



Consolidated Financial Statements
of **Asseco Group** for the year ended
31 December 2018

ASSECO



Present in
55 countries



PLN 9,329 million
in sales revenues



24,302 highly
committed employees



PLN 333.3 million
in net profit
for Shareholders of
the Parent Company



PLN 6,240 million
in order backlog
for 2019



PLN 4.3 billion
in market capitalization

Consolidated Financial Statements of Asseco Group

For the year ended 31 December 2018

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	11
SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS	14
I. GENERAL INFORMATION	14
II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS	15
2.1. Basis for preparation	15
2.2. Compliance statement	15
2.3. Functional currency and presentation currency	15
2.4. Professional judgement and estimates	15
2.5. Accounting policies applied	20
2.6. New standards and interpretations published but not in force yet	26
2.7. Changes in the presentation methods applied	29
2.8. Corrections of material errors	30
2.9. Changes in comparable data	30
III. ORGANIZATION AND CHANGES IN THE STRUCTURE OF ASSECO GROUP, INCLUDING THE ENTITIES SUBJECT TO CONSOLIDATION	33
IV. INFORMATION ON OPERATING SEGMENTS	47
V. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF INCOME	50
5.1. Breakdown of operating revenues	50
5.2. Breakdown of operating costs	56
5.3. Other operating income and expenses	58
5.4. Financial income and expenses	59
5.5. Corporate income tax	60
5.6. Earnings per share	63
5.7. Information on dividends paid out	64
VI. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	65
6.1. Property, plant and equipment	65
6.2. Intangible assets	67
6.3. Investment property	71
6.4. Goodwill	71
6.5. Impairment testing	81
6.6. Associates and joint ventures	86
6.7. Entities with significant non-controlling interests	86
6.8. Other financial assets	88
6.9. Prepayments and accrued income	92
6.10. Receivables and contract assets	93
6.11. Inventories	96
6.12. Cash and cash equivalents	97
6.13. Non-current assets held for sale	98
6.14. Share capital	98
6.15. Finance lease liabilities	99
6.16. Bank loans, borrowings and debt securities	100
6.17. Other financial liabilities	104
6.18. Trade payables, state budget liabilities and other liabilities	106
6.19. Contract liabilities	107
6.20. Provisions	109

6.21. Accruals and deferred income	111
6.22. Related party transactions	112
VII. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS.....	116
7.1. Cash flows – operating activities	116
7.2. Cash flows – investing activities.....	116
7.3. Cash flows – financing activities	117
VIII. EXPLANATORY NOTES ON OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT.....	119
8.1. Foreign currency risk.....	119
8.2. Interest rate risk.....	121
8.3. Credit risk.....	124
8.4. Financial liquidity risk.....	124
8.5. Items of income, expenses, gains and losses recognized in the income statement in correspondence to balance sheet items.....	126
IX. OTHER EXPLANATORY NOTES.....	128
9.1. Off-balance-sheet liabilities	128
9.2. Seasonal and cyclical nature of business	130
9.3. Employment.....	130
9.4. Remuneration of the entity authorized to audit financial statements.....	131
9.5. Remuneration of the Management Board and Supervisory Board of Asseco Poland S.A.	131
9.6. Capital management.....	132
9.7. Significant events after the reporting period	133
9.8. Significant events related to prior years	134

Consolidated Financial Statements of **Asseco Group** for the year ended 31 December 2018

These consolidated financial statements have been approved for publication by the Management Board of Asseco Poland S.A. on 25 March 2019.

Management Board:

Adam Góral	President of the Management Board
Andrzej Dopierała	Vice President of the Management Board
Tadeusz Dyrka	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
Artur Wiza	Vice President of the Management Board
Gabriela Żukowicz	Vice President of the Management Board

Person responsible for the preparation of consolidated financial statements:

Karolina Rzońca-Bajorek	Director of the Financial Reporting Department
-------------------------	--

Consolidated Statement of Income and Other Comprehensive Income

Asseco Group

INCOME STATEMENT		12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017* (restated)
	Note	mPLN	mPLN
Operating revenues	5.1	9,328.6	7,829.3
Cost of sales	5.2	(7,334.6)	(6,149.5)
Allowances for trade receivables	5.2	(4.8)	(8.0)
Gross profit on sales		1,989.2	1,671.8
Selling costs	5.2	(503.9)	(446.8)
General and administrative expenses	5.2	(676.1)	(624.9)
Net profit on sales		809.2	600.1
Other operating income	5.3	38.7	41.6
Other operating expenses	5.3	(51.1)	(56.6)
Impairment losses on financial assets		-	(0.3)
Operating profit		796.8	584.8
Financial income	5.4	93.4	508.7
Financial expenses	5.4	(115.9)	(261.0)
Impairment losses on financial assets	5.4	(0.3)	(56.0)
Pre-tax profit before share of profits of associates and joint ventures		774.0	776.5
Corporate income tax (current and deferred tax expense)	5.5	(182.3)	(122.0)
Share of profits of associates and joint ventures	6.6	2.0	(37.7)
Net profit for the reporting period		593.7	616.8
<i>Attributable to:</i>			
Shareholders of the Parent Company		333.3	466.6
Non-controlling interests		260.4	150.2
Basic and diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	5.6	4.02	5.62
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period		593.7	616.8
<i>Components that may be reclassified to profit or loss</i>			
Net gain (loss) on valuation of financial assets		(0.1)	0.7
Foreign exchange differences on translation of foreign operations		87.5	(441.7)
<i>Components that will not be reclassified to profit or loss</i>			
Amortization of intangible assets recognized directly in equity		(0.8)	(0.8)
Actuarial gains (losses)		1.4	(2.9)
Income tax relating to components of other comprehensive income		(0.1)	1.2
Total other comprehensive income		87.9	(443.5)
TOTAL COMPREHENSIVE INCOME attributable to:		681.6	173.3
Shareholders of the Parent Company		397.7	395.6
Non-controlling interests		283.9	(222.3)

*In the financial data for the period ended 31 December 2017, the Formula Systems segment has been disclosed as an associated entity from August till September 2017.

Consolidated Statement of Financial Position

Asseco Group

ASSETS	Note	31 Dec. 2018 mPLN	31 Dec. 2017 (restated)* mPLN
Non-current assets			
Property, plant and equipment	6.1	828.4	850.2
Intangible assets	6.2	1,994.2	2,083.2
Investment property	6.3	21.0	19.7
Goodwill	6.4	4,248.9	4,017.0
Investments accounted for using the equity method	6.6	111.5	100.5
Other receivables and trade receivables	6.10	127.5	108.3
Deferred tax assets	5.5	83.6	87.1
Other non-financial assets		0.1	0.2
Other financial assets	6.8	175.1	177.1
Prepayments and accrued income	6.9	59.2	46.3
		7,649.5	7,489.6
Current assets			
Inventories	6.11	94.3	72.9
Prepayments and accrued income	6.9	168.5	149.8
Trade receivables	6.10	2,432.7	2,372.1
Contract assets	6.10	214.3	-
Corporate income tax receivable	6.10	47.6	88.7
Receivables from the state and local budgets	6.10	37.3	20.6
Other receivables	6.10	38.9	38.5
Other non-financial assets		9.0	9.1
Other financial assets	6.8	139.3	86.0
Cash and cash deposits	6.12	1,800.5	1,547.7
		4,982.4	4,385.4
Non-current assets held for sale	6.13	10.9	7.4
TOTAL ASSETS		12,642.8	11,882.4

* The restatement has been described in detail in explanatory note 2.9 to these consolidated financial statements.

Consolidated Statement of Financial Position

Asseco Group

EQUITY AND LIABILITIES	Note	31 Dec. 2018 mPLN	31 Dec. 2017 (restated)* mPLN
Equity <i>(attributable to shareholders of the Parent Company)</i>			
Share capital	6.14	83.0	83.0
Share premium		4,180.1	4,180.1
Transactions with non-controlling interests		(177.6)	(147.8)
Foreign exchange differences on translation of foreign operations		20.3	(44.6)
Retained earnings		1,611.9	1,530.7
		5,717.7	5,601.4
Non-controlling interests	6.7	1,945.6	1,727.1
Total equity		7,663.3	7,328.5
Non-current liabilities			
Bank loans, borrowings and debt securities	6.16	1,082.9	1,046.3
Finance lease liabilities	6.15	32.1	49.2
Other financial liabilities	6.17	180.3	275.4
Deferred tax liabilities	5.5	411.8	414.2
Provisions	6.20	67.9	73.2
Deferred income	6.21	43.3	78.7
Contract liabilities	6.19	32.3	-
Accruals	6.21	1.5	-
Other liabilities	6.18	13.1	16.2
		1,865.2	1,953.2
Current liabilities			
Bank loans, borrowings and debt securities	6.16	581.6	395.3
Finance lease liabilities	6.15	28.9	26.8
Other financial liabilities	6.17	199.7	114.5
Trade payables	6.18	938.2	855.8
Contract liabilities	6.19	451.1	-
Corporate income tax payable	6.18	73.7	73.9
Liabilities to the state and local budgets	6.18	204.8	162.7
Other liabilities	6.18	314.3	290.2
Provisions	6.20	39.6	51.4
Deferred income	6.21	7.8	358.1
Accruals	6.21	274.6	272.0
		3,114.3	2,600.7
TOTAL LIABILITIES		4,979.5	4,553.9
TOTAL EQUITY AND LIABILITIES		12,642.8	11,882.4

* The restatement has been described in detail in explanatory note 2.9 to these consolidated financial statements.

Consolidated Statement of Changes in Equity

Asseco Group

	Note	Share capital	Share premium	Transactions with non-controlling interests	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2018 (restated)		83.0	4,180.1	(147.8)	(44.6)	1,530.7	5,601.4	1,727.1	7,328.5
Impact of the adoption of IFRS 15 and IFRS 9		-	-	-	-	(1.8)	(1.8)	5.5	3.7
As at 1 January 2018 (including the impact of the adoption of IFRS 15 and IFRS 9)		83.0	4,180.1	(147.8)	(44.6)	1,528.9	5,599.6	1,732.6	7,332.2
Net profit for the reporting period		-	-	-	-	333.3	333.3	260.4	593.7
Other comprehensive income for the reporting period		-	-	-	64.9	(0.5)	64.4	23.5	87.9
Total comprehensive income for the reporting period		-	-	-	64.9	332.8	397.7	283.9	681.6
Dividend for the year 2017	5.7	-	-	-	-	(249.8)	(249.8)	(198.7)	(448.5)
Share-based payment transactions with employees		-	-	-	-	-	-	25.9	25.9
Transactions with non-controlling interests (including the settlement of contingent financial liabilities to non-controlling shareholders (put options))		-	-	(29.8)	-	-	(29.8)	97.0	67.2
Obtaining control over subsidiaries		-	-	-	-	-	-	7.3	7.3
Loss of control over subsidiaries		-	-	-	-	-	-	(2.4)	(2.4)
As at 31 December 2018		83.0	4,180.1	(177.6)	20.3	1,611.9	5,717.7	1,945.6	7,663.3

Consolidated Statement of Changes in Equity

Asseco Group

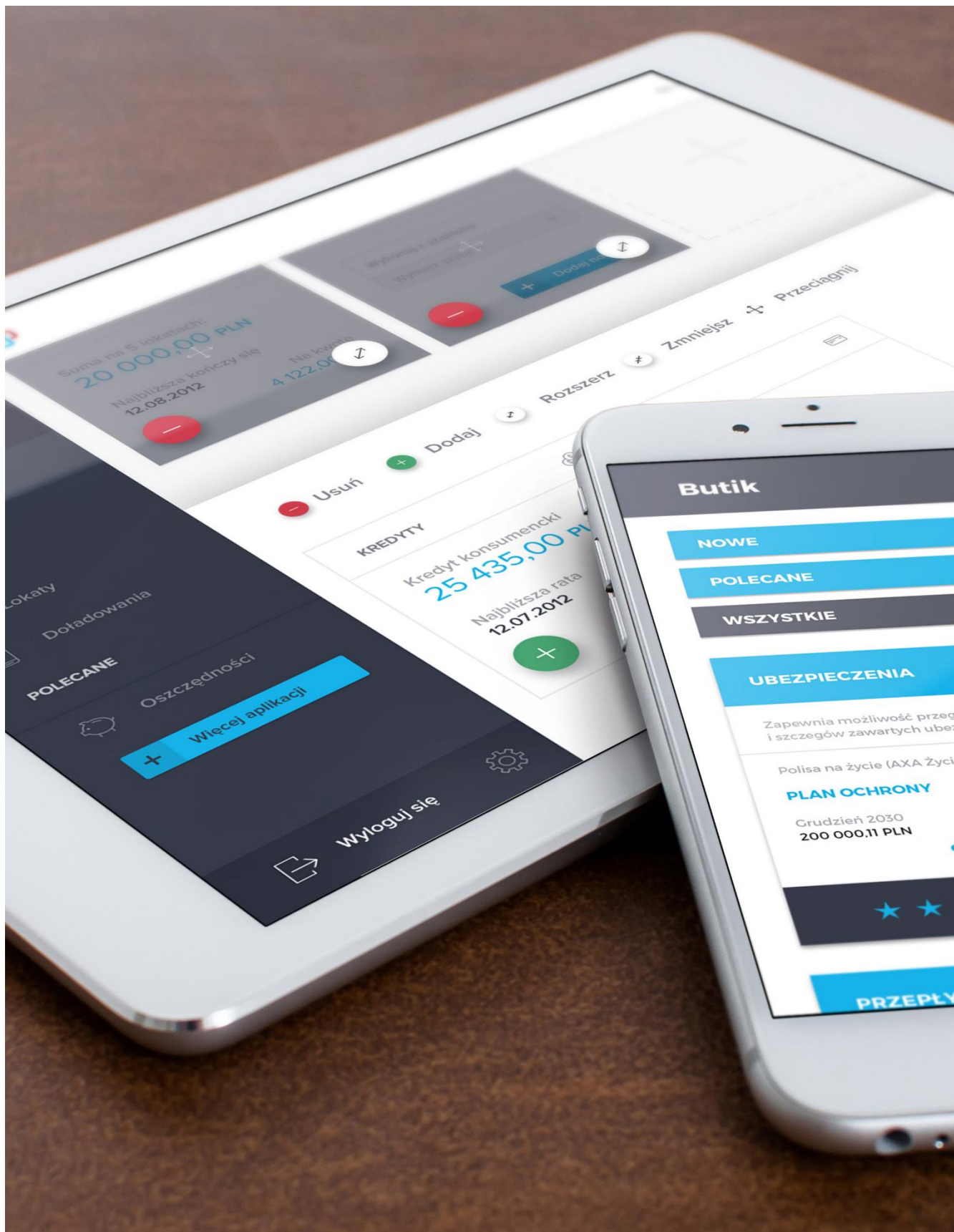
	Note	Share capital	Share premium	Transactions with non-controlling interests	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2017		83.0	4,180.1	(108.9)	40.3	1,310.6	5,505.1	3,165.5	8,670.6
Net profit for the reporting period		-	-	-	-	466.6	466.6	150.2	616.8
Other comprehensive income for the reporting period		-	-	-	(70.0)	(1.0)	(71.0)	(372.5)	(443.5)
Total comprehensive income for the reporting period		-	-	-	(70.0)	465.6	395.6	(222.3)	173.3
Dividend for the year 2016	5.7	-	-	-	-	(249.8)	(249.8)	(142.4)	(392.2)
Share-based payment transactions with employees		-	-	-	-	-	-	24.3	24.3
Transactions with non-controlling interests (including the settlement of contingent financial liabilities to non-controlling shareholders (put options))		-	-	(38.9)	-	-	(38.9)	83.0	44.1
Loss of control over subsidiaries		-	-	-	(14.9)	4.3	(10.6)	(2,466.2)	(2,476.8)
Obtaining control over subsidiaries		-	-	-	-	-	-	1,285.2	1,285.2
As at 31 December 2017 (restated)		83.0	4,180.1	(147.8)	(44.6)	1,530.7	5,601.4	1,727.1	7,328.5

Consolidated Statement of Cash Flows

Asseco Group

	Note	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Cash flows – operating activities			
Pre-tax profit before share of profits of associates and joint ventures		774.0	776.5
Total adjustments:		403.8	86.6
Depreciation and amortization	5.2	459.5	337.1
Changes in working capital	7.1	(83.2)	(70.8)
Interest income (expenses)		26.6	43.1
Gain (loss) on foreign exchange differences		(25.6)	44.4
Gain (loss) on financial assets (valuation, disposal, etc.)		(0.9)	(71.1)
Other financial income (expenses)		12.7	27.0
Gain on loss of control over subsidiaries		-	(359.2)
Impairment loss on goodwill		-	100.1
Gain (loss) on disposal of property, plant and equipment and intangible assets		(4.0)	(5.5)
Gain (loss) on disposal of a subsidiary		(9.0)	-
Costs of share-based payment transactions with employees		21.6	18.8
Other adjustments to pre-tax profit		6.1	22.7
Cash provided by (used in) operating activities		1,177.8	863.1
Corporate income tax paid		(177.1)	(171.7)
Net cash provided by (used in) operating activities		1,000.7	691.4
Cash flows – investing activities			
Inflows			
Disposal of property, plant and equipment, intangible assets, and investment property		7.9	30.3
Sale of shares in related companies		21.2	340.3
Disposal/settlement of financial assets carried at fair value through profit or loss		16.6	39.8
Disposal of financial assets carried at fair value through other comprehensive income (in the comparable period related to financial assets available for sale)		-	149.9
Disposal of investments in other debt securities carried at amortized cost		4.1	-
Loans collected	7.2	35.3	99.5
Interest received		8.6	15.4
Dividends received (from associates and joint ventures)		1.7	1.6
Outflows			
Acquisition of property, plant and equipment, intangible assets (including R&D expenditures), and investment property	7.2	(240.3)	(225.9)
Expenditures for the acquisition of subsidiaries and associates, increased by cash and cash equivalents in subsidiaries acquired	7.2	(248.6)	241.2
Cash and cash equivalents in subsidiaries disposed of		6.4	(725.8)
Acquisition/settlement of financial assets carried at fair value through profit or loss		(0.2)	(7.7)
Acquisition of financial assets carried at fair value through other comprehensive income (in the comparable period related to financial assets available for sale)		(17.5)	(18.5)
Acquisition of investments in other debt securities carried at amortized cost		(9.8)	-

Loans granted	7.2	(85.4)	(74.5)
Other cash flows from investing activities		(0.1)	8.6
Net cash provided by (used in) investing activities		(500.1)	(125.8)
Cash flows – financing activities			
<i>Inflows</i>			
Proceeds from issuance of shares	7.3	96.5	-
Proceeds from the implementation of employee stock option plan		0.9	11.9
Proceeds from bank loans and borrowings	7.3	392.1	425.8
Proceeds from issuance of debt securities	7.3	164.3	3.4
Grants received for purchases of property, plant and equipment and/or development projects	7.3	1.0	9.8
Other cash flows from financing activities		0.2	-
<i>Outflows</i>			
Expenditures for the acquisition of non-controlling interests	7.3	(58.0)	(4.7)
Redemption of debt securities	7.3	(34.0)	(14.1)
Repayments of bank loans and borrowings	7.3	(302.3)	(306.1)
Finance lease liabilities paid	7.3	(29.3)	(28.5)
Interest paid	7.3	(40.6)	(39.8)
Dividends paid out by the Parent Company	7.3	(249.8)	(249.8)
Dividends paid out to non-controlling shareholders		(195.8)	(168.9)
Return of grants received for purchases of property, plant and equipment and/or development projects	7.3	(9.5)	-
Other cash flows from financing activities		-	(3.4)
Net cash provided by (used in) financing activities		(264.3)	(364.4)
Net increase (decrease) in cash and cash equivalents		236.3	201.2
Net foreign exchange differences		47.2	(189.3)
Net cash and cash equivalents as at 1 January		1,484.0	1,472.1
Net cash and cash equivalents as at 31 December	6.12	1,767.5	1,484.0



Supplementary Information to the Consolidated Financial Statements

I. 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") with registered office at 14 Olchowa St., Rzeszów, Poland.

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

The Parent Company was established on 18 January 1989 as a limited liability company and subsequently, under notary deed of 31 August 1993, it was transformed into and since then has operated as a joint-stock company with registered office at 72a, 17 Stycznia St., Warsaw, Poland. The Company is entered in the Register of Entrepreneurs of the National Court Register under the number KRS 0000033391 (previously it was entered in the Commercial Register maintained by the District Court of the Capital City of Warsaw, Commercial Court, XVI Commercial and Registration Department, under the number RHB 17220).

On 4 January 2007, the Issuer changed its name from Softbank S.A. to Asseco Poland S.A., and moved its registered office from 72a, 17 Stycznia St., Warsaw to 80 Armii Krajowej Av., Rzeszów. On 8 March 2010, the Issuer moved its registered office from 80 Armii Krajowej Av., Rzeszów to 14 Olchowa St., Rzeszów.

Since 1998, the Company's shares have been listed on the main market of the Warsaw Stock Exchange S.A. The Company has been assigned the statistical ID number REGON 010334578.

The period of the Company's operations is indefinite.

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.

II. Basis for the preparation of financial statements

2.1. Basis for preparation

These consolidated financial statements have been prepared in accordance with the historical cost convention, except for financial assets carried at fair value through profit or loss or through other comprehensive income, financial assets carried at amortized cost, 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. Till the date of preparing these consolidated financial statements, we have not observed any circumstances that would threaten the Group's ability to continue as a going concern.

The scope of these consolidated financial statements is in accordance with the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (consolidated text: Journal of Laws of 2018, item 757) ("Regulation"), and covers the annual reporting period from 1 January to 31 December 2018, as well as the comparable period from 1 January to 31 December 2017.

2.2. Compliance statement

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

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

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

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

2.3. Functional currency and presentation currency

The presentation currency of these consolidated financial statements is the Polish zloty (PLN), and all figures are presented in millions of PLN (mPLN), unless stated otherwise.

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

2.4. Professional judgement and estimates

Preparation of consolidated financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements. Although the adopted assumptions and estimates have been based on the Group's management best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

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.

In the period of 12 months ended 31 December 2018, our approach to making estimates was not subject to any substantial modification in relation to the comparable period of 2017.

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 2018, the Parent Company maintained control over Formula Systems (1985) Ltd. despite holding less than 50% in its share capital. As at 31 December 2018, Asseco Poland held a 26.3% 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 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 held in Formula Systems (13.4% stake). 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 makes a reservation that the authorization granted to Asseco shall be valid as long as:

- *Mr. Adam Góral continues to serve as President of the Management Board or Chairman of the Supervisory Board of Asseco, and*
- *Asseco Poland holds more than 20% equity interest in Formula Systems.*

In the event any of the above-mentioned conditions is no longer satisfied, the Agreement obligates Asseco Poland to grant an authorization to Mr. Guy Bernstein for the exercise of voting rights at the general meeting of Formula Systems with respect to all shares held by Asseco Poland.

The Agreement was concluded for a period of 36 months and with the possibility of being automatically renewed for further 12-month periods. The Agreement may be terminated (i) at any time upon mutual consent of the parties, (ii) by either of the parties if the other party is in significant breach of the terms and conditions of the Agreement and fails to remedy such breach within 10 days of receiving a notice requiring it to do so, (iii) by either of the parties 6 months before expiry of the period of 36 months or an automatic extension period as mentioned in the previous sentence. In addition, the Agreement may be terminated: (i) by Mr. Guy Bernstein upon expiry of the authorization granted to the Company when the current President of the Company's Management Board ceases to hold that position, or the current President of the Company's Management Board ceases to hold the position of Chairman of the Company's Supervisory Board if such

person has been appointed to the Supervisory Board; or (ii) by the Parent Company when the equity interest held by Mr. Guy Bernstein in Formula Systems falls below 8%.

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).

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 39.7% 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 8 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: 83.8% in 2018, 74% in 2016, 74% in 2015, 75% in 2014, and respectively 77% and 70% at the two general meetings held in 2013;
5. the fact that the distribution of votes during the general meetings held over the years 2013-2018 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;
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 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.

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 2018.

Sapiens International Corporation NV

In the case of Sapiens International Corporation NV (hereinafter "Sapiens"), the conclusion regarding the existence of control in line with IFRS 10 in the period of 12 months ended 31 December 2018 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 6 members, 4 of whom are independent directors. For the last 6 years, Formula Systems has consistently reappointed the same members of the board of directors. Likewise, the previous composition of the board of directors was re-elected during the general meeting that was held in May 2016, this is when Formula's equity interest in Sapiens was already below 50%.

2. Shareholder structure of Sapiens:

- the company's shareholder structure is dispersed because, apart from Formula Systems, just one shareholder holds more than 5% 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. 2014-2018), 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. 48.08% of total voting rights, the attendance from shareholders would have to be higher than 96.2% 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 2018, 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 line with IFRS 10 in the period of 12 months ended 31 December 2018 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, 4 of whom are independent directors. In recent years, Formula Systems has consistently reappointed mostly the same members of the board of directors. The only exception was the appointment of Mr. Avi Zakaya, who has replaced Mr. Yechezkel Zeir after 9 years of service.

2. Shareholder structure of Magic:

- the company's shareholder structure may be considered as dispersed because, apart from Formula Systems, just 4 investment funds hold more than 5% of voting rights (yet the shareholding of none of them exceeds 8%);

- 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. 2014-2018), the company's general meetings were attended by shareholders representing in aggregate not more than 70% 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. 45.2% of total voting rights, the attendance from shareholders would have to be higher than 90.4% 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 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 49.2% of total voting rights as at 31 December 2018, 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 5 members, 3 of whom are independent directors. In recent years, Formula Systems has consistently reappointed the same members of the board of directors.

2. Shareholder structure of Matrix IT:

- the shareholder structure of Matrix IT may be considered as dispersed because, apart from Formula, just one shareholder holds more than 5% of voting rights (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. 2014-2018), the company's general meetings were attended by shareholders representing in aggregate between 75% 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. 49.2% of total voting rights, the attendance from shareholders would have to be higher than 98.4% 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 line with IFRS 10 in the period of 12 months ended 31 December 2018 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 shareholder structure is dispersed because, apart from Asseco Enterprise Solutions, a.s. (an indirect subsidiary of Asseco Poland), just two shareholders hold more than 5% of voting rights at the general meeting, and the next major shareholder holds approx. 13.5% of votes;
- 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. 2014-2018), 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 92.9% 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 2018 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.

2.5. Accounting policies applied

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

Selected accounting policies	Note	Page number
Sales revenues	5.1	51
Operating costs	5.2	57
Other operating activities	5.3	59
Financial income and expenses	5.4	60
Corporate income tax	5.5	61
Earnings per share	5.6	64
Property, plant and equipment	6.1	66
Intangible assets	6.2	68
Investment property	6.3	72
Goodwill	6.4	72
Impairment testing	6.5	82
Associates and joint ventures	6.6	87
Entities with significant non-controlling interests	6.7	87
Other financial assets	6.8	89
Prepayments and accrued income	6.9	93
Receivables and contract assets	6.10	94
Inventories	6.11	97
Cash and cash equivalents	6.12	98
Non-current assets held for sale	6.13	98
Share capital	6.14	98
Finance lease liabilities	6.15	98
Bank loans and debt securities issued	6.16	98

Other financial liabilities	6.17	98
Trade payables and other liabilities	6.18	98
Contract liabilities	6.19	98
Provisions	6.20	98
Accruals and deferred income	6.21	98

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed when preparing the annual consolidated financial statements of the Group for the year ended 31 December 2017, except for the adoption of new accounting standards, namely IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

i. IFRS 15 – first-time adoption

The Group has implemented IFRS 15 as of 1 January 2018 and decided to use the modified retrospective approach which involves recognition of the cumulative effect of first-time adoption of this standard as at the date of its initial application.

