1 January 2019	577.0	6.3	109.1	1.0	693.4
Additions, of which:	150.5	9.2	28.4	-	188.1
Conclusion of new lease contracts	117.3	0.8	24.1	-	142.2
Modification of existing contracts (lease extension, interest rate change)	28.5	-	4.2	-	32.7
Obtaining control over subsidiaries	4.7	8.4	0.1	-	13.2
Reductions, of which:	(157.3)	(3.1)	(57.8)	(0.3)	(218.5)

Depreciation charges for the reporting period	(136.7)	(3.1)	(57.6)	(0.3)	(197.7)
Loss of control over subsidiaries	(0.5)	-	-	-	(0.5)
Early termination of contracts	(4.0)	-	-	-	(4.0)
Modification of existing contracts (lease shortening, interest rate change)	(16.1)	-	-	-	(16.1)
Other	-	-	(0.2)	-	(0.2)
Change in presentation	0.8	0.1	(0.8)	(0.1)	-
Differences on foreign currency translation of subsidiaries	18.1	(0.1)	5.6	-	23.6
Net book value of right-of-use assets as at 31 December 2019	589.1	12.4	84.5	0.6	686.6

6.4. Investment property

Selected accounting policies

An investment property is initially recognized at purchase cost including any transaction-related expenses. The carrying value of an investment property includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, excluding the costs of day-to-day servicing of such a property.

After initial recognition, an investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises, net of the related deferred tax impact.

Changes in the net book value of investment property that took place during the period of 12 months ended 31 December 2020 and in the comparable period are presented below:

Investment property	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Net book value of investment property as at 1 January	20.6	21.0
Changes, of which:	(4.9)	(0.3)
Purchases	-	1.7
Reclassification from property, plant and equipment to non-current assets held for sale	1.3	-
Disposal and liquidation	(5.0)	(2.0)
Reclassification to property, plant and equipment	(0.8)	-
Revaluation to fair value	(0.4)	-
Recognition (reversal) of impairment losses	2.2	-
Differences on foreign currency translation of subsidiaries	0.1	(0.1)
Net book value of investment property as at 31 December	18.0	20.6

6.5. Goodwill

Selected accounting policies

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.

For impairment testing purposes, goodwill arising from obtaining control over subsidiaries is allocated by the Group in the following way:

- to the groups of cash-generating units that constitute an operating segment; or
- to individual subsidiaries; or
- to operating segments identified within the Parent Company (including: “Banking and Finance”, “Public Administration”, or “General Business”).

The following table presents the amounts of goodwill as at 31 December 2020 and 31 December 2019, in a breakdown to operating segments:

Goodwill	31 Dec. 2020	31 Dec. 2019
	mPLN	restated mPLN
Asseco Poland segment, of which:	2,257.1	2,260.6
<i>Goodwill allocated to individual cash-generating units</i>	<i>335.6</i>	<i>343.5</i>
Asseco Data Systems S.A.	244.3	244.3
Gladstone Consulting Ltd. / GSTN Consulting	33.1	36.3
ZUI Novum Sp. z o.o.	0.3	0.3
SKG S.A. ³⁾	-	4.4
DahliaMatic Sp. z o.o.	54.7	54.7
ComCERT S.A.	3.2	3.2
Eversoft Poland Sp. z o.o.	-	0.3
<i>Operating segments identified within the Parent Company</i>	<i>1,921.5</i>	<i>1,917.1</i>
Goodwill allocated to the Banking and Finance segment	890.2	890.2
Goodwill allocated to the Public Administration segment	850.3	845.9
Goodwill allocated to the General Business segment	181.0	181.0
Asseco International segment, of which:	1,517.7	1,419.6
Asseco Central Europe Group	768.6	732.1
Asseco South Eastern Europe Group	611.6	561.1
Asseco Spain S.A.	19.9	18.2
Sintagma UAB ¹⁾	0.7	0.6
Asseco Danmark ²⁾	35.1	32.2
Asseco PST Holding SGPS S.A. (former Exictos)	69.2	63.8
Tecsis	12.6	11.6
Formula Systems segment	1,354.3	881.2
Total goodwill	5,129.1	4,561.4

¹⁾ Goodwill recognized on the acquisition of Sintagma UAB and Asseco Lietuva UAB.

²⁾ Goodwill recognized on the acquisition of Asseco Danmark A/S and Peak Consulting ApS.

³⁾ Due to the merger of Asseco Poland and SKG, which took place on 1 July 2020, goodwill of SKG was transferred to the “Public Administration” segment in the Parent Company.

During the period of 12 months ended 31 December 2020, the following changes in goodwill arising from consolidation took place (the table includes changed components only):

Goodwill as allocated to reportable segments:	Goodwill at the beginning of the period mPLN	Obtaining of control / Loss of control mPLN	Foreign currency translation differences mPLN	Goodwill at the end of the period mPLN
Asseco Poland segment				
Eversoft Poland Sp. z o.o.	0.3	(0.3)	-	-
Gladstone Consulting Ltd. / GSTN Consulting	36.3	-	(3.2)	33.1
Asseco International segment				
Asseco Central Europe Group	732.1	-	36.5	768.6
Asseco South Eastern Europe Group	561.1	19.6	30.9	611.6
Asseco Spain S.A.	18.2	-	1.7	19.9
Sintagma UAB	0.6	-	0.1	0.7
Asseco Danmark	32.2	-	2.9	35.1
Asseco PST Holding SGPS S.A. (former Exictos)	63.8	-	5.4	69.2
Tecsisa	11.6	-	1.0	12.6
Formula Systems segment				
Formula Group	881.2	466.5	6.6	1,354.3

In the period of 12 months ended 31 December 2020, the balance of goodwill arising from consolidation was affected by the below described transactions. Foreign currency amounts disclosed for individual acquisitions in the tables below have been converted to Polish zlotys at the exchange rates effective as at the acquisition date, whereas in the aggregate table above, changes in goodwill have been converted to Polish zlotys at the average exchange rate for the reporting period.

Due to the large number of acquisition transactions conducted within the Group, a detailed description has only been provided for major acquisitions (where the value of net assets acquired was higher than PLN 10 million). For the remaining acquisitions, we provided just basic information.

i. Acquisition of shares in Basilichi CEE LLC by ASEE Group

On 20 January 2020, Payten d.o.o. (Sarajevo) acquired 100% of shares in the company Basilichi CEE LLC based in Bosnia and Herzegovina. The transaction price was EUR 1 and goodwill recognized on this acquisition amounted to PLN 1.7 million.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Basilichi may still be subject to change.

ii. Acquisition of sum.cumo GmbH by Sapiens Group

On 5 February 2020, Sapiens Deutschland GmbH (Sapiens Group) acquired 100% of shares in the company sum.cumo GmbH based in Germany. The purchase price amounted to EUR 20.9 million (PLN 88.9 million) and it was fully paid in cash.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of EUR 8.8 million (PLN 37.4 million), while the remaining amount of EUR 13.7 million (PLN 58.3 million) was allocated to goodwill.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mEUR	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.9	3.8
Right-of-use assets	3.5	14.9
Intangible assets identified under purchase price allocation	8.8	37.4
Trade receivables	2.4	10.2
Cash and cash equivalents	0.9	3.8
Other assets	0.5	2.1
Total assets	17.0	72.2
Liabilities acquired		
Trade payables	0.5	2.1
Lease liabilities	2.9	12.3
Deferred tax liabilities	3.5	14.9
Other liabilities	2.9	12.3
Total liabilities	9.8	41.6
Net assets value	7.2	30.6
Equity interest acquired	100%	100%
Purchase price	20.9	88.9
Goodwill as at the acquisition date	13.7	58.3

iii. Acquisition of Ofek Aerial Photography (1987) Ltd. by Formula Group

On 13 March 2020, Formula Systems acquired 86.02% of shares in the company Ofek Aerial Photography (1987) Ltd based in Israel. The purchase price amounted to ILS 27.7 million (PLN 29.4 million).

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 3.2 million (PLN 3.4 million), while the remaining amount of ILS 4.7 million (PLN 5.0 million) was allocated to goodwill.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mILS	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	14.3	15.2
Intangible assets identified under purchase price allocation	3.2	3.4
Investments in associates accounted for using the equity method	3.0	3.2
Deferred tax assets	1.1	1.2
Trade receivables	15.1	16.0
Receivables from the state and local budgets	27.9	29.6
Cash and cash equivalents	13.4	14.2
Other assets	0.4	0.4
Total assets	78.4	83.2
Liabilities acquired		
Trade payables	3.1	3.3
Deferred tax liabilities	0.7	0.7
Provisions	1.1	1.2
Financial liabilities	25.7	27.3
Other liabilities	21.1	22.4
Total liabilities	51.7	54.9
Net assets value	26.7	28.3
Value of non-controlling interests	3.7	3.9
Equity interest acquired	86.02%	86.02%
Purchase price	27.7	29.4
Goodwill as at the acquisition date	4.7	5.0

iv. Acquisition of Aptonet by Magic Group

On 1 May 2020, Coretech Consulting Group LLC, a subsidiary of Magic, acquired 100% of shares in the company Aptonet Inc. The purchase price amounted to USD 4.7 million (PLN 18.7 million), of which USD 2.9 million (PLN 11.6 million) was paid in cash, while the remaining portion constitutes a deferred payment for shares.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was allocated to goodwill in the amount of USD 1.8 million (PLN 7.1 million), while the remaining amount of USD 2.1 million (PLN 8.6 million) was recognized in intangible assets.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets identified under purchase price allocation	2.1	8.6
Trade receivables	1.6	6.2
Cash and cash equivalents	0.8	3.2
Total assets	4.5	18.0
Liabilities acquired		
Trade payables	0.8	3.2
Deferred tax liabilities	0.8	3.2
Total liabilities	1.6	6.4
Net assets value	2.9	11.6
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	4.7	18.7
Goodwill as at the acquisition date	1.8	7.1

v. Acquisition of Liram companies by Michpal Group

On 12 May 2020, Michpal Micro Computers (1983) Ltd. acquired 70% of shares in the company Liram R.L Financial Applications Ltd as well as 70% of shares in the company Applications for professional people – Liram Ltd. Both the companies are based in Israel and their purchase price amounted to ILS 15.3 million (PLN 18.3 million).

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 16.0 million (PLN 19.1 million), while the remaining amount of ILS 8.5 million (PLN 10.2 million) was allocated to goodwill.

Until 31 December 2020, 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 these companies. The provisional values of identifiable assets and liabilities of the acquired companies as at the acquisition date are presented below:

	Provisional values as at the acquisition date mILS	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.6	0.7
Intangible assets identified under purchase price allocation	16.0	19.1
Deferred tax assets	1.1	1.3
Trade receivables	1.8	2.2
Cash and cash equivalents	1.0	1.2
Total assets	20.5	24.5
Liabilities acquired		
Trade payables	0.3	0.4

Deferred tax liabilities	3.7	4.4
Provisions	0.4	0.5
Deferred income	6.2	7.4
Other liabilities	0.2	0.2
Total liabilities	10.8	12.9
Net assets value	9.7	11.6
Value of non-controlling interests	2.9	3.5
Equity interest acquired	70%	70%
Purchase price	15.3	18.3
Goodwill as at the acquisition date	8.5	10.2

vi. Acquisition of Magic Hands by Magic Group

On 1 June 2020, Magic Benelux B.V., a subsidiary of Magic, acquired 100% of shares in the company Magic Hands B.V. The purchase price amounted to USD 1.8 million (PLN 7.4 million), of which USD 1.4 million (PLN 5.5 million) was paid in cash, while the remaining portion constitutes a deferred payment for shares.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 0.6 million (PLN 2.6 million), while the remaining amount of USD 1.1 million (PLN 4.3 million) was allocated to goodwill.

Until 31 December 2020, 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.

vii. Acquisition of Tiful Gemel by Sapiens Group

On 1 June 2020, Sapiens Technologies (1982) Ltd acquired 75% of shares in the company Tiful Gemel Ltd based in Israel. The purchase price amounted to ILS 6.1 million (PLN 6.9 million).

All non-controlling interests are puttable and accounted for using the purchase method. The value of put options is measured at purchase price amounting to ILS 0.5 million (PLN 0.5 million), while the carrying amount of non-controlling interests stands at 0.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 1.9 million (PLN 2.2 million), while the remaining amount of ILS 2.3 million (PLN 2.6 million) was allocated to goodwill.

Until 31 December 2020, 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.

viii. Acquisition of Integrirani Poslovni Sustavi d.o.o. by ASEE Group

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 Oroslavje. The transaction price amounted to EUR 1.9 million (PLN 8.2 million), of which EUR 0.8 million (PLN 3.8 million) constitutes a conditional payment depending on the future financial results of the acquired company. Payten d.o.o. Zagreb also signed a put option agreement with the non-controlling shareholders of IPS.

As part of the provisional purchase price allocation, the Group allocated PLN 7.9 million to goodwill. Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of IPS may still be subject to change.

ix. Acquisition of Mobisoft by Magic Group

On 1 July 2020, Magic Software Enterprises Ltd acquired 70% of shares in the company Mobisoft Ltd based in Israel. The purchase price amounted to ILS 6.1 million (PLN 7.0 million).

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 5.2 million (PLN 6.0 million) and in deferred tax liabilities in the amount of ILS 1.2 million (PLN 1.4 million), while the remaining amount of ILS 3.7 million (PLN 4.2 million) was allocated to goodwill.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of this company may still be subject to change.

x. Acquisition of Gestetnertec Ltd by Matrix Group

On 9 July 2020, Matrix IT Integration & Infrastructure Ltd acquired 51% of shares in the company Gestetnertec Ltd based in Israel. The purchase price amounted to ILS 111.1 million (PLN 127.4 million), of which ILS 49.9 million (PLN 57.2 million) was paid in cash.

All non-controlling interests are puttable and accounted for using the purchase method. The value of put options is measured at purchase price amounting to ILS 61.2 million (PLN 70.2 million), while the carrying amount of non-controlling interests stands at 0.

As part of the purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 56.3 million (PLN 64.5 million) and in deferred tax liabilities in the amount of ILS 13.9 million (PLN 15.9 million), while the remaining amount of ILS 43.5 million (PLN 49.9 million) was allocated to goodwill.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of this company may still be subject to change. The provisional values of identifiable assets and liabilities of the acquired company as at the date of obtaining control are presented below:

	Provisional values as at the acquisition date mILS	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	23.0	26.4
Intangible assets (including those identified under purchase price allocation)	56.3	64.5
Right-of-use assets	8.0	9.2
Trade receivables	23.5	26.9
Inventories	14.6	16.7
Cash and cash equivalents	18.3	21.0
Other assets	4.7	5.4
Total assets	148.4	170.1
Liabilities acquired		
Bank loans and borrowings	36.5	41.8
Lease liabilities	8.0	9.2
Trade payables	8.0	9.2
Accruals and deferred income	10.6	12.2
Deferred tax liabilities	13.9	15.9
Other liabilities	3.3	3.7
Total liabilities	80.3	92.0
Net assets value	68.1	78.1
Value of non-controlling interests (internal interests within Gestetnertec Group only)	0.5	0.6
Equity interest acquired	51%	51%
Purchase price	111.1	127.4
Goodwill as at the acquisition date	43.5	49.9

xi. Acquisition of Gastrobit GRC Grupa d.o.o. by ASEE Group

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 Croatia. The transaction price amounted to EUR 2.3 million, of which EUR 1.2 million constitutes a conditional payment depending on the future financial results achieved by the acquired company.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Gastrobit may still be subject to change.

xii. Acquisition of Delphi Technology Group by Sapiens Group

On 27 July 2020, Sapiens Americas Corporation (1982) Ltd acquired 100% of shares in Delphi Technology Group based in the United States. The purchase price amounted to USD 19.6 million (PLN 73.8 million).

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 4.4 million (PLN 16.6 million), while the remaining amount of USD 15.6 million (PLN 58.7 million) was allocated to goodwill.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.3	1.1
Intangible assets (including those identified under purchase price allocation)	4.4	16.6
Trade receivables	2.9	10.9
Cash and cash equivalents	6.3	23.7
Other assets	2.5	9.5
Total assets	16.4	61.8
Liabilities acquired		
Trade payables	0.1	0.4
Deferred tax liabilities	1.5	5.6
Provisions	2.7	10.2
Lease liabilities	0.1	0.4
Deferred income	8.0	30.1
Total liabilities	12.4	46.7
Net assets value	4.0	15.1
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	19.6	73.8
Goodwill as at the acquisition date	15.6	58.7

xiii. Acquisition of Stockell Information Systems Inc. by Magic Group

On 2 September 2020, Coretech Consulting Group LLC, a subsidiary of Magic, acquired 100% of shares in the company Stockell Information Systems Inc. based in the USA. The purchase price amounted to USD 7.7 million (PLN 28.3 million).