By choosing such application approach, the Group decided to resign from the restatement of comparable data. This means that financial data reported as at 31 December 2017 as well as for the period of 12 months ended 31 December 2017 have been prepared on the basis of the following standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', as well as interpretations related to revenue recognition that were applicable before the effective date of IFRS 15.

Practical expedients permitted by IFRS 15 applied at the transition date

In line with the approach chosen for the implementation of IFRS 15, the Company decided to use a practical expedient not to restate contracts in respect of all modifications that were approved before the beginning of the earliest period presented and before 1 January 2018, this is prior to the date of implementation of the standard by the Group.

Impact of the adoption of IFRS 15 as at 1 January 2018:

The impact of the implementation of IFRS 15 on the opening balance of net assets in 2018 is presented in the table below.

1 Jan. 2018	Opening balance adjustment mPLN
Assets	
Trade receivables and other receivables	(12.8)
Contract assets	18.8
Liabilities	
Deferred tax liabilities	0.3
Trade payables and other financial liabilities	-
Contract liabilities	17.3
Provisions	(15.3)
Equity	
Retained earnings	(1.8)
Non-controlling interests	5.5

The analysis conducted and conclusions drawn have been described in detail in the consolidated financial statements for the year ended 31 December 2017; however, it should be noted that in relation to data presented as the estimated effects of opening balance adjustments as presented in the consolidated financial statements of Asseco Group for the year 2017, some items have changed upon completion of the calculation of opening balance adjustments in Sapiens Group.

The table above presents a quantified analysis of opening balance adjustments which resulted from two main reasons. First, based on an analysis conducted at the time of adoption of IFRS 15, the Group has concluded that a considerable portion of its warranty obligations are non-standard, extended warranties. This means, in

accordance with IFRS 15, that a service is provided to which a portion of the transaction price must be proportionally allocated. As a result of such analysis, the provision for warranty repairs disclosed as at 31 December 2017 has been appropriately recalculated, and some amounts have been reclassified to liabilities arising from contracts with customers (deferred income) that will be subsequently recognized as revenue over time when the warranty service is provided to the customer.

The second major change resulting from the implementation of the standard was the modification of our accounting approach to licenses sold separately. The Group has concluded that, as a rule, the nature of licenses sold by the Group is to provide the customer with a right to use the intellectual property as it exists at the point in time at which the licence is granted. As a consequence of drawing such conclusion, revenues from licenses granted for a definite period, which used to be recognized over time throughout the licensing period, and which did not qualify as licenses with a right to access in accordance with the standard, were recognized on a one-off basis in retained earnings. This was done because the Group determined that control of those licenses had been transferred to customers before the end of 2017 and, pursuant to the new regulations, the arising revenues should have been recognized at that time. Such accounting treatment concerned mainly licenses sold by Sapiens Group, and therefore the effects of these adjustments are largely attributable to non-controlling interests.

In addition, as of 1 January 2018, we also applied a change concerning the classification of receivables. Items recognized as at 31 December 2017 as receivables from valuation of long-term IT contracts were deemed not to meet the definition of receivables in accordance with IFRS 15, because despite the fulfilment of a performance obligation, the right to payment depends on conditions other than just the passage of time. Therefore, as of 1 January 2018, receivables arising from valuation of long-term IT contracts have been reclassified as assets from contracts with customers. An analogous approach was applied to items of liabilities and deferred income disclosed as at 31 December 2017, which in accordance with IFRS 15 in justified cases have been reclassified as contract liabilities as of 1 January 2018.

	Balance as at 31 Dec. 2017 (IAS 18 and IAS 11) mPLN	Adjustment due to adoption of IFRS 15 mPLN	Balance as at 1 Jan. 2018 (IFRS 15) mPLN
Assets			
Trade receivables	2,382.1 *	(197.8)	2,184.3
Contract assets	-	197.8	197.8
Liabilities			
Contract liabilities	-	400.6	400.6
Trade payables	863.5	(29.4)	834.1
Deferred income	436.8	(371.2)	65.6

* The amount of PLN 2,382.1 million reported as at 31 December 2017 includes trade receivables presented in current assets amounting to PLN 2,372.1 million as well as the amount of PLN 10.0 million recognized in non-current assets.

Impact of the adoption of IFRS 15 on the closing balance as at 31 December 2018:

As the Group has used the modified retrospective approach and recognized the cumulative effect of first-time adoption of IFRS 15 as at 1 January 2018, the table below presents a comparison of selected items of the consolidated statement of financial position drawn up as at 31 December 2018 with their respective values calculated in line with the principles applied before the implementation of IFRS 15 by the Group, this is in accordance with IAS 18, IAS 11 and relevant interpretations. Analogically, the table beneath presents the impact of changes in the applied standards on the amount of revenues and profit at various levels for the period of 12 months ended 31 December 2018.

	Balance as at 31 Dec. 2018 (in accordance with IFRS 15)	Reversal of the opening balance adjustment due to IFRS 15	Adjustment due to adoption of IFRS 15 in current period	Amounts without adoption of IFRS 15 (calculated in accordance with previous standards, i.e. IAS 11 and IAS 18)
	mPLN	mPLN	mPLN	mPLN
Assets	2,666.6	(6.0)	(17.3)	2,643.3
Trade receivables	2,452.3	12.8	178.2	2,643.3
Contract assets	214.3	(18.8)	(195.5)	-
Liabilities	1,948.4	(2.3)	(3.0)	1,943.1
Deferred tax liabilities	411.8	(0.3)	1.1	412.6
Trade payables	945.7	-	455.7	1,401.4
Contract liabilities	483.4	(17.3)	(466.1)	-
Provisions	107.5	15.3	6.3	129.1
Net impact on equity, of which:	3,557.5	(3.7)	(14.3)	3,539.5
Retained earnings	1,611.9	1.8	0.6	1,614.3
Other components of equity – Non-controlling interests	1,945.6	(5.5)	(14.9)	1,925.2

	Period of 12 months ended 31 Dec. 2018	Adjustment due to adoption of IFRS 15 in current period	Amounts without adoption of IFRS 15 (calculated in accordance with previous standards, i.e. IAS 11 and IAS 18)
Sales revenues	9,328.6	(10.4)	9,318.2
Cost of sales	(7,334.6)	(3.6)	(7,338.2)
Impairment losses on financial assets	(4.8)	-	(4.8)
Gross profit on sales	1,989.2	(14.0)	1,975.2
Selling costs	(503.9)	(0.2)	(504.1)
General and administrative expenses	(676.1)	-	(676.1)
Net profit on sales	809.2	(14.2)	795.0
Operating profit	796.8	(14.2)	782.6
Financial income (expenses)	(22.5)	-	(22.5)
Impairment losses on financial assets	(0.3)	-	(0.3)
Pre-tax profit	774.0	(14.2)	759.8
Corporate income tax (current and deferred tax expense)	(182.3)	(0.1)	(182.4)
Share of profits of associates	2.0	-	2.0
Net profit for the reporting period, of which attributable to:	593.7	(14.3)	579.4
Shareholders of the parent company	333.3	0.6	333.9
Non-controlling interests	260.4	(14.9)	245.5

ii. IFRS 9 – first-time adoption

The Group has implemented IFRS 9 as of 1 January 2018 without the restatement of comparable data, which means that the financial data reported for the years 2017 and 2018 are not comparable with each other because they have been drawn up using different accounting policies as described in explanatory notes. Adjustments related to meeting the requirements of IFRS 9 were made on 1 January 2018 and consisted only in reclassifications of financial assets and liabilities in accordance with the categories imposed by IFRS 9. The Group did not find it necessary to recognize any impact on retained earnings in connection with the

application of the new standard. The financial data reported as at 31 December 2017 have been prepared in accordance with IAS 39.

▪ **Financial assets**

Since 1 January 2018, the Company classifies its financial assets to one of the three 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 table below presents the impact of the adoption of IFRS 9 on changes in the classification of financial assets as at 1 January 2018:

	31 Dec. 2017			1 Jan. 2018		
	Carried at amortized cost	IAS 39		Carried at amortized cost	IFRS 9	
		Financial assets			Carried at fair value recognized through:	
		Carried at fair value through profit or loss	Available for sale		Profit or loss	Other comprehensive income
	mPLN			mPLN		
Loans, of which:						
granted to related parties	17.5	-	-	17.5	-	-
granted to employees	3.7	-	-	3.7	-	-
granted to other entities	139.9	-	-	139.9	-	-
term cash deposits	19.8	-	-	19.8	-	-
	180.9	-	-	180.9	-	-
Financial assets, of which:						
currency forward contracts (EUR & USD)	-	13.8	-	-	13.8	-
corporate bonds (quoted in an active market)	-	4.2	45.0	-	4.2	45.0
Treasury bonds	-	-	-	-	-	-
shares in companies quoted in an active market	-	0.2	1.1	-	1.3	-
shares in companies not listed on stock markets	-	-	9.5	-	-	9.5
other assets	-	8.4	-	-	8.4	-
	-	26.6	55.6	-	27.7	54.5
Total	180.9	26.6	55.6	180.9	27.7	54.5

Apart from the described change in classification, IFRS 9 also 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.

As a consequence, since 1 January 2018, the Group has applied the following approaches in order to estimate impairment losses on financial assets:

- *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 trade receivables. In case of trade receivables, the Group applies the simplified approach, involving the use of a provisioning matrix prepared on the basis of historical payments received from customers. Due to the nature of our trade receivables and contract assets, despite introducing the methodology changes required by the said standard,

impairment allowances for trade receivables and contract assets remained at a similar level as calculated according to the principles that were effective before 1 January 2018. Hence, the Group did not recognize any adjustment to retained earnings following the implementation of IFRS 9.

The table below compares the classification of financial instruments held by the Group as at 31 December 2018 in accordance with the newly adopted IFRS 9 with their classification under IAS 39 if this standard was still effective as at 31 December 2018:

31 Dec. 2018						
IAS 39				31 Dec. 2018		
	Carried at amortized cost	Financial assets		Carried at amortized cost	IFRS 9	
		Carried at fair value through profit or loss	Available for sale		Fair value recognized through:	
					Profit or loss	Other comprehensive income
		mPLN			mPLN	
Loans, of which:						
granted to related parties	19.7	-	-	19.7	-	-
granted to employees	2.9	-	-	2.9	-	-
granted to other entities	120.8	-	-	120.8	-	-
term cash deposits	81.4	-	-	81.4	-	-
	224.8	-	-	224.8	-	-
Financial assets, of which:						
currency forward contracts (EUR & USD)	-	4.2	-	-	4.2	-
corporate bonds (quoted in an active market)	-	4.3	32.9	-	4.3	32.9
promissory notes	3.2	-	-	3.2	-	-
other debt securities	4.9			4.9		
shares in companies quoted in an active market	-	-	0.8	-	0.8	-
shares in companies not listed on stock markets	-	-	29.0	-	-	29.0
other assets	-	10.3	-	-	10.3	-
	8.0	18.9	62.7	8.0	19.7	61.9
Total	232.8	18.9	62.7	232.8	19.7	61.9

iii. *Other amendments to the International Financial Reporting Standards effective from 1 January 2018*

■ Interpretation IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies that the date of transaction, for the purpose of determining the exchange rate to be applied on initial recognition of the related asset, expense or income (or part of it), is the date when an entity initially recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. This interpretation has no significant impact on the consolidated financial statements of the Group.

■ Amendments to IAS 40 'Transfers of Investment Property'

The amendments provide guidance when an entity shall transfer a property, including a property under construction, to or from investment property. The amendments clarify that a change of use occurs if a property meets, or ceases to meet, the definition of investment property and when there is evidence of a change in use. A change in the management's intentions for the use of a property by itself does not constitute evidence of a change in use. These amendments have no significant impact on the consolidated financial statements of the Group.

- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

The International Accounting Standards Board (IASB) has published amendments to IFRS 2 'Share-based Payment' in order to clarify several issues: treatment of vesting and non-vesting conditions in the measurement of cash-settled share-based payment transactions, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled. These amendments have no significant impact on the consolidated financial statements of the Group.

- Amendments to IFRS 4 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts''

The amendments permit entities that undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to prepare their financial statements under the existing standard, this is IAS 39. These amendments do not apply to the Group.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' provided as part of the 'Annual Improvements to IFRSs: 2014-2016 Cycle'

The amendments clarify that an entity that is a venture capital organization, or a mutual fund, unit trust or a similar entity including an investment-linked insurance fund, may elect to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. This election is made separately for each associate or joint venture on initial recognition. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments have no significant impact on the consolidated financial statements of the Group.

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' provided as part of the 'Annual Improvements to IFRSs: 2014-2016 Cycle'

Short-term exemptions from the application of other IFRSs contained in paragraphs E3-E7 of IFRS 1 were deleted. These amendments have no significant impact on the consolidated financial statements of the Group.

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

2.6. New standards and interpretations published but not in force yet

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

- 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 16 'Leases' (issued on 13 January 2016) – effective for annual periods beginning on or after 1 January 2019;

- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021;
- Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments' (issued on 7 June 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement' (issued on 7 February 2018) – effective for annual periods beginning on or after 1 January 2019;
- Annual Improvements to IFRSs: 2015-2017 Cycle (issued on 12 December 2017) – effective for annual periods beginning on or after 1 January 2019;
- Revision of the Conceptual Framework for International Financial Reporting Standards (issued on 29 March 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 3 'Business Combinations' (issued on 22 October 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: 'Definition of Materiality' (issued on 31 October 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020.

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.

IFRS 16 'Leases'

IFRS 16 'Leases' is effective for annual periods beginning on 1 January 2019. The standard introduces a single accounting model for the recognition of leases in the lessee's accounting books – in general, IFRS 16 implies that all lease arrangements shall be treated similarly as in the model for recognition of finance leases under IAS 17. The new standard supersedes the previously applicable standard IAS 17 and interpretations IFRIC 4, SIC 15 and SIC 27. The Group will adopt this new standard as of the required effective date.

In accordance with IFRS 16 a contract is a lease or contains a lease if it provides the right to control the use of the identified asset for a period of time in exchange for consideration.

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

The Group will recognize right-of-use assets and lease liabilities at the date of transition to IFRS 16.

Asseco Group is party to contracts that are classified in accordance with IAS 17 either as operating leases (liabilities from such contracts are disclosed in explanatory note 9.1 concerning off-balance-sheet liabilities), or as finance leases (as disclosed in explanatory note 6.15), as well as contracts for perpetual usufruct of land. The largest impact on the data presented in these financial statements will be exerted by the remeasurement

of contracts that were considered as operating leases until 31 December 2018 (including primarily contracts for rental of office buildings) as well as by the appropriate remeasurement of contracts for perpetual usufruct of land that were deemed to meet the definition of a lease under IFRS 16. The Group is not going to remeasure contracts for rental of IT hardware whenever rented equipment is considered to be of low value. In the contract remeasurement process, the Group will use the incremental borrowing rate calculated as the sum of the margin on an investment loan adequately secured with leased assets, and the rate quoted for IRS instruments or the interest rate on bonds in the currency in which the lease contract is made. Both the margin and the IRS rate/bond interest rate have been selected to match the lease terms.

Practical expedients used by the Group at the time of adoption of IFRS 16

By adopting this standard in the retrospective approach, the Group will use the following practical expedients:

- *the Group does not apply this standard to contracts that were previously identified as arrangements containing a lease in accordance with IAS 17 and IFRIC 4;*
- *the Group will apply a single discount rate to a portfolio of leases with similar characteristics (i.e. contracts with a similar lease term, concluded in the same currency, and for a similar class of underlying asset);*
- *operating lease contracts for which the remaining lease term shall end within 12 months from 1 January 2019 will be treated as short-term leases and thus their recognition will remain unchanged;*
- *operating lease contracts where the underlying asset has a low value (e.g. office equipment) will not be reassessed and their recognition will remain unchanged;*
- *the Group may use hindsight in determining the lease term (e.g. if the contract contains options to extend or terminate the lease);*
- *the Group will exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;*
- *the Group will not separate lease components and non-lease components.*

In the case of lease contracts where the Group acts as a lessor, the standard will have an insignificant impact on our financial statements.

The table below presents the expected impact of the adoption of IFRS 16 on the Group's equity as at 1 January 2019:

Expected impact of IFRS 16 on the statement of financial position of the Group	31 Dec. 2018 mPLN
Assets	533.5
Right-of-use assets	501.7
Deferred tax assets	31.8
Liabilities	555.7
Lease liabilities	526.8
- long-term	401.1
- short-term	125.7
Deferred tax liabilities	28.9
Net impact on equity, of which:	(22.2)
Retained earnings	(14.1)
Non-controlling interests	(8.1)

As already mentioned, the above impact is related to rentals of office space by the Group that used to be recognized as operating leases in accordance with IAS 17. Due to the fact that almost all rental agreements were concluded for periods longer than 12 months, the Group appropriately remeasured the related liabilities

that used to be disclosed as off-balance-sheet liabilities as well as liabilities arising from contracts for perpetual usufruct of land, and reclassified them as lease liabilities using the incremental borrowing rate. The impact on retained earnings resulted from the remeasurement of some contracts as if IFRS 16 was effective since their commencement, which is tantamount to the recognition of interest expenses accrued in previous years and accumulated depreciation recognized until 1 January 2019 in the balance of retained earnings.

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

	Lease liabilities
	<i>mPLN</i>
Finance lease liabilities as at 31 December 2018 (IAS 17)	61.0
Liabilities (and their changes) not disclosed in the statement of financial position as at 31 December 2018, of which:	526.8
Operating lease liabilities as at 31 December 2018 (IAS 17)	444.6
Discount calculated using the incremental borrowing rate and changes in the Group's estimates concerning the options to extend or terminate rental contracts that used to be classified as operating leases	59.3
Liabilities arising from contracts for perpetual usufruct of land recognized initially in the statement of financial position as at 1 January 2019	36.0
Short-term leases (practical expedient allowing not to recognize liabilities as at 1 January 2019)	(33.7)
Leases of low-value assets	(0.1)
Contracts classified as services	(0.8)
Adjustment resulting from changes in the index or interest rate affecting the variable lease payments	21.5
Lease liabilities as at 1 January 2019	587.8

2.7. Changes in the presentation methods applied

The presentation of operating segments in these financial statements has been modified due to changes in the organizational structure of Asseco Group that were described in detail in the Group's consolidated financial statements for the year ended 31 December 2017 that were published on 19 March 2018, which involved transferring into a standalone entity (Asseco International) of Asseco Group companies whose business operations are conducted in international markets (excluding companies of Formula Group). Such modification consisted in the identification of a new operating segment (Asseco International segment) comprising the results of our companies that were formerly included in the segments of: South Eastern European market, Central European market, Western European market, and Eastern European market. Moreover, in the wake of organizational changes, the companies of Asseco Business Solutions and Asseco Software Nigeria have been separated from the Polish market segment. Both the companies are now presented as part of the Asseco International segment. The above-mentioned changes resulted from a revision of the Group's Management plans regarding the manner of organizing our foreign operations and the need to consolidate such operations within a single, organizationally independent entity, whose business is the responsibility of the Management of Asseco International, a.s. Since the beginning of 2018, the results of this entire segment are regularly reviewed by the Group's chief operating decision maker, providing the basis for assessing the segment's performance and for making decisions concerning the allocation of resources.

Except for those described above, the applied methods of presentation were not subject to any changes during the reporting period.

2.8. Corrections of material errors

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

2.9. Changes in comparable data

a. Changes related to operating segments

Due to the above-described change in the presentation of operating segments, the comparable data for the year ended 31 December 2017 disclosed in these consolidated financial statements of Asseco Group have been restated as required by IFRS 8, which is presented in the table below.

Segments in the comparable period before the presentation changes:

12 months ended 31 Dec. 2017	Polish market	Central European market	South Eastern European market	Israeli market	Western European market	Eastern European market	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Sales to external customers	1,550.2	791.8	570.3	4,265.3	635.6	17.3		7,830.5
Inter-segment sales	8.9	1.6	0.6	27.6	2.6	0.1	(41.4)	-
Operating profit (loss) of segment	213.4	70.4	65.9	185.3	52.0	(1.0)	(1.2)	584.8
Interest income ¹⁾	5.5	0.8	1.6	6.1	3.7	0.1	-	17.8
Interest expenses ²⁾	(9.7)	(0.3)	(1.1)	(32.3)	(0.5)	(0.2)	-	(44.1)
Corporate income tax	(37.5)	(18.9)	(12.7)	(70.6)	(9.4)	27.1⁵⁾	-	(122.0)
Non-cash items:								
Depreciation and amortization	(93.7)	(20.7)	(40.6)	(169.9)	(14.1)	(1.2)	3.1	(337.1)
Impairment losses on segment assets	(81.8)	1.1	(9.5)	(4.0)	(19.2)	(3.2)	-	(116.6)
<i>of which write-down on goodwill</i>	<i>(81.0)</i>	-	-	-	<i>(15.9)</i>	<i>(3.2)</i>	-	<i>(100.1)</i>
Share of profits of associates and joint ventures	(1.1)	0.8	-	3.4	-	(40.8)	-	(37.7)
Net profit (loss) attributable to shareholders of the Parent Company	28.2	55.2	28.7	405.5⁴⁾	9.2	(59.3)⁶⁾	(0.9)	466.6
Cash provided by (used in) operating activities ³⁾	213.8	89.8	106.6	382.9	68.9	(0.2)	1.3	863.1
Goodwill as at 31 December 2017	2,502.7	450.4	502.5	3,935.2	128.1	-	-	7,518.9

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

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

³⁾ Cash generated from operating activities before income tax paid

⁴⁾ This amount includes the result on deconsolidation of Formula Group as well as the result on fair value measurement of the stake of shares held in Formula Systems (1985)

⁵⁾ This amount is positive primarily as a result of the utilization of tax-deductible loss recognized on the sale of shares in R-Style Softlab

⁶⁾ This amount includes an allowance for receivables arising from the sale of shares in R-Style Softlab

Segments in the comparable period after the presentation changes and restatement:

12 months ended 31 Dec. 2017	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Sales to external customers	1,336.6	2,227.4	4,265.3	-	7,829.3
<i>Inter-segment sales</i>	9.1	5.5	27.6	(42.2)	-
Operating profit (loss) of operating segment	152.5	248.8	185.3	(1.8)	584.8
Interest income ¹⁾	4.6	7.2	6.1	-	17.9
Interest expenses ²⁾	(9.3)	(2.0)	(32.3)	(0.6)	(44.2)
Corporate income tax	(25.5)	(25.9)	(70.6)	-	(122.0)
Non-cash items:					
Depreciation and amortization (operating and other operating activities)	(79.7)	(90.6)	(169.9)	3.1	(337.1)
<i>of which amortization of intangible assets recognized in purchase price allocation (PPA)</i>	(18.0)	(7.7)	(114.0)	-	(139.7)
Costs of share-based payment transactions with employees	-	(1.2)	(17.6)	-	(18.8)
Impairment losses on segment assets	(80.5)	(32.1)	(4.0)	-	(116.6)
Share of profits of associates and jointly controlled companies	(1.1)	(40.0)	3.4	-	(37.7)
Net profit (loss) attributable to the Parent Company	7.1	55.7	405.5	(1.7)	466.6
Cash provided by (used in) operating activities ³⁾	137.4	341.6	382.9	1.2	863.1
Goodwill (as at 31 December 2017, after restatement)	2,254.4	1,327.2	435.4	-	4,017.0

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

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

³⁾ Cash generated from operating activities before income tax paid

b. Changes resulting from the completion of purchase price allocation

In 2018, the Group completed the purchase price allocation of Formula Group and CEIT Group (Asseco International segment). This process resulted in changing the values of some assets and liabilities disclosed as at 31 December 2017, as well as some items disclosed in the income statement for the period of 12 months ended 31 December 2017, which necessitated a restatement of comparable data. The detailed information on the acquired assets and liabilities has been presented in explanatory note 6.4 to these consolidated financial statements.

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

Restatement of comparable data as at 31 December 2017	31 Dec. 2017	Completion of purchase price allocation of Formula Group	Completion of purchase price allocation of CEIT Group	31 Dec. 2017 (restated)
	mPLN	mPLN		mPLN
Non-current assets	11,013.1	(3,526.2)	2.7	7,489.6
Property, plant and equipment	849.1	-	1.1	850.2
Intangible assets	2,105.9	(26.4)	3.7	2,083.2
Investment property	19.7	-	-	19.7
Goodwill	7,518.9	(3,499.8)	(2.1)	4,017.0
Investments accounted for using the equity method	100.5	-	-	100.5
Long-term receivables	108.3	-	-	108.3
Deferred tax assets	87.1	-	-	87.1
Other non-financial assets	0.2	-	-	0.2

Other long-term financial assets	177.1	-	-	177.1
Long-term prepayments and accrued income	46.3	-	-	46.3
Current assets	4,392.8	-	-	4,392.8
TOTAL ASSETS	15,405.9	(3,526.2)	2.7	11,882.4
Total equity	10,846.6	(3,520.1)	2.0	7,328.5
Equity (attributable to shareholders of the Parent Company)	5,601.9	(2.5)	2.0	5,601.4
Non-controlling interests	5,244.7	(3,517.6)	-	1,727.1
Non-current liabilities	1,958.6	(6.1)	0.7	1,953.2
Deferred tax liabilities	419.6	(6.1)	0.7	414.2
Other long-term liabilities	1,539.0	-	-	1,539.0
Current liabilities	2,600.7	-	-	2,600.7
TOTAL LIABILITIES	4,559.3	(6.1)	0.7	4,553.9
TOTAL EQUITY AND LIABILITIES	15,405.9	(3,526.2)	2.7	11,882.4

Restatement of comparable data for the consolidated statement of income	For the period of 12 months ended 31 Dec. 2017 mPLN	Completion of purchase price allocation of CEIT Group mPLN	For the period of 12 months ended 31 Dec. 2017 (restated) mPLN
Sales revenues	7,830.5	(1.2)	7,829.3
Cost of sales	(6,158.7)	1.2	(6,157.5)
Gross profit on sales	1,671.8	-	1,671.8
Selling costs	(446.8)	-	(446.8)
General and administrative expenses	(624.9)	-	(624.9)
Net profit on sales	600.1	-	600.1
Other operating income	41.7	-	41.7
Other operating expenses	(57.0)	-	(57.0)
Operating profit	584.8	-	584.8
Financial income	508.6	0.1	508.7
Financial expenses	(316.9)	(0.1)	(317.0)
Pre-tax profit before share of profits of associates and joint ventures	776.5	-	776.5
Corporate income tax (current and deferred tax expense)	(122.0)	-	(122.0)
Share of profits of associates and joint ventures	(37.7)	-	(37.7)
Net profit for the reporting period	616.8	-	616.8
<i>Attributable to:</i>			
Shareholders of the Parent Company	466.6	-	466.6
Non-controlling interests	150.2	-	150.2

III. 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 parent company controls a subsidiary only when it: (i) has power over a given entity, (ii) is exposed, or has rights, to variable returns from its involvement with a given entity, and (iii) has the ability to use power over a given entity to affect the amount of generated returns.

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

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

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

Combinations of businesses under common control

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

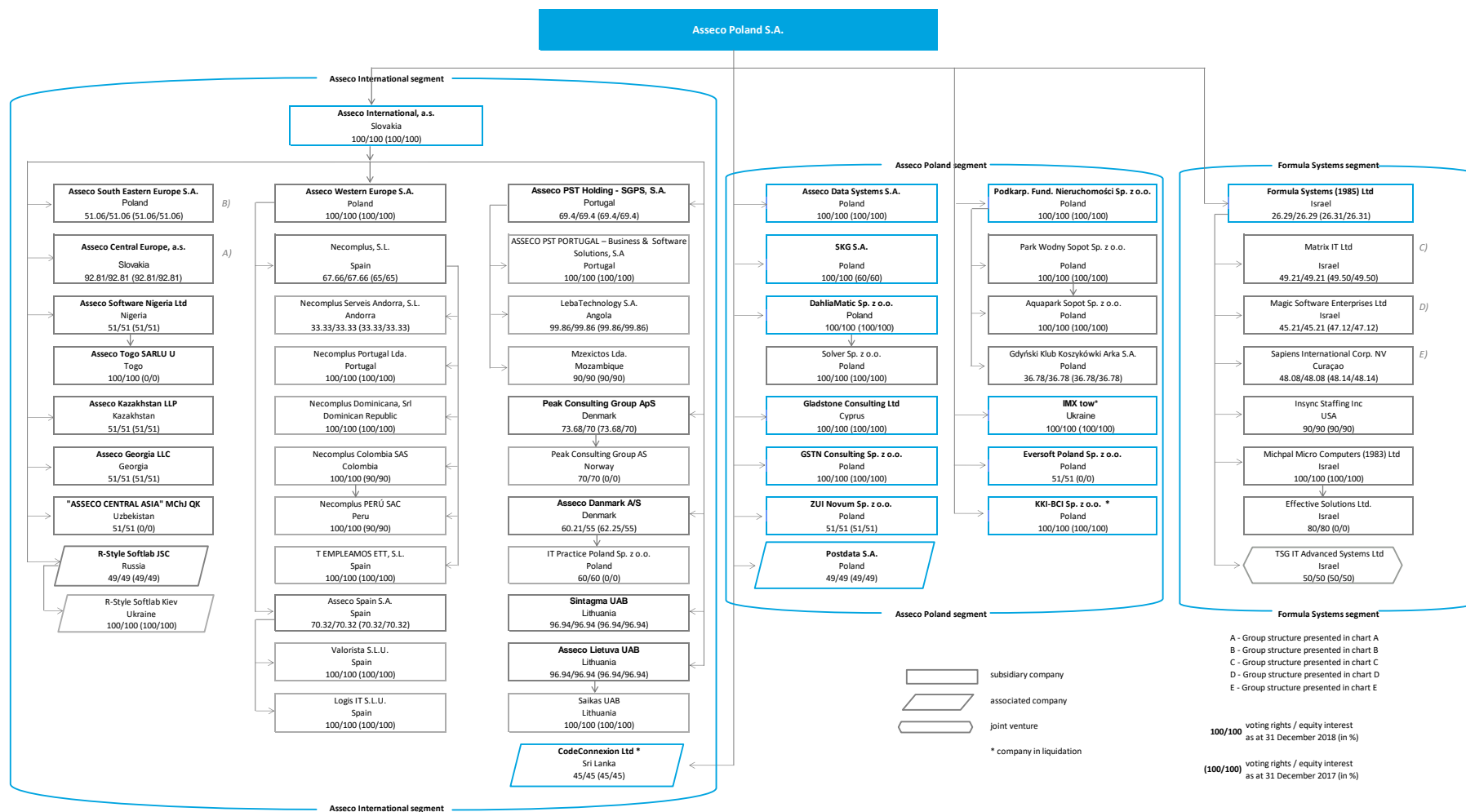
This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two 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.

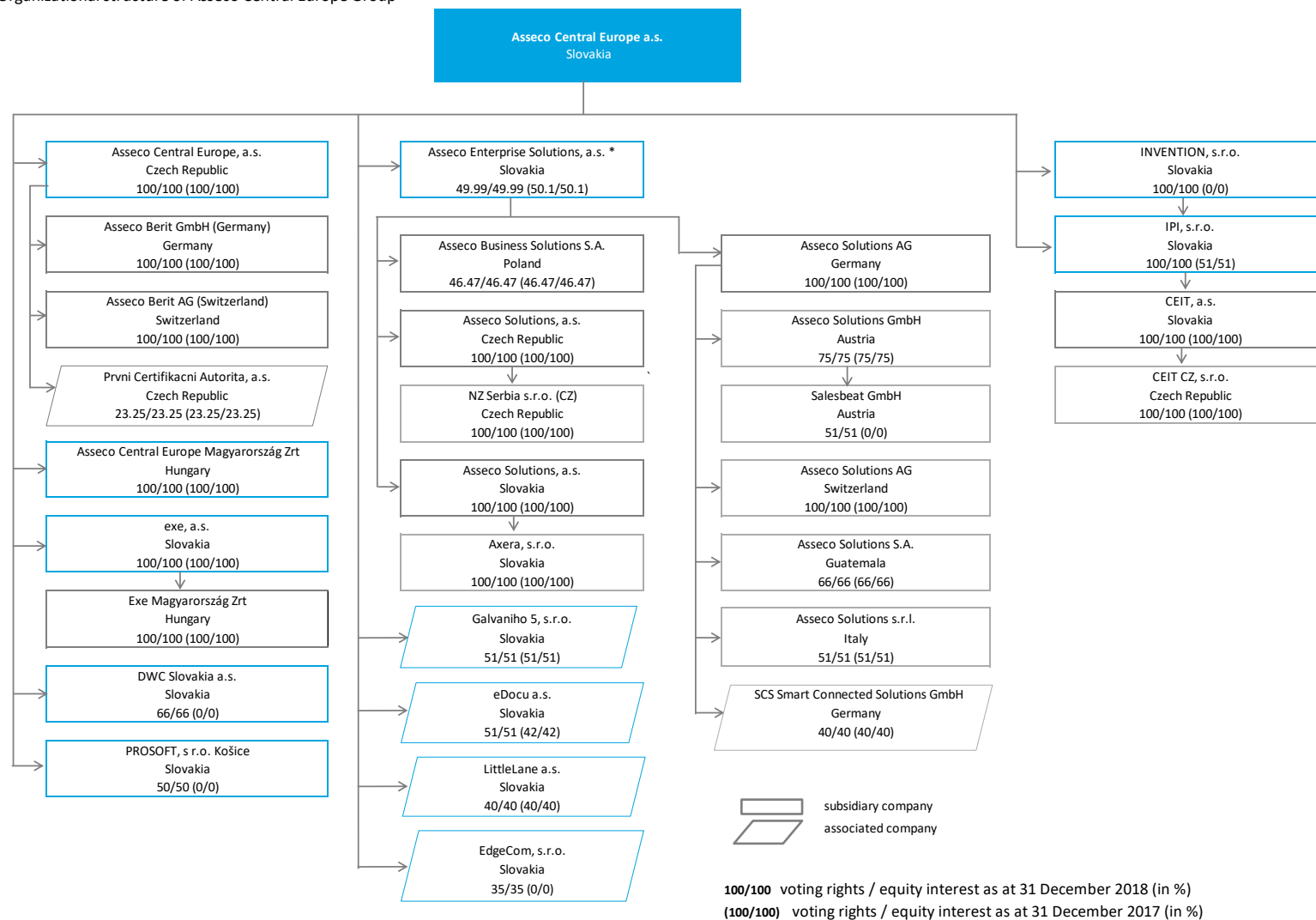
The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method, assuming that:

- *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 income statement (financial expenses);*
- *mutual balances of accounts receivable/payable are eliminated;*
- *any difference between the purchase price paid or transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);*
- *the income statement presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.*

The organizational structure of Asseco Group has been presented in the chart below (*the voting rights and equity interest held as at 31 December 2018 and 31 December 2017 are disclosed under the name of each company*):

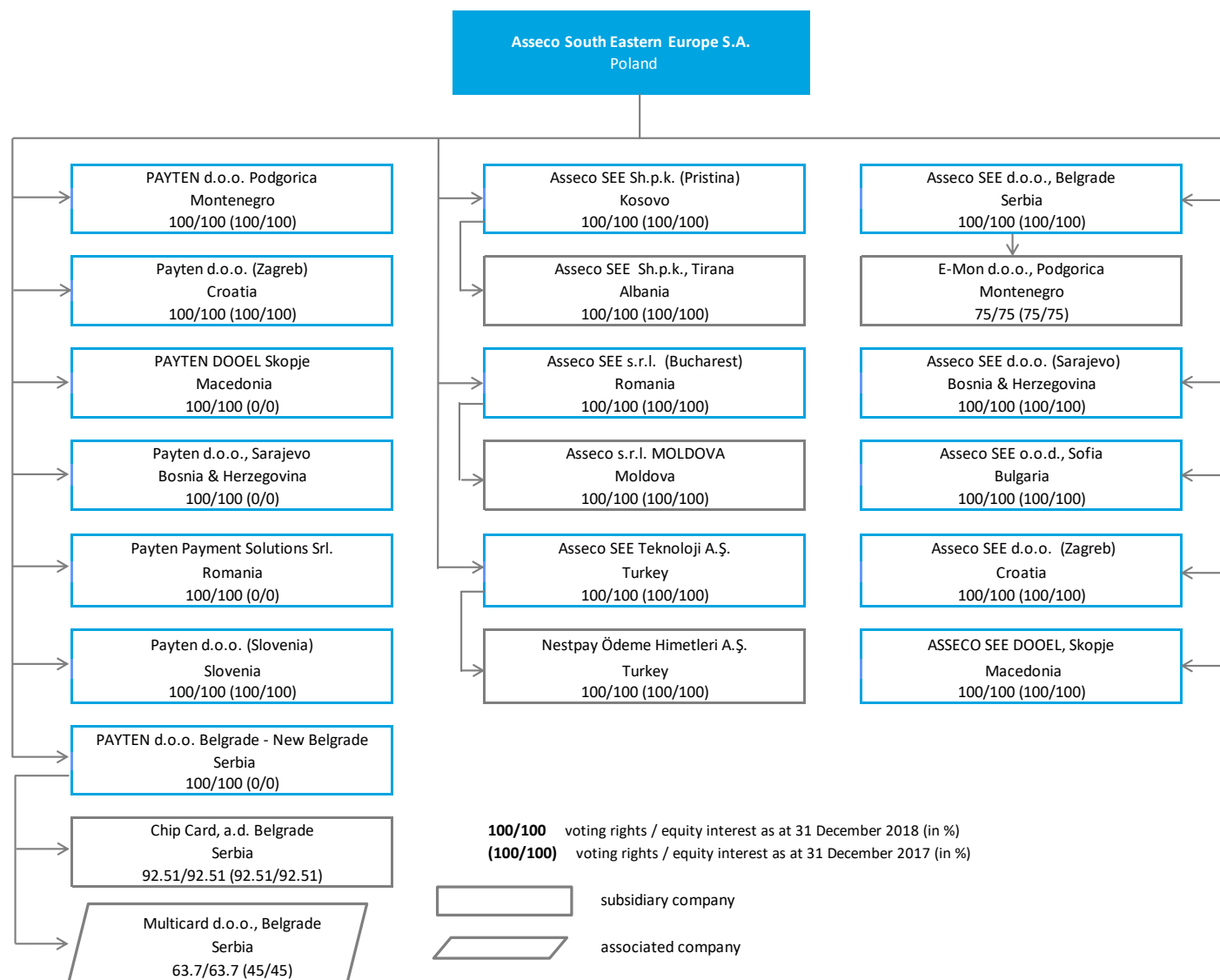


A. Organizational structure of Asseco Central Europe Group

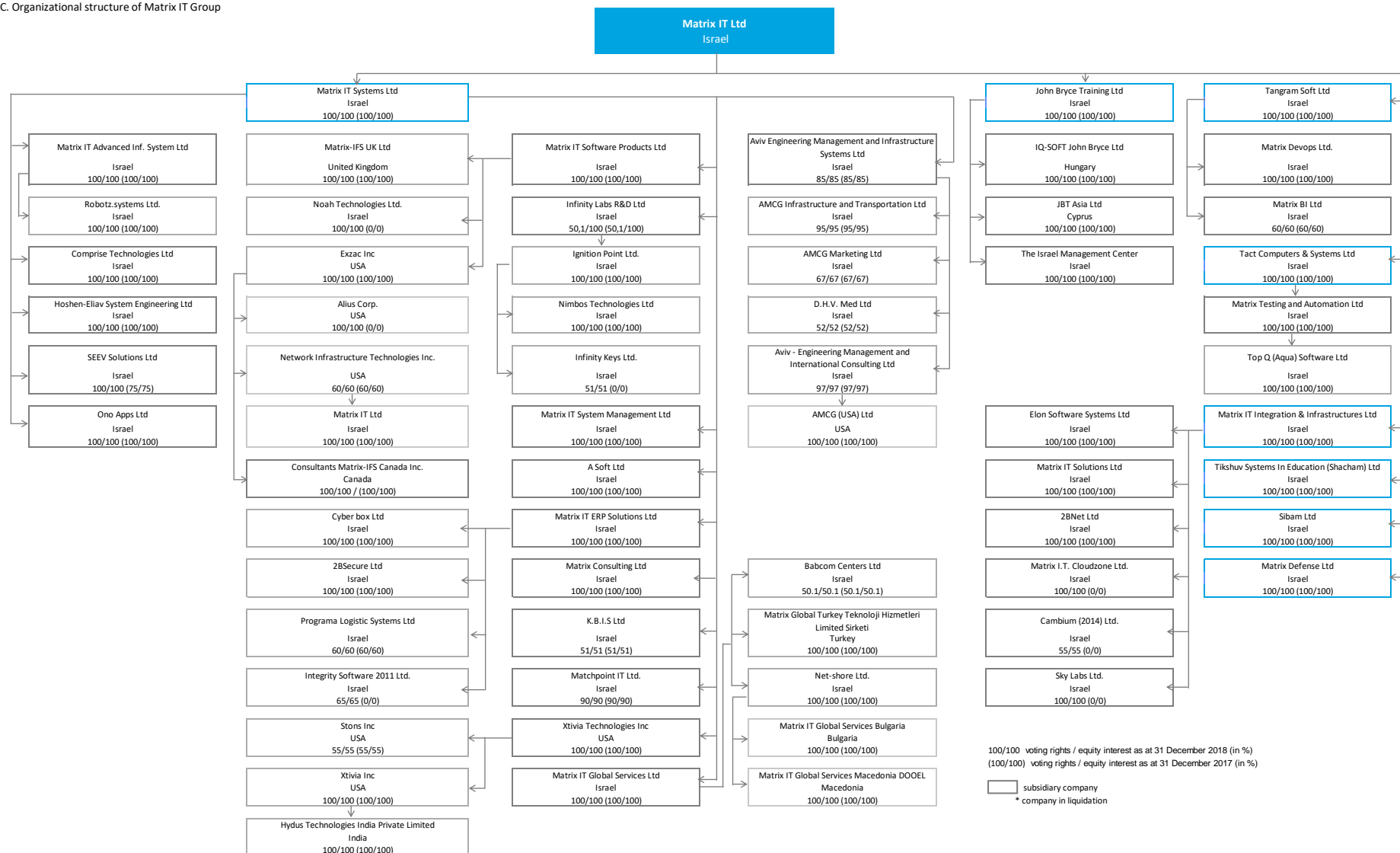


* Asseco Central Europe, a.s. holds 49.999999% of shares in Asseco Enterprise Solutions, while the remaining 50.000001% of shares are held by Asseco International, a.s. Asseco Central Europe, a.s. maintains direct control over Asseco Enterprise Solutions, a.s.

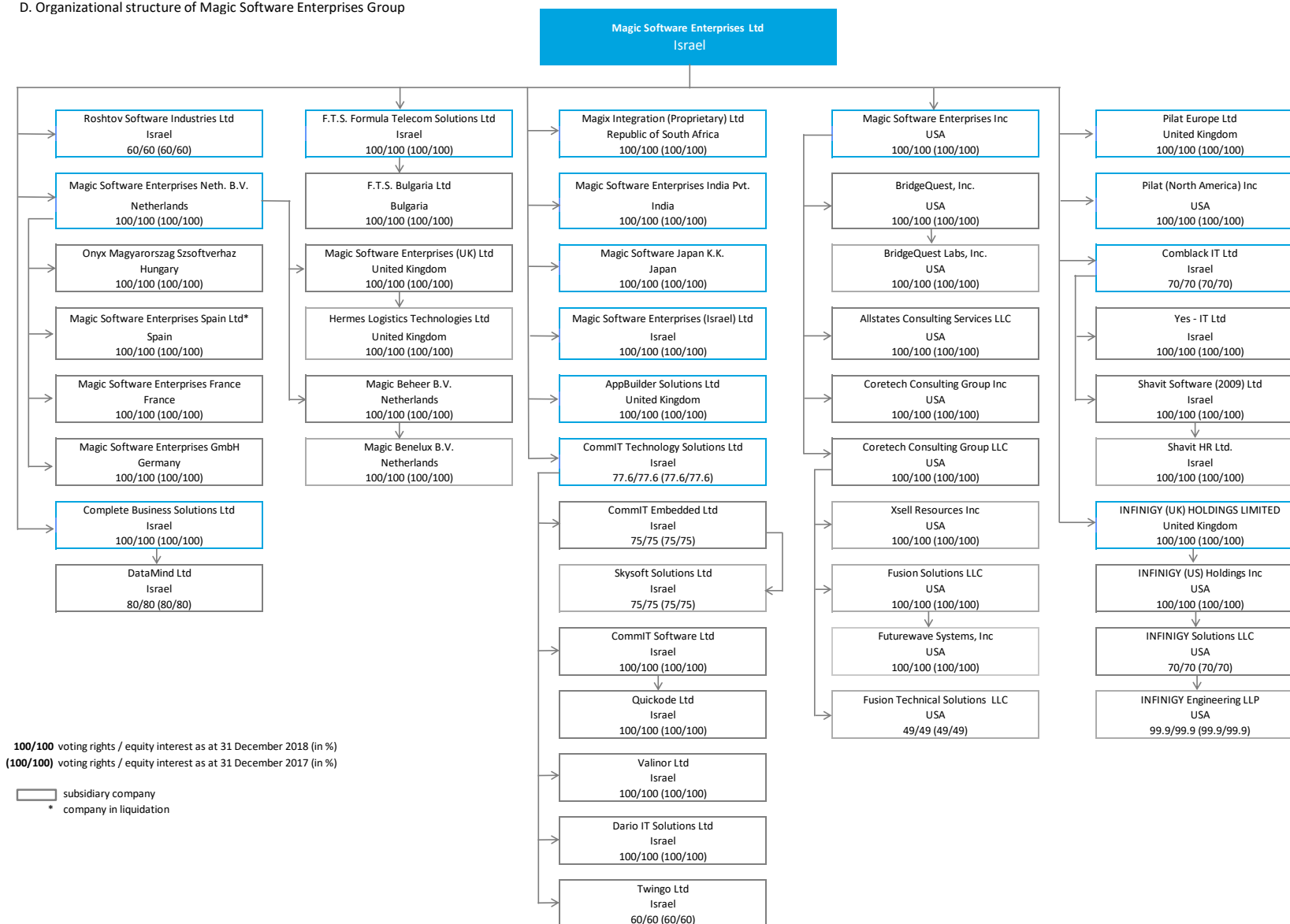
B. Organizational structure of Asseco South Eastern Europe Group



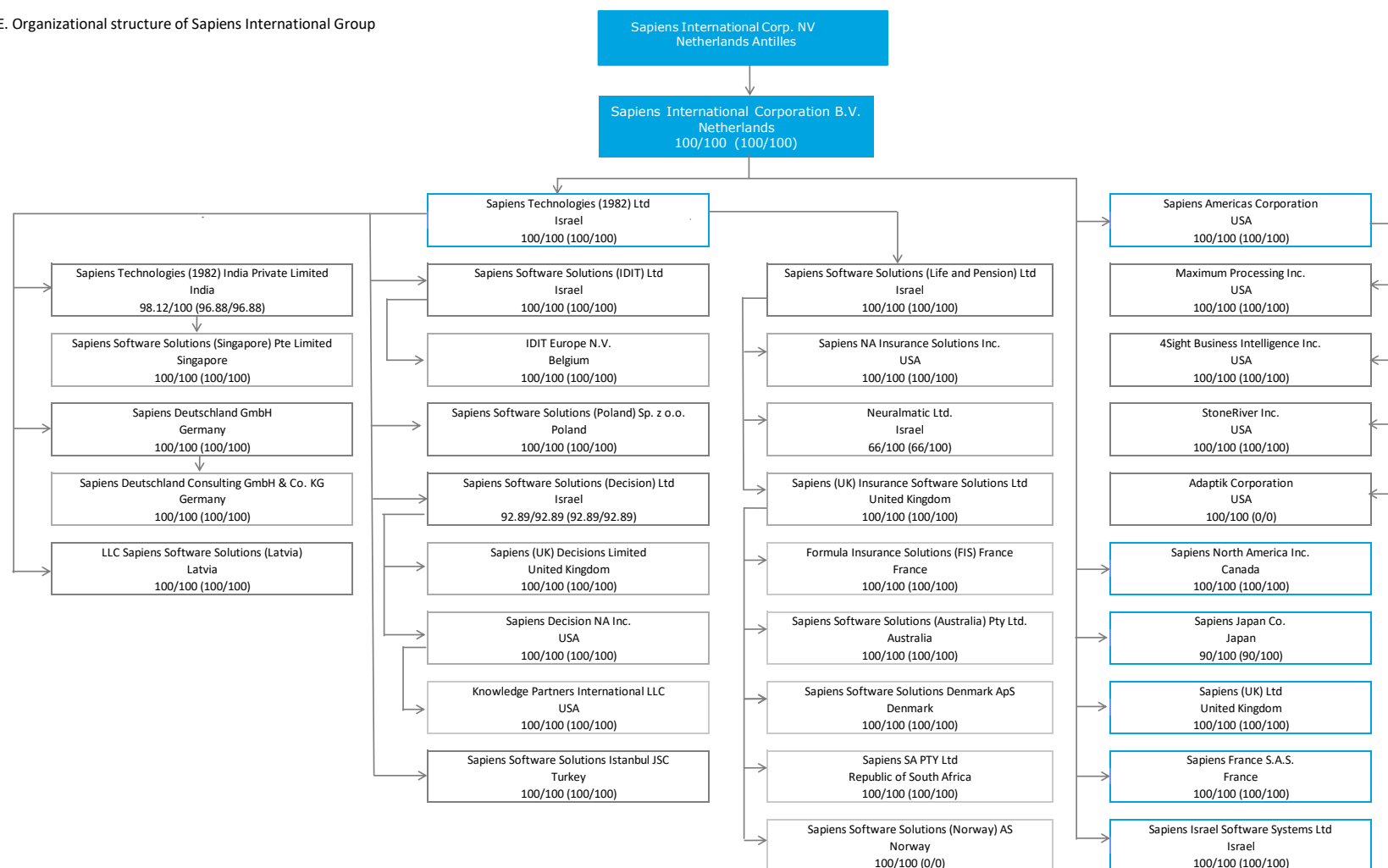
C. Organizational structure of Matrix IT Group



D. Organizational structure of Magic Software Enterprises Group



E. Organizational structure of Sapiens International Group



100/100 voting rights / equity interest as at 31 December 2018 (in %)
 (100/100) voting rights / equity interest as at 31 December 2017 (in %)

□ subsidiary company
 * company in liquidation

During the period of 12 months ended 31 December 2018, the Group's composition changed as follows:

Asseco Poland segment

- ***Acquisition of shares in SKG S.A. by Asseco Poland***

On 15 March 2018, we signed an agreement under which the minority shareholders of the company SKG S.A., by exercising their put options, sold their 40% equity interest in SKG S.A. to Asseco Poland S.A. The purchase price of these shares was agreed at PLN 5.4 mln. Due to completion of this transaction, Asseco Poland holds 100% of shares in SKG S.A. As a result of accounting for this buyout transaction, the Group recognized the amount of PLN -3.9 million in its equity.

- ***Increase of the share capital of Asseco International, a.s.***

On 29 March 2018, the share capital of Asseco International, a.s. was increased upon contribution of shares in Asseco Western Europe S.A. This transaction had no impact on these annual consolidated financial statements of Asseco Group.

- ***Further increase of the share capital of Asseco International, a.s.***

On 15 June 2018 (with effect from 16 June 2018), the share capital of Asseco International, a.s. was increased again upon contribution of shares in Asseco Enterprise Solutions. As a result of this transaction, Asseco Poland S.A. has no direct shareholding in Asseco Enterprise Solutions. Nonetheless, because Asseco Poland S.A. maintains control over Asseco International, a.s., this transaction had no impact on these annual consolidated financial statements of Asseco Group.

- ***Increase of the share capital of Modulus Sp. z o.o.***

On 10 August 2018, an increase of the share capital of Modulus Sp. z o.o. was registered. As a result of the share capital increase, the equity interest held by Asseco Poland in Modulus Sp. z o.o. raised from 50% to 70.01% and Asseco Poland obtained control over that company. Subsequently, on 21 December 2018, Modulus Sp. z o.o. (the buyer) signed an agreement to acquire 70.01% of its own shares from Asseco Poland S.A. (the seller). As a result of the above, Asseco Poland S.A. no longer holds any shares in Modulus Sp. z o.o. as at 31 December 2018, and therefore does not exercise control over that company. The impact of the above described transactions on the equity attributable to shareholders of the Parent Company amounted to PLN 0.4 million.

- ***Acquisition of shares in Eversoft Poland Sp. z o.o.***

On 27 September 2018, Asseco Poland S.A. acquired a 51% stake in the company Eversoft Poland Sp. z o.o., based in Warsaw. The acquired shares were registered on 3 December 2018 and since that time Asseco Poland S.A. has exercised control over Eversoft Poland Sp. z o.o. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

Asseco International segment

- ***Merger of Macrologic S.A. with Asseco Business Solutions S.A.***

The merger of Macrologic S.A. (being the acquired company) with Asseco Business Solutions S.A. (acting as the taking-over company) was registered on 2 January 2018. This transaction had no impact on these annual consolidated financial statements.

- ***Establishing of a new company PAYTEN d.o.o. Belgrade – New Belgrade***

On 3 January 2018, Asseco South Eastern Europe S.A. established a company called PAYTEN d.o.o. Belgrade – New Belgrade. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe. This transaction had no impact on these annual consolidated financial statements.