As part of the purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 3.6 million (PLN 13.2 million) and in deferred tax liabilities in the amount of USD 1.3 million (PLN 4.8 million), while the remaining amount of USD 4.5 million (PLN 16.5 million) was allocated to goodwill.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of this company may still be subject to change. The provisional values of identifiable assets and liabilities of the acquired company as at the date of obtaining control are presented below (converted at the exchange rate of PLN/USD effective as at the acquisition date):

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets (including those identified under purchase price allocation)	3.6	13.2
Trade receivables	2.8	10.3
Other assets	0.1	0.4
Total assets	6.5	23.9

Liabilities acquired		
Accruals and deferred income	1.0	3.7
Deferred tax liabilities	1.3	4.8
Other liabilities	1.0	3.6
Total liabilities	3.3	12.1
Net assets value	3.2	11.8
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	7.7	28.3
Goodwill as at the acquisition date	4.5	16.5

xiv. Acquisition of RightStar Inc. by Matrix Group

On 16 March 2020, Xtivia Technologies Inc. (a subsidiary of Matrix IT) acquired 100% of shares in RightStar Inc. based in the United States. The purchase price amounted to USD 4.6 million (PLN 17.9 million), of which USD 3 million (PLN 11.7 million) was paid in cash, and the remaining amount constitutes a deferred and conditional payment depending on the future operating results achieved by that company.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 0.4 million (PLN 1.6 million) and in deferred tax liabilities in the amount of USD 0.1 million (PLN 0.4 million), while the remaining amount of USD 0.9 million (PLN 3.5 million) was allocated to goodwill.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets (including those identified under purchase price allocation)	0.4	1.6
Trade receivables	4.0	15.5
Cash and cash equivalents	3.7	14.4
Other assets	0.4	1.6
Total assets	8.5	33.1
Liabilities acquired		
Trade payables	2.8	10.9
Accruals and deferred income	1.0	3.9
Deferred tax liabilities	0.1	0.4
Other liabilities	0.9	3.5
Total liabilities	4.8	18.7
Net assets value	3.7	14.4
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	4.6	17.9
Goodwill as at the acquisition date	0.9	3.5

xv. Acquisition of Thor and Tia companies by Sapiens Group

On 30 November 2020, Sapiens Software Solutions (Denmark) ApS (a subsidiary of Sapiens Group) acquired 100% of shares in Thor Denmark Holding ApS based in Denmark, and thereby indirectly acquired 100% of shares in the companies of Tia Group. The purchase price amounted to USD 62.9 million (PLN 235.0 million) and it was fully paid in cash.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 29.6 million (PLN 110.6 million) and in deferred tax liabilities in the amount of USD 7.2 million (PLN 26.9 million), while the remaining amount of USD 57.5 million (PLN 214.8 million) was allocated to goodwill.

Until 31 December 2020, 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 the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets (including those identified under purchase price allocation)	29.9	111.7
Right-of-use assets	3.7	13.8
Trade receivables	4.5	16.8
Cash and cash equivalents	2.3	8.6
Other assets	1.2	4.5
Total assets	41.6	155.4
Liabilities acquired		
Lease liabilities	3.7	13.8
Trade payables	0.2	0.7
Accruals and deferred income	25.0	93.4
Deferred tax liabilities	7.2	26.9
Other liabilities	0.1	0.4
Total liabilities	36.2	135.2
Net assets value	5.4	20.2
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	62.9	235.0
Goodwill as at the acquisition date	57.5	214.8

xvi. Accounting for the acquisition of SONET spol. s.r.o. and SONET Slovakia s.r.o.

On 5 September 2019, Payten Sp. z o.o. sp.k. acquired 100% of shares in the company SONET spol. s.r.o. based in the Czech Republic as well as 50% of shares in SONET Slovakia s.r.o. based in Slovakia, in which the remaining 50% stake is held by SONET spol. s.r.o. The total purchase price amounted to EUR 5.6 million (PLN 24.4 million), of which EUR 0.2 million constitutes a conditional payment depending on the future financial results achieved by that company. Both SONET spol. s.r.o. and SONET Slovakia s.r.o. are primarily engaged in the provision of services for online payments processing.

The purchase price allocation process was completed in the third quarter of 2020. The fair values of identifiable assets and liabilities of Sonet Group as at the date of obtaining control are presented below (converted at the exchange rate of PLN/CZK effective as at the acquisition date):

	Fair values as at the acquisition date mPLN
Assets acquired	
Property, plant and equipment	1.8
Intangible assets (including those identified under purchase price allocation)	5.9
Right-of-use assets	0.9
Trade receivables	4.4
Cash and cash equivalents	8.9
Other assets	0.6
Total assets	22.5
Liabilities acquired	
Bank loans and borrowings	0.2
Lease liabilities	0.9
Trade payables	0.9
Deferred tax liabilities	0.9
Other liabilities	1.1
Total liabilities	4.0
Net assets value	18.5
Equity interest acquired	100%

Purchase price	24.4
Goodwill as at the acquisition date	5.9

xvii. Accounting for the acquisition of Monri Group d.o.o.

On 8 October 2019, Payten d.o.o. (Sarajevo) concluded a conditional agreement to acquire 80% of shares in Monri Group d.o.o. for the total consideration of EUR 1.96 million (PLN 8.4 million). The Group obtained control over Monri Group d.o.o. on 15 November 2019 upon satisfying all the conditions precedent. Monri Group holds 100% of shares in the company Monri Payments d.o.o. Zagreb.

Payten d.o.o. (Sarajevo) also signed a put option agreement with the non-controlling shareholders of Monri.

The purchase price allocation process was completed in the fourth quarter of 2020. The fair values of identifiable assets and liabilities of Monri Group as at the date of obtaining control are presented below (converted at the exchange rate of PLN/BAM effective as at the acquisition date):

	Fair values as at the acquisition date mPLN
Assets acquired	
Intangible assets (including those identified under purchase price allocation)	5.4
Trade receivables	0.6
Cash and cash equivalents	0.5
Other assets	1.1
Total assets	7.6
Liabilities acquired	
Bank loans and borrowings	2.6
Trade payables	0.8
Deferred tax liabilities (including those arising from purchase price allocation)	1.0
Other liabilities	1.0
Total liabilities	5.4
Net assets value	2.2
Value of non-controlling interests	0.4
Equity interest acquired	80%
Purchase price	8.4
Goodwill as at the acquisition date	6.6

xviii. Accounting for the acquisition of Tecsisa

On 23 July 2019, AssecO International, a.s. acquired 51% of shares in the company TECSISA based in Spain. The purchase price amounted to EUR 6.1 million (PLN 26.2 million), of which EUR 4.9 million (PLN 21.2 million) was paid in cash, while the remaining portion constitutes a conditional payment depending on the future operating results of that company.

Tecsisa specializes in the development of software for producers and sellers of electricity. The company provides native cloud and Big Data applications running on the technologically advanced Kommodo platform. The products offered by this company have already been implemented in several foreign countries, including Italy, Mexico, Guatemala, Peru, and Argentina.

Under the final purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of EUR 4.9 million (PLN 21.2 million) and in deferred tax liabilities in the amount of EUR 1.2 million (PLN 5.1 million). The remaining portion of such excess in the amount of EUR 2.7 million (PLN 11.6 million) was allocated to goodwill.

As at 31 December 2020, the process of purchase price allocation has already been completed by the Group. The fair values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mEUR	Provisional values as at the acquisition date mPLN	Fair values as at the acquisition date mEUR	Fair values as at the acquisition date mPLN
Assets acquired				
Intangible assets (including those identified under purchase price allocation)	6.2	26.6	8.1	34.7
Trade receivables	1.2	5.1	1.2	5.1
Cash and cash equivalents	0.9	3.9	0.9	3.9
Other assets	0.4	1.7	0.3	1.3
Total assets	8.7	37.3	10.5	45.0
Liabilities acquired				
Bank loans and borrowings	2.0	8.6	2.0	8.6
Trade payables	0.4	1.7	0.4	1.7
Other liabilities	0.3	1.3	0.3	1.3
Deferred tax liabilities	0.8	3.4	1.2	5.1
Total liabilities	3.5	15.0	3.9	16.7
Net assets value	5.2	22.3	6.6	28.3
Value of non-controlling interests	2.6	11.2	3.2	13.7
Equity interest acquired	51%	51%	51%	51%
Purchase price	6.9	29.6	6.1	26.2
Goodwill as at the acquisition date	4.3	18.5	2.7	11.6

xix. Accounting for the acquisition of Unique

On 12 August 2019, Michpal MicroComputers (a subsidiary of Formula) signed an agreement and on 18 November 2019 effectively acquired 100% of shares in the company Unique Software Industries Ltd based in Israel. Unique Software Industries is a provider of software for human resources management. The purchase price amounted to ILS 58.3 million (PLN 65.9 million), of which ILS 49.0 million (PLN 55.4 million) was paid in cash, and the remaining amount constitutes a deferred payment depending on the future operating results achieved by that company.

Under the final purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of ILS 29.2 million (PLN 33.0 million) and in deferred tax liabilities in the amount of ILS 6.7 million (PLN 7.6 million), while the remaining amount of ILS 33.0 million (PLN 37.4 million) was allocated to goodwill.

As at 31 December 2020, the process of purchase price allocation has already been completed by the Group. The provisional values and fair values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mILS	Provisional values as at the acquisition date mPLN	Fair values as at the acquisition date mILS	Fair values as at the acquisition date mPLN
Assets acquired				
Property, plant and equipment	1.5	1.7	1.5	1.7
Intangible assets identified under purchase price allocation	30.0	33.9	29.2	33.0
Trade receivables	9.0	10.2	5.4	6.1
Cash and cash equivalents	4.0	4.5	4.0	4.5
Other assets	0.3	0.3	0.3	0.3
Total assets	44.8	50.6	40.4	45.6
Liabilities acquired				
Deferred tax liabilities	6.9	7.8	6.7	7.6
Dividends payable	7.0	7.9	3.4	3.8
Other liabilities	5.0	5.7	5.0	5.7
Total liabilities	18.9	21.4	15.1	17.1
Net assets value	25.9	29.2	25.3	28.5
Equity interest acquired	100%	100%	100%	100%
Purchase price	57.5	65.0	58.3	65.9
Goodwill as at the acquisition date	31.6	35.8	33.0	37.4

xx. *Accounting for the acquisition of OnTarget*

As described in the financial statements for the year ended 31 December 2019, on 28 February 2019, Magic Software Enterprises Ltd (a company of Formula-Magic Group) acquired 100% of shares in OnTarget Group Inc. based in the United States. The purchase price amounted to USD 12.5 million (PLN 47.3 million), of which USD 6.0 million (PLN 22.6 million) was paid in cash, and the remaining amount constitutes a deferred payment which partially depends on the future operating results achieved by that company.

Under the final purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 3.6 million (PLN 13.6 million) and in deferred tax liabilities in the amount of USD 2.2 million (PLN 8.3 million), while the remaining amount of USD 9.4 million (PLN 35.6 million) was allocated to goodwill.

The process of purchase price allocation was completed by the Group during the year ended 31 December 2020. The fair values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN	Fair values as at the acquisition date mUSD	Fair values as at the acquisition date mPLN
Assets acquired				
Property, plant and equipment	0.1	0.4	0.1	0.4
Intangible assets (including those identified under purchase price allocation)	6.6	25.0	4.9	18.5
Trade receivables	2.3	8.7	2.3	8.7
Other assets	0.1	0.4	0.1	0.4
Total assets	9.1	34.5	7.4	28.0
Liabilities acquired				
Bank loans and borrowings	0.3	1.1	0.3	1.1
Trade payables	1.5	5.8	1.5	5.8
Other liabilities	0.3	1.1	0.3	1.1
Deferred tax liabilities	1.7	6.4	2.2	8.3
Total liabilities	3.8	14.4	4.3	16.3
Net assets value	5.3	20.1	3.1	11.7
Value of non-controlling interests	-	-	-	-
Equity interest acquired	100%	100%	100%	100%
Purchase price	14.9	56.4	12.5	47.3
Goodwill as at the acquisition date	9.6	36.3	9.4	35.6

6.6. 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.

Companies quoted in an active market

In the case of cash-generating units constituted by companies or groups of companies quoted in an active market, the recoverable amount may equal the market value (i.e. stock market capitalization) of a company/group or its value in use, whichever is higher. Therefore, for cash-generating units constituted by companies or groups of companies quoted in an active market, impairment testing was performed in two stages. First of all, the carrying value of a cash-generating unit was compared to its market value (stock market capitalization). If the market value exceeded the carrying value, the cash-generating unit was deemed not to have been impaired. Otherwise, the value in use of such cash-generating unit was estimated by applying the model of discounted free cash flow to firm (FCFF).

Both as at 31 December 2020 and during the period of 12 months ended 31 December 2020, the stock market capitalization of Asseco Poland remained under the book value of the Group's net assets. The Management of Asseco considered such situation as an indication of possible impairment of our cash-generating units to which goodwill has been allocated.

In the case of the Asseco International segment, for impairment testing purposes, goodwill is allocated to the level of operating segments constituted by companies or subgroups incorporated within Asseco International Group.

In the case of cash-generating units constituted by companies quoted in an active market, factors indicating potential impairment may include: low market capitalization of a given cash-generating unit (i.e. excess of its carrying value over its market value).

Our companies or groups of companies quoted in an active market include: Asseco Business Solutions S.A., Asseco South Eastern Europe S.A., as well as Formula Systems (1985) Ltd and its subsidiary subgroups.

The tables below compare the market values (calculated on the basis of the average price of each company's shares quoted in the last quarter before the reporting date) against the carrying values of our cash-generating units constituted by companies or groups of companies quoted in an active market as at 31 December 2020 and 31 December 2019.

31 December 2020	Asseco South Eastern Europe S.A. mPLN	Asseco Business Solutions S.A. mPLN	Formula Group mPLN
net assets value of cash-generating unit	980.1	334.5	2,787.3
stock exchange valuation	2,164.2	1,149.8	4,779.9
excess (+) / deficit (-) of fair value over carrying value	1,184.1	815.3	1,992.6

31 Dec. 2019	Asseco South Eastern Europe S.A. mPLN	Asseco Business Solutions S.A. mPLN	Formula Group mPLN
net assets value of cash-generating unit	855.9	318.7	2,520.8
stock exchange valuation	1,179.9	930.3	3,993.5
excess (+) / deficit (-) of fair value over carrying value	324.0	611.6	1,472.7

The fair values of Asseco Business Solutions S.A., Asseco South Eastern Europe Group and Formula Systems Group are much higher than their carrying values, hence it was deemed unnecessary to perform an additional interim impairment test or to recognize an impairment loss on these cash-generating units. However, appropriate impairment tests were carried out in accordance with the requirements of IAS 36, and their underlying assumptions are described below.

Companies not quoted in an active market

In the case of companies or groups of companies not quoted in an active market, the recoverable amount of cash-generating units was determined as their value in use by applying the model of discounted free cash flow to firm (FCFF).

In the calculation of the value in use of cash-generating units or groups of cash-generating units, the following assumptions have been adopted:

- for each subsidiary, the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole subsidiary company;
- detailed forecasts covered the period of 5 years with an assumed increase in cash flows, while the residual value for later operations of each subsidiary was computed assuming no growth in cash flows;
- the assumed increases in cash flows depend upon the strategy of the entire Group and tactical 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. In addition, due to the fact that both in the Public Administration segment and in the General Business segment of the Parent Company, the execution of budgets and forecasts largely depends on gaining several major contracts with the Parent Company's key clients in the future which will have a significant share in the planned revenues and margins, it should be noted that the forecasts for testing adopted the scenario of continuing cooperation with these clients in the long term and acquiring such significant contracts;
- the forecasts for foreign subsidiaries assumed growth of sales in their functional currencies;
- the discount rates applied were equivalent to the weighted average cost of capital for a given cash-generating unit. Particular components of the discount rate 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.

Only in very few cases, the prevailing pandemic had an impact on the current financial results and/or expectations of the Management Board as to the future financial performance of the Group companies. In the event where the company's present condition has deteriorated or it operates in a market that is particularly affected by the current circumstances, forecasts for the coming years reflect greater uncertainty

arising from the existing epidemic compared to the expectations made in the last year's testing models. In such cases, future cash flows were adjusted using a more conservative approach than in previous years. Nonetheless, in the vast majority of cases the results of our cash-generating units for 2020 were favourable and often exceeded the budgets, therefore the Management Board saw no need to change the forecasts of those units for the coming years, and maintained the general assumptions adopted in previous years.

The conducted impairment tests, which involved the estimation of the value in use by applying the model of discounted free cash flow to firm (FCFF), indicated that the value in use of our cash-generating units or groups of cash-generating units is in each case higher than their carrying value.

Analysis of sensitivity

We carried out a sensitivity analysis for all the impairment tests performed as at 31 December 2020 which involved the estimation of the value in use. Such sensitivity analysis examined the impact of changes in:

- real discount rate applied for the residual period, i.e. for cash flows generated after 2025;
- compound annual growth rate of free cash flows over the period of forecast, i.e. in the years 2021-2025;

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

The objective of such sensitivity analysis was to find out how much the selected parameters applied in the model should be changed so that the estimated value in use of each cash-generating unit was equal to its carrying value. The results of such sensitivity analysis carried out as at 31 December 2020 are presented in the following table:

	Carrying value of cash-generating unit*	Discount rate for the residual period		Compound annual growth rate of free cash flows (FCFF)
	mPLN	applied in the model	incremental	incremental
		%	%	%
Cash-generating unit constituted by the Formula Systems segment				
Formula Systems Group	3,989.0	6.8%	14.7%	(4.8%)
Main cash-generating units within the Asseco International segment				
Asseco South Eastern Europe Group	854.3	7.5%	55.1%	(20.2%)
Asseco Central Europe Group	1,067.2	5.9%	36.4%	(21.7%)
Asseco Spain S.A.	9.7	7.8%	∞	n/a
Asseco PST	120.9	8.0%	∞	(25.5%)
Tecsisa	46.0	9.4%	13.0%	112.3%
Sintagma + Asseco Lietuva	(14.3)	9.4%	∞	n/a
Asseco Danmark + Peak Consulting	29.6	8.8%	20.2%	19.1%
Main cash-generating units within the Asseco Poland segment				
<i>Companies of the Asseco Poland segment identified as cash-generating units</i>				
ZUI Novum	4.5	10.7%	∞	n/a
Asseco Data Systems	398.2	8.2%	31.0%	(13.8%)
DahliaMatic	66.3	10.7%	14.4%	8.2%
Cash-generating units constituted by operating segments identified within the Parent Company				
Public Administration segment	1,144.8	7.5%	10.8%	4.0%
Banking and Finance segment	1,303.2	7.5%	8.6%	6.4%
General Business segment	252.2	7.5%	20.0%	(16.5%)

* The carrying value of a cash-generating unit represents net operating assets (including the fair value of assets recognized in purchase price allocation) and goodwill that have been fully consolidated in these financial statements (hence this value does not include net debt/cash position).