- ***Establishing of a new company PAYTEN DOOEL Skopje***

On 7 January 2018, Asseco South Eastern Europe S.A. established a company called PAYTEN DOOEL Skopje. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe. This transaction had no impact on these annual consolidated financial statements.

- ***Changing the name of Asseco SEE d.o.o. Podgorica to Payten d.o.o. Podgorica***

On 10 January 2018, the company Asseco SEE d.o.o. Podgorica was renamed as PAYTEN d.o.o. Podgorica.

- ***Change of shareholding in Necomplus, S.L.***

On 11 January 2018, Asseco Western Europe S.A. increased its equity interest in the company Necomplus, S.L. from 65% to 71.23%. As a result of accounting for the buyback and subsequent retirement of own shares, the Group recognized the amount of PLN +0.6 million in its equity.

- ***Change of shareholding in eDocu a.s.***

On 24 January 2018, Asseco Central Europe a.s. increased its equity interest in the company eDocu a.s. from 42% to 62%. Subsequently, on 29 March 2018, Asseco Central Europe a.s. sold 11% of shares in eDocu a.s. Following the above-mentioned transactions, the equity interest held by Asseco Central Europe a.s. in eDocu a.s. equals 51% (however, this company is still treated as an associated entity because the criteria for the existence of control in line with IFRS 10 have not been met).

- ***Acquisition of shares in PROSOFT, spol. S.r.o. Košice***

On 26 January 2018, Asseco Central Europe a.s. acquired a 50% stake in the company PROFOST, spol. s.r.o. Košice, based in Slovakia. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

- ***Liquidation of Asseco IT Services Zrt.***

The company of Asseco IT Services Zrt. was liquidated on 10 March 2018. This transaction had no significant impact on these annual consolidated financial statements.

- ***Changing the name of Exictos SGPS S.A. to Asseco PST Holding – SGPS S.A.***

On 8 May 2018, the company Exictos SGPS S.A. was renamed as Asseco PST Holding – SGPS S.A.

- ***Transfer of shares in Asseco Enterprise Solutions***

On 9 May 2018, Asseco Central Europe, a.s. transferred 0.11% of shares in the company Asseco Enterprise Solutions to Asseco International. Following that transaction, the equity interest held by Asseco Central Europe, a.s. in Asseco Enterprise Solutions dropped from 50.1% to 49.99%. This transaction had no impact on these annual consolidated financial statements.

- ***Establishing of a new company Payten d.o.o. Sarajevo***

On 10 May 2018, Asseco South Eastern Europe S.A. established a new company called Payten d.o.o. Sarajevo, based in Bosnia and Herzegovina. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe.

- ***Change of shareholding in Multicard d.o.o., Belgrade***

On 14 May 2018, PAYTEN d.o.o. Belgrade – New Belgrade increased its equity interest in the company Multicard d.o.o., Belgrade from 45% to 63.7%. This transaction had no impact on the Group's equity because the said company has remained an associated entity of ASEE Group.

- ***Establishing of a new company Payten Payment Solutions Srl.***

On 16 May 2018, Asseco South Europe S.A. established a new company called Payten Payment Solutions Srl., based in Romania. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe.

- ***Commencement of liquidation of T EMPLEAMOS ETT, S.L.***

The process of liquidation of the company T EMPLEAMOS ETT, S.L. (a wholly-owned subsidiary of Necomplus, S.L.) was initiated on 18 May 2018. This transaction had no impact on the Group's equity.

- ***Establishing of a new company Asseco Togo SARLU***

On 1 June 2018, Asseco Software Nigeria Ltd. established a new company called Asseco Togo SARLU. The newly founded company is a wholly-owned subsidiary of Asseco Software Nigeria Ltd.

- ***Acquisition of shares in DWC Slovakia a.s.***

On 21 June 2018, Asseco Central Europe a.s. acquired a 66% stake in the company DWC Slovakia a.s., based in Slovakia. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

- ***Changing the name of Asseco SEE d.o.o. to Payten d.o.o.***

On 5 July 2018, the company Asseco SEE d.o.o. was renamed as Payten d.o.o.

- ***Establishing of a new company Peak Consulting Group AS***

On 14 July 2018, Peak Consulting Group ApS established a new company called Peak Consulting Group AS, based in Norway. The newly founded company is a 70% subsidiary of Peak Consulting Group ApS.

- ***Establishing of a new company IT Practice Poland Sp. z o.o.***

On 29 August 2018, Asseco Danmark established a new company called IT Practice Poland Sp. z o.o. The newly founded company is a 60% subsidiary of Asseco South Eastern Europe.

- ***Changing the name of Portexictos S.A. to ASSECO PST PORTUGAL – Business & Software Solutions, S.A.***

On 31 August 2018, the company Portexictos S.A. was renamed as ASSECO PST PORTUGAL – Business & Software Solutions, S.A.

- ***Acquisition of shares in DanubePay a.s.***

On 11 October 2018, Asseco Central Europe a.s. acquired a 45% stake in the company DanubePay a.s. Following this transaction, the equity interest held by Asseco Central Europe a.s. in DanubePay a.s. reached 100%.

- ***Change of shareholding in Necomplus, S.L.***

On 26 October 2018, Asseco Western Europe S.A. decreased its equity interest in the company Necomplus, S.L. from 71.23% to 67.66%. Necomplus, S.L. has still remained a subsidiary of Asseco Western Europe S.A. As a result of this transaction, we recognized the amount of PLN -0.2 million in equity attributable to shareholders of the Parent Company.

- ***Change of shareholding in Necomplus Colombia SAS***

On 26 October 2018, Necomplus, S.L. increased its equity interest in the company Necomplus Colombia SAS from 90% to 100%. The transaction was conducted by exchanging the shares in Necomplus, S.L. for shares in Necomplus Colombia.

- ***Change of shareholding in Necomplus PERU SAC***

On 26 October 2018, Necomplus, S.L. increased its equity interest in the company Necomplus PERU SAC from 90% to 99.97%. The transaction was conducted by exchanging the shares in Necomplus, S.L. for shares in Necomplus PERU SAC. The remaining 0.03% of shares in Necomplus PERU SAC are held by the company Necomplus Colombia SAS. Hence, Necomplus, S.L. in total (directly and indirectly) holds 100% of shares in the company Necomplus PERU SAC.

- ***Winding-up the company of Cvexictos Lda.***

On 26 October 2018, the company of Cvexictos Lda., a subsidiary of Asseco PST Holding SGPS S.A., was dissolved. This transaction had no significant impact on these consolidated financial statements.

- **Acquisition and sale of shares in InterWay a.s.**

In October 2018, Asseco Central Europe a.s. acquired a 34% stake in the company InterWay a.s. Subsequently, also in October 2018, Asseco Central Europe a.s. sold a 99% stake in InterWay a.s. as a consequence of which its shareholding in the company InterWay a.s. dropped to 1%. As a result of this transaction, we recognized the amount of PLN 1.5 million in equity attributable to shareholders of the Parent Company.

- **Acquisition of shares in Salesbeat GmbH**

On 29 October 2018, Asseco Solutions GmbH acquired a 51% stake in Salesbeat GmbH, based in Austria. The acquired company is a subsidiary of Asseco Solutions GmbH.

- **Acquisition of shares in INVENTION, s.r.o.**

On 15 November 2018, Asseco Central Europe, a.s. acquired 100% of shares in the company INVENTION, s.r.o., based in Slovakia. INVENTION, s.r.o. holds 49% of shares in CEIT Group. As a result of the acquisition of shares in INVENTION, s.r.o., the Group increased its shareholding in CEIT Group from 51% to 100%. The acquisition of shares in INVENTION, s.r.o. has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

- **Sale of shares in DanubePay, a.s.**

On 30 November 2018, Asseco Central Europe, a.s. sold 100% of shares in the company DanubePay, a.s. As a result of this transaction, we recognized the amount of PLN 4.9 million in equity attributable to shareholders of the Parent Company.

- **Merger of companies within CEIT Group**

The merger of CEIT Technical Innovation, CEIT Pro, CEIT Engineering Service (the acquired companies) with CEIT a.s (the taking-over company) was registered on 1 December 2018. This transaction had no impact on these annual consolidated financial statements.

- **Establishing of a new company ASSECO CENTRAL ASIA MChJ QK**

On 4 December 2018, Asseco International, a.s. established a new company called „ASSECO CENTRAL ASIA” MChJ QK, based in Uzbekistan. This company was registered on 11 December 2018. The newly founded company is a 51% subsidiary of Asseco International, a.s.

- **Acquisition of shares in EdgeCom, s.r.o.**

On 6 December 2018, Asseco Central Europe, a.s. acquired a 35% stake in the company EdgeCom, s.r.o., based in Slovakia. As at 31 December 2018, Asseco Central Europe a.s. did not exercise control over the acquired company.

- **Change of shareholding in Asseco Danmark A/S**

On 21 December 2018, following a sale of own shares by Asseco Danmark A/S, voting rights held by Asseco International, a.s. in the company Asseco Danmark A/S dropped from 62.25% to 60.21%. However, the equity interest held by Asseco International, a.s. in the company Asseco Danmark A/S remained unchanged at the level of 55%. As a result of this transaction, equity attributable to shareholders of the Parent Company increased by PLN 0.2 million.

Formula Systems segment

- **Transfer of shares in 2BNet Ltd.**

On 3 January 2018, 100% of shares in the company 2BNet Ltd. were transferred to Matrix IT Integration & Infrastructures Ltd. As a result of this transaction, Matrix IT Integration & Infrastructures Ltd. now holds 100% of shares in 2BNet Ltd. This transaction had no impact on the Group's equity.

▪ ***Acquisition of Alius Corp.***

On 18 January 2018, Exzac Inc. (a subsidiary of Matrix IT) acquired a 50.1% stake in Alius Corp. based in the United States. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Liquidation of IDIT APAC PTY LIMITED***

On 12 February 2018, the company IDIT APAC PTY LIMITED (a subsidiary of Sapiens Software Solutions (IDIT) Ltd.) was deregistered. This transaction had no impact on the Group's equity.

▪ ***Acquisition of Adaptik Corporation***

On 7 March 2018, Sapiens Americas Corporation acquired 100% of shares in Adaptik Corporation. The newly acquired company is a wholly-owned subsidiary of Sapiens Americas Corporation. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Change of shareholding in Sapiens Technologies (1982) India Private Limited***

On 12 March 2018, Sapiens Technologies (1982) Ltd. increased its equity interest in the company Sapiens Technologies (1982) India Private Limited from 96.88% to 98.12%.

▪ ***Acquisition of Pleasant Valley Business Solutions (PVBS) Limited***

On 13 March 2018, Xtivia Inc. acquired the company Pleasant Valley Business Solutions (PVBS) Limited. The newly acquired company is a wholly-owned subsidiary of Xtivia Inc. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Changing the name of FIS-AU Pty Ltd. to Sapiens Software Solutions (Australia) Pty Ltd.***

On 26 March 2018, the company FIS-AU Pty Ltd. was renamed as Sapiens Software Solutions (Australia) Pty Ltd.

▪ ***Changing the name of Knowledgeprice.com to LLC Sapiens Software Solutions (Latvia)***

On 28 March 2018, the company Knowledgeprice.com was renamed as LLC Sapiens Software Solutions (Latvia).

▪ ***Establishing of a new company Sapiens Software Solutions (Norway) AS***

On 15 April 2018, Sapiens (UK) Insurance Software Solutions Limited established a new company called Sapiens Software Solutions (Norway) AS, based in Norway. The newly founded company is a wholly-owned subsidiary of Sapiens (UK) Insurance Software Solutions Limited.

▪ ***Change of shareholding in SEEV Solutions Ltd.***

On 16 April 2018, Matrix IT Systems Ltd. increased its equity interest in the company SEEV Solutions Ltd. from 75% to 100%. This transaction had no impact on the consolidated equity of Asseco Group, because Matrix Group has already used the purchase method of accounting.

▪ ***Transfer of shares in Nimbos Technologies Ltd.***

On 23 April 2018, 100% of shares in the company Nimbos Technologies Ltd. were transferred to Ignition Point Ltd., both operating within Matrix IT Group. Following this transaction, Ignition Point Ltd. now holds 100% of shares in Nimbos Technologies Ltd.

▪ ***Establishing of a new company Matrix I.T. Cloudzone Ltd.***

On 22 May 2018, Matrix I.T. Integration & Infrastructures Ltd. established a new company called Matrix I.T. Cloudzone Ltd., based in Israel. The newly founded company is a wholly-owned subsidiary of Matrix I.T. Integration & Infrastructures Ltd.

▪ ***Establishing of a new company Infinity Keys Ltd.***

On 26 June 2018, Ignition Point Ltd. (a subsidiary of Matrix IT) established a new company called Infinity Keys Ltd., based in Israel, by acquiring 100% of shares and control over that company. On 23 July 2018, Ignition Point decreased its shareholding in Infinity Keys Ltd. from 100% down to 51%.

▪ ***Magic Software Enterprises – issuance of own shares***

All conditions regarding the increase of the share capital of Magic Software Enterprises were satisfied on 12 July 2018. The company sold 3.2 million shares through a private placement for the total amount of USD 35 million. Formula Systems purchased 1.1 million of those newly issued shares. Upon registration of this issuance, the equity interest held by Formula Systems in Magic Software Enterprises has dropped to 45.3%.

▪ ***Commencement of the liquidation process of Sapiens (Singapore) Insurance Solution***

The process of winding-up the company of Sapiens (Singapore) Insurance Solution (a subsidiary of Sapiens Software Solutions (IDIT) Ltd.) was initiated on 16 July 2018.

▪ ***Acquisition of Cambium (2014) Ltd.***

On 25 July 2018, Matrix IT Integration & Infrastructures Ltd. acquired a 55% stake in the company Cambium (2014) Ltd. The acquired company is a subsidiary of Matrix IT Integration & Infrastructures Ltd. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Acquisition of Integrity Software 2011 Ltd.***

On 29 August 2018, Matrix IT ERP Solutions Ltd. acquired a 65% stake in the company Integrity Software 2011 Ltd. The acquired company is a subsidiary of Matrix IT ERP Solutions Ltd. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Changing the name of Manageware Ltd. to Matrix Devops Ltd.***

On 24 September 2018, the company Manageware Ltd. was renamed as Matrix Devops Ltd.

▪ ***Change of shareholding in Alius Corp.***

On 25 October 2018, Exzac Inc. increased its equity interest in Alius Corp. from 50.1% to 100%.

▪ ***Liquidation of Periscope Enterpr. And Management Ltd.***

On 9 October 2018, the company Periscope Enterpr. And Management Ltd. went into liquidation. This transaction had no significant impact on these annual consolidated financial statements.

▪ ***Establishing of a new company Sky Labs Ltd.***

On 14 October 2018, Matrix I.T. Integration & Infrastructures Ltd. established a new company called Sky Labs Ltd., based in Israel. The newly founded company is a wholly-owned subsidiary of Matrix I.T. Integration & Infrastructures Ltd.

▪ ***Acquisition of Effective Solutions Ltd.***

On 11 October 2018, Michpal Micro Computers (1983) Ltd. acquired an 80% stake in the company Effective Solutions Ltd. The acquired company is a subsidiary of Michpal Micro Computers (1983) Ltd. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

▪ ***Changing the name of Ibexi Solutions Pte Limited to Sapiens Software Solutions (Singapore) Pte Limited***

On 24 October 2018, Ibexi Solutions Pte Limited was renamed as Sapiens Software Solutions (Singapore) Pte Limited.

▪ ***Closing operations of Sapiens (Singapore) Insurance Solutions***

On 7 November 2018, the company Sapiens (Singapore) Insurance Solutions discontinued its business operations. Sapiens (Singapore) Insurance Solutions was deregistered from the register of companies on the same date.

▪ ***Acquisition of Noah Technologies Ltd.***

On 13 November 2018, Matrix IT Software Product Ltd. acquired 100% of shares in Noah Technologies Ltd. The acquired company is a subsidiary of Matrix IT Software Product Ltd. This transaction has been described in detail in explanatory note 6.4 to these annual consolidated financial statements.

- ***Merger of Pleasant Valley Business Solutions (PVBS) Limited with Xtivia Inc.***

The merger of Pleasant Valley Business Solutions (PVBS) Limited with the company Xtivia Inc. was registered on 13 December 2018. This transaction had no impact on these annual consolidated financial statements.

IV. Information on operating segments

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

Changes in the Group's organizational structure which took place in 2017 and were described in detail in the Group's consolidated financial statements for the year ended 31 December 2017, resulted in a modification of methods applied by the chief decision maker for the review of financial data and allocation of resources within the Group starting from 2018. Such modification has primarily involved the creation of a sub-group, namely Asseco International, comprising our companies that were formerly included in the segments of: Central European market, South Eastern European market, Western European market, and Eastern European market. Concurrently, responsibility for the results of the whole Asseco International subgroup has been entrusted with a separate management board. In the wake of organizational changes, we have also changed the presentation of results of the following companies: Asseco Business Solutions S.A., Asseco Enterprise Solutions, a.s. and Asseco Software Nigeria that used to be reported within the Asseco Poland segment, and are now presented as part of the Asseco International segment.

As a consequence of these changes, since the beginning of 2018 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, SKG, and GSTN Consulting. 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 2018.

Selected data from the income statement and the cash flow statement for the period of 12 months ended 31 September 2018, in a breakdown to operating segments:

12 months ended 31 Dec. 2018	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Sales to external customers	1,347.3	2,589.5	5,391.8	-	9,328.6
Inter-segment sales	11.5	2.7	10.9	(25.1)	-
Total revenues of segment	1,358.8	2,592.2	5,402.7	(25.1)	9,328.6
Operating profit (loss) of segment	220.7	273.9	301.1	1.1	796.8
Interest income ¹⁾	6.5	6.4	2.4	(0.3)	15.0
Interest expenses ²⁾	(7.0)	(3.8)	(42.9)	0.3	(53.4)
Corporate income tax	(55.7)	(61.2)	(65.4)	-	(182.3)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(83.1)	(105.0)	(275.0)	3.6	(459.5)
of which amortization of intangible assets recognized in purchase price allocation (PPA)	(17.8)	(9.0)	(203.2)	-	(230.0)
Costs of share-based payment transactions with employees (SBP)	-	(2.5)	(19.1)	-	(21.6)
Impairment losses on segment assets	(2.4)	(8.5)	(5.0)	-	(15.9)
Share of profits of associates and joint ventures	0.1	0.5	1.4	-	2.0
Net profit (loss) attributable to shareholders of the Parent Company	161.6	149.6	20.6	1.5	333.3
Cash provided by (used in) operating activities ³⁾	354.4	395.7	426.1	1.6	1,177.8

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

²⁾ Interest expenses on bank loans, borrowings, debt securities, finance 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 2018, in a breakdown to operating segments:

31 Dec. 2018	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
Non-current assets	3,248.2	1,909.1	2,495.5	(3.3)	7,649.5
of which goodwill	2,257.1	1,365.3	626.5	-	4,248.9
Current assets	766.9	1,239.0	3,000.6	(13.2)	4,993.3
<i>including:</i>					
trade receivables and contract assets	400.8	532.4	1,721.5	(7.7)	2,647.0
cash and cash equivalents	284.2	506.9	1,009.4	-	1,800.5
Non-current liabilities	171.7	238.2	1,455.5	(0.2)	1,865.2
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	38.8	88.9	955.2	-	1,082.9
finance lease liabilities	23.9	8.2	-	-	32.1
Current liabilities	317.6	759.2	2,052.6	(15.1)	3,114.3
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	22.4	79.9	479.3	-	581.6
finance lease liabilities	24.9	4.0	-	-	28.9
trade payables and contract liabilities	147.8	447.8	803.2	(9.5)	1,389.3

Selected data from the income statement and the cash flow statement for the period of 12 months ended 31 September 2017, in a breakdown to operating segments:

12 months ended 31 Dec. 2017	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Sales to external customers	1,336.6	2,227.4	4,265.3	-	7,829.3
Inter-segment sales	9.1	5.5	27.6	(42.2)	-
Total revenues of segment	1,345.7	2,232.9	4,292.9	(42.2)	7,829.3
Operating profit (loss) of operating segment	152.5	248.8	185.3	(1.8)	584.8
Interest income ¹⁾	4.6	7.2	6.1	-	17.9
Interest expenses ²⁾	(9.3)	(2.0)	(32.3)	(0.6)	(44.2)
Corporate income tax	(25.5)	(25.9)	(70.6)	-	(122.0)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(79.7)	(90.6)	(169.9)	3.1	(337.1)
of which amortization of intangible assets recognized in purchase price allocation (PPA)	(18.0)	(7.7)	(114.0)	-	(139.7)
Costs of share-based payment transactions with employees (SBP)	-	(1.2)	(17.6)	-	(18.8)
Impairment losses on segment assets	(80.5)	(32.1)	(4.0)	-	(116.6)
Share of profits of associates and jointly controlled companies	(1.1)	(40.0)	3.4	-	(37.7)
Net profit (loss) attributable to the Parent Company	7.1	55.7	405.5	(1.7)	466.6
Cash provided by (used in) operating activities ³⁾	137.4	341.6	382.9	1.2	863.1

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

²⁾ Interest expenses on bank loans, borrowings, debt securities, finance 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 2017, in a breakdown to operating segments:

31 Dec. 2017	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
(restated)	mPLN	mPLN	mPLN	mPLN	mPLN
Non-current assets	3,159.4	2,023.5	2,322.8	(16.1)	7,489.6
of which goodwill	2,254.4	1,327.2	435.4	-	4,017.0
Current assets	549.7	1,029.8	2,841.8	(28.5)	4,392.8
<i>including:</i>					
trade receivables	131.2	498.2	1,756.5	(13.8)	2,372.1
cash and cash equivalents	309.5	381.8	856.2	0.2	1,547.7
Non-current liabilities	164.9	475.7	1,325.3	(12.7)	1,953.2
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	58.3	59.5	938.2	(9.7)	1,046.3
finance lease liabilities	45.5	3.7	-	-	49.2
Current liabilities	347.1	796.7	1,487.1	(30.2)	2,600.7
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	33.0	109.1	263.3	(10.1)	395.3
finance lease liabilities	23.9	2.7	0.2	-	26.8
trade payables	158.2	314.8	395.7	(12.9)	855.8

V. Explanatory notes to the consolidated statement of income

5.1. Breakdown of operating revenues

Selected accounting policies

The financial data reported for 2017 were prepared in compliance with the then applicable revenue recognition standards, including mainly IAS 18 and IAS 11. Our accounting policies based on the above-mentioned standards were described in items 24 and 25 of section 'Significant accounting policies' in the consolidated financial statements for the period of 12 months ended 31 December 2017 which were approved for publication on 19 March 2018.

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and applies to all contracts with customers, except for those which are within the scope of other standards, in particular IFRS 16.

The new standard provides a new model for recognition of revenues from contracts with customers, the so-called 'Five-Step Model'. According to IFRS 15, revenues shall be recognized 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.

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. Up until 31 December 2017, in line with our accounting policy for licenses granted for a definite period, the arising revenues were recognized over time (throughout the licensing 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 entity considers whether such arrangements contain a lease (i.e. whether the entity provides the right to control the use of the identified asset for a period of time in exchange for consideration). The Company 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, stating from 1 January 2018, as part of estimating the amount of consideration receivable under a contract, the Group has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as it was until now. Apart from contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Group.

Allocating the transaction price to performance obligations

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

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group's company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract is deemed to contain a significant financing component.

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

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

Costs of contracts with customers

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

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

Costs to fulfil a contract are the costs incurred in fulfilling a contract with a customer. The Group recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 'Inventories', IAS 16 'Property, Plant and Equipment' or IAS 38 'Intangible Assets') and if those costs meet all of the following criteria: (i) the costs relate directly to a contract or to an anticipated contract with a customer; (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

Other practical expedients used by the Group

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

In line with the approach chosen for the implementation of IFRS 15, the Group also decided to use a practical expedient not to restate contracts in respect of all modifications that were effective as at 1 January 2018 and approved before the beginning of the earliest period presented.

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 IAS 17.

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 IAS 17, 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 a functional IT system) are measured using the percentage of completion method. Such valuation requires making estimates of future operating cash flows in order to measure the progress of project execution. The percentage of completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required. Making a valuation which results in revenue recognition each time requires the exercise of professional judgment and a significant amount of estimates.

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

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

Operating revenues in the period of 12 months ended 31 December 2018 and in the comparable period were as follows:

	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017 restated
	mPLN	mPLN
Operating revenues by type of products		
Proprietary software and services	7,502.1	6,233.9
Third-party software and services	676.5	627.3
Hardware and infrastructure	1,146.4	964.8
Other sales	3.6	3.3
Total	9,328.6	7,829.3
Operating revenues by sectors		
Banking and Finance	3,693.2	3,039.7
General Business	3,549.3	3,121.9
Public Administration	2,086.1	1,667.7
Total operating revenues	9,328.6	7,829.3

i. Breakdown of segment sales by type of products

Sales revenues (by type of products) generated by individual operating segments during the period of 12 months ended 31 December 2018 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. 2018					
Proprietary software and services	1,139.2	1,712.5	4,653.4	(3.0)	7,502.1
Third-party software and services	126.8	324.0	240.6	(14.9)	676.5
Hardware and infrastructure	88.8	552.6	508.7	(3.7)	1,146.4
Other sales	4.0	3.1	-	(3.5)	3.6
Total operating revenues	1,358.8	2,592.2	5,402.7	(25.1)	9,328.6

	Asseco Poland segment mPLN	Asseco International segment <i>restated</i> mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total <i>restated</i> mPLN
12 months ended 31 Dec. 2017					
Proprietary software and services	1,075.5	1,458.0	3,719.5	(19.1)	6,233.9
Third-party software and services	162.4	313.9	173.0	(22.0)	627.3
Hardware and infrastructure	106.5	457.6	400.4	0.3	964.8
Other sales	1.3	3.4	-	(1.4)	3.3
Total operating revenues	1,345.7	2,232.9	4,292.9	(42.2)	7,829.3

ii. Breakdown of segment operating revenues by sectors

Operating revenues (by sectors) generated by individual operating segments during the period of 12 months ended 31 December 2018 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. 2018					
Banking and Finance	473.9	901.7	2,333.6	(16.0)	3,693.2
General Business	334.7	1,136.6	2,085.1	(7.1)	3,549.3
Public Administration	550.2	553.9	984.0	(2.0)	2,086.1
Total operating revenues	1,358.8	2,592.2	5,402.7	(25.1)	9,328.6

	Asseco Poland segment mPLN	Asseco International segment <i>restated</i> mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total <i>restated</i> mPLN
12 months ended 31 Dec. 2017					
Banking and Finance	442.5	847.3	1,782.2	(32.3)	3,039.7
General Business	396.4	998.7	1,733.7	(6.9)	3,121.9
Public Administration	506.8	386.9	777.0	(3.0)	1,667.7
Total operating revenues	1,345.7	2,232.9	4,292.9	(42.2)	7,829.3

iii. Breakdown of operating revenues by countries in which they were generated

	12 months ended 31 Dec. 2018 mPLN
Operating revenues by countries	
Israel	3,232.3
Poland	1,562.9
United States	1,474.8
Slovakia	443.0
Spain	397.0
Czech Republic	246.4
Denmark	232.9
Serbia	201.1
United Kingdom	191.4
Germany	188.1
Romania	150.2
Croatia	123.5
Other countries	885.0
Total operating revenues	9,328.6

iv. Revenues from contracts with customers by the method of recognition in the income statement

	12 months ended 31 Dec. 2018 mPLN
Revenues from contracts with customers recognized in accordance with IFRS 15, of which:	9,249.0
From goods and services transferred at a specific point in time	1,835.2
Asseco Poland segment	212.4
Asseco International segment	892.8
Formula Systems segment	734.0
Intragroup transactions	(4.0)
From goods and services transferred over the passage of time	7,413.8
Asseco Poland segment	1,146.4
Asseco International segment	1,619.8
Formula Systems segment	4,668.7
Intragroup transactions	(21.1)
Other operating revenues (mainly from leases)*	79.6
Total operating revenues	9,328.6

*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 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 applies 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	mPLN
2019	694.5
2020	313.6
2021 and later	333.9
Total	1,342.0

** The line of 2019 includes only revenues to be recognized in the coming year from contracts to be completed after 1 January 2020 or later, which means that this amount does not include any revenues from contracts to be completed in the course or at the end of 2019.*

As at 31 December 2018, 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 2018, 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 2019. 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 2019. 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 above presents in a breakdown by years only the portion of performance obligations arising from contracts to be completed in 2020 or later, or from contracts concluded for an indefinite period with a termination notice period longer than one year.