∞ means that the incremental discount rate for the residual period is greater than 100% or negative.

The analogous analysis performed as at 31 December 2019 was as follows:

	Carrying value of cash-generating unit*	Discount rate for the residual period		Compound annual growth rate of free cash flows (FCFF) incremental
		applied in the model	incremental	
	mPLN	%	%	%
Cash-generating unit constituted by the Formula Systems segment				
Formula Systems Group	3,516.4	7.5%	11.4%	(1.0%)
Main cash-generating units within the Asseco International segment				
Asseco South Eastern Europe Group	817.8	7.5%	33.3%	(13.3%)
Asseco Central Europe Group	981.6	5.6%	32.7%	(29.7%)
Asseco Spain S.A.	49.3	7.6%	∞	(30.7%)
Asseco PST	76.2	7.5%	98.5%	(32.0%)
Tecsis	46.9	9.3%	22.0%	49.6%
Sintagma + Asseco Lietuva	9.9	9.3%	∞	n/a
Asseco Danmark + Peak Consulting	27.2	8.7%	21.8%	1.6%
Main cash-generating units within the Asseco Poland segment				
<i>Companies of the Asseco Poland segment identified as cash-generating units</i>				
Eversoft	0.5	11.0%	∞	(57.8%)
ZUI Novum	5.1	11.0%	∞	(88.0%)
Asseco Data Systems	419.0	8.4%	17.1%	(5.5%)
DahliaMatic	64.4	11.0%	13.7%	(3.7%)
Cash-generating units constituted by operating segments identified within the Parent Company				
Public Administration segment	1,121.7	7.5%	9.3%	18.3%
Banking and Finance segment	1,284.2	7.5%	8.3%	31.2%
General Business segment	248.0	7.5%	14.1%	4.3%

Explanations for this table (* and ∞) are identical to those disclosed under the previous table.

As indicated in the table above (for the year 2020), for the Banking and Finance segment identified as a cash-generating unit in the Parent Company, the discount rate applied in the analysis model equalled 7.5%. Whereas, the compound annual growth rate of cash flows for the period from 2021 to 2025 as applied in the model for this segment equalled 12.7%. The values of analogical parameters (i.e. WACC and CAGR) applied in the model for the Public Administration segment equalled 7.5% and 13.6%, respectively. For the General Business segment we applied the same value of WACC as for other segments, while the adopted compound annual growth rate of free cash flows equalled 2.3%.

At the same time, we notify that in the forecasts for the years 2021-2025, we assumed that the Public Administration segment and the General Business segment will gain several major contracts with their key clients which will have a significant share in the planned revenues; any termination of such cooperation or loss of such contracts would have a material impact on the test results.

In addition, the table below presents the analysis of sensitivity of our models for the calculation of the recoverable amounts of cash-generating units, to changes in discount rates (the applied discount rate was changed in the range from 0.5 pp to 1.5 pp in plus and in minus), as well as to percentage changes in the expected free cash flows (the amount of FCFF was changed by 1%, 3% and 5% in plus and in minus).

Banking and Finance segment	Change in discount rate for the residual period (in percentage points)						
	-1.5 pp	-1.0 pp	-0.5 pp	0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
Present value of FCFF (in millions of PLN)	1,697.4	1,597.7	1,512.3	1,438.3	1,373.5	1,316.3	1,265.5
Excess/deficit against the unit's book value (in millions of PLN)	394.2	294.5	209.1	135.1	70.3	13.1	(37.7)

Banking and Finance segment		Change in the value of FCFF in the years 2021-2025 (in percentage)					
	-5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)	1,366.3	1,395.1	1,423.9	1,438.3	1,452.6	1,481.4	1,510.2
Excess/deficit against the unit's book value (in millions of PLN)	63.1	91.9	120.7	135.1	149.4	178.2	207.0
Public Administration segment		Change in discount rate for the residual period (in percentage points)					
	-1.5 pp	-1.0 pp	-0.5 pp	0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
Present value of FCFF (in millions of PLN)	1,732.8	1,631.1	1,543.9	1,468.3	1,402.2	1,343.9	1,292.0
Excess/deficit against the unit's book value (in millions of PLN)	588.0	486.3	399.1	323.5	257.4	199.1	147.2
Public Administration segment		Change in the value of FCFF in the years 2021-2025 (in percentage)					
	+5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)	1,394.9	1,424.3	1,453.6	1,468.3	1,483.0	1,512.3	1,541.8
Excess/deficit against the unit's book value (in millions of PLN)	250.1	279.5	308.8	323.5	338.2	367.5	397.0
General Business segment		Change in discount rate for the residual period (in percentage points)					
	-1.5 pp	-1.0 pp	-0.5 pp	0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
Present value of FCFF (in millions of PLN)	512.6	484.0	459.5	438.3	419.7	403.3	388.7
Excess/deficit against the unit's book value (in millions of PLN)	260.4	231.8	207.3	186.1	167.5	151.1	136.5
General Business segment		Change in the value of FCFF in the years 2021-2025 (in percentage)					
	-5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)	416.4	425.1	433.9	438.3	442.6	451.4	460.2
Excess/deficit against the unit's book value (in millions of PLN)	164.2	172.9	181.7	186.1	190.4	199.2	208.0

6.7. Associates and joint ventures

Selected accounting policies

Investments in associates

Associates are entities which remain under significant, direct or indirect, influence of the Parent Company which are however neither subsidiaries nor joint ventures.

Investments in associates are disclosed in the Group's consolidated financial statements using the equity method. Under the equity method of accounting, any investment in an associate is initially recognized at cost and is subsequently adjusted to reflect the Group's share of profit or loss and other comprehensive income of the associate. Financial statements of associates, adjusted to comply with IFRS, constitute the basis for valuation of the Group's shareholdings in such entities using the equity method. The reporting dates of associates are the same as those adopted by the Group.

The Group shall cease to apply the equity method of accounting from the date when a particular investment is no longer its associate or when it is classified as held for sale. The difference between the carrying value of the associate, at the date of ceasing to use the equity method, and the fair value of the retained interest and proceeds from the sale of a stake in such entity shall be taken into account when calculating the gain or loss on disposal of that associate.

Investments in joint ventures

Joint ventures are joint contractual arrangements whereby the parties that have joint control of the arrangement have rights to net assets of the arrangement. Shares in joint ventures which are jointly controlled by the Group are accounted for using the equity method. Before determining the share in net assets of a joint venture, the financial data

of such an entity are subject to appropriate adjustments in order to ensure their compliance with IFRS as applied by the Group.

Investments in associates and joint ventures are accounted for using the equity method and their key financial information is presented in the table below.

Financial position data of associates and joint ventures	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN
Non-current assets	327.5	251.2
Current assets	261.9	246.8
Non-current liabilities	125.3	79.2
Current liabilities	177.5	170.1
Net assets	286.6	248.7
Book value of investments	162.4	145.0

Profit and loss data of associates and joint ventures	12 months ended 31 December 2020	12 months ended 31 Dec. 2019
	mPLN	mPLN
Revenues	472.1	475.3
Operating profit	23.8	14.9
Net profit/loss	15.4	13.9
Share of profits of associates and joint ventures	4.6	6.3

In addition, other comprehensive income of associates and joint ventures for the period of 12 months ended 31 December 2020 that is attributable to the Parent Company amounted to PLN (16.0) million and resulted from differences on foreign currency translation of subsidiaries.

The largest among our companies consolidated using the equity method is TSG IT Advanced Systems Ltd (included in the Formula Systems segment) which is a jointly controlled entity. Other companies with the largest carrying value of investment include: Nextbank Software Sp. z o.o. and Cyber Defense Africa (of the Asseco Poland segment), CUIM SIGLO XXL S.L. (of the Asseco International segment), as well as Galvaniho 5, s.r.o. and Prvni Certifikační Autorita a.s. (both from ACE Group of the Asseco International segment).

6.8. Entities with significant 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.

In section 3. of these consolidated financial statements, we have presented information on entities in which the Group holds less than 100% of shares, including their company names, countries of registration, as well as equity interests and voting rights held by the Group.

In the Management's opinion, the entities with significant individual non-controlling interests are: Matrix IT Group, Magic Software Enterprises Group, Sapiens International Group, Asseco South Eastern Europe Group, as well as Asseco Central Europe Group, among others including Asseco Business Solutions. In the case of other entities with non-controlling interests, individual non-controlling interests do not exceed 2% of total non-controlling interests therein, hence they have not been considered as entities with significant non-controlling interests.

The tables below present the selected financial data of entities with significant individual non-controlling interests for the period of 12 months ended 31 December 2020 and as at 31 December 2020, as well as for respective comparable periods. These figures are presented before consolidation adjustments, including the elimination of mutual transactions.

Percentage of non-controlling interests	31 Dec. 2020	31 Dec. 2019
Matrix IT Ltd *	87.38%	87.61%
Magic Software Enterprises Ltd *	88.34%	88.50%
Sapiens International Corp. NV *	88.75%	87.85%
ASEE Group	48.94%	48.94%
ACE Group	8.67%	8.67%

* Percentages of non-controlling interests are calculated taking into account our direct shareholding in Formula Systems (1985) as well as indirect shareholdings in the companies of Matrix IT Ltd, Magic Software Enterprises Ltd, and Sapiens International Corp. NV.

Group name	Carrying value of non-controlling interests*	
	31 Dec. 2020	31 Dec. 2019 restated
Formula Group**	2,225.7	1,611.3
ASEE Group	455.4	394.6
ACE Group	225.7	210.0
Other individually insignificant	6.1	3.0
Total	2,912.9	2,218.9

* Carrying values of non-controlling interests have been adjusted for the value of put options granted to minority shareholders.

** The value of non-controlling interest in Formula Group includes, among others, the values of non-controlling interests in Matrix IT Ltd, Magic Software Enterprises Ltd, and Sapiens International Corp. NV.

Group name	Net profit attributable to non-controlling interests		Dividends paid out to non-controlling interests	
	31 Dec. 2020	31 Dec. 2019 restated	31 Dec. 2020	31 Dec. 2019
Matrix IT Ltd	177.9	143.2	(97.8)	(75.8)
Magic Software Enterprises Ltd	86.9	71.2	(64.5)	(46.3)
Sapiens International Corp. NV	83.2	61.2	(14.3)	(22.6)
ASEE Group	58.8	44.8	(19.5)	(13.7)
ACE Group	50.3	48.2	(38.8)	(34.7)
Other individually insignificant	8.9	11.8	(80.2)	(58.3)
Total	466.0	380.4	(315.1)	(251.4)

	Matrix IT Ltd	Magic Software Enterprises Ltd	Sapiens International Corp. NV	ASEE Group	ACE Group
31 Dec. 2020					
Non-current assets	1,489.3	871.6	1,658.1	832.2	914.8
Current assets	2,270.1	782.2	1,123.3	566.8	585.9
<i>of which cash and cash equivalents</i>	753.2	331.2	573.4	252.0	168.3
Non-current liabilities	933.4	239.3	698.4	114.7	187.1
Current liabilities	1,861.6	404.0	655.1	359.0	415.4
31 Dec. 2019					
Non-current assets	1,306.1	750.0	1,160.9	785.3	856.1
Current assets	1,948.2	770.5	635.7	468.5	511.6
<i>of which cash and cash equivalents</i>	504.7	311.1	251.8	199.7	157.1
Non-current liabilities	794.9	182.2	479.8	125.9	154.7
Current liabilities	1,645.6	336.0	468.6	325.7	413.2

	Matrix IT Ltd	Magic Software Enterprises Ltd	Sapiens International Corp. NV	ASEE Group	ACE Group
Period of 12 months ended 31 December 2020					
Net cash provided by (used in) operating activities	710.8	248.0	326.1	229.3	241.4
Net cash provided by (used in) investing activities	(85.7)	(36.7)	(452.2)	(52.5)	(57.0)
Net cash provided by (used in) financing activities	(313.4)	(173.5)	501.5	(99.4)	(140.7)
Period of 12 months ended 31 December 2019					
Net cash provided by (used in) operating activities	408.3	225.7	320.9	175.9	252.9
Net cash provided by (used in) investing activities	(141.2)	(56.9)	(161.0)	(103.2)	(74.4)
Net cash provided by (used in) financing activities	20.1	(155.4)	(114.3)	(25.0)	(142.8)

6.9. 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.

Assets from contracts with customers 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.

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.

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. However, if as at the reporting date the Group deems it has an unconditional right to payment for its performance, the respective amounts are classified as receivables.

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.

Furthermore, in accordance with the recommendations of supervisory authorities, in the provisioning matrix applied by the Group, individual companies shall, where advisable, insert an additional parameter that reflects generally higher business risk, e.g. arising from the pandemic.

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 all trade receivables that are past-due more than 180 days and significant in amount, the management shall exercise professional judgment while analyzing the financial condition of the contractor, type of collateral held, progress of contract completion, customer rating, as well as other relevant facts and circumstances.

The procedure for recognizing an additional loss allowance in excess of the amounts resulting directly from the provisioning matrix is a supplementary verification mechanism used by the Company which allows to identify those receivables for which the risk of non-collection is higher than the statistical average.

In the case of additional control procedure, the Company takes into account all the facts and circumstances that may indicate the risk related to given receivables is higher than statistical. Such facts and circumstances include:

- questioning the amount of receivables by the customer, especially if the Company has entered into a dispute with the customer before any court or arbitration authority;

- b. individual financial standing of the customer, including in particular the fact of entering into restructuring or bankruptcy proceedings, or information about the deteriorating financial liquidity of the customer;
- c. situation in the geographical market or sector in which the customer operates;
- d. specifics of the contract under which payment is receivable, including any security mechanisms provided for in the contract (e.g. software copyrights are transferred to the customer only upon receiving the payment);
- e. any collateral held as security for payment.

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 receivables and assets from contracts with customers as at 31 December 2020 as well as at 31 December 2019.

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade receivables, of which:				
Invoiced receivables	20.1	2,496.3	8.8	2,233.1
from related parties	11.4	59.7	-	19.0
from other entities	8.7	2,436.6	8.8	2,214.1
Uninvoiced receivables	0.9	488.2	2.6	474.9
from related parties	-	22.9	-	7.0
from other entities	0.9	465.3	2.6	467.9
Receivables from operating leases	-	10.2	-	8.8
from related parties	-	-	-	-
from other entities	-	10.2	-	8.8
Net investment in the lease	0.4	0.3	-	-
Allowances for expected credit losses on trade receivables	-	(103.1)	-	(84.4)
Total trade receivables	21.4	2,891.9	11.4	2,632.4
Corporate income tax receivable	-	100.9	-	71.5
Receivables from the state and local budgets	-	29.7	-	34.5
Value added tax	-	17.1	-	19.5
Other	-	12.6	-	15.0
Other receivables	72.8	59.3	98.9	73.4
Other receivables	72.8	71.2	98.9	87.3
Allowances for expected credit losses on other receivables (-)	-	(11.9)	-	(13.9)
Total receivables	94.2	3,081.8	110.3	2,811.8

The table below presents assets from contracts with customers as at 31 December 2020 as well as at 31 December 2019.

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Contract assets (receivables from valuation of IT contracts)				
from related parties	-	8.4	-	0.3
from other entities	-	295.5	-	212.3
Total contract assets	-	303.9	-	212.6

Assets from contracts with customers result from the excess of the percentage of completion of implementation contracts over invoices issued.

Changes in the value of assets from contracts with customers that took place during the period of 12 months ended 31 December 2020 and in the comparable period are presented below:

	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Contract assets as at 1 January	212.6	214.3
Reclassification of contract assets due to obtaining an unconditional right to payment	(437.5)	(369.7)
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	521.8	366.6
Impairment losses	(0.3)	0.6
Obtaining control over subsidiaries	-	1.0
Differences on foreign currency translation of subsidiaries	7.3	(0.2)
Contract assets as at 31 December	303.9	212.6

Both as at 31 December 2020 and 31 December 2019, the carrying values of receivables and contract assets were not different from their fair values.

Related party transactions have been presented in explanatory note 6.23 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 (PLN 21.4 million), as well as receivables from the sale of shares by the Parent Company.

Receivables from the sale of shares include primarily deferred payments for shares that were sold by Asseco Poland to the management personnel in particular companies. Receivables from disposal of financial instruments or capital investments include primarily receivables from the sale of shares in the companies: Formula Systems (1985) Ltd in the amount of PLN 19.5 million, Asseco Central Europe – PLN 14.2 million, and Asseco South Eastern Europe – PLN 13.1 million.