5.2. Breakdown of operating costs

Selected accounting policies

The Group discloses its operating costs both by cost nature and cost function. Cost of sales comprise the costs arising directly from purchases of goods sold and generation of services sold. Selling costs include the costs of distribution and marketing activities. General and administrative expenses include the costs of the Company's management and administration activities.

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

Estimates

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

The table below presents the breakdown of operating costs incurred in the period of 12 months ended 31 December 2018 and in the comparable period.

Operating costs	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 restated mPLN
Cost of goods, materials and third-party services sold (COGS)	(1,525.1)	(1,372.2)
Employee benefits	(4,571.3)	(3,871.2)
Depreciation and amortization	(451.1)	(331.5)
Third-party services*	(1,267.0)	(1,038.6)
Other	(704.9)	(615.7)
Total	(8,519.4)	(7,229.2)
Cost of sales	(7,334.6)	(6,149.5)
Selling costs	(503.9)	(446.8)
General and administrative expenses	(676.1)	(624.9)
Recognition (reversal) of impairment losses on financial assets	(4.8)	(8.0)
Total	(8,519.4)	(7,229.2)

* 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 871.7 million in the period of 12 months ended 31 December 2018, as compared with PLN 733.4 million incurred in the period of 12 months ended 31 December 2017.

In the period of 12 months ended 31 December 2018, other operating costs included primarily maintenance of property and business cars in the amount of PLN 459.2 million, as well as business trips in the amount of PLN 100.1 million. Whereas, in the comparable period other operating costs included primarily maintenance of property and business cars in the amount of PLN 410.0 million, as well as business trips in the amount of PLN 93.2 million.

i. Costs of employee benefits

	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Salaries	(3,856.2)	(3,232.9)
Social insurance contributions	(284.6)	(249.8)
Retirement benefit expenses	(312.5)	(269.6)
Costs of share-based payment transactions with employees	(21.6)	(18.8)
Other costs of employee benefits	(96.4)	(100.1)
Total employee benefit expenses	(4,571.3)	(3,871.2)

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 23,180 persons, as compared with 20,181 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 2018, such costs amounted to PLN 21.6 million as compared with PLN 18.8 million in the comparable period.

	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Stock option plan for managers of companies in the Formula Systems segment	(19.1)	(17.6)
Stock option plan for managers of companies in the Asseco International segment*	(2.5)	(1.2)
Total costs of share-based payment transactions with employees	(21.6)	(18.8)

* These costs are related to Asseco South Eastern Europe Group whose incentive plan for the management staff was described in detail in item 1 of section VI 'Explanatory notes to the consolidated financial statements' of Asseco Group for the year 2017 that were published on 19 March 2018.

iii. Reconciliation of depreciation and amortization charges

The table below presents the reconciliation of depreciation and amortization charges reported in the income statement with those disclosed in the tables of changes in property, plant and equipment, as well as in intangible assets:

	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Depreciation charges as disclosed in the table of changes in property, plant and equipment	(145.3)	(124.8)
Amortization charges as disclosed in the table of changes in intangible assets	(317.1)	(215.4)
Amortization charges recognized directly in other comprehensive income	0.8	0.8
Reduction of amortization charges due to recognition of grants to internally generated licenses	2.1	2.1
Amortization charges capitalized for development projects in progress	-	0.2
Total depreciation and amortization charges disclosed in the statement of cash flows	(459.5)	(337.1)
Depreciation charges transferred to other operating activities	8.4	5.6
Total depreciation and amortization charges recognized in operating costs	(451.1)	(331.5)

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 2018 and in the comparable period were as follows:

Other operating income	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Gain on disposal of property, plant and equipment	4.0	5.5
Proceeds from letting of own office space	3.8	3.1
Proceeds from sports and recreational activities	23.0	23.7
Other	7.9	9.3
Total	38.7	41.6

Other operating expenses	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Liquidation costs of property, plant and equipment, intangible assets, and inventories	(1.0)	(1.6)
Impairment losses (mainly on investment property)	-	(6.9)
Charitable contributions to unrelated parties	(1.0)	(1.1)
Expenses related to proceeds from letting of own office space	(7.8)	(2.0)
Expenses related to proceeds from sports and recreational activities	(35.3)	(33.7)
Other	(6.0)	(11.6)
Total	(51.1)	(56.9)

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

Financial income earned during the period of 12 months ended 31 December 2018 and in the comparable period was as follows:

Financial income	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 restated mPLN
Interest income on investments in debt securities and bank deposits carried at amortized cost	12.9	14.4
Interest income on other investments in debt securities, finance leases and trade receivables	2.1	3.5
Other interest income	0.4	4.5
Positive foreign exchange differences	59.6	21.1
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	5.6	17.0
Gain on revaluation of deferred and conditional payments for controlling interests in subsidiaries	0.1	0.1
Gain on sale of subsidiaries and associates	9.3	359.2
Valuation of shares due to obtaining control in steps	-	76.2
Gain on revaluation of liabilities from the acquisition of non-controlling interests (put options)	1.0	5.4
Other financial income	2.4	7.3
Total financial income	93.4	508.7

Financial expenses incurred during the period of 12 months ended 31 December 2018 and in the comparable period were as follows:

Financial expenses	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017 <i>restated</i>
	mPLN	mPLN
Interest expenses on bank loans, borrowings, debt securities, finance leases and trade payables	(53.4)	(44.2)
Other interest expenses	(8.0)	(14.5)
Negative foreign exchange differences	(20.5)	(76.4)
Expenses related to obtaining control over subsidiaries	(3.5)	(3.8)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(8.7)	(2.5)
Loss on revaluation of deferred and conditional payments for controlling interests in subsidiaries	(6.7)	(3.7)
Loss on revaluation of liabilities from the acquisition of non-controlling interests (put options)	(8.6)	(3.4)
Dividends paid out to non-controlling shareholders	(6.1)	(5.1)
Write-down on goodwill	-	(100.1)
Other financial expenses	(0.4)	(7.3)
Total financial expenses	(115.9)	(261.0)

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

Gain (loss) on revaluation of 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.

Impairment losses on financial assets, which are presented directly in the consolidated income statement for the year ended 31 December 2017, include primarily an allowance for receivables from the sale of shares in R-Style, in total amounting to PLN 54.9 million. Detailed information on this allowance was provided in explanatory note 3 to the consolidated financial statements for the year ended 31 December 2017 that were published on 19 March 2018.

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 end of the reporting period.

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

Estimates

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

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

	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Current income tax and prior years' adjustments	(219.9)	(170.0)
Deferred income tax	37.6	48.0
Income tax expense as disclosed in the income statement	(182.3)	(122.0)

The table below presents the amount of current income tax expense for 2018, in a breakdown by type of operations and other items:

Current corporate income tax expense as disclosed in the income statement	12 months ended 31 Dec. 2018 mPLN
Current income tax – core operations	(218.5)
Current income tax – capital gains	(2.4)
Corrections of CIT returns for prior years	(0.5)
Provision for income tax on controlled foreign companies (CFC)	1.5
Total corporate income tax expense as disclosed in the income statement	(219.9)

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 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Pre-tax profit	774.0	776.5
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	147.1	147.5
Difference due to different rates of corporate income tax paid abroad	12.1	9.8
Income tax on dividends	2.3	1.2
Derecognition / (Utilization of formerly unrecognized) deferred tax asset related to the prior years' losses	3.0	18.1
Provision for income tax on controlled foreign companies (CFC)	1.5	1.7
Changes in the calculation of corporate income tax for the prior years	(0.5)	(2.0)
Costs of share-based payment transactions with employees	1.7	-
Representation expenses	1.3	0.8
Depreciation and amortization charges, differences in rates of depreciation and amortization, write-downs and other differences related to tangible and intangible assets	1.8	-
Contractual penalties – reversal of assets	4.4	-
Gain on the sale and loss of control over Formula Group	-	(33.6)
Gain on revaluation of shares in Formula upon regaining of control	-	(14.5)
Impairment losses on goodwill	-	17.0
Sale of shares and allowance for receivables from R-Style	-	(22.2)
Gain on the sale of companies in ACE Group	(1.3)	-
Other permanent differences	8.9	(1.8)
Corporate income tax at the effective tax rate of 23.6% in 2018, and 15.7% in 2017	182.3	122.0

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

	Deferred tax liabilities, gross		Deferred tax assets, gross	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN	mPLN	mPLN
Property, plant and equipment	38.9	39.9	11.2	11.6
Investment property	0.1	0.1	3.6	3.6
Intangible assets	396.0	406.8	10.0	9.4
Shares in subsidiaries	-	-	0.7	0.7
Financial assets available for sale*	-	-	-	0.1
Financial assets carried at fair value through profit or loss	0.3	1.0	0.7	0.3
Loans granted	0.9	0.8	-	0.1
Inventories	-	-	2.2	1.9
Prepayments and accrued income	5.0	1.5	6.4	5.9
Trade receivables	4.3	33.3	9.2	13.4
Contract assets	30.2	-	-	-
Other receivables	1.9	5.5	3.5	3.6
Cash and cash equivalents	1.7	12.9	-	-
Non-current assets classified as held for sale	0.3	0.3	0.2	0.1

Bank loans, borrowings and debt securities	0.4	0.1	0.7	0.3
Provisions	-	0.1	16.0	24.3
Trade payables	-	-	5.5	17.2
Contract liabilities	0.5	-	10.4	-
Financial liabilities	0.3	-	11.0	13.1
Other liabilities	4.2	2.2	1.0	0.9
Accruals	-	-	37.9	31.7
Deferred income	-	0.1	0.1	4.7
Deferred income tax on share-based payment transactions	-	-	15.4	10.6
Losses deductible against future taxable income	-	-	129.8	151.7
Deferred tax liabilities, gross	485.0	504.6	n/a	n/a
Deferred tax assets, gross	n/a	n/a	275.5	305.2
Write-down due to inability to realize a deferred tax asset	n/a	n/a	(118.7)	(127.5)
Deferred tax assets, net	n/a	n/a	156.8	177.7
Deferred tax liabilities/assets, net	411.8	414.2	83.6	87.1

* This category of financial assets is in accordance with the classification under IAS 39 which was effective until 31 December 2017.

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 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
Deferred tax assets	83.6	87.1
Deferred tax liabilities	(411.8)	(414.2)
Deferred tax assets (+)/liabilities (-), net	(328.2)	(327.1)

Deferred tax assets resulting from the prior years' tax losses, which were derecognized by the Group amounted to PLN 118.1 million as at 31 December 2018, as compared with PLN 125.5 million as at 31 December 2017. Such write-off 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.

5.6. Earnings per share

Selected accounting policies

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

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

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

	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
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)	333.3	466.6
Consolidated earnings per share for the reporting period (in PLN)	4.02	5.62

5.7. Information on dividends paid out

In 2018, the Parent Company paid out to its shareholders a dividend for the year 2017. On 25 April 2018, the General Meeting of Shareholders of Asseco Poland S.A. resolved that the whole amount of net profit for the financial year 2017, which equalled PLN 175.6 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 74.2 million. This means that the total amount allocated to dividend payment reached PLN 249.8 million, translating into PLN 3.01 per share. The dividend record date was set for 21 May 2018; whereas, the dividend payment was scheduled for 7 June 2018.

In 2017, the Parent Company paid out to its shareholders a dividend for the year 2016. On 25 April 2017, the Annual General Meeting of Shareholders of Asseco Poland S.A. passed a resolution to allocate PLN 249.8 million out of the Company's net profit for the financial year 2016 to dividend payment amounting to PLN 3.01 per share. The remaining portion of net profit in the amount of PLN 102.3 million was disclosed in retained earnings. The dividend record date was set for 16 May 2017; whereas, the dividend payment was scheduled for 1 June 2017.

VI. Explanatory notes to the consolidated statement of financial position

6.1. Property, plant and equipment

Selected accounting policies

Initial recognition

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

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

Measurement at each reporting date

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

At the end of each reporting period, 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 income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any 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 2018 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.

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2018 changed as a result of the following transactions:

	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 2018	495.0	235.0	48.6	30.6	41.0	850.2
Additions, of which:	44.2	97.4	24.0	7.8	34.5	207.9
Purchases and modernization	15.7	63.3	10.3	6.7	32.9	128.9
Obtaining control over subsidiaries	0.1	2.2	0.2	0.1	0.2	2.8
Finance leases	-	2.0	10.8	-	-	12.8
Transfers from tangible assets under construction	28.4	25.7	2.7	1.0	-	57.8
Transfers from inventories to tangible assets	-	4.2	-	-	1.4	5.6
Reductions, of which:	(36.3)	(96.9)	(19.8)	(10.7)	(60.8)	(224.5)
Depreciation charges for the reporting period	(28.7)	(88.6)	(17.5)	(10.5)	-	(145.3)
Disposal and liquidation	(4.2)	(0.7)	(1.8)	(0.2)	-	(6.9)
Loss of control	-	(2.6)	(0.5)	-	-	(3.1)
Transfers from tangible assets under construction	-	-	-	-	(57.8)	(57.8)
Transfers to inventories and investment property	(3.4)	(5.0)	-	-	(3.0)	(11.4)
Other	(0.2)	12.2	(0.1)	(12.3)	(0.2)	(0.6)
Foreign exchange differences on translation of foreign operations	(2.0)	(13.3)	0.9	14.9	(5.1)	(4.6)
Net book value of property, plant and equipment as at 31 December 2018	500.7	234.4	53.6	30.3	9.4	828.4

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2017 changed as a result of the following transactions:

	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 2017	482.9	225.4	41.6	27.4	4.2	781.5
Additions, of which:	84.6	138.9	25.5	19.9	64.8	333.7
Purchases and modernization	12.4	70.7	10.6	4.6	63.9	162.2
Obtaining control over subsidiaries (restated)	70.8	37.3	10.6	14.8	-	133.5
Finance leases	-	-	2.1	0.3	-	2.4
Transfers from tangible assets under construction to tangible assets	0.5	23.7	2.2	0.2	-	26.6
Transfers from inventories to tangible assets	0.9	7.2	-	-	0.9	9.0
Reductions, of which:	(68.3)	(114.3)	(18.0)	(18.3)	(27.2)	(246.1)
Depreciation charges for the reporting period	(25.5)	(76.8)	(14.6)	(7.9)	-	(124.8)
Disposal and liquidation	-	(1.1)	(2.5)	(0.4)	-	(4.0)
Loss of control	(42.8)	(35.8)	(0.9)	(10.0)	-	(89.5)
Transfers from tangible assets under construction	-	-	-	-	(26.6)	(26.6)
Transfers to inventories	-	(0.6)	-	-	(0.6)	(1.2)
Other	3.4	(6.7)	-	3.2	-	(0.1)
Foreign exchange differences on	(7.6)	(8.3)	(0.5)	(1.6)	(0.8)	(18.8)

translation of foreign operations						
Net book value of property, plant and equipment as at 31 December 2017 (restated)	495.0	235.0	48.6	30.6	41.0	850.2

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. Such an asset 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 income statement.

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 (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized as other operating income or expenses in the income statement 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 income statement.

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.

The net book value of intangible assets, during the period of 12 months ended 31 December 2018, changed as a result of the following transactions:

	Internally generated software and 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 2018	172.2	106.9	52.4	1,614.1	137.6	2,083.2
Additions, of which:	91.2	84.7	22.2	91.1	-	289.2
Purchases and modernization	-	-	21.9	-	-	21.9
Obtaining control over subsidiaries	0.4	2.6	0.3	91.1	-	94.4
Capitalization of development project costs	-	82.1	-	-	-	82.1
Transfers from the costs of development projects in progress	90.8	-	-	-	-	90.8
Reductions, of which:	(86.0)	(98.9)	(20.4)	(234.2)	-	(439.5)
Amortization charges for the reporting period	(71.0)	-	(18.3)	(227.8)	-	(317.1)
Disposal and liquidation	(11.3)	(4.3)	-	-	-	(15.6)
Loss of control over subsidiaries	(3.7)	(3.8)	(2.1)	(6.4)	-	(16.0)
Transfers to internally generated software	-	(90.8)	-	-	-	(90.8)
Impairment loss	3.9	-	-	-	-	3.9
Other	3.5	(0.8)	0.3	(8.2)	-	(5.2)
Foreign exchange differences on translation of foreign operations	(1.0)	3.5	2.1	58.0	-	62.6
Net book value of intangible assets as at 31 December 2018	183.8	95.4	56.6	1,520.8	137.6	1,994.2

The net book value of intangible assets, during the period of 12 months ended 31 December 2017, changed as a result of the following transactions:

	Internally generated software and 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 2017	187.6	104.8	62.8	632.0	137.6	1,124.8
Additions, of which:	164.8	130.3	28.9	1,808.9	-	2,132.9
Purchases and modernization	-	-	12.0	-	-	12.0
Obtaining control over subsidiaries (restated)	96.1	56.2	16.9	1,808.9	-	1,978.1
Capitalization of development project costs	-	74.1	-	-	-	74.1
Transfers from the costs of development projects in progress	68.7	-	-	-	-	68.7
Reductions, of which:	(170.9)	(116.4)	(35.1)	(677.9)	-	(1,000.3)
Amortization charges for the reporting period	(57.6)	-	(20.2)	(137.6)	-	(215.4)
Disposal and liquidation	(4.3)	(0.4)	(0.5)	-	-	(5.2)
Loss of control over subsidiaries	(109.0)	(47.3)	(14.4)	(540.3)	-	(711.0)
Transfers to internally generated software	-	(68.7)	-	-	-	(68.7)
Impairment loss	(3.3)	-	0.2	1.4	-	(1.7)
Other	10.3	-	0.8	(10.0)	-	1.1
Foreign exchange differences on translation of foreign operations	(16.3)	(11.8)	(5.2)	(140.3)	-	(173.6)
Net book value of intangible assets as at 31 December 2017 (restated)	172.2	106.9	52.4	1,614.1	137.6	2,083.2

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 6.5. to these consolidated financial statements. The recoverable amount of the costs of development projects in progress was measured as at the end of the reporting period 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 end of the reporting period.

Development projects

In 2018 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 2018, total development project costs which qualified for capitalization amounted to PLN 82.1 million (vs. PLN 74.1 million in the comparable period) and they were incurred by the following operating segments:

	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
	mPLN	mPLN
Asseco Poland segment	20.0	16.1
Asseco International segment	29.6	27.4
Formula Systems segment	32.5	30.6
Total	82.1	74.1

Asseco Poland segment

During the period of 12 months ended 31 December 2017, within the Asseco Poland segment, the largest expenditures for development work were made by Asseco Poland S.A. (PLN 13.4 million), and Asseco Data Systems S.A. (PLN 6.6 million).

The largest project implemented by companies of the Asseco Poland segment is:

AUMS – project carried out by Asseco Poland S.A. This project is aimed at developing an international version of Asseco Poland's flagship product called Asseco Utility Management Solutions. As part of this internalization project, AUMS is getting ready for sale and implementation as a Billing & CIS class solution in the power utility sector. The project involves in particular translation of the UMTS mobile telephony system into English, its preparation for translation into other languages, as well as expansion of its functionality in order to meet the requirements in foreign markets. In 2018, expenditures for development of this project reached PLN 6.5 million.

Asseco International segment

During the period of 12 months ended 31 December 2018, within the Asseco International segment, the largest expenditures for development work were made by Asseco Business Solutions S.A. (PLN 9.8 million), Asseco Central Europe a.s. Czech Republic (PLN 7.3 million), and Asseco Central Europe Hungary (PLN 5.7 million).

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

Macrologic ERP – project carried out by Asseco Business Solutions S.A. This project is aimed at developing an innovative IT system to provide comprehensive support for all areas of enterprise management, improve the work of people responsible for running a business, as well as to enable easy identification of barriers and optimization of non-functional processes. In 2018, expenditures for development of this project reached PLN 3.7 million. The project has been completed by 31 December 2018.

Mobile Touch 8.0. – project carried out by Asseco Business Solutions S.A. This project is aimed at developing a mobile SFA/CRM-class system, a multiplatform application designed to run on mobile devices, such as tablets and smartphones with iOS (Apple) and Android operating systems. In 2018, expenditures for development of this project reached PLN 2.6 million. The project has been completed by 31 December 2018.

IVP SAMO – project carried out by Asseco Central Europe a.s. Czech Republic. The goal of this project is to develop software to support the processes of planning, construction and maintenance of technical infrastructure. In 2018, expenditures for development of this project reached PLN 7.3 million.

IMI – project carried out by Asseco Central Europe Hungary. The aim of this project is to develop a system supporting medical interviews. In 2018, expenditures for development of this application amounted to PLN 2.7 million.

Formula Systems segment

During the period of 12 months ended 31 December 2018, within the Formula Systems segment, the largest expenditures for development work were made by Sapiens International (PLN 18.7 million), and Magic Software (PLN 13.8 million).

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

StoneRiver Stream software capitalization – 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 2018, expenditures for development of this application amounted to PLN 7.9 million.

IDIT P&C Capitalized software – 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 2018, expenditures for development of this application amounted to PLN 6.2 million.

6.3. 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.

The net book value of investment property, during the period of 12 months ended 31 December 2018 and in the comparable period, changed as a result of the following transactions:

Investment property	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Net book value of investment property as at 1 January	19.7	24.9
Changes, of which:	1.3	(5.1)
Purchases	0.4	1.1
Reclassification from or to property, plant and equipment	0.9	(0.4)
Impairment losses	-	(5.8)
Foreign exchange differences on translation of foreign operations	-	(0.1)
Net book value of investment property as at 31 December	21.0	19.7

6.4. 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 2018 and 31 December 2017, in a breakdown to operating segments:

Goodwill	31 Dec. 2018	31 Dec. 2017
	mPLN	restated mPLN
Asseco Poland segment, of which:	2,257.1	2,254.4
<i>Goodwill allocated to individual cash-generating units</i>	340.0	337.3
Asseco Data Systems S.A.	244.3	244.3
Gladstone Consulting Ltd. / GSTN Consulting	36.3	33.6
ZUI Novum Sp. z o.o.	0.3	0.3
SKG S.A.	4.4	4.4
DahliaMatic Sp. z o.o.	54.7	54.7
<i>Operating segments identified within the Parent Company</i>	1,917.1	1,917.1
Goodwill allocated to the Banking and Finance segment	890.2	890.2
Goodwill allocated to the Public Administration segment	845.9	845.9
Goodwill allocated to the General Business segment	181.0	181.0
Asseco International segment, of which:	1,365.3	1,327.2
Asseco Central Europe Group	723.4	696.6
Asseco South Eastern Europe Group	509.7	502.5
Asseco Spain S.A.	18.3	17.8
Necomplus S.L.	16.4	16.0
Sintagma UAB ¹⁾	0.6	0.1
Asseco Danmark ²⁾	32.5	31.7
Asseco PST Holding SGPS S.A. (former Exictos)	64.4	62.5
Formula Systems segment	626.5	435.4
Total goodwill	4,248.9	4,017.0

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.

During the period of 12 months ended 31 December 2018, the following changes in goodwill arising from consolidation were observed (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	Change resulting from the completion of purchase price allocation mPLN	Foreign exchange differences mPLN	Goodwill at the end of the period mPLN
Asseco Poland segment					
Gladstone Consulting Ltd. / GSTN Consulting	33.6	-	-	2.7	36.3
Asseco International segment					
Asseco Central Europe Group	696.6	8.9	-	17.9	723.4
Asseco South Eastern Europe Group	502.5	-	-	7.2	509.7
Asseco Spain S.A.	17.8	-	-	0.5	18.3
Necomplus S.L.	16.0	-	-	0.4	16.4
Sintagma UAB	0.1	0.5	-	-	0.6
Asseco Danmark	31.7	-	-	0.8	32.5
Asseco PST Holding SGPS S.A.	62.5	-	-	1.9	64.4
Formula Systems segment					
Formula Group	435.4	154.8	-	36.3	626.5

In the period of 12 months ended 31 December 2018, the balance of goodwill arising from consolidation was affected by the following transactions:

i. Acquisition of Prosoft

In January 2018, Asseco Central Europe a.s. (Slovakia) acquired a 50% stake in the company Prosoft spol s.r.o. Kosice, based in Slovakia, thereby obtaining control over that entity. The purchase price of these shares amounted to EUR 0.6 million (PLN 2.5 million) and it was fully paid in cash. As part of the provisional purchase price allocation, the Group recognized goodwill in the amount of EUR 0.5 million (PLN 2.0 million).

Prosoft is engaged in the analysis, design, development and implementation of IT systems for entities in the healthcare sector, from doctor practices and laboratories to hospitals. The company is the producer of a multi-module system called PROMIS.

As at 31 December 2018, 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 date of obtaining control were as follows (converted at the exchange rate of PLN/EUR effective as at the acquisition date):

	Fair value as at the acquisition date thousands of EUR	Fair value as at the acquisition date millions of PLN
Assets acquired		
Trade receivables	422	1.8
Cash and cash equivalents	386	1.6
Other assets	55	0.2
Total assets	863	3.6
Liabilities acquired		
Liabilities to the state and local budgets	111	0.5
Other liabilities	499	2.1
Total liabilities	610	2.6
Net assets value	253	1.0
Value of non-controlling interests	127	0.5
Equity interest acquired	50.0%	50.0%
Purchase price	602	2.5
Goodwill as at the acquisition date	476	2.0

ii. Acquisition of Alius Corp.

In January 2018, EXZAC-IFS Inc. (a subsidiary of Matrix IT) acquired a 50.1% stake in Alius Corp., based in the United States. Subsequently, the remaining shares in Alius Corp. were purchased on 25 November 2018. As a result of these transactions, EXZAC-IFS Inc. (a subsidiary of Matrix IT) holds all (100%) of shares in the acquired company. The purchase price of these shares amounted to NIS 58.5 million (PLN 58.2 million) and it was fully paid in cash.