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. However, due to the situation caused by the COVID-19 pandemic in Poland and worldwide, the Group has implemented a process of even stricter monitoring of its receivables and has intensified its standard debt collection procedures. We also performed a statistical analysis of collection of receivables during the pandemic, and where the receivables turnover ratio had deteriorated, we applied in the provisioning matrix an additional parameter that reflects a higher risk of non-collection of receivables.

The tables below present the ageing structure of gross receivables and loss allowances as at 31 December 2020 and 31 December 2019. In addition, the table discloses the percentages of gross receivables that have been covered by allowances for expected credit losses.

	31 Dec. 2020					
	Amount before allowance (gross)		Allowance		Amount after allowance (net)	
	mPLN	%	mPLN	% covered by allowance	mPLN	%
Receivables not yet due	1,885.5	62.5%	(2.6)	0.1%	1,882.9	64.6%
Past-due receivables	1,130.9	37.5%	(100.5)	8.9%	1,030.4	35.4%
Receivables past-due up to 3 months	882.2	29.2%	(0.9)	0.1%	881.3	30.3%
Receivables past-due from 3 to 6 months	122.3	4.1%	(1.4)	1.1%	120.9	4.1%
Receivables past-due from 6 to 12 months	43.2	1.4%	(15.1)	35.0%	28.1	1.0%
Receivables past-due over 12 months	83.2	2.8%	(83.1)	99.9%	0.1	0.0%
Total trade receivables	3,016.4	100.0%	(103.1)	3.4%	2,913.3	100.0%

	31 Dec. 2019					
	Amount before allowance (gross)		Allowance		Amount after allowance (net)	
	mPLN	%	mPLN	% covered by allowance	mPLN	%
Receivables not yet due	1,780.0	65.2%	(2.5)	0.1%	1,777.5	67.2%
Past-due receivables	948.2	34.8%	(81.9)	8.6%	866.3	32.8%
Receivables past-due up to 3 months	698.7	25.7%	(0.5)	0.1%	698.2	26.4%
Receivables past-due from 3 to 6 months	134.5	4.9%	(0.2)	0.1%	134.3	5.1%
Receivables past-due from 6 to 12 months	35.7	1.3%	(11.2)	31.4%	24.5	0.9%
Receivables past-due over 12 months	79.3	2.9%	(70.0)	88.3%	9.3	0.4%
Total trade receivables	2,728.2	100%	(84.4)	3.1%	2,643.8	100%

Changes in the amount of allowances for trade receivables during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Allowances for trade receivables	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
As at 1 January	(84.4)	(76.4)
Recognized during the reporting period	(52.2)	(39.3)
Utilized during the reporting period	11.8	5.1
Reversed during the reporting period	27.2	29.4
Acquisition of subsidiaries	(2.9)	(2.6)
Loss of control over subsidiaries	0.1	0.2
Foreign currency translation differences	(2.7)	(0.8)
As at 31 December	(103.1)	(84.4)

6.10. 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. Capitalized costs of obtaining a contract are amortized over a period when the Group satisfies the performance obligations arising from the contract, and their recognition in the statement of profit and loss depends on the cost-generating center.

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.

Costs capitalized in the statement of financial position are subsequently expensed in the statement of profit and loss, basically as the cost of sales in correspondence to the recognition of revenues as goods and services are transferred to the customer.

As at 31 December 2020 and 31 December 2019, prepayments and accrued income included the following items:

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Prepaid services, of which:	82.0	252.2	68.2	203.5
Maintenance services and license fees	80.5	208.8	66.2	164.2
Rents and averaging of instalments under operating leases	-	1.8	0.1	2.5
Insurances	0.2	9.0	0.2	5.4
Other services	1.3	32.6	1.7	31.4
Expenses related to services performed for which revenues have not been recognized yet	19.3	19.4	0.2	20.5
Costs incurred in obtaining contracts with customers	-	0.1	-	0.1
Costs incurred in fulfilling contracts with customers	19.3	18.5	0.2	16.7
Other costs of services for which revenues have not been recognized yet	-	0.8	-	3.7
Other prepayments and accrued income	0.3	19.9	-	18.9
Total	101.6	291.5	68.4	242.9

As at 31 December 2020 and at the end of the comparable period, prepayments and accrued income included primarily the costs of prepaid maintenance services and license fees that will be successively expensed in future periods, as well as the costs of performing projects from which revenues will be recognized in future periods, and which qualify for capitalization in accordance with IFRS 15. The costs of contracts with customers amounting to PLN 37.8 million in 2020 included mainly the capitalized expenditures for development and adaptation of a banking solution in the Parent Company, revenues from which will be recognized by the Group in the future, over time as the solution is made available to banks that declared their willingness to use it in the SaaS model (PLN 18.8 million), as well as the costs of preparation to provide services under one of the contracts for a customer of the Public Administration segment (PLN 5.8 million) also in the Parent Company. The remaining costs of contracts with customers were incurred in the Asseco International segment (PLN 4.1 million) as well as in the Formula Systems segment (PLN 6.6 million).

6.11. Other 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 amortized cost if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows 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

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

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

In order to estimate impairment losses on financial assets, the 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 6.9 to these consolidated financial statements.

Estimates

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

Both as at 31 December 2020 and 31 December 2019, apart from receivables and cash and cash equivalents described in other explanatory notes, the Group also held other financial assets as presented in the table below.

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Financial assets carried at fair value through profit or loss, of which:				
Currency forward contracts	1.8	0.6	5.2	1.4
Corporate and Treasury bonds	4.7	-	4.2	-
Shares in companies quoted in an active market	1.6	0.1	0.8	0.1
Other assets	6.8	-	6.1	-
	14.9	0.7	16.3	1.5
Financial assets carried at fair value through other comprehensive income, of which:				
Shares in companies not quoted in an active market	10.2	3.7	10.1	-
Corporate bonds	-	-	-	20.8
Other	-	-	-	86.9
	10.2	3.7	10.1	107.7
Financial assets carried at amortized cost,				

of which:				
Promissory notes	-	1.0	-	11.8
Other debt securities	-	-	4.9	0.1
Loans granted, of which:				
granted to related parties	13.9	4.7	12.3	3.2
granted to employees	0.9	1.7	1.1	2.6
granted to other entities	79.1	20.4	93.0	18.5
term cash deposits	9.7	154.4	4.5	49.4
	103.6	182.2	115.8	85.6
Total other financial assets	128.7	186.6	142.2	194.8

Financial assets carried at fair value through profit or loss include forward transactions for the purchase or sale of foreign currencies, investments in equity instruments quoted in an active market, and derivative instruments. The fair value of currency forward contracts is determined at each reporting date using calculation models based on inputs that are directly observable in active markets. Whereas, the fair value of the portfolio of financial assets is determined on the basis of quoted prices for such assets in active markets.

Investments in companies quoted in an active market are measured at fair value at each reporting date, on the basis of their closing prices at the end of the reporting period. Valuation changes are recognized through profit or loss in the statement of profit and loss.

Financial assets carried at fair value through other comprehensive income in the period reported include shares of companies not quoted in an active market. In the comparable period, they also included corporate bonds held by Magic Software (USD 5.5 million), whereas the line of other disclosed the amount of USD 22.9 million that was paid Sapiens for the acquisition of a subsidiary company in Germany, the control over which was obtained only in 2020.

Financial assets carried at amortized cost include loans granted, bank deposits, promissory notes, as well as other debt securities.

Loans to related parties were granted on an arm's length basis.

The largest portion of loans granted to other entities is represented by a loan granted to the company Matrix42 Service GmbH (formerly: Blitz D14-310 GmbH). This loan was granted in connection with the transaction of selling our shareholding in Matrix 42 AG, which was conducted on 12 November 2015. The total transaction value amounted to EUR 46.3 million, of which EUR 21.7 million was paid in cash, whereas the remaining amount of EUR 24.6 million was covered by a loan agreement concluded between Asseco Western Europe S.A. and Matrix42 Service GmbH. As at 31 December 2020, the amount outstanding under this loan was PLN 90.1 million, as compared with PLN 90.8 million as at 31 December 2019. The loan bears interest determined at market conditions and it shall be repaid till 31 December 2022. Both the loan principal amount and interest are being repaid on a timely basis (PLN 8.8 million of the principal and PLN 2.5 million in interest were repaid in 2020), while the outstanding amount of the loan changed only slightly over the year 2020 because the repayments made were offset by the loan valuation, as it is denominated in EUR, which was reflected in positive foreign exchange differences from the valuation of financial assets, in the statement of profit and loss.

Moreover, loans granted include a loan granted by Asseco Data Systems S.A. to the Silesian Metropolitan Network, amounting to PLN 5.7 million as at 31 December 2020. As at 31 December 2019, the amount outstanding under this loan was PLN 15.6 million.

Term cash deposits include bank deposits with an original maturity of more than 3 months.

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 2020, the Group did not change its methods for measuring the fair value of financial assets carried at fair value nor did it transfer any assets between individual levels of the fair value hierarchy.

Both as at 31 December 2020 and 31 December 2019, the fair values of financial assets were not significantly different from their book values.

As at 31 December 2020	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial assets carried at fair value through profit or loss				
Currency forward contracts	2.4	-	2.4	-
Corporate and Treasury bonds	4.7	4.7	-	-
Shares in companies quoted in an active market	1.7	1.7	-	-
Other assets	6.8	-	6.8	-
Total	15.6	6.4	9.2	-
Financial assets carried at fair value through other comprehensive income				
Shares in companies not listed on regulated markets	13.9	-	-	13.9
Total	13.9	-	-	13.9

- 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 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial assets carried at fair value through profit or loss				
Currency forward contracts	6.6	-	6.6	-
Treasury and corporate bonds (quoted in an active market)	4.2	4.2	-	-
Shares in companies quoted in an active market	0.9	0.9	-	-
Other assets	6.1	-	6.1	-
Total	17.8	5.1	12.7	-
Financial assets carried at fair value through other comprehensive income				
Shares in companies not listed on regulated markets	10.1	-	-	10.1
Treasury and corporate bonds	20.8	-	20.8	-
Other	86.9	-	-	86.9
Total	117.8	-	20.8	97.0

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

As at 31 December 2020 and 31 December 2019, other non-financial assets comprised:

59	31 December 2020 mPLN	31 Dec. 2019 mPLN
Advance payments for property, plant and equipment and inventories	7.5	13.3

6.12. 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 2020 and in the comparable period:

Inventories	31 December 2020	31 Dec. 2019
	mPLN	mPLN
Computer hardware, third-party software licenses and other goods for resale	190.0	126.6
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	20.6	16.0
Impairment losses on inventories	(23.7)	(20.0)
Total	186.9	122.6

Changes in the amount of impairment losses on inventories during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Impairment losses on inventories	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
As at 1 January	(20.0)	(18.2)
Recognized during the reporting period	(8.9)	(5.2)
Utilized during the reporting period	2.1	1.5
Reversed during the reporting period	6.2	5.4
Acquisition of subsidiaries	(1.7)	(3.6)
Loss of control over subsidiaries	-	(0.1)
Foreign currency translation differences	(1.4)	0.2
As at 31 December	(23.7)	(20.0)

6.13. 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 Group treats as cash equivalents only those revolving loans that are obtainable on demand, constituting an integral part of cash management in the Group companies. The Group consistently applies this approach and, in particular, classifies revolving loans as cash equivalents for presentation in the statement of cash flows, when the bank account balance of a Group company is subject to frequent fluctuations and its management uses bank overdraft facilities for the purpose of managing the company's current financial liquidity.

The table below presents cash and cash equivalents as at 31 December 2020 and in the comparable period:

	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN
Cash at bank accounts	2,342.7	1,528.7
Cash at split payment accounts	10.3	8.5
Cash on hand	0.6	0.5
Short-term bank deposits (up to 3 months)	541.4	615.1
Other cash equivalents	1.0	0.7
Total cash and cash equivalents as disclosed in the statement of financial position	2,896.0	2,153.5
Interest accrued on cash and cash equivalents	0.1	0.1
Bank overdraft facilities utilized for current liquidity management	(24.0)	(35.4)
Total cash and cash equivalents as disclosed in the cash flow statement	2,872.1	2,118.2

Interest earned on cash at bank is variable and depends on interest rates offered on bank deposits. Short-term bank deposits are made for varying periods of between one day and three months and earn interest at their respective fixed interest rates. The Group holds cash in highly reputable banks only; hence the impact of any estimates of expected credit losses is insignificant.

6.14. Non-current assets held for sale

Selected accounting policies

Non-current assets or groups of assets are classified as held for sale when their carrying value will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. The fact of classifying an asset as held for sale means that the Group's management intends to complete the sale transaction within one year from the date of such classification. Non-current assets that have been classified as held for sale are measured at the lower of (i) their carrying value and (ii) their fair value less costs to sell.

As at 31 December 2020, the Group had no non-current assets held for sale.

In the comparable period, i.e. as at 31 December 2019, non-current assets held for sale included one real estate property owned by Podkarpacki Fundusz Nieruchomości Sp. z o.o. Due to the withdrawal of a potential investor, in 2020 this property was reclassified back to investment property.

6.15. Share capital

The Parent Company's share capital as at 31 December 2020 and in the comparable period amounted to PLN 83,000,303.00 and has been fully paid up. The share capital is divided into 83,000,303 ordinary shares with a par value of PLN 1 each. The Parent Company has not issued any preference shares. The Parent Company's authorized capital is equal to its share capital.

The reserve capital was established in accordance with the Commercial Companies Code (CCC), from the premium of issuance price over the par value on shares (less the share issuance-related expenses) as well as from prior years' profits that have been appropriated to reserve capital by the Company's General Meeting of Shareholders. The remaining portion of reserve capital is presented as retained earnings and is related to the accounting for prior years' profits in compliance with the CCC.

The Parent Company's dividend policy has been described in the standalone financial statements of Asseco Poland S.A. for the period of 12 months ended 31 December 2020. Moreover, the Parent Company's dividend payment capacity has been presented in explanatory note 5.12. to the standalone financial statements.

6.16. Bank loans, borrowings and debt securities

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, borrowings and debt securities are initially recognized at their purchase cost, representing the fair value of cash received net of any transaction costs directly attributable to obtaining a bank loan or issuing debt securities. Subsequently to initial recognition, bank loans, borrowings as well as debt securities are measured at amortized cost using the effective interest method. Determination of the amortized cost shall take into account the costs related to obtaining a bank loan or borrowing, or issuing debt securities, as well as any discounts or bonuses received upon repayment of the liability.

A financial liability is removed by the 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 2020 and 31 December 2019.

	31 December 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Bank loans	787.0	426.4	696.3	567.0
- overdraft facilities	-	66.7	-	257.4
- non-revolving loans	787.0	359.7	696.3	309.6
Debt securities	763.2	272.7	666.4	118.9
Loans	2.0	4.0	3.5	3.5
Total	1,552.2	703.1	1,366.2	689.4

The Group's total liabilities under all bank loans and borrowings obtained and debt securities issued aggregated at PLN 2,255.3 million as at 31 December 2020, compared to PLN 2,055.6 million outstanding as at 31 December 2019. Our total debt increased mainly due to transactions conducted within the Formula Systems segment, including bank loans obtained within Matrix IT Group.

Bank overdraft facilities outstanding as at 31 December 2020 and 31 December 2019 are presented in the tables below.

Loan currency	Effective interest rate	Actual amount of debt as at 31 December 2020 mPLN	Maximum debt limit available mPLN	Unused amount of credit facilities mPLN
EUR	EONIA + margin	-	35.6	35.6
	EURIBOR + margin	11.2	133.5	122.3
	Fixed interest rate	3.3	35.6	32.3
ILS	PRIME (Israel) + margin	4.7	n/a	n/a
	Fixed interest rate	42.7	n/a*	n/a*
PLN	WIBOR + margin	4.8	365.0	360.2
	Fixed interest rate	-	200.0	200.0
MKD	Fixed interest rate	-	0.2	0.2
TRY	Fixed interest rate	-	0.2	0.2
CHF	Fixed interest rate	-	0.9	0.9
		66.7	771.0	751.7

* Debt in the amount of PLN 42.7 million represents bank overdraft facilities used by Matrix IT Group. In case of Matrix IT Group, limits available under credit facilities are negotiated with individual banks on an aggregate basis (meaning the sum of bank account overdrafts and non-revolving loans), and as at 31 December 2020 the total limit of such credit facilities reached ILS 1,500 million (PLN 1,753.5 million).

Loan currency	Effective interest rate	Actual amount of debt as at 31 December 2019 mPLN	Maximum debt limit available mPLN	Unused amount of credit facilities mPLN
EUR	EONIA + margin	4.2	15.7	11.5
	EURIBOR + margin	14.5	96.3	81.8
	Fixed interest rate	6.7	35.3	28.6
ILS	PRIME (Israel) + margin	225.1	225.1	-
PLN	WIBOR + margin	-	428.1	428.1
	Fixed interest rate	-	150.0	150.0
MKD	Fixed interest rate	-	0.2	0.2
USD	Fixed interest rate	2.6	2.6	-
HUF	BUBOR + margin	4.1	4.1	-
TRY	Fixed interest rate	0.1	0.1	-
COP	Fixed interest rate	0.1	0.1	-
		257.4	957.6	700.2

Non-revolving bank loans outstanding as at 31 December 2020 and 31 December 2019 are presented in the table below.

Loan currency	Effective interest rate	31 December 2020		31 Dec. 2019	
		Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
EUR	EURIBOR + margin	23.4	25.0	25.7	28.6
	Fixed interest rate	72.4	42.7	43.3	28.1
HRK/EUR	EURIBOR + margin	-	-	10.9	3.1
	Fixed interest rate	-	-	2.6	1.7
ILS	Fixed interest rate	675.2	285.3	613.3	248.0
	LIBOR + margin	0.8	3.0	-	-
USD	Fixed interest rate	-	-	0.2	-
JVP	Fixed interest rate	0.3	-	0.3	-
COP	Fixed interest rate	-	-	-	0.1
PEN	Fixed interest rate	0.1	0.1	-	-
CHF	Fixed interest rate	0.7	-	-	-
CZK	Fixed interest rate	14.1	3.5	-	-
TRY	Fixed interest rate	-	0.1	-	-
		787.0	359.7	696.3	309.6

The Group's liabilities under bonds and other debt securities issued are attributable to three companies: Formula Systems, Sapiens International and Matrix IT, and they are presented in the table below:

Company	Division into short- and long-term portion	Series	31 December 2020 mPLN	31 Dec. 2019 mPLN	Effective interest rate	Currency
Formula Systems	long-term portion	Series A	121.4	152.6	2.38%	ILS
		Series C	271.0	290.4	2.53%	ILS
	short-term portion	Series A	42.2	40.0	2.38%	ILS
		Series C	39.2	36.9	2.53%	ILS
Formula Systems subtotal			473.8	519.9		
Sapiens International	long-term portion	Series B	370.8	223.4	3.61%	ILS/USD
	short-term portion	Series B	74.4	42.0	3.61%	ILS/USD

Sapiens International subtotal			445.2	265.4		
Matrix IT	short-term portion	n/a	116.9	-	0.75%	ILS
Matrix IT subtotal			116.9	-		
Total bonds and other debt securities			1,035.9	785.3		

Borrowings outstanding as at 31 December 2020 and 31 December 2019 are presented in the table below.

Loan currency	Effective interest rate	Repayment date	31 Dec. 2020		31 Dec. 2019	
			Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
EUR	Fixed interest rate	Q1 2020	-	-	0.1	-
		Q2 2020	-	-	-	0.3
		Q4 2020	-	-	0.5	-
		2021	-	0.7	0.6	0.3
		2022	0.6	1.0	1.5	0.4
		2023	0.2	0.2	-	-
		2030	1.2	-	0.8	-
ILS	Fixed interest rate	Q4 2020	-	1.8	-	2.1
UZS	LIBOR + margin	2021	-	0.3	-	0.2
CZK	Fixed interest rate	2021	-	-	-	0.1
		2022	-	-	-	0.1
			2.0	4.0	3.5	3.5

Assets serving as collateral for bank loan facilities:

Category of assets	Net value of assets		Utilized amount of bank loans secured with assets	
	31 December 2020 mPLN	31 Dec. 2019 mPLN	31 December 2020 mPLN	31 Dec. 2019 mPLN
Land and buildings	112.0	110.2	28.8	2.1
Other tangible assets	7.7	8.2	-	4.5
Long-term investments	1,883.6	1,683.6	486.2	583.5
Other financial assets	3.0	3.0	1.8	1.8
Inventories	5.9	2.5	6.9	-
Current and future receivables	40.3	47.0	31.4	4.0
Total	2,052.5	1,854.5	555.1	595.9

Some loans obtained from Polish, Slovak and Israeli banks come with the so-called covenants which impose an obligation to maintain certain financial ratios at the levels required by the bank. These ratios are related to the level of indebtedness, e.g. debt to EBITDA or debt to equity ratios, or to achieving the expected operating results. In the event a company carrying such a covenanted loan fails to satisfy the said requirements, the bank may apply a sanction in the form of a higher credit margin. Should the bank deem the new level of a ratio to be unacceptable, the bank may in certain cases exercise its rights in the collateral provided. Both as at 31 December 2020 and 31 December 2019, Asseco Group companies did not infringe on any covenants defined in their loan agreements.

Fair value of financial liabilities

In the period of 12 months ended 31 December 2020, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2020 and 31 December 2019, the fair values of bank loans and debt securities issued were not significantly different from their book values.

As at 31 December 2020	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Bank loans, borrowings and debt securities				
Bank loans	1,213.4	-	-	1,213.4
- overdraft facilities	66.7	-	-	66.7
- non-revolving loans	1,146.7	-	-	1,146.7
Debt securities	1,035.9	919.0	116.9	-
Loans	6.0	-	-	6.0
Total	2,255.3	919.0	116.9	1,219.4

- 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 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Bank loans, borrowings and debt securities				
Bank loans	1,263.3	-	-	1,263.3
- overdraft facilities	257.4	-	-	257.4
- non-revolving loans	1,005.9	-	-	1,005.9
Debt securities	785.3	785.3	-	-
Loans	7.0	-	-	7.0
Total	2,055.6	785.3	-	1,270.3

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

6.17. Lease liabilities

Selected accounting policies

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 right to control the use is transferred under a contract if the lessee has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

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.

Lease term for contracts with an option to extend the lease

The Group determines the lease term as the non-cancellable period of the lease, including periods covered by an option to extend the lease if it is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if it is reasonably certain not to exercise that option.

Under some lease contracts, the Group has an option to extend the duration of the lease of assets. The Group makes judgements in assessing whether there is reasonable certainty that the option to extend the lease will be exercised. This means it considers all relevant facts and circumstances that create an economic incentive for extending the lease, or an economic penalty for not extending the lease. After the commencement date, the Group shall revise the lease term if there is a significant event or a change in circumstances under its control that affects its ability to exercise (or not to exercise) the option to extend the lease (e.g. a change in business strategy).

Lease term for contracts for an indefinite period

The Group has lease contracts concluded for an indefinite period, as well as contracts that have evolved into contracts for an indefinite period under which both parties have the option to terminate the lease. In determining the lease term, the Group determines the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty. The Group assesses the significance of broadly understood penalties, i.e. apart from strictly contractual or financial matters, it considers all other significant economic factors discouraging the termination of the contract (e.g. significant investments in the underlying asset, availability of alternative solutions, relocation costs). If neither the Group acting as the lessee nor the lessor incurs a significant (broadly understood) penalty for terminating the contract, then the lease ceases to be enforceable and the lease term is limited to the period of termination notice. However, in a situation where any of the parties, according to professional judgment, incurs a significant (broadly understood) penalty for terminating the contract, the Group shall determine the lease term as the period over which it is reasonably certain the lease will be continued.

Lessee's incremental borrowing rate

The Group is not able to readily determine the interest rate implicit in lease contracts, and therefore in measuring the lease liability it uses the lessee's incremental borrowing rate. This is the rate of interest that the Group would have to pay to borrow over a similar term, in the same currency and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Estimates

Estimates and professional judgement related to leases

The application of IFRS 16 requires making miscellaneous estimates and exercising professional judgment. This concerns mainly the assessment of the lease term in contracts concluded for an indefinite period as well as in contracts providing the Group with an option to extend the lease. In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise the option to extend the lease or the option to terminate the lease. When determining the lease term, the Group also takes into account the amount of expenditures incurred to adapt the leased asset to individual needs, and in the case of real estate leases – size of the market in a given location and the specific features of rented property.

Classification of lease contracts (the Group as a lessor)

The Group classifies its lease contracts as operating or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the leased asset are retained by the lessor or transferred to the lessee. Such assessment is based on the economic substance of each leasing transaction.

As at 31 December 2020, assets used under lease contracts where the Group is a lessee, included:

- real estate,
- cars,
- IT hardware and other assets.

Lease liabilities	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Leases of real estate	512.5	163.0	436.1	193.2
Leases of transportation vehicles	28.2	16.4	29.7	18.4
Leases of IT hardware and other assets	4.0	4.5	6.5	5.1
	544.7	183.9	472.3	216.7

Leases of real estate

The future cash flows and liabilities arising from leases of real estate are as follows:

	31 Dec. 2020 mPLN	31 Dec. 2019 mPLN
Minimum lease payments		
in the period shorter than 1 year	171.8	204.8
in the period from 1 to 5 years	374.8	331.8
in the period longer than 5 years	268.8	260.7
Future minimum lease payments	815.4	797.3
Future interest expenses	(139.9)	(168.0)
Present value of lease liabilities		
in the period shorter than 1 year	163.0	193.2
in the period from 1 to 5 years	337.0	306.1
in the period longer than 5 years	175.5	130.0
Finance lease liabilities	675.5	629.3

The incremental interest rate on leases of real estate equalled 3.83% as at 31 December 2020, as compared with 3.49% as at 31 December 2019.

Leases of cars, IT hardware and other assets

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

	31 Dec. 2020 mPLN	31 Dec. 2019 mPLN
Minimum lease payments		
in the period shorter than 1 year	21.8	24.1
in the period from 1 to 5 years	28.1	36.2
in the period longer than 5 years	5.4	2.4
Future minimum lease payments	55.3	62.7
Future interest expenses	(2.2)	(3.0)
Present value of lease liabilities		
in the period shorter than 1 year	20.9	23.5
in the period from 1 to 5 years	27.5	33.9
in the period longer than 5 years	4.7	2.3
Finance lease liabilities	53.1	59.7

The table below presents the amounts of costs arising from lease contracts that were recognized in the statement of profit and loss for the period of 12 months ended 31 December 2020 and in the comparable period:

Lease-related amounts recognized in the statement of profit and loss	Note	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Depreciation of right-of-use assets	<u>6.3</u>	(214.7)	(197.7)
Interest expenses on lease liabilities	<u>5.4</u>	(30.6)	(26.3)
Costs arising from leases of low-value assets		(1.3)	(0.9)
Costs arising from short-term leases		(17.4)	(23.7)
Gain/Loss on subleasing of right-of-use assets	<u>5.3</u>	(0.6)	2.8
Total		(264.6)	(245.8)

6.18. 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 2020, 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.

Financial liabilities	31 Dec. 2020		31 Dec. 2019 restated	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Dividend payment liabilities	-	1.8	-	22.3
Liabilities under deferred and/or conditional payments for controlling interests	72.3	58.0	71.4	61.3
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	108.2	269.0	159.4	181.4
Other financial liabilities	3.5	0.6	3.8	0.1
	184.0	329.4	234.6	265.1

Both as at 31 December 2020 and 31 December 2019, dividend payment liabilities comprised basically dividends payable to non-controlling shareholders in subsidiaries and indirect subsidiaries of the Parent Company.

As at 31 December 2020 and 31 December 2019, the Group carried estimated liabilities arising from deferred and/or conditional payments for controlling interests. The amounts of the above-mentioned liabilities have been measured using the price calculation formula as defined in the controlling interest acquisition agreements, which usually corresponds to a given company's profit for the contractual term multiplied by a predetermined coefficient. The table below presents liabilities arising from deferred and/or conditional payments for controlling interests in subsidiaries as at 31 December 2020 and 31 December 2019:

Liabilities under deferred and/or conditional payments for controlling interests	31 Dec. 2020	31 Dec. 2019 <i>restated</i>
	mPLN	mPLN
Liabilities from acquisitions made by Asseco Poland S.A. in international market	2.6	6.9
Liabilities from acquisitions made within the Asseco International segment	29.5	34.8
Liabilities from acquisitions made within the Formula Systems segment	98.2	91.0
	130.3	132.7

As at 31 December 2020 and 31 December 2019, the Group had liabilities arising from the acquisition of non-controlling interests in subsidiaries (put options). The amounts of such liabilities have been estimated using the formula for calculation of the exercise price of options that the Group granted to non-controlling shareholders, which corresponds to a given company's profit for the contractual term multiplied by a predetermined coefficient.

The table below presents liabilities arising from put options granted to non-controlling shareholders in subsidiaries as at 31 December 2020 and 31 December 2019:

Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN
Liabilities of companies within the Asseco International segment	138.5	133.2
Liabilities of companies within the Formula Systems segment	238.7	207.6
	377.2	340.8

Both as at 31 December 2020 and 31 December 2019, the fair values of financial liabilities were not significantly different from their book values.

As at 31 December 2020	Carrying value	Level 1 ⁱ⁾	Level 2 ⁱⁱ⁾	Level 3 ⁱⁱⁱ⁾
	mPLN	mPLN	mPLN	mPLN
Financial liabilities				
Dividend payment liabilities	1.8	-	-	1.8
Liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	130.3	-	-	130.3
Liabilities from the acquisition of minority interests in subsidiaries (put options)	377.2	-	-	377.2
Other financial liabilities	4.1	-	4.1	-
Total	513.4	-	4.1	509.3

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 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial liabilities				
Dividend payment liabilities	22.3	-	-	22.3
Liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	132.7	-	-	132.7
Liabilities from the acquisition of minority interests in subsidiaries (put options)	340.8	-	-	340.8
Other financial liabilities	3.9	-	3.9	-
Total	499.7	-	3.9	495.8

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

6.19. Trade payables, state budget liabilities and other liabilities

Selected accounting policies

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.

Liabilities arising from project-related penalties

Project-related penalties constitute compensation for failure to fulfill or improper fulfilment of a performance obligation, and they result from contracts concluded with customers rather than from the provisions of law of a given country.

Project-related penalties are a variable component of consideration which decreases the transaction price, whereas a liability arising from contractual penalties is a kind of a refund liability, but not a contract liability.

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 structure of the Group's liabilities outstanding as at 31 December 2020 and 31 December 2019:

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade payables and contractual penalties, of which:	1.4	1,191.7	2.6	983.5
Invoiced payables	0.2	846.9	1.4	662.7
from related parties	-	1.1	-	0.8
from other entities	0.2	845.8	1.4	661.9
Uninvoiced payables	1.2	343.2	1.2	318.9
from related parties	-	0.2	-	0.7
from other entities	1.2	343.0	1.2	318.2
Liabilities arising from contractual penalties	-	1.6	-	1.9
Corporate income tax payable	-	67.4	-	89.5
Liabilities to the state and local budgets	-	296.2	-	231.0
Value added tax (VAT)	-	165.1	-	126.5
Personal income tax (PIT)	-	64.0	-	50.1
Social insurance	-	57.9	-	47.2
Withholding income tax	-	1.9	-	1.7
Other	-	7.3	-	5.5
Other liabilities	11.1	482.9	7.8	372.8

Liabilities to employees (including salaries payable)	-	434.7	-	333.3
Other liabilities	11.1	48.2	7.8	39.5
Total	12.5	2,038.2	10.4	1,676.8

Trade payables are non-interest bearing. Related party transactions are presented in explanatory note 6.24 to these consolidated financial statements. Other liabilities include mainly liabilities arising from purchases of property, plant and equipment and intangible assets in the amount of PLN 17.0 million, as well as liabilities from audits of financial statements carried out in the Group companies (PLN 12.5 million).

6.20. 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 2018, 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, as well as future revenues from the provision of services such as IT support (maintenance) which are recognized over time.

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 fulfils 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.

The table below presents the balance of contract liabilities, which include liabilities from valuation of IT contracts resulting from the excess of amounts invoiced to customers over the value of goods and services transferred to those customers as at the reporting date, as well as deferred income relating to advance payments received or receivable for services to be provided in future periods.

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Liabilities from valuation of IT contracts, of which:	-	120.6	-	57.0
From related parties	-	12.0	-	9.7
From other entities	-	108.6	-	47.3
Deferred income from IT projects, of which:	129.2	779.5	57.7	570.3
Maintenance services and license fees	129.1	659.4	57.7	513.5
Other prepaid services	0.1	120.1	-	56.8
Total contract liabilities	129.2	900.1	57.7	627.3

The table below explains changes in the balance of contract liabilities during the periods of 12 months ended 31 December 2020 and 31 December 2019:

	12 months ended 31 December 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
As at 1 January	685.0	483.4
Invoices issued above the level of performance obligations satisfied	1,064.5	716.0
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	(779.1)	(534.3)

Obtaining control over subsidiaries	36.5	3.0
Differences on foreign currency translation of subsidiaries	22.4	16.9
Contract liabilities as at 31 December	1,029.3	685.0

6.21. 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

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

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 Group companies create provisions for post-employment benefits based on calculations made by independent actuaries, taking into account assumptions specific for a given company and country. 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.

Provisions for contractual penalties

Provisions for contractual penalties only include provisions for non-project penalties, i.e. provisions for penalties that are not directly related to the fulfilment of a performance obligation, which constitute compensation for damages rather than for failure to fulfill a performance obligation. The potential amount of contractual non-project penalties and the time of their occurrence are not known to the Group. Non-project penalties arise from the provisions of law rather than from the contract itself and any contractual penalties provided for therein. Provisions for contractual penalties are presented in other provisions and recognized as other operating costs.