Alius Corp. is a provider of IT services in the field of regulatory compliance and security for financial institutions operating in the US market.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired in the amount of NIS 10.5 million (PLN 10.5 million) was allocated to intangible assets, while the remaining amount of NIS 49.8 million (PLN 49.5 million) was recognized in goodwill.

Until 31 December 2018, 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 value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Intangible assets identified under purchase price allocation (PPA)	10.5	10.5
Trade receivables	1.7	1.7
Cash and cash equivalents	1.0	1.0
Total assets	13.2	13.2
Liabilities acquired		
Bank loans and borrowings	0.1	0.1
Deferred tax liabilities	2.8	2.8
Trade payables	0.2	0.2
Other liabilities	1.4	1.4
Total liabilities	4.5	4.5
Net assets value	8.7	8.7
Equity interest acquired	100%	100%
Purchase price	58.5	58.2
Goodwill as at the acquisition date	49.8	49.5

iii. Acquisition of Adaptik

In March 2018, Sapiens International Corporation acquired Adaptik Corporation, based in the United States, for a consideration of USD 18.2 million (PLN 61.4 million). Adaptik is a provider of software for the insurance industry, and is specialized in property and casualty insurance solutions.

Until 31 December 2018, 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 table below presents the provisional values of identifiable assets and liabilities of the acquired company as at the date of obtaining control (converted at the exchange rate of PLN/USD effective as at the acquisition date):

	Provisional value as at the acquisition date millions of USD	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Property, plant and equipment	0.2	0.7
Intangible assets	12.9	43.5
Trade receivables	0.7	2.4
Cash and cash equivalents	0.1	0.3
Other assets	0.2	0.7
Total assets	14.1	47.6
Liabilities acquired		
Bank loans and borrowings	0.1	0.3
Trade payables	1.3	4.4
Provisions	0.3	1.0
Prepayments and accrued income	1.7	5.7

Deferred tax liabilities	3.5	11.8
Other liabilities	0.5	1.7
Total liabilities	7.4	24.9
Net assets value	6.7	22.7
Equity interest acquired	100%	100%
Purchase price	18.2	61.4
Goodwill as at the acquisition date	11.5	38.7

iv. Acquisition of PVBS

In March 2018, Xtivia Technologies Inc. (a subsidiary of Matrix IT) acquired 100% of shares in PVBS LLC, based in the United States. The purchase price of these shares amounted to NIS 38 million (PLN 37.7 million), of which NIS 26.7 million (PLN 26.5 million) was paid in cash, and the remaining amount constitutes a conditional payment depending on the future operating results achieved by that company.

PVBS LLC is engaged, among others, in the implementation and integration of ERP systems for government agencies or state institution service providers operating in the US market.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired was allocated to intangible assets in the amount of NIS 11.7 million (PLN 11.6 million), while the remaining amount of NIS 25 million (PLN 24.9 million) was recognized in goodwill.

Until 31 December 2018, 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 date of obtaining control were as follows (converted at the exchange rate of PLN/NIS effective as at the acquisition date):

	Provisional value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Intangible assets identified under purchase price allocation (PPA)	11.7	11.6
Trade receivables	2.8	2.8
Cash and cash equivalents	7.4	7.3
Other assets	0.7	0.7
Total assets	22.6	22.4
Liabilities acquired		
Deferred tax liabilities	3.2	3.2
Trade payables	1.4	1.4
Other liabilities	5.0	5.0
Total liabilities	9.6	9.6
Net assets value	13.0	12.8
Equity interest acquired	100%	100%
Purchase price	38.0	37.7
Goodwill as at the acquisition date	25.0	24.9

v. Acquisition of DWC

In June 2018, Asseco Central Europe a.s. (Slovakia) acquired a 66% stake in the company DWC Slovakia a.s., based in Slovakia, thereby obtaining control over that entity. The purchase price of these shares amounted to EUR 5.1 million (PLN 22.1 million) and it was fully paid in cash.

DWC deals with the implementation of process management and document management systems, providing solutions related to ERP systems and databases. Most of its customers are public sector entities.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired in the amount of EUR 1 million (PLN 4.3 million) was allocated to intangible assets, while the remaining amount of EUR 3.4 million (PLN 14.7 million) was recognized in goodwill.

Until 31 December 2018, 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 date of obtaining control were as follows (converted at the exchange rate of PLN/EUR effective as at the acquisition date):

	Provisional value as at the acquisition date millions of EUR	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Intangible assets recognized under purchase price allocation (PPA)	1.0	4.3
Trade receivables	2.3	10.0
Cash and cash equivalents	1.1	4.8
Other assets	1.1	4.8
Total assets	5.5	23.9
Liabilities acquired		
Trade payables	1.8	7.8
Liabilities to the state and local budgets	0.5	2.2
Deferred tax liabilities	0.2	0.9
Other liabilities	0.5	2.1
Total liabilities	3.0	13.0
Net assets value	2.5	10.9
Value of non-controlling interests	0.8	3.5
Equity interest acquired	66%	66%
Purchase price	5.1	22.1
Goodwill as at the acquisition date	3.4	14.7

vi. Acquisition of Cambium

In July 2018, Matrix IT Integration & Infrastructures Ltd. (a subsidiary of Matrix IT) acquired a 55% stake in the company Cambium (2014) Ltd., based in Israel. The purchase price of these shares amounted to NIS 3.8 million (PLN 3.9 million), of which NIS 3.0 million (PLN 3.0 million) was paid in cash, and the remaining amount represents a put option. The put option covers a portion of non-controlling interests that are accounted for using the purchase method, whereby the value of put options is measured at purchase price of NIS 0.8 million, while the balance of non-controlling interests disclosed in the table below represents non-controlling interests that are not puttable.

Cambium develops internet and mobile customer service applications as well as enterprise information management systems, mainly for the Israeli market.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired in the amount of NIS 1.0 million (PLN 1.0 million) was allocated to intangible assets, while the remaining amount of NIS 2.8 million (PLN 2.9 million) was recognized in goodwill.

Until 31 December 2018, 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 date of obtaining control were as follows (converted at the exchange rate of PLN/NIS effective as at the acquisition date):

	Provisional value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Property, plant and equipment	0.3	0.3
Intangible assets identified under purchase price allocation (PPA)	1.0	1.0
Trade receivables	1.0	1.0
Cash and cash equivalents	0.4	0.4
Total assets	2.7	2.7
Liabilities acquired		
Trade payables	0.5	0.5
Deferred tax liabilities	0.2	0.2
Accruals and deferred income	0.9	0.9
Total liabilities	1.6	1.6
Net assets value	1.1	1.1
Value of non-controlling interests	0.1	0.1
Equity interest acquired	55%	55%

Purchase price	3.8	3.9
Goodwill as at the acquisition date	2.8	2.9

vii. Acquisition of Integrity

In July 2018, Matrix IT ERP Solutions Ltd. (a subsidiary of Matrix IT) acquired a 65% stake in the company Integrity Software 2011 Ltd., based in Israel. The purchase price of these shares amounted to NIS 11.0 million (PLN 11.0 million), of which NIS 9.0 million (PLN 9.0 million) was paid in cash, and the amount NIS 0.8 million constitutes a deferred payment depending on the future operating results of that company. Almost all non-controlling interests are puttable and accounted for using the purchase method (whereby the value of put options is measured at purchase price, while the balance of non-controlling interests stands at 0). The value of put options equals NIS 1.2 million (PLN 1.2 million).

Integrity Software is a provider of information security solutions, content management systems as well as infrastructure for enterprises in the Israeli market.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired in the amount of NIS 4.8 million (PLN 4.8 million) was allocated to intangible assets, while the remaining amount of NIS 7.3 million (PLN 7.3 million) was recognized in goodwill.

Until 31 December 2018, 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 date of obtaining control were as follows (converted at the exchange rate of PLN/NIS effective as at the acquisition date):

	Provisional value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Property, plant and equipment	0.1	0.1
Intangible assets identified under purchase price allocation (PPA)	4.8	4.8
Trade receivables	10.1	10.1
Cash and cash equivalents	4.1	4.1
Other assets	0.8	0.8
Total assets	19.9	19.9
Liabilities acquired		
Trade payables	6.1	6.1
Liabilities to the state and local budgets	1.5	1.5
Deferred tax liabilities	1.1	1.1
Other liabilities	7.5	7.5
Total liabilities	16.2	16.2
Net assets value	3.7	3.7
Value of non-controlling interests	-	-
Equity interest acquired	65%	65%
Purchase price	11.0	11.0
Goodwill as at the acquisition date	7.3	7.3

viii. Acquisition of Eversoft Poland Sp. z o. o.

In September 2018, Asseco Poland S. A. acquired the company Eversoft Poland Sp. z o.o., based in Poland, for a consideration of PLN 0.5 million.

Eversoft Poland Sp. z o.o. is a provider of dedicated and highly personalized services of personnel outsourcing and management of IT projects for the design and development of software.

Until 31 December 2018, 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 table below presents the provisional values of identifiable assets and liabilities of the acquired company as at the date of obtaining control:

	Provisional value as at the acquisition date millions of PLN
--	--

Assets acquired	
Trade receivables	0.4
Other receivables	0.5
Cash and cash equivalents	0.2
Total assets	1.1
Liabilities acquired	
Trade payables	0.6
Other liabilities	0.1
Total liabilities	0.7
Net assets value	0.4
Value of non-controlling interests	0.2
Equity interest acquired	51%
Purchase price	0.5
Goodwill as at the acquisition date	0.3

ix. Acquisition of Noah Technologies

In November 2018, Matrix IT Software Products Ltd acquired the company Noah Technologies Ltd, based in Israel, for a consideration of NIS 7.2 million (PLN 7.5 million). Noah Technologies Ltd offers consulting services of selection and implementation of IT systems, as well as services in the field of user implementation and training.

Until 31 December 2018, 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 table below presents the provisional values of identifiable assets and liabilities of the acquired company as at the date of obtaining control (converted at the exchange rate of PLN/NIS effective as at the acquisition date):

	Provisional value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Property, plant and equipment	0.1	0.1
Intangible assets identified under purchase price allocation (PPA)	2.1	2.2
Trade receivables	3.3	3.4
Cash and cash equivalents	1.8	1.9
Other assets	1.1	1.1
Total assets	8.4	8.7
Liabilities acquired		
Trade payables	0.4	0.4
Deferred tax liabilities	0.5	0.5
Other liabilities	5.9	6.1
Total liabilities	6.8	7.0
Net assets value	1.6	1.7
Value of non-controlling interests	-	-
Equity interest acquired	100%	100%
Purchase price	7.2	7.5
Goodwill as at the acquisition date	5.6	5.8

x. Acquisition of Effective Solutions Ltd.

In October 2018, Michpal Micro Computers (1983) Ltd. acquired an 80% stake in the company Effective Solutions Ltd., based in Israel, for a consideration of NIS 24.0 million (PLN 24.9 million). The acquired company provides primarily consultancy services in the field of cost savings and operating purchases, as well as in monitoring and controlling of remunerations.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the fair value of net assets acquired in the amount of NIS 2.7 million (PLN 2.8 million) was allocated to intangible assets, while the remaining amount of NIS 20.0 million (PLN 20.8 million) was recognized in goodwill.

Until 31 December 2018, 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 value as at the acquisition date millions of NIS	Provisional value as at the acquisition date millions of PLN
Assets acquired		
Property, plant and equipment	0.5	0.5
Intangible assets (incl. those identified under purchase price allocation (PPA))	3.1	3.2
Trade receivables	5.1	5.3
Cash and cash equivalents	1.3	1.3
Total assets	10.0	10.3
Liabilities acquired		
Deferred tax liabilities	0.9	0.9
Provisions	1.4	1.5
Prepayments and accrued income	0.5	0.5
Trade payables	0.5	0.5
Other liabilities	1.7	1.8
Total liabilities	5.0	5.2
Net assets value	5.0	5.1
Value of non-controlling interests	1.0	1.0
Equity interest acquired	80%	80%
Purchase price	24.0	24.9
Goodwill as at the acquisition date	20.0	20.8

xi. Acquisition of Modulus

In July 2018, Asseco Poland S.A. acquired 20% of shares in Modulus Sp. z o.o., based in Poland, which were issued under a share capital increase of that company. The transaction value amounted to PLN 2.0 million. Following this acquisition, the equity interest held by Asseco Poland S.A. in the acquired company increased from 50% to 70%. The control over that company was obtained in August 2018, after making the payment and official registration of the purchase. In these consolidated financial statements, the financial results of Modulus Sp. z o.o. were fully consolidated in the period from 1 August 2018 till 21 December 2018 when Asseco Poland S.A. sold all of its shares in Modulus Sp. z o.o.

As part of the provisional purchase price allocation, the whole excess of the purchase price paid over the fair value of net assets acquired in the amount of PLN 7.7 million was allocated to intangible assets. As at the date of disposal of shares in Modulus Sp. z o.o., the provisional values of identifiable assets and liabilities of that company were as follows:

	Provisional value as at the acquisition date millions of PLN
Assets acquired	
Intangible assets, including those identified under purchase price allocation (PPA)	9.6
Trade receivables	0.9
Cash and cash equivalents	1.8
Total assets	12.3
Liabilities acquired	

Trade payables	4.0
Deferred tax liabilities	1.3
Total liabilities	5.3
Net assets value	7.0
Value of non-controlling interests	2.1
Fair value of investment before obtaining control (50% stake)	2.9
Equity interest acquired	70%
Purchase price (20% stake)	2.0
Goodwill as at the acquisition date	-

xii. Completion of purchase price allocation of other companies acquired by the Group as described in previous interim reports

In these consolidated financial statements for the period of 12 months ended 31 December 2018, we have skipped the descriptions of the purchase price allocation processes that were completed before 30 September 2018, which were already described in detail in the quarterly report for the period of 3 months ended 31 March 2018, in the semi-annual report for the period of 6 months ended 30 June 2018, or in the quarterly report for the period of 9 months ended 30 September 2018, respectively. Such disclosures concerned Chip Card a.d. as well as companies acquired by Formula Group, including: Programa Logistics Systems Ltd., Maximum Processing Inc., 4Sight Business Intelligence Inc., Roshtov Software Industries Ltd., Twingo Ltd.

xiii. Completion of allocation of the purchase price of Formula Group

As described in the consolidated financial statements for the year ended 31 December 2017 (in item 4.i. of section 'Basis for the preparation of financial statements'), on 11 October 2017 Asseco Poland S.A. obtained control over Formula Group.

In the initial purchase price allocation, as presented in the consolidated financial statements for the year ended 31 December 2017, the Group measured the non-controlling interests using the *fair value method*. It meant that goodwill arising from the acquisition of Formula Group was representative of 100% of net assets acquired in Formula Group.

In the final purchase price allocation, the Group has chosen to measure the value of non-controlling interests using the identifiable net assets method. Hence in the table below, the 'Fair value as at the acquisition date' columns include the final results of purchase price allocation, and present the value of non-controlling interests in the amount proportionate to the share of non-controlling interests in net assets of Formula Group.

The choice of the method for measuring the value of non-controlling interests and, consequently, the value of goodwill remains irrelevant when conducting goodwill impairment tests and has no effect on the equity attributable to Shareholders of the Parent Company.

The process of purchase price allocation was completed by the Group in the second quarter of 2018. The fair values of identifiable assets and liabilities of Formula Group as at the date of obtaining control were as follows (converted at the exchange rate of PLN/USD effective as at the acquisition date):

	Provisional value as at the acquisition date millions of USD	Provisional value as at the acquisition date millions of PLN	Fair value as at the acquisition date millions of USD	Fair value as at the acquisition date millions of PLN
Assets acquired				
Property, plant and equipment	24.4	88.4	24.4	88.4
Intangible assets (incl. those identified under purchase price allocation (PPA))	476.8	1,726.9	470.1	1,702.7
Trade receivables	367.4	1,330.7	367.4	1,330.7
Cash and cash equivalents	235.4	852.6	235.4	852.6
Other assets	127.4	461.4	127.3	461.1
Total assets	1,231.4	4,460.0	1,224.6	4,435.5
Liabilities acquired				
Bank loans and borrowings	347.8	1,259.7	347.8	1,259.7
Trade payables	93.0	336.8	93.0	336.8
Deferred tax liabilities	113.8	412.2	112.1	406.0
Provisions	15.3	55.4	15.3	55.4
Prepayments and accrued income	119.0	431.0	119.0	431.0
Other liabilities	151.9	550.2	151.9	550.2
Total liabilities	840.8	3,045.3	839.1	3,039.1
Net assets value	390.6	1,414.7	385.5	1,396.4
Value of non-controlling interests	1,346.3	4,876.2	342.3	1,239.8
Equity interest acquired	26.31%	26.31%	26.31%	26.31%
Purchase price	163.1	590.7	163.1	590.7
Goodwill as at the acquisition date	1,118.8	4,052.2	119.9	434.1

6.5. Impairment testing

Selected accounting policies

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

At the end of each reporting period, 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.

Impairment testing of goodwill

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 2018 and during the period of 12 months ended 31 December 2018, 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.

Our companies/groups quoted in an active market include: Asseco Business Solutions S.A. (WSE), Formula Systems (1985) Ltd. (TASE/NASDAQ), and Asseco South Eastern Europe S.A. (WSE).

The table below compares the market values (calculated on the basis of the average price of each company's shares quoted in the last quarter) 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 2018.

31 Dec. 2018	Asseco South Eastern Europe S.A. mPLN	Asseco Business Solutions S.A. mPLN	Formula Group mPLN
net assets value of cash-generating unit	820.0	301.1	2,337.8
stock exchange valuation	585.2	826.0	2,125.6
excess (+) / deficit (-) of fair value over carrying value	(234.8)	524.9	(212.2)

As shown in the table above, as at 31 December 2018, the low market capitalization might indicate a possible impairment only in the case of Asseco South Eastern Europe S.A. and Formula Group. Therefore, for the above-mentioned companies as well as for all companies or groups of companies which are not quoted in an active market, the value in use was estimated by applying the model of discounted free cash flow to firm (FCFF).

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 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.

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 2018 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 2023;
- compound annual growth rate of free cash flows over the period of forecast, i.e. in the years 2019-2023;

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 the conducted analysis are presented in the table below.

	Carrying value of cash-generating unit	Discount rate		Compound annual growth rate of free cash flows (FCFF)
		applied for the residual period	incremental	incremental
	mPLN	%	%	%
Cash-generating unit constituted by the Formula Systems segment				
Formula Systems Group	2,815.3	9.4%	12.6%	12.8%
Main cash-generating units within the Asseco International segment				
Asseco Central Europe Group	889.5	6.7%	27.3%	(21.9%)
Asseco South Eastern Europe Group	677.2	8.8%	22.3%	(8.4%)
Asseco Spain S.A.	42.0	9.7%	∞	(41.7%)
Necomplus S.L.	33.4	9.7%	9.7%	-
Asseco PST (former Exictos SGPS S.A.)	116.3	9.9%	27.5%	(15.8%)
Asseco Danmark & Peak Consulting	37.2	6.7%	19.1%	6.6%
Main cash-generating units within the Asseco Poland segment				
<i>Companies of the Asseco Poland segment identified as cash-generating units</i>				
GSTN Sp. z o.o./Gladstone Consulting Ltd	34.6	11.3%	12.2%	(1.6%)
Asseco Data Systems S.A.	436.9	8.8%	19.7%	0.1%
DahliaMatic Sp. z o.o.	75.6	11.3%	11.9%	(5.5%)
Cash-generating units constituted by operating segments identified within the Parent Company				
Public Administration segment	1,046.5	7.7%	10.8%	5.2%
Banking and Finance segment	1,124.9	7.7%	9.5%	9.2%
General Business segment	231.7	7.7%	21.0%	13.7%

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

* 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.

In addition, the tables below present an analysis of sensitivity of our models applied to calculate the recoverable amounts of cash-generating units identified within the Parent Company, to changes in discount rates as well as in the compound annual growth rate (CAGR) of expected cash flows.

As indicated in the table above, 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 7.7%. Whereas, the compound annual growth rate of cash flows for the period from 2019 to 2023 as applied in the model for this segment equalled 13.4%.

The values of analogical parameters (i.e. WACC and CAGR) applied in the model for the Public Administration segment equalled 7.7% and 12.4%, 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 32.9%.

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)	1,537.1	1,448.5	1,372.2	1,305.8	1,247.6	1,196.0	1,150.0
Excess / Deficit against the unit's book value (in millions of PLN)	+412.2	+323.6	+247.3	+180.9	+122.7	+71.1	+25.1

Banking and Finance segment		change in compound annual growth rate (CAGR) of FCFF (in percentage)						
		-5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)		1,240.5	1,266.7	1,292.8	1,305.8	1,318.9	1,345.0	1,371.1
Excess / Deficit against the unit's book value (in millions of PLN)		+115.6	+141.8	+167.9	+180.9	+194.0	+220.1	+246.2
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)		1,562.9	1,472.3	1,394.3	1,326.3	1,266.7	1,213.9	1,166.9
Excess / Deficit against the unit's book value (in millions of PLN)		+516.4	+425.8	+347.7	+279.8	+220.2	+167.4	+120.4
Public Administration segment		change in compound annual growth rate (CAGR) of FCFF (in percentage)						
		-5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)		1,260.0	1,286.6	1,313.1	1,326.3	1,339.6	1,366.1	1,392.7
Excess / Deficit against the unit's book value (in millions of PLN)		+213.5	+240.0	+266.6	+279.8	+293.1	+319.6	+346.1
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)		513.9	484.1	458.3	436.0	416.3	398.9	383.4
Excess / Deficit against the unit's book value (in millions of PLN)		+282.2	+252.4	+226.6	+204.3	+184.6	+167.2	+151.7
General Business segment		change in compound annual growth rate (CAGR) of FCFF (in percentage)						
		-5%	-3%	-1%	0%	+1%	+3%	+5%
Present value of FCFF (in millions of PLN)		414.2	422.9	431.6	436.0	440.3	449.0	457.8
Excess / Deficit against the unit's book value (in millions of PLN)		+182.5	+191.2	+199.9	+204.3	+208.6	+217.3	+226.1

6.6. 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

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 data of associates and joint ventures	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Non-current assets	176.5	168.9
Current assets	176.5	150.3
Non-current liabilities	34.9	18.7
Current liabilities	108.6	107.5
Net assets	209.5	193.0
Book value of investments	111.5	100.5

Financial data of associates and joint ventures	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Revenues	270.9	1,080.6*
Operating profit	12.9	73.8*
Net profit (loss)	6.0	18.7*
Share of profits of associates and joint ventures	2.0	(37.7)

* Including the financial data of Formula Systems Group for the period when it was an associated entity.

Other comprehensive income of associates and joint ventures is insignificant from the point of view of the entire Group.

6.7. 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 III 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 2018 and as at 31 December 2018, 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. 2018	31 Dec. 2017
Matrix IT Ltd. *	87.06%	86.98%
Magic Software Enterprises Ltd. *	88.11%	87.60%
Sapiens International Corp. NV *	87.36%	87.33%
ASEE Group	48.94%	48.94%
ACE Group	7.19%	7.12%

* 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.

Carrying value of non-controlling interests*		
Group name	31 Dec. 2018	31 Dec. 2017
Formula Group**	1,374.0	1,199.9
ASEE Group	375.6	352.0
ACE Group	193.5	178.0
Other individually insignificant	2.5	(2.8)
Total	1,945.6	1,727.1

* 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. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Matrix IT Ltd.	93.6	74.2*	(69.0)	(28.9)*
Magic Software Enterprises Ltd.	65.2	41.6*	(36.0)	(13.2)*
Sapiens International Corp. NV	11.2	(19.6)*	(19.0)	-*
ASEE Group	32.1	26.0	(13.6)	(12.5)
ACE Group	40.6	32.9	(33.2)	(31.1)
Other individually insignificant	17.7	(4.9)	(25.0)	(83.2)
Total	260.4	150.2	(195.8)	(168.9)

* For the period of being under control of Asseco Group (i.e. from January till the end of July, and from October till December of 2017)

	Matrix IT Ltd.	Magic Software Enterprises Ltd.	Sapiens International Corp. NV	ASEE Group	ACE Group
31 Dec. 2018					
Non-current assets	1,465.0	740.0	1,178.0	628.4	724.1
Current assets	1,480.0	793.0	553.0	361.9	464.7
<i>of which cash and cash equivalents</i>	<i>306.0</i>	<i>328.0</i>	<i>243.0</i>	<i>164.8</i>	<i>154.1</i>
Non-current liabilities	530.0	120.0	339.0	22.1	91.5
Current liabilities	1,112.0	309.0	376.0	202.3	341.9
31 Dec. 2017					
Non-current assets	1,379.3	740.1	1,127.2	631.6	703.7
Current assets	1,245.3	633.2	510.7	287.8	442.9
<i>of which cash and cash equivalents</i>	<i>278.2</i>	<i>264.9</i>	<i>248.9</i>	<i>115.7</i>	<i>160.3</i>
Non-current liabilities	574.4	275.7	409.4	29.4	77.4
Current liabilities	899.9	205.4	301.1	169.6	365.0

	Matrix IT Ltd.	Magic Software Enterprises Ltd.	Sapiens International Corp. NV	ASEE Group	ACE Group
Period of 12 months ended 31 December 2018					
Net cash provided by (used in) operating activities	137.0	89.0	110.0	121.2	151.5
Net cash provided by (used in) investing activities	(130.0)	(82.0)	(93.0)	(43.5)	(59.7)
Net cash provided by (used in) financing activities	8.0	41.0	(42.0)	(27.7)	(93.9)
Period of 12 months ended 31 December 2017					
Net cash provided by (used in) operating activities	162.9*	98.2*	39.3*	94.3	119.3
Net cash provided by (used in) investing activities	247.9*	236.9*	(282.5)*	(64.8)	(63.1)
Net cash provided by (used in) financing activities	233.6*	(22.9)*	116.7*	(23.9)	(91.8)

* For the period of being under control of Asseco Group (i.e. from January till the end of July, and from October till December of 2017)

6.8. Other financial assets

Selected accounting policies

The accounting policy for financial instruments that was applied 31 December 2017 was described in item 14 section III of the consolidated financial statements for the period of 12 months ended 31 December 2017 which were published on 19 March 2018.

IFRS 9 became effective from 1 January 2018. It superseded IAS 39 'Financial Instruments: Recognition and Measurement'. Since 1 January 2018, the Group has classified its financial assets to the following measurement categories specified in IFRS 9:

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

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

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

other comprehensive income.

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

Measurement at initial recognition

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

Measurement after initial recognition

Measurement of financial assets at amortized cost

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

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

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

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

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

Measurement of financial assets at fair value through other comprehensive income

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

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

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

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

Measurement of financial assets at fair value through profit or loss

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

Derecognition

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

Impairment of financial assets

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 6.10. to these consolidated financial statements.

Both as at 31 December 2018 and 31 December 2017, apart from receivables and cash and cash equivalents described in other notes, the Group also held other financial assets as presented in the table below. For the sake of comparability, as at 31 December 2017 these data have been presented in a breakdown to the categories of financial assets as required under IFRS 9 – the method of classifying assets into new categories is shown in the table contained in item 2.5. of section ‘Basis for the preparation of financial statements’.