Provisions for risks of litigation and other provisions

Other provisions include mainly provisions for pending court proceedings and are created on the basis of available information, in particular the opinions of lawyers and independent experts. The Group creates a provision if at the end of the reporting period the Group has a present obligation arising from past events which can be measured with sufficient reliability, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Changes in the amount of provisions during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Provisions	Warranty repairs mPLN	Costs related to ongoing court litigation mPLN	Post-employment benefits mPLN	Provision for tax risks mPLN	Other provisions mPLN	Total mPLN
As at 1 January 2020	5.3	1.6	53.9	38.4	21.9	121.1
Obtaining control over subsidiaries	-	-	4.2	-	5.3	9.5
Provisions created during the reporting period	5.0	0.1	13.9	9.8	10.4	39.2
Provisions utilized during the reporting period	(3.2)	(0.2)	(1.3)	-	(11.2)	(15.9)
Provisions reversed during the reporting period	(1.6)	(0.2)	(0.4)	(4.3)	(3.1)	(9.6)
Discount change	-	-	(2.0)	-	0.6	(1.4)
Change in presentation	-	-	-	1.4	(0.2)	1.2
Differences on foreign currency translation of subsidiaries	0.4	-	1.8	(0.4)	0.5	2.3
As at 31 December 2020, of which:	5.9	1.3	70.1	44.9	24.2	146.4
Short-term as at 31 December 2020	5.7	1.2	1.7	7.9	20.2	36.7
Long-term as at 31 December 2020	0.2	0.1	68.4	37.0	4.0	109.7
As at 1 January 2020	5.3	1.6	53.9	38.4	21.9	121.1
Short-term as at 1 January 2020	5.1	1.5	1.3	10.6	20.7	39.2
Long-term as at 1 January 2020	0.2	0.1	52.6	27.8	1.2	81.9

As at 31 December 2020, provisions for tax risks were recognized entirely by Formula Group, including mostly by Sapiens Group which also during 2020 created an additional provision for uncertain tax treatments in line with IFRIC 23, in the amount of PLN 9.8 million. At the same time, following the completion of a routine audit of tax settlements of Magic Group for 2014-2016 which confirmed the correctness of the Group's tax treatments for these years, in 2020 Magic Group reversed a provision for tax risks in the amount of PLN 4.3 million.

The provision for warranty repairs covers the costs of providing warranty services ensured by the manufacturers of computer hardware, as well as the standard warranty for proprietary software that has been delivered to the Group's customers.

The provision for post-employment benefits represents basically retirement benefits which are to be paid to the Group's employees when they go into retirement.

Other provisions reported as at 31 December 2020 include a provision for onerous contracts in the amount of PLN 13.2 million, compared to PLN 11.0 million as at 31 December 2019.

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

Provisions	Warranty repairs mPLN	Costs related to ongoing court litigation mPLN	Post-employment benefits mPLN	Provision for tax risks mPLN	Other provisions mPLN	Total mPLN
As at 1 January 2019	4.3	1.3	41.1	30.5	36.1	113.3
Obtaining control over subsidiaries	-	-	6.9	-	0.3	7.2
Provisions created during the reporting period	5.4	1.6	5.5	7.7	6.1	26.3

Provisions utilized during the reporting period	(1.2)	(0.8)	(2.1)	-	(13.6)	(17.7)
Provisions reversed during the reporting period	(3.2)	(0.5)	(0.2)	-	(4.4)	(8.3)
Discount change	-	-	0.1	-	0.9	1.0
Change in presentation	-	-	-	-	(3.4)	(3.4)
Differences on foreign currency translation of subsidiaries	-	-	2.6	0.2	(0.2)	2.6
As at 31 December 2019, of which:	5.3	1.6	53.9	38.4	21.9	121.1
Short-term as at 31 December 2019	5.1	1.5	1.3	10.6	20.7	39.2
Long-term as at 31 December 2019	0.2	0.1	52.6	27.8	1.2	81.9

6.22. Accruals and deferred income

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.

Grants related to assets

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them, and that the grants will be received. The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. While the purpose of allocating a grant received is an important issue. Therefore, a grant shall be accounted for in the same manner whether it is received in cash or as a reduction of a liability.

If a grant received by the Company is related to assets, then it is accounted for as deferred income which is afterwards systematically, by way of equal annual write-offs, recognized in profit or loss over the estimated useful life of the related asset as a reduced depreciation expense.

Estimates

The Group estimates the amount of its obligations based on the adopted assumptions and methodology, assessing the probability of an outflow of resources embodying economic benefits and, as at the reporting date, recognizes liabilities for which such outflow is highly probable.

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

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

	31 Dec. 2020		31 Dec. 2019	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Accruals, of which:				
Accrual for unused holiday leaves	-	195.7	-	145.1
Accrual for employee and management bonuses	0.9	225.1	1.9	195.4

	0.9	420.8	1.9	340.5
Deferred income, of which:				
Grants related to assets	64.7	2.8	41.0	4.8
Other	-	4.7	-	5.0
	64.7	7.5	41.0	9.8

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

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

6.23. Related party transactions

	Sales		Purchases	
	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Transactions with associates and joint ventures	36.3	16.8	6.7	0.6
Transactions with entities or individuals related through the Group's Key Management Personnel	2.2	3.8	7.0	6.3
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.	-	-	2.1	3.3
Transactions with Members of Management Boards and Supervisory Boards and Commercial Proxies of other companies of the Group	0.2	0.1	10.9	8.4
Transactions with capital-related entities	69.8	-	2.1	-
Total related party transactions	108.5	20.7	28.8	18.6

Sales to related parties include revenues from the sale of goods and IT services related to ongoing IT projects and from other activities, as well as proceeds from letting of own office space.

Purchases from related parties include purchases of goods and services for ongoing IT projects, sponsorship activities, purchases of consulting services, as well as rental of buildings.

	Trade receivables, other receivables and contract assets as at		Trade payables, other liabilities and contract liabilities as at	
	31 Dec. 2020 mPLN	31 Dec. 2019 mPLN	31 Dec. 2020 mPLN	31 Dec. 2019 mPLN
Transactions with associates and joint ventures	12.5	16.6	12.4	9.8
Transactions with entities or individuals related through the Group's Key Management Personnel	6.0	7.6	14.1	14.6
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.	-	-	0.1	0.7
Transactions with Members of Management Boards and Supervisory Boards and Commercial Proxies of other companies of the Group	49.8	73.7	17.7	10.0
Transactions with subsidiaries	89.5	8.2	0.2	0.2
Total related party transactions	157.8	106.1	44.5	35.3

Due to the acquisition of a significant stake in Asseco Poland S.A. by Cyfrowy Polsat Group, which transaction was effectively settled on 30 December 2019 and as a result of which Cyfrowy Polsat Group held 22.95% of total shares and voting rights at the General Meeting of Shareholders of Asseco Poland S.A. as at 31 December 2020, Cyfrowy Polsat Group has been identified as a related party of the Parent Company. Therefore, the above tables disclose the outstanding balances of receivables and liabilities between companies of Asseco

Group and entities belonging to Cyfrowy Polsat Group as at 31 December 2020 and in the comparable period. While sales and purchases are disclosed for the period of 12 months ended 31 December 2020 only, because such transactions recognized just for the last day of 2019 have been omitted due to their insignificant amounts.

As at 31 September 2020, receivables from related parties comprised trade receivables amounting to PLN 102.4 million, as compared with PLN 26.3 million outstanding as at 31 December 2019. Receivables from related parties increased considerably as a result of transactions conducted with Cyfrowy Polsat Group, but they were largely repaid to the Group in January 2021.

As at 31 December 2020, liabilities to related parties comprised trade payables amounting to PLN 1.1 million, as compared with PLN 1.5 million outstanding as at 31 December 2019.

Receivables arising from transactions with Members of Management Boards and Supervisory Boards and Commercial Proxies of other companies of the Group include primarily deferred payments for shares in our subsidiaries (ACE, ASEE, Formula Systems) that were sold to their managers. Such sale transactions were conducted mainly in previous years, and the resulting receivables are described in detail in explanatory note 6.9.

	Loans granted		Borrowings	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN	mPLN	mPLN
Transactions with associates	16.5	14.9	-	-
Transactions with entities or individuals related through the Group's Key Management Personnel	0.6	-	1.8	2.1
Transactions with Members of Management Boards and Supervisory Boards and Commercial Proxies of other companies of the Group	1.5	0.6	0.3	0.2
Total related party transactions	18.6	15.5	2.1	2.3

During the reporting period, all transactions with related parties of AssecO Group were carried out on an arm's length basis.

7. Explanatory notes to the consolidated statement of cash flows

7.1. Cash flows – operating activities

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

	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Change in inventories	(34.9)	(21.5)
Change in receivables and non-financial assets	(68.0)	75.9
Change in liabilities	307.1	58.3
Change in prepayments and accruals	54.7	20.5
Change in provisions	17.5	(2.9)
Total	276.4	130.3

7.2. Cash flows – investing activities

In the period of 12 months ended 31 December 2020 as well as in the comparable period, the amount of cash flows from investing activities was affected primarily by the following transactions:

- acquisitions of property, plant and equipment, intangible assets and expenditures for development projects:

Acquisition of property, plant and equipment, and intangible assets	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Acquisition of property, plant and equipment	(194.0)	(196.5)
Acquisition of intangible assets	(25.5)	(25.7)
Expenditures for development projects	(94.5)	(97.5)
Total	(314.0)	(319.7)

- expenditures for the acquisition of subsidiaries and associates, and cash and cash equivalents in the acquired subsidiaries as at the date of obtaining control:

for the period of 12 months ended 31 December 2020	Acquisition of subsidiaries mPLN	Cash in subsidiaries acquired mPLN
Acquisitions made within the Asseco Poland segment	(5.2)	-
Acquisitions made within the Asseco International segment	(25.2)	1.8
Acquisitions made within the Formula Systems segment	(585.4)	91.4
Total	(615.8)	93.2

for the period of 12 months ended 31 December 2019	Acquisition of subsidiaries mPLN	Cash in subsidiaries acquired mPLN
Acquisitions made within the Asseco Poland segment	(3.3)	-
Acquisitions made within the Asseco International segment	(86.4)	14.9
Acquisitions made within the Formula Systems segment	(341.6)	88.2
Total	(431.3)	103.1

- cash flows related to loans granted during the period of 12 months ended 31 December 2020 and in the comparable period:

for the period of 12 months ended 31 December 2020	Loans collected mPLN	Loans granted mPLN
Loans for employees	1.8	(1.7)
Loans for related parties	-	(1.1)
Loans for other entities	20.2	-
Term cash deposits with original maturities exceeding 3 months	60.8	(172.0)
Total	82.8	(174.8)

for the period of 12 months ended 31 December 2019	Loans collected mPLN	Loans granted mPLN
Loans for employees	1.9	(2.4)
Loans for related parties	2.0	(6.7)
Loans for other entities	18.5	(11.1)
Term cash deposits with original maturities exceeding 3 months	38.6	(16.8)
Total	61.0	(37.0)

7.3. Cash flows – financing activities

In the period of 12 months ended 31 December 2020, the amount of cash flows from financing activities was affected primarily by the following transactions:

- Proceeds from bank loans and borrowings:

Proceeds from bank loans and borrowings	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Bank loans and borrowings obtained within the Asseco Poland segment	-	2.5
Bank loans and borrowings obtained within the Asseco International segment	80.5	78.7
Bank loans and borrowings obtained within the Formula Systems segment	549.3	474.1
Total	629.8	555.3

- Repayments of bank loans and borrowings:

Repayments of bank loans and borrowings	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Bank loans repaid within the Asseco Poland segment	(0.3)	(57.6)
Bank loans repaid within the Asseco International segment	(60.2)	(91.3)
Bank loans repaid within the Asseco International segment	(670.8)	(290.2)
Total	(731.3)	(439.1)

- Expenditures for the acquisition of non-controlling interests:

Expenditures for the acquisition of non-controlling interests	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Non-controlling interests acquired within the Asseco Poland segment	(1.5)	-
Non-controlling interests acquired within the Asseco International segment	-	(0.1)
Non-controlling interests acquired within the Formula Systems segment	(113.8)	(28.9)
Total	(115.3)	(29.0)

- In addition, in the period of 12 months ended 31 December 2020, Formula Group redeemed its previously issued bonds and other debt securities. Cash outflows for this purpose amounted to PLN 178.5 million (of which PLN 63.2 million were spent Matrix IT, PLN 38.6 million by Sapiens Group, and PLN 76.7 million by Formula Systems (1985) Ltd).
- Proceeds from issuance of bonds were related entirely to the Formula Systems segment and in the period of 12 months ended 31 December 2020 they totalled PLN 294.7 million (of which PLN 231.5 million were obtained by Sapiens Group, and PLN 63.2 million by Matrix IT).
- Lease expenditures:

In 2020, total cash outflows for payment of lease liabilities amounted to PLN 270.5 million, of which:

- PLN 222.2 million for payment of liabilities recognized as lease liabilities;
- PLN 29.6 million for payment of interest on the above-mentioned liabilities;
- PLN 18.7 million for payment of lease liabilities under the practical expedient regarding short-term leases and leases of low-value assets.

In 2019, total cash outflows for payment of lease liabilities amounted to PLN 257.6 million, of which:

- PLN 206.5 million for payment of liabilities recognized as lease liabilities in accordance with MSSF 16;
- PLN 26.3 million for payment of interest on the above-mentioned liabilities;
- PLN 24.8 million for payment of lease liabilities under the practical expedient regarding short-term leases and leases of low-value assets.

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, borrowings and debt securities	Lease liabilities	Dividend payment liabilities	Liabilities under put options granted to non-controlling shareholders	Grants received or returned, and other	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2020	2,020.2	689.0	22.3	340.8	6.5	3,078.8
Changes arising from cash flow	(44.7)	(251.8)	(564.9)	(82.2)	(22.0)	(965.6)
Inflows	924.5	-	-	-	11.1	935.6
Repayment of principal amount	(909.8)	(222.2)	(564.9)	(82.2)	(33.1)	(1,812.2)
Interest paid	(59.4)	(29.6)	-	-	-	(89.0)
Non-cash changes	158.5	276.2	541.2	101.3	33.1	1,110.3
Interest accrued	58.1	30.6	-	-	-	88.7
Non-cash increase in liabilities	8.6	202.1	511.9	90.5	33.1	846.2
Non-cash decrease in liabilities	(7.1)	(9.1)	-	(50.6)	-	(66.8)
Fair value measurement	-	-	-	(10.8)	-	(10.8)
Compensations	(0.3)	-	-	-	-	(0.3)
Obtaining control over subsidiaries	95.9	41.7	29.3	72.2	-	239.1
Change in presentation	0.6	-	-	-	-	0.6
Foreign currency translation differences recognized in financial income/expenses	2.7	10.9	-	-	-	13.6
Differences on foreign currency translation of subsidiaries	97.3	15.2	3.2	17.3	-	133.0
As at 31 December 2020	2,231.3	728.6	1.8	377.2	17.6	3,356.5

Change in financial liabilities	Bank loans, borrowings and debt securities	Lease liabilities	Dividend payment liabilities	Liabilities under put options granted to non- controlling shareholders	Grants received or returned, and other	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2019	1,631.5	709.5	15.6	312.6	1.4	2,670.6
Changes arising from cash flow	260.6	(232.7)	(506.2)	(21.3)	5.1	(494.5)
Inflows	876.2	-	-	-	5.1	881.3
Forward contracts	-	0.1	-	-	-	0.1
Repayment of principal amount	(558.4)	(206.5)	(506.2)	(21.3)	-	(1,292.4)
Interest paid	(57.2)	(26.3)	-	-	-	(83.5)
Non-cash changes	20.3	192.8	510.6	41.5	-	765.2
Interest accrued	52.1	26.3	-	-	-	78.4
Non-cash increase in liabilities	18.7	174.1	499.0	3.3	-	695.1
Non-cash decrease in liabilities	(88.6)	(16.2)	4.4	(48.6)	-	(149.0)
Fair value measurement	-	-	-	24.5	-	24.5
Compensations	1.0	-	7.6	-	-	8.6
Obtaining control over subsidiaries	35.7	13.2	-	67.8	-	116.7
Loss of control	(0.5)	(0.5)	-	-	-	(1.0)
Change in presentation	-	-	-	(5.5)	-	(5.5)
Foreign currency translation differences recognized in financial income/expenses	1.9	(4.1)	(0.4)	-	-	(2.6)
Differences on foreign currency translation of subsidiaries	107.8	19.4	2.3	8.0	-	137.5
As at 31 December 2019	2,020.2	689.0	22.3	340.8	6.5	3,078.8

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

Asseco Group is exposed to a number of 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: ILS (Israeli new shekel), EUR (euro), USD (US dollar), CZK (Czech koruna), RON (Romanian new leu), RSD (Serbian dinar), and DKK (Danish krone).

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 currency translation 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 currency translation differences resulting from such translation are recognized in other comprehensive income.*

In the case of indirect foreign subsidiaries, the financial statements are translated from their functional currencies to Polish zlotys in several stages, meaning their functional currency figures are first converted to the functional currency of their immediate parent company (lower-level parent), and subsequently the consolidated financial statements of such lower-level parent are translated into the functional currency of its parent company.

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 2020 and 31 December 2019.

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2020 mPLN	Foreign currency exposure as at 31.12.2020 mPLN	USD mPLN	EUR mPLN	ILS mPLN	Other currencies mPLN
Financial assets						
Cash and cash equivalents	2,896.0	2,539.8	668.4	551.6	1,015.6	304.2
Loans granted and bank deposits	284.8	233.9	118.9	107.2	2.1	5.7
Other financial assets	30.5	18.0	11.3	5.7	0.9	0.1
Trade receivables and contract assets	3,217.2	2,771.8	482.3	470.3	1,413.6	405.6
Financial liabilities						
Other financial liabilities *	511.6	509.2	77.4	158.1	266.5	7.2
Bank loans, borrowings and debt securities	2,255.3	2,250.4	445.2	181.9	1,604.2	19.1
Lease liabilities	728.6	664.8	114.9	185.5	246.7	117.7
Trade payables and liabilities from valuation of IT contracts	1,313.7	1,142.4	225.8	346.8	425.6	144.2

* excluding dividend payment liabilities

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2019 mPLN	Foreign currency exposure as at 31.12.2019 mPLN	USD mPLN	EUR mPLN	ILS mPLN	Other currencies mPLN
Financial assets						
Cash and cash equivalents	2,153.5	1,882.7	438.3	388.6	779.2	276.6
Loans granted and bank deposits	184.6	149.9	31.7	106.3	1.7	10.2
Other financial assets	152.4	139.2	36.0	102.1	1.0	0.1
Trade receivables and contract assets	2,856.4	2,506.2	317.9	364.0	1,476.4	347.9
Financial liabilities						
Other financial liabilities (restated) *	477.4	474.9	99.1	151.4	209.9	14.5
Bank loans, borrowings and debt securities	2,055.6	2,055.4	275.0	173.8	1,601.7	4.9
Lease liabilities	689.0	597.8	84.5	170.9	250.2	92.2
Trade payables and liabilities from valuation of IT contracts	1,043.1	946.1	160.3	269.2	372.6	144.0

* excluding dividend payment liabilities

The tables below present the analysis of sensitivity of our financial results to fluctuations in foreign exchange rates as at 31 December 2020 and in the comparable period:

Analysis of sensitivity to foreign currency risk as at 31 Dec. 2020						
Groups / categories of financial instruments	USD		EUR		ILS	
	+5%	-5%	+5%	-5%	+5%	-5%
	Impact on financial results mPLN	Impact on financial results mPLN	Impact on financial results mPLN	Impact on financial results mPLN	Impact on financial results mPLN	Impact on financial results mPLN
Financial assets						
Cash and cash equivalents	33.4	(33.4)	27.6	(27.6)	50.8	(50.8)
Loans granted and bank deposits	5.9	(5.9)	5.4	(5.4)	0.1	(0.1)
Other financial assets	0.6	(0.6)	0.2	(0.2)	0.1	(0.1)
Trade receivables and contract assets	24.1	(24.1)	23.5	(23.5)	70.7	(70.7)
Financial liabilities						
Other financial liabilities	(3.9)	3.9	(7.9)	7.9	(13.3)	13.3
Bank loans, borrowings and debt securities	(22.3)	22.3	(9.1)	9.1	(80.2)	80.2
Lease liabilities	(5.7)	5.7	(9.3)	9.3	(12.3)	12.3

Trade payables and liabilities from valuation of IT contracts	(10.9)	10.9	(17.2)	17.2	(21.1)	21.1
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Analysis of sensitivity to foreign currency risk as at 31 Dec. 2019						
Groups / categories of financial instruments	USD		EUR		ILS	
	+5% Impact on financial results mPLN	-5% Impact on financial results mPLN	+5% Impact on financial results mPLN	-5% Impact on financial results mPLN	+5% Impact on financial results mPLN	-5% Impact on financial results mPLN
Financial assets						
Cash and cash equivalents	21.9	(21.9)	19.4	(19.4)	39.1	(39.1)
Loans granted and bank deposits	1.5	(1.5)	5.3	(5.3)	0.1	(0.1)
Other financial assets	1.8	(1.8)	5.2	(5.2)	0.1	(0.1)
Trade receivables and contract assets	15.9	(15.9)	18.2	(18.2)	73.9	(73.9)
Financial liabilities						
Other financial liabilities (restated)	(5.0)	5.0	(7.6)	7.6	(10.5)	10.5
Bank loans, borrowings and debt securities	(13.8)	13.8	(8.7)	8.7	(80.1)	80.1
Lease liabilities	(4.0)	4.0	(8.6)	8.6	(12.5)	12.5
Trade payables and liabilities from valuation of IT contracts	(8.0)	8.0	(13.5)	13.5	(18.7)	18.7

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: (i) changes in the amount of interest charged on variable-interest loans that are granted to the Group companies by external financial institutions, and (ii) changes in the valuation of debt securities such as Treasury and corporate bonds, as well as derivative instruments held.

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. Additionally, Asseco Group companies maintain records of debt planned to be incurred during the next 12 months, and in the case of long-term instruments – for their effective period.

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

Detailed information on bank loans and borrowings, including their interest rates, currencies, and maturities are presented in explanatory note 6.17 to these consolidated financial statements.

The table below presents the structure of financial instruments exposed to the risk of interest rate changes as at 31 December 2020:

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2020	Amount exposed to risk 31.12.2020	WIBOR	EURIBOR	LIBOR USD	LIBOR EUR	PRIME	Other
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets								
Cash and cash equivalents	2,896.0	260.0	20.6	39.3	1.4	-	198.7	-
Loans granted and cash deposits	284.8	92.1	1.9	90.1	-	-	-	0.1
Other financial assets	30.5	-	-	-	-	-	-	-
Trade receivables and contract assets	3,217.2	0.0	-	-	-	-	-	-
Financial liabilities								
Bank loans, borrowings and debt securities	2,255.3	73.5	4.8	59.9	3.8	0.3	4.7	-
Bank overdraft facilities	66.7	20.7	4.8	11.2	-	-	4.7	-
Bank loans	1,146.7	52.2	-	48.4	3.8	-	-	-
Debt securities	1,035.9	-	-	-	-	-	-	-
Loans	6.0	0.6	-	0.3	-	0.3	-	-
Lease liabilities	728.6	29.3	0.9	28.4	-	-	-	-
Other financial liabilities	513.4	-	-	-	-	-	-	-
Trade payables and liabilities from valuation of IT contracts	1,313.7	0.0	-	-	-	-	-	-

The table below presents the structure of financial instruments exposed to the risk of interest rate changes as at 31 December 2019:

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2019	Amount exposed to risk 31.12.2019	WIBOR	EURIBOR	LIBOR USD	PRIME	Other
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets							
Cash and cash equivalents	2,153.5	219.3	97.5	8.5	-	95.8	17.5
Loans granted and cash deposits	184.6	108.3	17.4	90.9	-	-	-
Other financial assets	152.4	-	-	-	-	-	-
Trade receivables and contract assets	2,856.4	3.3	-	1.8	0.1	-	1.4
Financial liabilities							
Bank loans, borrowings and debt securities	2,055.6	306.3	-	70.1	2.6	225.3	8.3
Bank overdraft facilities	257.4	241.8	-	5.6	2.6	225.3	8.3
Bank loans	1,005.9	64.3	-	64.3	-	-	-
Debt securities	785.3	-	-	-	-	-	-
Loans	7.0	0.2	-	0.2	-	-	-
Lease liabilities	689.0	30.0	0.1	29.9	-	-	-
Other financial liabilities	499.7	-	-	-	-	-	-
Trade payables and liabilities from valuation of IT contracts	1,043.1	0.8	-	-	0.4	-	0.4

The table below presents the analysis of sensitivity of our financial results to interest rate changes as at 31 December 2020:

Interest rate	Deviation assumed (in percentage points)		Amount exposed to risk	Impact on financial results	
	31 Dec. 2020		31 Dec. 2020	31 Dec. 2020	
			mPLN	mPLN	mPLN
WIBOR	+ 1.0 pp	- 1.0 pp	16.8	0.17	(0.17)
EURIBOR	+ 1.0 pp	- 1.0 pp	41.1	0.41	(0.41)
LIBOR USD	+ 1.0 pp	- 1.0 pp	(2.4)	(0.02)	0.02
LIBOR EUR	+ 1.0 pp	- 1.0 pp	(0.3)	-	-
PRIME	+ 1.0 pp	- 1.0 pp	194.0	1.94	(1.94)
Other	+ 1.0 pp	- 1.0 pp	(0.2)	-	-
Total			249.0	2.50	(2.50)

The table below presents the analysis of sensitivity of our financial results to interest rate changes as at 31 December 2019:

31 December 2019.

Interest rate	Deviation assumed (in percentage points)		Amount exposed to risk	Impact on financial results	
	31 Dec. 2019		31 Dec. 2019	31 Dec. 2019	
			mPLN	mPLN	mPLN
WIBOR	+ 1.0 pp	- 1.0 pp	114.8	1.15	(1.15)
EURIBOR	+ 1.0 pp	- 1.0 pp	1.2	0.01	(0.01)
LIBOR USD	+ 1.0 pp	- 1.0 pp	(2.9)	(0.03)	0.03
PRIME	+ 1.0 pp	- 1.0 pp	(129.5)	(1.30)	1.30
Other	+ 1.0 pp	- 1.0 pp	10.2	0.10	(0.10)
Total			(6.2)	(0.06)	0.06

The analysis of sensitivity has been carried out for all financial instruments held by Asseco Group as at 31 December 2020 and 31 December 2019. 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 6.12 on long- and short-term receivables.

The Group's total exposure to credit risk results from the fact of having receivables (note 6.9) and other financial assets (note 6.12).

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, including mainly: bank account overdrafts, investment loans and borrowings, and corporate bonds (the latter were only issued in the Formula Systems segment during the year ended 31 December 2020 and the comparable period).

The Group's activities in the field of financial liquidity management involve planning and monitoring of cash flows at the level of each subsidiary company, individual operating segments and the Group as a whole.

The Group monitors cash balances, working capital, as well as interest-bearing debt and its maturities at all of its companies on a monthly basis in order to ensure funds for ongoing operations.

Asseco Group does not use a mechanism for allocating funds between companies, the so-called cash pooling, but there are transfers of funds between individual companies of the Group by extending intra-group loans on an arm's length basis.

Liquidity management in the Group consists particularly in securing adequate immediate liquidity by having cash resources in bank accounts with appropriate ratings (current accounts and term deposits with different maturities) and in bank overdraft facilities (a significant portion of which remained unused during the reporting period and as at 31 December 2020). Bank overdraft facilities have been disclosed in explanatory note 6.16 in the second table, specifying the maximum amounts of debt available but not used, as well as interest rates on possible overdrafts. All bank loans and their maturities are disclosed in the same explanatory note. Total cash and cash equivalents held by the Group as at 31 December 2020 are presented in explanatory note 6.13. Other financial liabilities are disclosed in explanatory note 6.18. The maturities of financial liabilities as at the reporting date, broken down by categories of liabilities, are presented in the table below.

As a rule, Asseco Group does not pursue a centralized financial policy because it operates as a federation of companies as described in the Management's report on operations, and securing funds for current business operations remains the responsibility of the management of each subsidiary. However, the Management Board of the Parent Company sets the limits for possible external debt financing by acting in supervisory bodies of subsidiaries, as well as determines strategic financial goals by influencing the decisions made at general meetings of shareholders.

The tables below disclose the ageing structure of the Group's financial liabilities as at 31 December 2020 and 31 December 2019, by maturity:

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
	mPLN	mPLN	mPLN	mPLN	mPLN
Trade payables	1,152.0	39.7	1.4	-	1,193.1
Bank loans, borrowings and debt securities	97.9	605.2	1,352.4	199.8	2,255.3
Lease liabilities*	24.5	169.1	402.8	274.3	870.7
Dividends payable to minority shareholders of the Group	1.8	-	-	-	1.8
Liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	3.7	54.3	72.3	-	130.3
Liabilities under put options granted to non-controlling shareholders	-	269.0	103.6	4.6	377.2
Forward/future contracts and other financial liabilities	0.5	0.1	3.5	-	4.1
Total	1,280.4	1,137.4	1,936.0	478.7	4,832.5

* 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 2019	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Trade payables	998.1	42.4	2.6	-	1,043.1
Bank loans, borrowings and debt securities*	71.4	636.9	1,171.5	323.8	2,203.6
Lease liabilities*	31.9	194.8	370.4	262.9	860.0
Dividends payable to minority shareholders of the Group	20.1	-	-	-	20.1
Dividends payable to former shareholders in taken-over companies	-	2.2	-	-	2.2
Liabilities for unpaid shares	23.0	26.5	14.3	-	63.8
Liabilities from the acquisition of shares –	-	11.8	57.1	-	68.9

deferred and conditional payments for controlling interests					
Liabilities under put options granted to non-controlling shareholders	-	181.4	155.1	4.3	340.8
Forward/future contracts	-	0.1	3.8	-	3.9
Total	1,144.5	1,096.1	1,774.8	591.0	4,606.4

* 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 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	Interest income (expenses)	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Other	Total
for 12 months ended 31 December 2020	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets carried at fair value through profit or loss	0.2	-	(2.9)	-	(2.7)
Cash and cash equivalents	5.2	-	-	-	5.2
Investments in other debt securities carried at amortized cost	0.1	(0.9)	-	-	(0.8)
Loans granted	4.6	0.0	-	-	4.6
Trade receivables from other entities	1.5	(24.1)	-	-	(22.6)
Other financial liabilities	-	-	(8.3)	(10.4)	(18.6)
Bank loans and borrowings	(31.9)				(31.9)
Debt securities	(26.2)				(26.2)
Lease liabilities	(30.6)				(30.6)
Trade payables	(0.9)	-	-	-	(0.9)
Total	(77.9)	(25.0)	(11.2)	(10.4)	(124.4)

As at 31 December 2019, 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	Interest income (expenses)	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Other	Total
for 12 months ended 31 December 2019	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets carried at fair value through profit or loss	-	-	5.4	-	5.4
Cash and cash equivalents	9.1	-	-	-	9.1
Investments in other debt securities carried at amortized cost	0.3	-	-	-	0.3
Loans granted	4.7	0.2	-	-	4.9
Trade receivables from other entities	1.4	(9.9)	-	-	(8.5)
Other financial liabilities	-	-	(7.7)	(5.6)	(13.2)
Bank loans and borrowings	(30.5)				(30.5)
Debt securities	(21.6)				(21.6)
Lease liabilities	(26.3)	-	-	-	(26.3)
Trade payables	(3.1)	-	-	-	(3.1)
Total	(66.1)	(9.7)	(2.3)	(5.6)	(83.6)

9. 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.

Lease contracts subject to practical expedients for short-term leases and leases of low-value assets permitted under IFRS 16

The Group applies a practical expedient permitted under IFRS 16 to rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date.

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

In both the above-mentioned exceptions, the lease payments are recognized as operating expenses basically 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. Lease liabilities subject to the above-mentioned practical expedients constitute off-balance-sheet liabilities.

The table below presents our contingent liabilities as at 31 December 2020 and 31 December 2019:

Contingent liabilities	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN
Liabilities from guarantees of due performance of contracts		
Liabilities falling due within 3 months	37.3	14.7
Liabilities falling due within 3 to 12 months	207.7	56.4
Liabilities falling due within 1 to 5 years	118.8	117.0
Liabilities falling due after 5 years	7.2	21.4
Total	371.0	209.5
Liabilities arising from bank guarantees and guarantee bonds		
Liabilities falling due within 3 months	3.8	0.3
Liabilities falling due within 3 to 12 months	23.8	1.4
Liabilities falling due within 1 to 5 years	6.7	2.8
Liabilities falling due after 5 years	-	-
Total	34.3	4.5
Other contingent liabilities	2.9	1.6

In the Management's opinion, the probability of having to satisfy our liabilities from guarantees of due performance of contracts as presented in the table above is negligible; however, due to their amount, it was decided to make an appropriate disclosure in these consolidated financial statements of Asseco Group.

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 2020.

Significant guarantees and sureties granted by Asseco Group as at 31 December 2020 and in the comparable period:

- As at 31 December 2020 and 31 December 2019, Asseco Central Europe, a.s. (the Asseco International segment) granted a guarantee in the amount of EUR 1.5 million (PLN 6.9 million) to the company Prosoft Kosice, a.s. (a joint venture of ACE Group) in order to secure the repayment of liabilities by Prosoft to a bank in Slovakia.
- As at 31 December 2020, Asseco Central Europe, a.s. (the Asseco International segment) granted a guarantee in the amount of CZK 100 million (PLN 17.5 million) to the company Asseco Central Europe, a.s. (Czech Republic) in order to secure the repayment of liabilities by ACE (Czech Republic) to a bank in Czechia.

As at 31 December 2020, the Group had no contingent liabilities arising from any sureties granted. The surety described in the earlier financial statements that was granted in favour of SG Equipment Leasing Polska Sp. z o.o. in order to secure a loan obtained by our related company Asseco Lietuva UAB has already expired as at 31 December 2020 as a result of the repayment of the whole loan by Asseco Lietuva UAB.

The table below presents the amounts of off-balance-sheet lease liabilities as at 31 December 2020 as well as at 31 December 2019. These are off-balance-sheet liabilities arising from lease contracts subject to practical expedients permitted under IFRS 16 for short-term leases or leases of low-value assets.

	31 Dec. 2020	31 Dec. 2019
	mPLN	mPLN
<i>Liabilities from rental of space</i>		
In the period up to 1 year	3.5	2.0
In the period from 1 to 5 years	5.5	0.4
Over 5 years	-	-
	9.0	2.4
<i>Liabilities from other lease contracts</i>		
In the period up to 1 year	5.3	5.0
In the period from 1 to 5 years	0.7	1.0
Over 5 years	-	-
	6.0	6.0

Disputes in litigation as at the end of the reporting period

As at 31 December 2020, the Parent Company was party to two court cases initiated by the same claimant, in which the total value of the subject in dispute amounted to approx. PLN 13.3 million. The Parent Company's Management assessed the validity of claims brought in court and considered them to be groundless, and consequently assessed the risk of an outflow of economic benefits from the Parent Company to be so small that there was no need to create any provision. In the said disputes, the claimant makes unjustified demands upon the Parent Company to transfer proprietary software copyrights and extend the licenses granted.