	31 Dec. 2018		31 Dec. 2017	
	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	2.4	1.8	2.7	11.1
Corporate and Treasury bonds	4.3	-	-	4.2
Shares in companies quoted in an active market	0.8	-	1.1	0.2
Other assets	10.3	-	8.4	-
	17.8	1.8	12.2	15.5
Financial assets carried at fair value through other comprehensive income, of which:				
Shares in companies not quoted in an active market	29.0	-	9.5	-
Corporate bonds	-	32.9	-	45.0
	29.0	32.9	9.5	45.0
Financial assets carried at amortized cost, of which:				
Promissory notes	-	3.2	-	-
Other debt securities	4.8	0.1	-	-
<i>Loans granted, of which:</i>				
granted to related parties	18.4	1.3	15.8	1.7
granted to employees	0.3	2.6	0.4	3.3
granted to other entities	104.3	16.5	124.6	15.3
term cash deposits	0.5	80.9	14.6	5.2
	128.3	104.6	155.4	25.5
Total	175.1	139.3	177.1	86.0

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 the end of each reporting period 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 the end of each reporting period, on the basis of their closing prices at the end of the reporting period. Valuation changes are recognized through profit or loss in the income statement.

Financial assets carried at fair value through other comprehensive income include primarily corporate bonds held by Magic Software (USD 9.9 million) and investments in equity instruments not quoted in an active market.

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 2018, the amount outstanding under this loan was PLN 95.7 million, as compared with PLN 105.1 million as at 31 December 2017. The loan bears interest determined at market conditions and it shall be repaid till 31 December 2022.

Moreover, loans granted include a loan granted by Asseco Data Systems S.A. to the Silesian Metropolitan Network, amounting to PLN 18.3 million as at 31 December 2018.

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 2018, the Group did not change its methods for measuring the fair value of financial instruments carried at fair value nor did it transfer any instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2018 and 31 December 2017, the fair values of financial assets were not significantly different from their book values.

As at 31 December 2018	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	4.2	-	4.2	-
Corporate and Treasury bonds	4.3	4.3	-	-
Shares in companies quoted in an active market	0.8	0.8	-	-
Other assets	10.3	-	10.3	-
Total	19.6	5.1	14.5	-
Financial assets carried at fair value through other comprehensive income				
Shares in companies not listed on regulated markets	29.0	-	-	29.0
Corporate bonds	32.9	-	32.9	-
Total	61.9	-	32.9	29.0

- 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 2017	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	13.8	-	13.8	-
Treasury and corporate bonds (quoted in an active market)	4.2	4.2	-	-
Shares in companies quoted in an active market	1.3	1.3	-	-
Other assets	8.4	-	8.4	-
Total	27.7	5.5	22.2	-
Financial assets available for sale				
Shares in companies not listed on regulated markets	9.5	-	-	9.5
Treasury and corporate bonds	45.0	-	45.0	-
Total	54.5	-	45.0	9.5

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

6.9. Prepayments and accrued income

Selected accounting policies

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

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

Costs of contracts with customers

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

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

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

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

As at 31 December 2018 and 31 December 2017, prepayments and accrued income included the following items:

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Prepaid services, of which:	58.1	149.6	45.5	135.1
<i>maintenance services and license fees</i>	52.0	125.0	40.7	112.2
<i>rents and averaging of instalments under operating leases</i>	5.1	3.3	3.9	3.2
<i>insurances</i>	0.1	4.0	-	5.8
<i>other services</i>	0.9	17.3	0.9	13.9
Expenses related to services performed for which revenues have not been recognized yet	1.1	4.2	0.8	3.5
<i>Costs incurred in obtaining a contract with a customer</i>	-	-	-	-
<i>Costs incurred in fulfilling a contract with a customer</i>	0.2	1.0	-	-
<i>Other costs of services for which revenues have not been recognized yet</i>	0.9	3.2	-	-
Other prepayments and accrued income	-	14.7	-	11.2
Total	59.2	168.5	46.3	149.8

6.10. Receivables and contract assets

Selected accounting policies

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

Contract assets (so far presented as receivables from valuation of IT contracts) result from the excess of the percentage of completion of implementation contracts over invoices issued. In the case of such assets, the Group has fulfilled its performance obligation but the right to payment is conditioned on something other than just the passage of time, which distinguishes contract assets from trade receivables.

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 relating to uninvoiced deliveries result 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.

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

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

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

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

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

If the cause for recognition of an allowance is no longer valid, such allowance shall be reversed in the whole amount or

appropriate portion, and increase in the value of the relevant asset.

Estimates

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 2018 as well as at 31 December 2017.

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade receivables, of which:	19.6	2,432.7	10.0	2,372.1
Invoiced receivables	15.0	2,118.6	4.8	1,906.2
from related parties	-	4.5	-	3.7
from other entities	15.0	2,114.1	4.8	1,902.5
Uninvoiced receivables	4.6	381.7	5.2	350.2
from related parties	-	0.3	-	0.4
from other entities	4.6	381.4	5.2	349.8
Receivables from valuation of IT contracts	-	-	-	197.8
from related parties	-	-	-	-
from other entities	-	-	-	197.8
Receivables from operating leases	-	8.8	-	-
Allowances for trade receivables	-	(76.4)	-	(82.1)
Corporate income tax receivable	-	47.6	-	88.7
Receivables from the state and local budgets	-	37.3	-	20.6
Value added tax	-	19.9	-	10.8
Other	-	17.4	-	9.8
Other receivables	107.9	38.9	98.3	38.5
Other receivables	107.9	51.6	98.3	52.0
Allowances for other doubtful receivables (-)	-	(12.7)	-	(13.5)
Total receivables	127.5	2,556.5	108.3	2,519.9

As mentioned above, contract assets (formerly presented as receivables from valuation of IT contracts) result from the excess of the percentage of completion of implementation contracts over invoices issued. This item appeared in the Group's statement of financial position as of 1 January 2018, i.e. from the date of initial application of IFRS 15. The table below presents receivables from contracts with customers as at 31 December 2018; the comparable data have not been presented due to the approach chosen by the Group for the implementation of IFRS 15 (this is without the restatement of comparable data). However, receivables from valuation of IT contracts presented in the table above should be treated as comparable data to contract assets in accordance with note 2.5.

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Contract assets (receivables from valuation of IT contracts)			-	-
from related parties	-	1.5	-	-
from other entities	-	212.8	-	-
Total contract assets	-	214.3	-	-

During the period of 12 months ended 31 December 2018, assets from contracts with customers changed as follows:

	12 months ended 31 Dec. 2018 mPLN
Contract assets (receivables from valuation of IT contracts) as at 1 January 2018 – published	197.8
Impact of IFRS 15 on the opening balance	18.8
Contract assets as at 1 January, including the impact of IFRS 15	216.6
Reclassification of contract assets due to obtaining an unconditional right to payment	(316.6)
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices; modification of other assumptions	313.3
Impairment losses	(1.6)
Obtaining control over subsidiaries	-
Foreign exchange differences on translation of foreign operations	2.6
Contract assets as at 31 December 2018	214.3

Related party transactions have been presented in explanatory note 6.22 to these consolidated financial statements.

The balance of other receivables includes, among others, receivables relating to guarantees of due performance of contracts (i.e. security in cash extended in favour of customers in order to compensate for their potential losses should we fail to fulfil any contractual obligations), receivables from disposal of tangible assets, receivables from security deposits paid-in, as well as receivables from sale of shares.

Receivables from disposal of shares include primarily receivables from the sale of shares in the following companies: Formula Systems (1985) Ltd. in the amount of PLN 37.1 million, Asseco Central Europe – PLN 20.7 million, Asseco South Eastern Europe – PLN 22.2 million, and Modulus Sp. z o.o. – PLN 2.0 mln.

The payment for Asseco Central Europe shares sold was divided into 8 equal instalments, the first three of which were already paid before 31 December 2018. The remaining instalments are payable annually till 31 May of a given year. The last instalment shall be paid till 31 May 2023. The selling price of shares has been secured by establishing a pledge on shares purchased by each buyer. The transaction parties and Asseco Central Europe also agreed on put and call options for these shares.

The payment for Asseco South Eastern Europe shares sold was divided into 8 principal instalments which are payable annually till 31 July of a given year. The last instalment shall be paid till 31 July 2024. Till 31 December 2018, two principal instalments were already paid (except for receivables from two new buyers). The selling price of shares has been secured by establishing a pledge on shares purchased by each buyer. The transaction parties also agreed on put and call options for these shares.

The payment for 2% of shares in Formula sold to the CEO of Formula Group has been deferred for a maximum period of 5 years (this is till 23 August 2022). The consideration was divided into two portions – one payable in US dollars (USD) and the other payable in Israeli shekels (NIS). Our receivables both in NIS and USD bear a fixed interest that was calculated on the basis of market interest rates, LIBOR USD and TELBOR respectively, plus a margin. Earlier repayment of these receivables is permitted. Payment of the consideration has been secured by depositing all unpaid shares with the trustee. As long as the shares remain deposited with the

trustee, dividends attributable to these shares will, as per the agreed mechanism, be transferred by the trustee to Asseco Poland S.A. on account of repayment of its receivables.

The Group has an adequate policy in place that allows for selling products to reliable clients only. Owing to that, in the Management's opinion the credited sales risk would not exceed the level covered with allowances for doubtful receivables.

The table below presents the ageing structure of gross receivables (i.e. before allowances and discounts) as at 31 December 2018 and 31 December 2017:

	31 Dec. 2018		31 Dec. 2017	
	mPLN	%	mPLN	%
Receivables not yet due	1,801.2	65.7%	1,646.2	66.8%
Past-due receivables	941.8	34.3%	818.1	33.2%
Receivables past-due up to 3 months	709.1	25.9%	543.8	22.1%
Receivables past-due from 3 to 6 months	123.5	4.5%	86.7	3.5%
Receivables past-due from 6 to 12 months	41.7	1.5%	40.3	1.6%
Receivables past-due over 12 months	67.5	2.4%	147.3	6.0%
Total trade receivables, gross (before allowances)	2,743.0	100.0%	2,464.3	100.0%
Allowances for trade receivables	(76.4)		(82.2)	
Carrying value of trade receivables	2,666.6		2,382.1	

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

On 19 April 2018, the Arbitration Court at the National Chamber of Commerce approved the settlement between the Parent Company and KT Corporation, under which KT Corporation has been obliged to pay Asseco Poland S.A. the amount of USD 21.4 million (gross), including the whole remuneration specified in the consortium agreement that was signed for the purpose of execution of "Internet for Mazovia" project, which is due within two months of the settlement approval, this is till 19 June 2018. These receivables were settled in the second quarter of 2018, which is also shown by a significant decrease in the Group's receivables overdue by more than 12 months as at 31 December 2018 as compared with their balance as at 31 December 2017.

Changes in the amount of allowances for trade receivables during the period of 12 months ended 31 December 2018 and in the comparable period are presented in the table below:

Allowances for trade receivables	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
As at 1 January	(82.1)	(90.7)
Recognized during the reporting period	(37.2)	(27.0)
Utilized during the reporting period	13.3	10.6
Reversed during the reporting period	31.8	17.2
Acquisition of subsidiaries	-	(28.8)
Loss of control over subsidiaries	-	32.2
Foreign exchange differences	(2.2)	4.4
As at 31 December	(76.4)	(82.1)

6.11. 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 2018 and in the comparable period:

Inventories	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
Computer hardware, third-party software licenses and other goods for resale	92.8	69.2
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	19.7	19.2
Impairment losses on inventories	(18.2)	(15.5)
Total	94.3	72.9

Changes in the amount of impairment losses on inventories during the period of 12 months ended 31 December 2018 and in the comparable period are presented in the table below:

Impairment losses on inventories	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
	mPLN	mPLN
As at 1 January	(15.5)	(16.8)
Recognized during the reporting period	(4.6)	(4.9)
Utilized during the reporting period	0.2	2.5
Reversed during the reporting period	1.9	3.2
Loss of control over subsidiaries	0.4	-
Foreign exchange differences	(0.6)	0.5
As at 31 December	(18.2)	(15.5)

6.12. Cash and cash equivalents

Selected accounting policies

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

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

The table below presents cash and cash equivalents as at 31 December 2018 and in the comparable period:

	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
Cash at bank accounts	1,208.0	1,000.8
Cash at split payment accounts	1.9	-
Cash on hand	0.6	0.7
Short-term bank deposits (up to 3 months)	589.1	545.7
Other cash equivalents	0.9	0.5
Total cash and cash equivalents as disclosed in the statement of financial position	1,800.5	1,547.7
Interest accrued on cash and cash equivalents	-	-
Bank overdraft facilities utilized for current liquidity management	(33.0)	(63.7)
Total cash and cash equivalents as disclosed in the cash flow statement	1,767.5	1,484.0

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

6.13. 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.

Non-current assets held for sale include several real-estate properties (land, business premises and office buildings) owned by Asseco Poland S.A., one property owned by Asseco Danmark A/S, as well as one property owned by Podkarpacki Fundusz Nieruchomości Sp. z o.o. All such properties are available for immediate sale in their existing condition (presently these properties are not used by the Group). As at 31 December 2018, the fair values of these reclassified properties still exceeded their carrying values; hence, as at 31 December 2018, there were no indications of impairment of any property classified as held for sale.

6.14. Share capital

The Parent Company's share capital as at 31 December 2018 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 2018. Moreover, the Parent Company's dividend payment capacity has been presented in explanatory note 5.12. to the standalone financial statements.

6.15. Finance lease liabilities

Selected accounting policies

Finance lease contracts, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, are recognized in the statement of financial position at commencement of the lease term, at the fair value of the leased asset or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial expenses are recognized in the income statement unless they are eligible for capitalization (both in 2018 and in the comparable period, the Group did not capitalize any interest expenses incurred under finance lease contracts).

Property, plant and equipment used under finance lease contracts are subject to depreciation over their estimated useful life or the lease term, whichever is shorter. However, if the lease contract provides that after its termination the lessee shall obtain ownership of the leased asset, then such an asset shall be depreciated over its estimated useful life, i.e. following the depreciation rules applicable to similar owned assets.

Lease contracts, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, are considered as operating leases. Lease payments under an operating lease shall be recognized as operating expenses on a straight-line basis over the lease term. Contingent lease payments shall be charged as expenses in the period in which they become due. Liabilities under such leases are not recognized in the statement of financial position, but they have been disclosed in explanatory note on off-balance-sheet liabilities.

Estimates

Classification of lease contracts (the Group as a lessee)

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 2018, assets used under finance lease contracts where the Group is a lessee, included:

- office buildings,
- cars,
- IT hardware.

The table below presents the amounts of finance lease liabilities as at 31 December 2018 and in the comparable period:

Financial liabilities	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Leasing of real estate	20.3	22.9	41.8	20.8
Leasing of transportation vehicles	8.7	4.8	4.8	3.4
Leasing of IT hardware	3.1	1.2	2.6	2.6
	32.1	28.9	49.2	26.8

Leasing of real estate

The net value of office buildings which are held under finance lease contracts amounted to PLN 13.4 million as at 31 December 2018, as compared with PLN 21.0 million as at 31 December 2017.

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

	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Minimum lease payments		
in the period shorter than 1 year	24.7	23.8
in the period from 1 to 5 years	20.9	44.2
in the period longer than 5 years	-	-
Future minimum lease payments	45.6	68.0
Future interest expense	2.4	5.3
Present value of finance lease liabilities		
in the period shorter than 1 year	22.9	20.8
in the period from 1 to 5 years	20.3	41.9
in the period longer than 5 years	-	-
Lease liabilities	43.2	62.7

Both as at 31 December 2018 and in the comparable period, the effective interest rate on the above finance leases equalled 6.0%.

Leasing of cars, IT hardware and other assets

The net value of IT hardware, cars and other assets which are held under finance lease contracts amounted to PLN 22.3 million as at 31 December 2018, as compared with PLN 17.6 million as at 31 December 2017.

The aggregate future cash flows and liabilities under such finance leases of cars, IT hardware and other assets are as follows:

	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Minimum lease payments		
in the period shorter than 1 year	5.4	5.8
in the period from 1 to 5 years	11.8	8.3
in the period longer than 5 years	-	-
Future minimum lease payments	17.2	14.1
Future interest expense	0.9	0.7
Present value of finance lease liabilities		
in the period shorter than 1 year	5.7	6.0
in the period from 1 to 5 years	10.6	7.4
in the period longer than 5 years	-	-
Lease liabilities	16.3	13.4

6.16. Bank loans, borrowings and debt securities

Selected accounting policies

The new standard regarding financial instruments (IFRS 9) became effective from 1 January 2018. The classification of financial liabilities did not change substantially in relation to the classification under the previously applicable standard – IAS 39.

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 obtained on 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 2018 and 31 December 2017.

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Bank loans	650.7	366.1	575.1	370.2
- overdraft facilities	-	46.4	-	151.1
- non-revolving loans	650.7	319.7	575.1	219.1
Bonds	432.0	209.9	465.6	16.8
Borrowings	0.2	5.6	5.6	8.3
Total	1,082.9	581.6	1,046.3	395.3

The Group's total liabilities under all bank loans and borrowings obtained and debt securities issued aggregated at PLN 1,664.5 million as at 31 December 2018, as compared with PLN 1,441.6 million outstanding as at 31 December 2017.

Bank overdraft facilities outstanding as at 31 December 2018 and 31 December 2017 are presented in the tables below.

Loan currency	Effective interest rate	Actual amount of debt as at 31 December 2018 mPLN	Maximum debt limit available mPLN	Unused amount of loan facilities mPLN
EUR	EONIA + margin	17.2	37.7	20.5
	EURIBOR + margin	1.1	48.6	47.5
	Fixed interest rate	0.1	0.1	-
NIS	Prime (Israel) + margin	6.8	6.8	-
PLN	WIBOR + margin	5.8	704.4	698.6
	Fixed interest rate	0.1	0.4	0.3
MKD	Fixed interest rate	-	0.2	0.2
USD	Fixed interest rate	8.7	8.7	-
HUF	BUBOR + margin	-	4.0	4.0
DKK	Fixed interest rate	-	2.9	2.9
RON	EURIBOR + margin	6.6	12.8	6.2
		46.4	826.6	780.2

Loan currency	Effective interest rate	Actual amount of debt as at 31 December 2017	Maximum debt limit available	Unused amount of loan facilities
------------------	-------------------------	---	---------------------------------	-------------------------------------

		mPLN	mPLN	mPLN
EUR	EONIA + margin	-	5.2	5.2
	EURIBOR + margin	6.4	57.5	51.1
	Fixed interest rate	11.1	12.6	1.5
NIS	Prime (Israel) + margin	82.1	82.1	-
PLN	WIBOR + margin	42.5	700.0	657.5
	Fixed interest rate	0.1	0.4	0.3
MKD	Fixed interest rate	-	0.2	0.2
USD	Fixed interest rate	7.5	7.5	-
HUF	BUBOR + margin	1.4	3.4	2.0
		151.1	868.9	717.8

Non-revolving bank loans outstanding as at 31 December 2018 and 31 December 2017 are presented in the table below.

Loan currency	Effective interest rate	31 Dec. 2018		31 Dec. 2017	
		Long-term	Short-term	Long-term	Short-term
		mPLN	mPLN	mPLN	mPLN
EUR	EURIBOR + margin	14.0	12.3	13.2	17.0
	Fixed interest rate	63.7	22.4	19.0	20.0
HRK/EUR	EURIBOR + margin	4.3	2.9	7.1	5.1
NIS	Fixed interest rate	516.1	249.2	470.0	156.9
PLN	WIBOR + margin	45.5	19.6	65.1	19.8
USD	Fixed interest rate	7.1	3.3	0.7	0.2
NGN	Fixed interest rate	-	-	-	0.1
RON	EURIBOR + margin	-	10.0	-	-
		650.7	319.7	575.1	219.1

In the reporting period, the margins realized by lenders to Asseco Group companies ranged from 0.1 to 5.0 percentage points on an annual basis. Whereas, in the comparable period such margins ranged from 0.1 to 6.0 percentage points per annum.

The Group's liabilities under debt securities are attributable to bonds issued by Formula Systems and Sapiens International. In 2015, Formula Systems issued bonds with a total face value of NIS 227.2 million. These bonds were issued in two series:

- series A, with a total face value of NIS 102.2 million, represents bonds that have been secured with shares in subsidiaries of Formula Systems, bearing a fixed interest rate of 2.8% per annum;
- series B, with a total face value of NIS 125.0 million, represents bonds that can be converted into shares of Formula Systems, bearing a fixed interest rate of 2.74% per annum. These convertible bonds can be exchanged for the company's ordinary stock at the price of NIS 157 per share. According to the issuance prospectus, the conversion price might change as a result of dividend payment by the company, or as a consequence of the company's new share-based payment plans.

Moreover, on 31 January 2018, Formula Systems issued a new tranche of series A bonds with a total face value of NIS 150.0 million. The newly issued bonds bear a fixed interest rate of 2.8% per annum and are not convertible into shares.

As at 31 December 2018, liabilities of Formula Systems under the above-mentioned bonds amounted to PLN 341.8 million.

Division into short- and long-term portion	Series	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN	Effective interest rate	Currency
---	--------	----------------------	----------------------	-------------------------	----------

long-term portion	Series A	174.1	76.3	2.38%	NIS
	Series B	-	116.8	3.65%	NIS/USD
short-term portion	Series A	37.2	14.1	2.38%	NIS
	Series B	130.5	-	3.65%	NIS/USD
		341.8	207.2		

In 2017, Sapiens International issued series B bonds under a public offering and private placement with a total value of NIS 280 million. The table below presents a breakdown of these bonds into short- and long-term portions and their balances as at 31 December 2018.

Division into short- and long-term portion	Series	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN	Effective interest rate	Currency
long-term portion	Series B	257.9	272.5	3.69%	NIS/USD
short-term portion	Series B	42.2	2.7	3.69%	NIS/USD
		300.1	275.2		

Borrowings outstanding as at 31 December 2018 and 31 December 2017 are presented in the table below.

Loan currency	Effective interest rate	Repayment date	31 Dec. 2018		31 Dec. 2017	
			Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
EUR	Fixed interest rate	Q4 2018	-	-	-	3.9
		Q1 2019	-	-	0.1	0.1
		2020	0.1	-	-	-
		2021	0.1	-	0.1	-
		2022	-	-	0.1	0.1
NIS	fixed interest rate	not specified	-	1.9	1.8	-
KZT	fixed interest rate	Q4 2018	-	-	-	0.1
PLN	fixed interest rate	Q4 2019	-	3.7	3.5	4.1
		2021	-	-	-	-
			0.2	5.6	5.6	8.3

Assets serving as collateral for bank loan facilities:

Category of assets	Net value of assets		Utilized amount of bank loans secured with assets	
	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Land and buildings	205.4	210.4	56.7	82.8
Other tangible assets	1.1	1.0	10.0	-
Shares in subsidiaries	768.7	616.5	320.4	249.1
Inventories	3.3	-	-	-
Current and future receivables	42.1	3.3	-	3.3
Total	1,020.6	831.2	387.1	335.2

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 also in certain cases exercise its rights in the

collateral provided. Both as at 31 December 2018 and 31 December 2017, Asseco Group companies did not infringe any covenants defined in their loan agreements.

Fair value of financial liabilities

In the period of 12 months ended 31 December 2018, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2018 and 31 December 2017, the fair values of bank loans and debt securities issued were not significantly different from their book values.

As at 31 December 2018	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Interest-bearing bank loans and debt securities issued				
Bank loans	1,016.8	-	-	1,016.8
- overdraft facilities	46.4	-	-	46.4
- non-revolving loans	970.4	-	-	970.4
Bonds	641.9	641.9	-	-
Borrowings	5.8	-	-	5.8
Total	1,664.5	641.9	-	1,022.6

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 2017	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Interest-bearing bank loans and debt securities issued				
Bank loans	945.3	-	-	945.3
- overdraft facilities	151.1	-	-	151.1
- non-revolving loans	794.2	-	-	794.2
Bonds	482.4	482.4	-	-
Borrowings	13.9	-	-	13.9
Total	1,441.6	482.4	-	959.2

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

6.17. 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 the end of each reporting period 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 income statement (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.

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 2018, 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. 2018		31 Dec. 2017	
	Long-term	Short-term	Long-term	Short-term
	mPLN	mPLN	mPLN	mPLN
Dividend payment liabilities	-	16.4	-	2.4
Liabilities under deferred and/or conditional payments for controlling interests	22.2	27.4	9.2	45.5
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	157.8	154.8	266.2	58.6
Other financial liabilities	0.3	1.1	-	8.0
	180.3	199.7	275.4	114.5

Both as at 31 December 2018 and 31 December 2017, dividend payment liabilities comprised basically dividends payable to non-controlling shareholders in subsidiaries and indirect subsidiaries of the Parent Company.

As at 31 December 2018 and 31 December 2017, 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 2018 and 31 December 2017:

Liabilities under deferred and/or conditional payments for controlling interests	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
Liabilities from acquisitions made by Asseco Poland S.A.	-	9.0

in international market		
Liabilities from acquisitions made within the Asseco International segment	6.0	13.9
Liabilities from acquisitions made within the Formula Systems segment	43.6	31.8
	49.6	54.7

As at 31 December 2018 and 31 December 2017, 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 2018 and 31 December 2017:

Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Liabilities of companies within the Asseco Poland segment	57.3	98.5
Liabilities of companies within the Asseco International segment	45.4	59.2
Liabilities of companies within the Formula Systems segment	209.9	167.1
	312.6	324.8

Both as at 31 December 2018 and 31 December 2017, the fair values of financial assets and liabilities were not significantly different from their book values.

As at 31 December 2018	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial liabilities				
dividend payment liabilities	16.4	-	-	16.4
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	49.6	-	-	49.6
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	312.6	-	-	312.6
other financial liabilities	1.4	-	1.4	-
Total	380.0	-	1.4	378.6

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 2017	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial liabilities				
dividend payment liabilities	2.4	-	-	2.4
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	54.7	-	-	54.7
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	324.8	-	-	324.8
other financial liabilities	8.0	-	8.0	-
Total	389.9	-	8.0	381.9

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

6.18. Trade payables, state budget liabilities and other liabilities

Selected accounting policies

Trade payables are related to operating activities and are recognized and disclosed at the amounts due for payment. Such liabilities result from goods and services received by the Group companies, which have already been invoiced or

have not been invoiced yet, but are considered as highly probable by the management and their amount can be precisely determined.