During 2019, a new court dispute was brought against the Parent Company in which the claimant filed a claim for payment of PLN 17.1 million (the Parent Company was sued jointly and severally with its subsidiary Asseco Data Systems S.A.). The Company's Management assessed the validity of claims presented in the lawsuit and considered them to be completely groundless. Thus the Management determined there was no need to create any provision for such claims as at 31 December 2020.

In addition, in February 2021, the Parent Company was served with a lawsuit from one of its customers for the payment of contractual penalties for exceeding the time limits specified in the maintenance contract. The amount in dispute is PLN 3.0 million. The Company's Management considered the customer's claim to be unfounded, and therefore no provision was created for this purpose in the financial statements as at 31 December 2020.

As at 31 December 2020, claims brought in court against Asseco Data Systems S.A. amounted in total to PLN 19.1 million. The biggest portion of this amount is constituted by the above-mentioned claim of PLN 17.1 million, where Asseco Data Systems S.A. is liable jointly and severally with Asseco Poland S.A. In addition, during the reporting period, Asseco Data Systems S.A. received a claim for payment of PLN 0.9 million, arising from the transfer of receivables in connection with cooperation conducted under the consortium agreement of 5 April 2016. In the opinion of Asseco Data Systems S.A. and Asseco Group, based on the legal assessment made by the Group's advisors, the provisions for pending litigation that are recognized in this report have been created in a sufficient amount to cover possible risks arising from pending disputes.

During the reporting period, Asseco Business Solutions S.A. was party to litigation in connection with the decision of the Office of Competition and Consumer Protection (OCCP) of December 2013, whereby the OCCP imposed a penalty on Asseco Business Solutions S.A. The penalty resulted from the proceedings conducted by the Office of Competition and Consumer Protection regarding the use of prohibited clauses in contracts concluded by the Company (and its legal predecessors) with distributors of Wapro brand software. In November 2016, the Court of Appeal in Warsaw changed the judgment of the District Court that was appealed against, and thus overruled the decision of the President of the Office of Competition and Consumer Protection. The Office of Competition and Consumer Protection filed a cassation complaint against the judgment of the Court of Appeal containing, among others, a motion to revoke the appealed judgment of the Court of Appeal. In March 2017, the company filed a reply to the cassation complaint. In accordance with the precautionary principle, the company created a provision for the entire amount of the penalty that was recognized in 2013. On 16 October 2019, the Court of Appeal in Warsaw issued a judgment by which the case remitted for reconsideration by the District Court in Warsaw. The original judgment in this case was overruled. On 2 July 2020, the District Court in Warsaw held a hearing during which the Court reduced the financial penalty imposed on Asseco Business Solutions and abolished the mutual costs of proceedings between the parties. On 17 August 2020, the company appealed against the above judgment to the District Court.

During the reporting period, ACE Group (the Asseco International segment) was party to a dispute regarding a delay in delivery of an IT system to a customer in Slovakia. The Group has created a provision against the potential contractual penalty in the amount of PLN 6.2 million. Additionally, in 2020 other proceedings were pending before the Czech Antimonopoly Office regarding the participation in a tender in which one of ACE Group subsidiaries was a sub-supplier. The amount of potential penalty is CZK 15 million (PLN 2.6 million), but the management of ACE Group has considered the penalty to be unfounded and therefore created no provision for this purpose.

In addition, during the reporting period, ACE Group was party to just one more significant dispute that entered the stage of court proceedings. The claim is related to payment of contractual penalties in the amount of CZK 115.7 million (PLN 20.3 million). The Management of ACE Group has considered the plaintiff's claim to be unjustified and, therefore, brought a counter-claim for compensation for the lost contract in the amount of CZK 102.9 million (PLN 18.0 million).

In the reporting period, Matrix IT Group (the Formula Systems segment) was party to court proceedings where the total amount in dispute was ILS 17.2 million (PLN 20.1 million). In the opinion of Matrix Group and Asseco Group, based on the legal assessment made by the Group's advisors, the provisions for pending litigation that are recognized in this report have been created in a sufficient amount to cover possible risks arising from pending disputes.

In the reporting period, Magic Group (the Formula Systems segment) was party to court proceedings where the total amount in dispute was approx. ILS 34 million (PLN 39.7 million). The Group believes it has created a sufficient amount of provisions for ongoing court cases.

During the reporting period, Formula Systems (1985) Ltd and members of its management bodies have been sued personally by a minority shareholder, who holds 28 shares representing 0.0001% of the total number of shares in this company. The lawsuit concerns the correctness of granting the stock option plan to Mr. Guy Bernstein (CEO of Formula Systems) in 2020, the terms and value of which are described in explanatory note 5.2, which was awarded to the CEO by a resolution of the Board of Directors that overruled the decision made by the general meeting of shareholders. In the lawsuit, the shareholder has questioned the correctness of the adopted procedure and has also alleged irregularities in the implementation of the option plans of 2011 and 2012. The lawsuit also concerns the remuneration of the company's CFO. The shareholder's objection

asserts acting to the detriment of minority shareholders. After consulting with legal advisors, the company has deemed the claim to be unfounded, considering that both the Board of Directors and the company's managing officers (including the CEO and CFO) acted in accordance with the law. Formula Systems (1985) Ltd informed the Securities and Exchange Commission of the details of the claim in 6-K forms which are available to the public.

Except for those described above, during the reporting period, no significant proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of Asseco 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 somewhat 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 individual segments of the Group as at	31 Dec. 2020	31 Dec. 2019
Management Board of the Parent Company	10	10
Management Boards of the Group companies	184	172
Production departments	24,455	23,370
Sales departments	1,393	1,369
Administration departments	1,967	1,922
Total	28,009	26,843

Number of employees in the Group companies as at	31 Dec. 2020	31 Dec. 2019
Asseco Poland segment	3,382	3,521
Asseco International segment	7,204	6,862
Formula Systems segment	17,423	16,460
Total	28,009	26,843

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 financial statements, namely Ernst & Young Audyt Polska Sp. z o.o. sp.k., for the years ended 31 December 2020 and 31 December 2019, in a breakdown by type of service:

Remuneration of the entity authorized to audit financial statements	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
	mPLN	mPLN
Obligatory audit of annual financial statements	1.3	1.2
Obligatory audit of annual financial statements of the Group companies	0.3	0.2
Other certification services	-	-
Transaction advisory services	-	-
Total	1.6	1.4

Moreover, other firms of the EY network carry out the audits of annual and reviews of interim financial statements, as well as other certification services, in favour of Asseco Group companies in countries other than Poland. Firms of the EY network provided the Group companies also with services other than the audits of financial statements, which were subject to the procedure of approval by the Company's Audit Committee.

The total remuneration for audit and non-audit services provided by the EY network in 2020 amounted to PLN 13.6 million, and included:

- audit and related services for PLN 10.6 million;
- tax consultancy for PLN 1.7 million (provided only for companies based outside the European Union);
- other services for PLN 1.3 million (of which the largest amount concerned the audit of the corporate bonds prospectus at Sapiens).

The total remuneration for audit and non-audit services provided by the EY network in 2019 amounted to PLN 11.4 million, and included:

- audit and related services for PLN 10.1 million (the amount of PLN 8.4 million disclosed in the financial statements for 2019 did not include statutory audit services performed by the EY network for Sapiens Group for PLN 1.7 million);
- tax consultancy for PLN 0.9 million (provided only for companies based outside the European Union);
- other services for PLN 0.4 million.

A detailed description of services performed by firms of the EY's network has been presented the Report on Applying Corporate Governance Standards, being a constituent of the Management Report on Operations of Asseco Poland S.A. and Asseco Group.

9.5. Remuneration of the Management Board and Supervisory Board

The table below presents remuneration of the key management personnel of the Parent Company and related entities for the years 2020 and 2019.

Remuneration for performing duties at Asseco Poland S.A.	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
	mPLN	mPLN
Management Board		
Adam Góral	2.3	2.0
Andrzej Dopierala	0.5	0.5
Tadeusz Dyrka*	-	0.5
Krzysztof Groyecki	1.1	1.0
Rafał Kozłowski	1.1	0.8
Marek Panek	0.9	0.8
Paweł Piwowar	1.4	0.9
Zbigniew Pomianek	3.3	3.5
Sławomir Szmytkowski **	2.3	0.3
Artur Wiza	1.2	1.0
Gabriela Żukowicz	1.2	1.0
Total	15.3	12.3
Supervisory Board		
Izabela Albrycht	0.12	0.12
Jacek Duch	0.23	0.23
Piotr Augustyniak	0.15	0.15
Dariusz Brzeski	0.12	0.12
Artur Kucharski	0.15	0.15
Adam Noga	0.16	0.16
Piotr Żak	0.06	-
Total	0.99	0.93

* Mr. Tadeusz Dyrka has no longer been a Member of the Management Board Asseco Poland S.A. since 1 July 2019.

** From 1 July 2019, Mr. Sławomir Szmytkowski has served as Member of the Management Board Asseco Poland S.A., his remuneration is disclosed for the period of performing this management function.

Remuneration for performing duties at the Group companies	12 months ended 31 Dec. 2020 mPLN	12 months ended 31 Dec. 2019 mPLN
Management Board		
Adam Góral	0.1	0.1
Andrzej Dopierala	1.8	1.5
Tadeusz Dyrga*	-	-
Krzysztof Groyecki	-	-
Rafał Kozłowski	1.5	1.2
Marek Panek	1.4	1.1
Paweł Piwowar	-	0.2
Zbigniew Pomianek	-	0.2
Sławomir Szmytkowski (since 1 July 2019)	-	-
Artur Wiza	0.4	0.4
Gabriela Żukowicz	0.4	0.4
Total	5.6	5.1
Supervisory Board		
Izabela Albrycht	-	0.1
Jacek Duch	0.1	-
Adam Noga	-	-
Dariusz Brzeski	-	-
Artur Kucharski	0.1	0.1
Piotr Augustyniak	0.1	0.1
Total	0.3	0.3

* Mr. Tadeusz Dyrga has no longer been a Member of the Management Board Asseco Poland S.A. since 1 July 2019.

The amounts of remuneration paid to Members of the Management Board for performing duties at the supervisory boards and management boards of Asseco Poland S.A. and the Group's subsidiary companies have been disclosed in a breakdown to fixed and variable portions in the Management Report on Operations of Asseco Group and Asseco Poland S.A. for the year ended 31 December 2020.

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. Capital management is performed at the level of individual companies within the Group, whose management boards are responsible for ensuring an effective and safe financing structure that takes into account the operational risks specific to particular companies. While the functions of supervision, setting of strategic capital goals and, in certain cases, capital allocation are carried out at the Group level. These activities are aimed at maximizing the return for owners at the assumed level of risk.

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 year ended 31 December 2020 and in the previous year, 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, borrowings, debts securities and lease liabilities, decreased by cash and cash equivalents. The capital represents equity attributable to shareholders of the Parent Company.

Capital management	Note	31 Dec. 2020 mPLN	31 Dec. 2019 mPLN
Bank loans, borrowings and debt securities	<u>6.16</u>	2,255.3	2,055.6
Lease liabilities	<u>6.17</u>	728.6	689.0
Minus cash and cash equivalents (-)	<u>6.13</u>	(2,896.0)	(2,153.5)

Net debt	87.9	591.1
Equity	6,044.4	5,762.4
Equity and net debt	6,132.3	6,353.5
Leverage ratio	1.43%	9.3%

In 2020, the leverage ratio decreased in relation to the previous year following an increase in cash and cash equivalents primarily in the Formula Systems segment, and an increase in the Group's equity (among others, due to the excess of net profit attributable to Shareholders of the Parent Company over the amount of dividend for 2019 that was distributed in 2020). The leverage ratio remains within the target range set by the Group's Management.

9.7. Significant events after the reporting period

▪ **Acquisition of shares in Thing Solver d o.o. by ASEE Group**

On 7 October 2020, ASEE Serbia concluded a conditional agreement to acquire 100% of shares in the company Thing Solver d o.o. based in Belgrade. The Group obtained control over Thing Solver d o.o. on 8 January 2021 upon satisfying all the conditions precedent.

▪ **Acquisition of shares in VEBSLOT DOO by ASEE Group**

On 17 February 2020, Payten Macedonia (Skopje) acquired 100% of shares in the company VEBSLOT DOO based in Skopje.

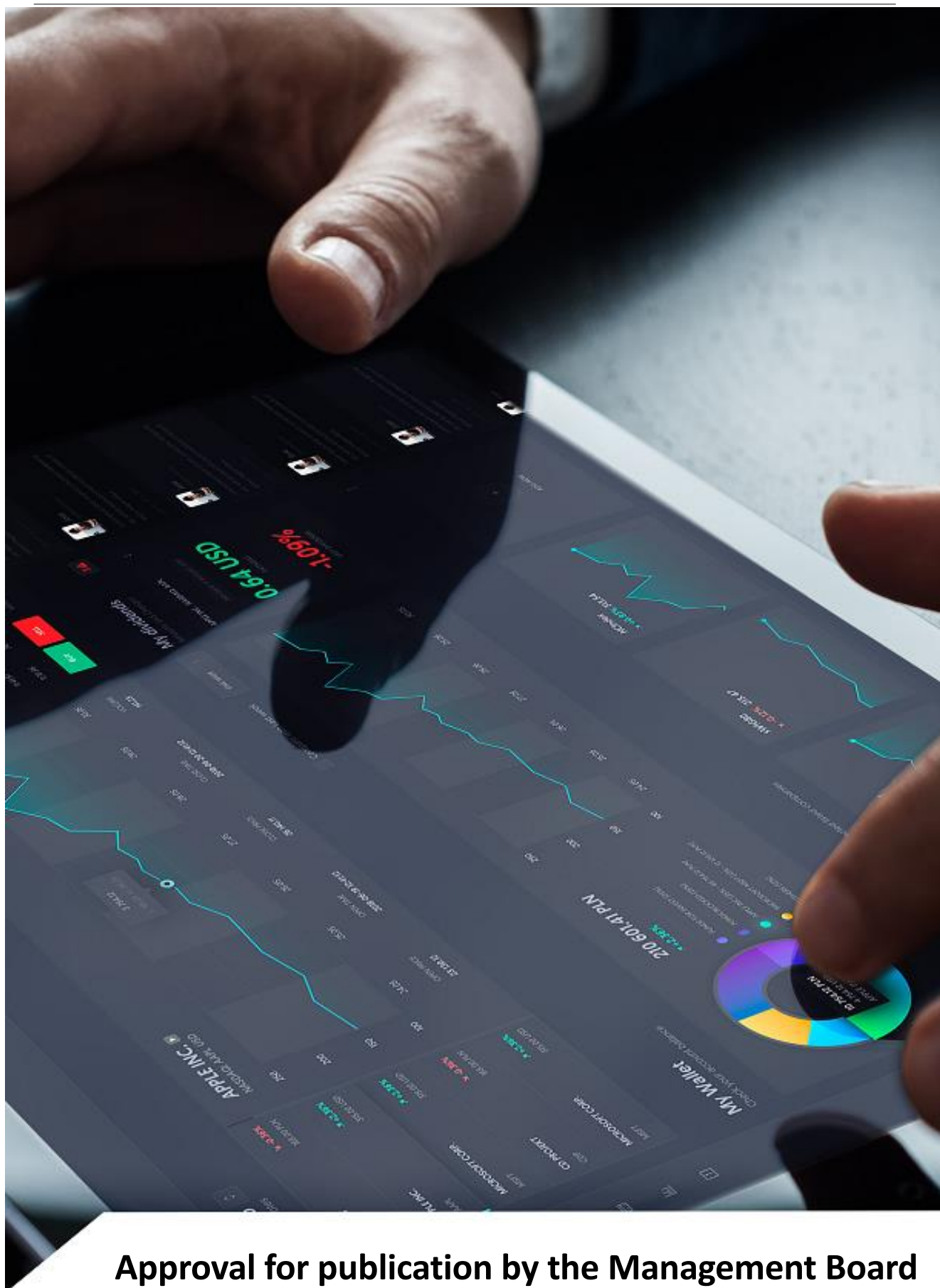
▪ **Taking actions to establish the company Asseco Cloud S.A.**

In the first quarter of 2021, we took actions in order to establish a new company that will operate as a provider of infrastructure maintenance and IT support services, data processing center, and cloud-based solutions. This newly created entity will combine selected departments and divisions of Asseco Data Systems S.A. and Asseco Poland S.A.

In the period from 31 December 2020 till the date of approval of these consolidated financial statements, 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 Asseco Group.

9.8. Significant events related to prior years

Until the date of preparing these consolidated financial statements for the period of 12 months ended 31 December 2020, we have not observed any significant events related to prior years, which have not but should have been included in these consolidated financial statements.



Approval for publication by the Management Board

These consolidated financial statements of Asseco Group for the year ended 31 December 2020 have been approved for publication by the Management Board of Asseco Poland S.A. on 23 March 2021.

Management Board:

President
of the Management Board
Adam Góral

Vice President
of the Management Board
Andrzej Dopierała

Vice President
of the Management Board
Krzysztof Groyecki

Vice President
of the Management Board
Rafał Kozłowski

Vice President
of the Management Board
Marek Panek

Vice President
of the Management Board
Paweł Piwowar

Vice President
of the Management Board
Zbigniew Pomianek

Vice President
of the Management Board
Sławomir Szmytkowski

Vice President
of the Management Board
Artur Wiza

Vice President
of the Management Board
Gabriela Żukowicz

Person responsible for the preparation of consolidated financial statements:

Director of the Financial
Reporting Department
Karolina Rzońca-Bajorek

Technology for business, solutions for people.

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