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

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

The table below presents the structure of the Group's liabilities outstanding as at 31 December 2018 and 31 December 2017:

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade payables, of which:	7.5	938.2	7.7	855.8
Invoiced payables	-	736.0	-	614.5
to related parties	-	2.1	-	3.4
to other entities	-	733.9	-	611.1
Uninvoiced payables	7.5	202.2	7.7	211.9
to related parties	-	0.1	-	0.1
to other entities	7.5	202.1	7.7	211.8
Liabilities arising from valuation of IT contracts	-	-	-	29.4
to related parties	-	-	-	-
to other entities	-	-	-	29.4
Corporate income tax payable	-	73.7	-	73.9
Liabilities to the state and local budgets	-	204.8	-	162.7
Value added tax (VAT)	-	119.6	-	100.7
Personal income tax (PIT)	-	41.6	-	20.9
Social insurance	-	35.1	-	34.2
Withholding income tax	-	2.5	-	3.5
Other	-	6.0	-	3.4
Other liabilities	5.6	314.3	8.5	290.2
Liabilities to employees (including salaries payable)	-	284.6	-	241.6
Other liabilities	5.6	29.7	8.5	48.6
Total	13.1	1,531.0	16.2	1,382.6

Trade payables are non-interest bearing. Related party transactions are presented in explanatory note 6.22. to these consolidated financial statements.

6.19. 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 a comprehensive IT system 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 it the

Group's opinion is tantamount to transferring the control of the license to the customer.

Estimates

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

As at 31 December 2018, the Group's contract liabilities resulted from obligations listed in the table below. The line of 'Contract liabilities' appeared in the Group's financial statements as a result of adopting IFRS 15 that was implemented without restating the comparable data. Therefore, the table below does not present any data as at 31 December 2017 – items reclassified to contract liabilities have been described in detail in note 2.5.i.

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Liabilities from valuation of IT contracts, of which:	-	32.2		
to related parties	-	-	-	-
to other entities	-	32.2	-	-
Deferred income from IT projects, of which:	32.3	418.9		
Maintenance services and license fees	32.3	367.6	-	-
Other prepaid services	-	51.3	-	-
Total contract liabilities	32.3	451.1	-	-

The table below explains changes in the balance of contract liabilities during the period of 12 months ended 31 December 2018:

	12 months ended 31 Dec. 2018 mPLN
Liabilities from valuation of long-term IT contracts and deferred income from IT projects as at 1 January 2018 – published data	400.4
Impact of IFRS 15 on the opening balance	17.3
As at 1 January, including the impact of IFRS 15	417.7
Invoices issued above the level of performance obligations satisfied	616.1
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices; modification of other assumptions	(573.4)
Obtaining control over subsidiaries	11.3
Foreign exchange differences on translation of foreign operations	11.7
Contract liabilities as at 31 December 2018	483.4

6.20. 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 costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

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

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

Provision for warranty repairs

The provision for warranty repairs is created to cover any anticipated future costs of warranty or service obligations resulting from the executed IT contracts, if the warranty obligations meet the definition of a standard warranty under IFRS 15. If the warranty meets the definition of a service (is an extended warranty in accordance with IFRS 15), i.e. the warranty scope is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications, then no provision is created. This is because the fulfilment of a non-standard guarantee is an obligation to perform a service, and as such should be recognized in revenues but not in the category of provisions.

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

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

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

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

Post-employment benefits

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

Provision for contractual penalties

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

Changes in the amount of provisions during the period of 12 months ended 31 December 2018 and in the comparable period are presented in the table below:

Provisions	Warranty repairs and product returns 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 2018 – published	46.1	2.9	41.3	21.4	12.9	124.6
Impact of IFRS 15 on the opening balance	(41.7)	-	-	-	26.4	(15.3)
As at 1 January, including the impact of IFRS 15	4.4	2.9	41.3	21.4	39.3	109.3
Obtaining control over subsidiaries	-	-	1.6	-	0.2	1.8

Provisions created during the reporting period	4.1	-	4.5	10.7	11.5	30.8
Discount change and actuarial gains/losses	(1.8)	(0.2)	(2.4)	(3.2)	(18.4)	(26.0)
Provisions utilized/reversed during the reporting period	(2.3)	(1.4)	(1.6)	-	(3.3)	(8.6)
Loss of control over subsidiaries	-	-	(1.1)	-	1.6	0.5
Changes in presentation methods	(0.2)	-	(1.4)	-	(0.7)	(2.3)
Foreign exchange differences on translation of foreign operations	0.1	-	0.2	1.6	0.1	2.0
As at 31 December 2018, of which:	4.3	1.3	41.1	30.5	30.3	107.5
Short-term	4.2	1.1	1.3	10.5	22.5	39.6
Long-term	0.1	0.2	39.8	20.0	7.8	67.9
As at 1 January 2018, of which:	46.1	2.9	41.3	21.4	12.9	124.6
Short-term	23.3	2.6	3.7	9.2	12.6	51.4
Long-term	22.8	0.3	37.6	12.2	0.3	73.2

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

Provisions	Warranty repairs and product returns 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 2017	61.2	7.4	32.1	16.8	30.3	147.8
Obtaining control over subsidiaries	1.4	6.0	36.3	15.7	1.1	60.5
Provisions created during the reporting period	11.5	2.6	7.8	8.9	6.6	37.4
Discount change and actuarial gains/losses	2.0	-	3.5	-	-	5.5
Provisions utilized during the reporting period	(23.7)	(4.2)	(1.6)	-	(8.4)	(37.9)
Provisions reversed during the reporting period	(6.2)	(2.1)	(0.4)	(1.6)	(15.5)	(25.8)
Loss of control over subsidiaries	-	(5.9)	(31.4)	(15.0)	(0.6)	(52.9)
Changes in presentation methods	-	0.1	0.1	-	(0.3)	(0.1)
Foreign exchange differences on translation of foreign operations	(0.1)	(1.0)	(5.1)	(3.4)	(0.3)	(9.9)
As at 31 December 2017, of which:	46.1	2.9	41.3	21.4	12.9	124.6
Short-term	23.3	2.6	3.7	9.2	12.6	51.4
Long-term	22.8	0.3	37.6	12.2	0.3	73.2
As at 1 January 2017, of which:	61.2	7.4	32.1	16.8	30.3	147.8
Short-term	26.4	7.1	1.6	6.4	22.7	64.2
Long-term	34.8	0.3	30.5	10.4	7.6	83.6

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 2018 include a provision for onerous contracts in the amount of PLN 24.2 million, as compared with PLN 6.1 million as at 31 December 2017.

6.21. 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 income statement under salaries (where they occur).

Accrual for employee bonuses

An obligation under bonus plans results from employee service and not from a transaction with the 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 for the development of assets

Government grants are recognized if, and only if, there is reasonable assurance that the beneficiary company will comply with the conditions attaching to them, and that the grants will be received. A grant shall be accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government.

If a grant is related to a specific cost item, then it shall be recognized as income (or as a reduction of expense) proportionally to the costs that the grant is intended to compensate.

Whereas, if a grant is related to a specific asset, then its fair value is accounted for as deferred income which is afterwards systematically, by way of equal annual write-offs, recognized in the income statement 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.

	31 Dec. 2018		31 Dec. 2017	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Accruals, of which:				
Accrual for unused holiday leaves	-	120.4	-	112.3
Accrual for employee and management bonuses	1.5	154.2	-	159.7
	1.5	274.6	-	272.0
Deferred income, of which:				
Maintenance services and license fees	-	-	34.7	303.3
Other prepaid services	-	-	0.2	33.0
Grants for the development of assets	43.3	7.4	43.8	8.0
Other	-	0.4	-	13.8
	43.3	7.8	78.7	358.1

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 largest portion of deferred income is comprised by grants for the development of assets. Grants for the development of assets represent subsidies received by the Group in connection with its development projects or projects related to the creation of IT competence centers.

From the time of implementing IFRS 15 by the Company, this is since 1 January 2018, 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, are presented under contract liabilities as disclosed in explanatory note 6.19, and not under deferred income as it was previously.

6.22. Related party transactions

Asseco Group sales to related parties:		12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Name of entity	Transaction type		
Transactions with associates			
Postdata S.A.	<i>sale of goods and services related to implemented IT projects</i>	5.0	4.3
Multicard d.o.o.	<i>sale of goods and services related to implemented IT projects</i>	0.5	0.4
eDocu, a.s.	<i>sale of goods and services related to implemented IT projects</i>	1.5	-
SCS Smart Connected Solutions GmbH	<i>sale of goods and services related to implemented IT projects</i>	1.3	2.7
R-Style Softlab JSC	<i>sale of goods and services related to implemented IT projects</i>	-	0.9
Total		8.3	8.3
Transactions with entities or individuals related through the Group's Key Management Personnel			
Konferenta UAB ¹⁾	<i>sale of services related to implemented IT projects and other activities</i>	0.2	0.2
Decsoft S.A. ²⁾	<i>sale of goods and services related to implemented IT projects</i>	0.3	-
Alior Bank S.A. ³⁾	<i>sale of goods and services related to implemented IT projects</i>	3.3	-
iPay SEE d o.o. ⁴⁾	<i>sale of goods and services related to implemented IT projects</i>	0.3	-
Other	<i>sale of services related to implemented IT projects and other activities</i>	0.2	0.4
Total		4.3	0.6
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.		-	-
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group			
Yuri Vasilievich Otrashovsky ⁵⁾	sale of shares	-	2.2
Managers of ACE Group ⁶⁾	sale of shares	1.4	32.8
Managers of Formula ⁷⁾	sale of shares	-	73.5
Managers of ASEE Group ⁸⁾	sale of shares	-	21.8
Other	sale of shares	0.1	0.1
Total		1.5	130.4
Total related party transactions		14.1	139.3

Asseco Group purchases from related parties:		12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
Name of entity	Transaction type	mPLN	mPLN
Transactions with associates			
Postdata S.A.	<i>purchase of goods and services related to implemented IT projects</i>	0.2	0.4
SCS Smart Connected Solutions GmbH	<i>purchase of services related to implemented IT projects</i>	0.4	0.8
R-Style Softlab JSC	<i>purchase of services related to implemented IT projects</i>	-	0.5
Total		0.6	1.7
Transactions with entities or individuals related through the Group's Key Management Personnel			
Top Fin Sp. z o.o. ⁹⁾	<i>rental of apartments (including reception, cleaning and security services, etc.) with parking lot spaces for the accommodation of employees on business trips</i>	1.1	2.7
MHM d.o.o. ¹⁰⁾	<i>rental of office space</i>	1.9	2.0
UAB Linkas ¹¹⁾	<i>rental of office space; purchase of services related to other activities</i>	1.3	1.2
Magna Virtus Consulting SA ¹²⁾	<i>purchase of services related to implemented IT projects</i>	1.5	2.1
GESTSO-Soc. de Gestao de Servicos SA ¹³⁾	<i>rental of office space</i>	0.6	0.7
PaR Solution s.r.o. ¹⁴⁾	<i>purchase of services related to implemented IT projects</i>	0.8	0.4
Leaven Advisory and Services Lda ¹⁵⁾	<i>purchase of services related to implemented IT projects</i>	0.8	-
Other entities related through the key management personnel		1.6	1.3
Total		9.6	10.4
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.			
Dariusz Brzeski	<i>purchase of advisory services</i>	1.8	1.7
Andrzej Gerlach	<i>purchase of advisory services</i>	0.7	0.7
Jacek Duch	<i>purchase of advisory services</i>	-	1.3
Total		2.5	3.7
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group		7.4	4.0
Total related party transactions		20.1	19.8

Name of entity	Trade receivables and other receivables as well as contract assets as at		Trade payables and other liabilities as at	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN	mPLN	mPLN
Associates				
Postdata S.A.	2.4	0.5	-	0.1
Multicard d.o.o.	0.4	0.9	-	-
eDocu, a.s.	1.8	0.1	-	0.2
SCS Smart Connected Solutions GmbH	1.0	2.3	0.8	0.5
InterWay CZ s.r.o.	-	0.1	-	-
První Certifikační Autorita A.S. CR	-	-	0.3	-
Total	5.6	3.9	1.1	0.8
Transactions with entities or individuals related through the Group's Key Management Personnel				
Top Fin Sp. z o.o.	-	0.3	-	0.5
Alior Bank S.A.	0.5	-	-	-
UAB Linkas	-	-	0.3	0.3
MagnaVirtus Consulting SA	0.1	-	-	0.2

Leaven Advisory and Services Lda	-	-	0.2	-
Other	0.1	0.1	0.3	-
Total	0.7	0.4	0.8	1.0
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.				
Dariusz Brzeski	-	-	0.1	0.1
Andrzej Gerlach	-	-	0.1	0.1
Jacek Duch	-	-	-	1.3
Total	-	-	0.2	1.5
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group				
Managers of ASEE Group	20.0	20.5	-	-
Managers of ACE Group	20.7	24.1	-	-
CEO of Formula Systems – Guy Bernstein	37.1	35.7	-	-
Yuri Otrasevsky	2.1	2.2	-	-
Other	0.8	1.1	0.1	0.3
Total	80.7	83.6	0.1	0.3
Total related party transactions	87.0	87.9	2.2	3.6

Name of entity	Loans granted		Borrowings	
	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN	31 Dec. 2018 mPLN	31 Dec. 2017 mPLN
Associates				
Galvaniho 5	9.1	13.9	-	-
Modulus Sp. z o.o.	-	2.0	-	-
EDOCU	1.2	1.1	-	-
SCS Smart Connected Solutions GmbH	9.3	-	-	-
LittleLane	0.1	-	-	-
Total	19.7	17.0	-	-
Transactions with entities or individuals related through the Group's Key Management Personnel				
Manager of Commit Holding	-	-	1.8	1.7
Dana Baiymykhanova	-	-	0.1	0.1
Adefolu Majekodunmi	-	-	0.1	0.1
Total	-	-	2.0	1.9
Total related party transactions	-	8.0	2.0	1.9

The table reference notes are presented below:

- ¹⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Albertas Sermokas, a shareholder in UAB Konferenta, was a non-controlling shareholder in our subsidiaries UAB Sintagma and UAB Asseco Lietuva. Furthermore, he served as member of the managerial staff of UAB Sintagma and Asseco Lietuva.
- ²⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Jacek Duch, Chairman of the Supervisory Board of the Parent Company, served as Chairman of the Supervisory Board of Decsoft S.A.
- ³⁾ In the period of 12 months ended 31 December 2018, Mr. Artur Kucharski, Member of the Company's Supervisory Board, served as Member of the Supervisory Board of Alior Bank S.A.
- ⁴⁾ 65% of shares in the company iPay SEE d.o.o. are held by I4 Invention d.o.o., which is 100% owned by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Belgrade as well as Member of the Management Board of ASEE S.A. in the period of 12 months ended 31 December 2018 and in the comparable period.

- ⁵⁾ In the period of 12 months ended 31 December 2018 and in the comparable period, Mr. Yuri Otrachevsky served as Chairman of the Board of Directors of R-Style Softlab JSC.
- ⁶⁾ Shares in Asseco Central Europe, a.s. were sold to the following managers of ACE Group companies or to their related entities: Mr. Jozef Klein, Mr. Branislav Tkáčik, Mr. Marek Grác, Mr. David Stoppani, and Mr. Markus Haller.
- ⁷⁾ Shares in Formula Systems (1985) Ltd. were sold to Mr. Guy Bernstein, CEO of Formula Systems as well as to his related entity.
- ⁸⁾ Shares in Asseco South Eastern Europe S.A. were sold to the following managers of ASEE Group companies or to their related entities: Mr. Piotr Jeleński, Mr. Miljan Mališ, Mr. Miodrag Mirčetić, Mr. Marcin Rulnicki, as well as to other managers.
- ⁹⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Andrzej Gerlach, Commercial Proxy of the Parent Company, was a partner in the company Top Fin Sp. z o.o. Moreover, during the analyzed period, Mrs. Ewa Góral, the wife of Mr. Adam Góral, President of the Management Board of the Parent Company, was a partner in the company Top Fin Sp. z o.o.; whereas, Mrs. Jolanta Wiza, the wife of Mr. Artur Wiza, Vice President of the Management Board of the Parent Company, was the President and a partner in the company Top Fin Sp. z o.o. In addition, since July 2013, Mr. Adam Góral, President of the Management Board, has been the owner of business premises rented out to Top Fin Sp. z o.o. The contract between Asseco Poland S.A. and Top Fin Sp. z o.o. for the rental of housing apartments to employees was terminated on 31 December 2018.
- ¹⁰⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, shareholders in MHM d.o.o. served as members of the managerial staff at subsidiaries of Asseco South Eastern Europe Group.
- ¹¹⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Albertas Sermokas, a shareholder in UAB Linkas, was a non-controlling shareholder in our subsidiaries UAB Sintagma and UAB Asseco Lietuva. Furthermore, he served as member of the managerial staff of UAB Sintagma and Asseco Lietuva.
- ¹²⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Miguel Lucio served as Member of the Management Board of MagnaVirtus Consulting SA and Asseco PST Holding SGPS SA.
- ¹³⁾ In the period of 12 months ended 31 December 2018 as well as in the comparable period, Mr. Jose Rocha, a shareholder in De Gestao de Servicos SA, served as Member of the Management Board of Asseco PST Holding SGPS SA.
- ¹⁴⁾ In the years 2018 and 2017, Mr. Richard Weber and Mr. Petr Weber, Commercial Proxies at InterWay, both served as Members of the Management Board of PaR Solutions, s.r.o. InterWay was a subsidiary company till November 2018.
- ¹⁵⁾ In the third and fourth quarter of 2018, Mr. Miguel Lúcio, Member of the Management Board of Asseco PST Holding SGPS S.A. was a shareholder in the company Leaven Advisory and Services Lda.

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

As at 31 December 2018, receivables from related parties comprised trade receivables amounting to PLN 4.8 million, as well as other receivables amounting to PLN 82.2 million.

As at 31 December 2017, receivables from related parties comprised trade receivables amounting to PLN 4.1 million, as well as other receivables amounting to PLN 83.8 million.

As at 31 December 2018, liabilities to related parties comprised trade payables amounting to PLN 2.2 million.

As at 31 December 2017, liabilities to related parties comprised trade payables amounting to PLN 3.5 million, as well as other liabilities amounting to PLN 0.1 million.

VII. Explanatory notes to the consolidated statement of cash flows

7.1. Cash flows – operating activities

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

	12 months ended 31 Dec. 2018 mPLN	12 months ended 31 Dec. 2017 mPLN
Change in inventories	(18.6)	-
Change in receivables and non-financial assets	(217.1)	(152.0)
Change in liabilities	172.7	19.4
Change in prepayments and accruals	(5.2)	85.0
Change in provisions	(15.0)	(23.2)
Total	(83.2)	(70.8)

7.2. Cash flows – investing activities

In the period of 12 months ended 31 December 2018, the amount of cash flows from investing activities was affected primarily by acquisitions of property, plant and equipment and intangible assets, as well as expenditures for development projects:

Acquisition of property, plant and equipment and intangible assets	12 months ended 31 Dec. 2018 mPLN
Acquisition of property, plant and equipment	(131.4)
Acquisition of intangible assets	(28.5)
Expenditures for development projects	(79.1)
Acquisition of investment property	(1.3)
Total	(240.3)

Expenditures for the acquisition of subsidiaries and associates, and cash and cash equivalents in the acquired subsidiaries as at the date of obtaining control, as presented in the table below:

for the period of 12 months ended 31 December 2018	Acquisition of subsidiaries mPLN	Cash in subsidiaries acquired mPLN
Acquisitions made within the Asseco Poland segment	(2.5)	2.0
Acquisitions made within the Asseco International segment	(47.3)	6.5
Acquisitions made within the Formula Systems segment	(223.8)	16.5
Total	(273.6)	25.0

The following table presents detailed cash flows relating to loans during the period of 12 months ended 31 December 2018:

for the period of 12 months ended 31 December 2018	Loans collected mPLN	Loans granted mPLN
Loans for employees	2.0	(1.7)
Loans for related parties	-	(6.2)
Loans for other entities	21.8	(1.4)
Term cash deposits with original maturities exceeding 3 months	11.5	(76.1)
Total	35.3	(85.4)

7.3. Cash flows – financing activities

In the period of 12 months ended 31 December 2018, the amount of cash flows from financing activities was affected primarily by the following proceeds and expenditures:

- Proceeds from the issuance of shares by Magic Software (a subsidiary of Formula Systems) which was acquired mostly by financial institutions based in Israel.
- Proceeds from bank loans and borrowings:

Proceeds from bank loans and borrowings	12 months ended 31 Dec. 2018
	mPLN
Bank loans and borrowings obtained within the Formula Systems segment	310.8
Bank loans and borrowings obtained within the Asseco International segment	81.3
Bank loans and borrowings obtained within the Asseco Poland segment	-
Total	392.1

- Repayments of bank loans and borrowings:

Repayments of bank loans and borrowings	12 months ended 31 Dec. 2018
	mPLN
Bank loans repaid within the Asseco International segment	(230.7)
Bank loans repaid within the Asseco International segment	(40.0)
Bank loans repaid within the Asseco Poland segment	(51.1)
Bank loans and borrowings repaid between segments	19.5
Total	(302.3)

- Expenditures for the acquisition of non-controlling interests:

Expenditures for the acquisition of non-controlling interests	12 months ended 31 Dec. 2018
	mPLN
Non-controlling interests acquired within the Asseco Poland segment	(5.5)
Non-controlling interests acquired within the Asseco International segment	(44.8)
Non-controlling interests acquired within the Formula Systems segment	(7.7)
Total	(58.0)

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	Interest-bearing bank loans and borrowings	Debt securities	Finance lease liabilities	Dividend payment liabilities	Liabilities under put options granted to non-controlling shareholders	Grants received or returned	Total
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2018	895.5	482.4	76.0	2.4	324.8	9.9	1,791.0
Changes arising from cash flow	65.4	117.9	(33.1)	(445.6)	(5.9)	(8.5)	(309.8)
Inflows	392.1	164.3	-	-	-	1.0	557.4
Repayment of principal amount	(302.3)	(34.0)	(29.3)	(445.6)	(5.9)	(9.5)	(826.6)
Interest paid	(24.4)	(12.4)	(3.8)	-	-	-	(40.6)
Non-cash changes	13.1	(1.4)	18.0	458.3	(10.9)	-	477.1
Interest accrued	27.0	19.5	4.1	-	-	-	50.6
Non-cash increase in liabilities	-	-	12.8	455.3	35.2	-	503.3
Non-cash decrease in liabilities	(0.1)	-	(0.1)	-	(46.8)	-	(47.0)
Discount	-	0.4	(0.1)	-	-	-	0.3
Fair value measurement	-	-	-	-	(1.2)	-	(1.2)
Compensations	-	-	(0.2)	-	-	-	(0.2)
Obtaining control over subsidiaries	4.6	-	-	3.0	1.9	-	9.5
Loss of control	(4.0)	-	(0.3)	-	-	-	(4.3)
Changes in presentation methods	-	(0.2)	-	-	-	-	(0.2)
Foreign exchange differences recognized in financial income (expenses)	(14.4)	(21.1)	1.8	-	-	-	(33.7)
Foreign exchange differences on translation of foreign operations	15.6	43.0	0.1	1.3	4.6	-	64.6
As at 31 December 2018	989.6	641.9	61.0	16.4	312.6	1.4	2,022.9

VIII. 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 official 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: NIS (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 expressed 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 end of the reporting period, 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. Foreign exchange differences resulting from such translation are accounted for respectively as financial income (expenses) or they may be capitalized as assets if so provided in the adopted accounting policies.

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

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

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 2018 and 31 December 2017.

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2018	Currency exposure as at 31 Dec. 2018	USD	EUR	NIS	Other currencies
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets						
Cash and cash equivalents	1,800.5	1,452.7	379.9	359.9	505.2	207.7
Loans granted and bank deposits	224.8	200.3	77.2	116.0	1.5	5.6
Other financial assets	89.6	60.9	52.3	7.1	1.4	0.1
Trade receivables and contract assets (gross)	2,743.0	2,267.7	488.3	322.4	1,135.4	321.6
Financial liabilities						
Financial liabilities carried at fair value through profit or loss*	363.6	362.0	76.1	113.8	172.1	-
Interest-bearing bank loans, borrowings and debt securities issued	1,664.5	1,589.9	449.7	138.2	985.2	16.8
Trade payables and liabilities from valuation of IT contracts	977.9	849.1	211.3	276.8	295.2	65.8

* excluding dividend payment liabilities

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2017	Currency exposure as at 31 Dec. 2017	USD	EUR	NIS	Other currencies
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets						
Cash and cash equivalents	1,547.7	1,193.3	384.7	240.9	367.7	200.0
Loans granted and bank deposits	180.9	148.9	7.9	122.5	2.0	16.5
Other financial assets	82.2	71.0	68.0	2.8	-	0.2
Trade receivables and contract assets (gross)	2,464.2	1,924.2	428.8	312.9	952.6	229.9
Financial liabilities						
Financial liabilities carried at fair value through profit or loss*	387.5	387.3	47.2	63.7	172.5	103.9
Interest-bearing bank loans, borrowings and debt securities issued	1,441.6	1,306.6	400.4	103.3	801.2	1.7
Trade payables and liabilities from valuation of IT contracts	863.5	646.1	108.8	261.8	271.6	3.9

* 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 2018 and in the comparable period:

Analysis of sensitivity to foreign currency risk as at 31 Dec. 2018						
Groups / categories of financial instruments	USD		EUR		NIS	
	+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	19.0	(19.0)	18.0	(18.0)	25.3	(25.3)
Loans granted and bank deposits	3.9	(3.9)	5.8	(5.8)	0.1	(0.1)
Other financial assets	2.6	(2.6)	0.4	(0.4)	0.1	(0.1)
Trade receivables and contract assets (gross)	24.5	(24.5)	16.2	(16.2)	56.8	(56.8)
Financial liabilities						
Financial liabilities carried at fair value through profit or loss	3.8	(3.8)	5.7	(5.7)	8.5	(8.5)
Interest-bearing bank loans, borrowings and debt securities issued	22.5	(22.5)	6.9	(6.9)	49.3	(49.3)
Trade payables and liabilities	10.6	(10.6)	13.8	(13.8)	14.8	(14.8)

from valuation of IT contracts

Analysis of sensitivity to foreign currency risk as at 31 Dec. 2017						
Groups / categories of financial instruments	USD		EUR		NIS	
	+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	19.3	(19.3)	12.2	(12.2)	18.3	(18.3)
Loans granted and bank deposits	0.4	(0.4)	6.1	(6.1)	0.1	(0.1)
Other financial assets	3.4	(3.4)	0.1	(0.1)	-	-
Trade receivables and contract assets (gross)	21.4	(21.4)	15.7	(15.7)	47.6	(47.6)
Financial liabilities						
Financial liabilities carried at fair value through profit or loss	2.4	(2.4)	3.2	(3.2)	8.6	(8.6)
Interest-bearing bank loans, borrowings and debt securities issued	20.0	(20.0)	5.0	(5.0)	40.0	(40.0)
Trade payables and liabilities from valuation of IT contracts	5.4	(5.4)	13.1	(13.1)	13.5	(13.5)

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 the 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 may: (i) try to avoid taking out loan facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Detailed information on bank loans and borrowings, including their interest rates, currencies, and maturities are presented in explanatory note 6.16 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 2018:

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2018	Amount exposed to risk as at 31 Dec. 2018	WIBOR	EURIBOR	PRIME	BUBOR	Other
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
I. Financial assets (excl. hedging instruments)	4,857.9	457.1	248.2	121.9	28.2	56.0	2.7
1. Financial assets carried at fair value through profit or loss	19.6	-	-	-	-	-	-
2. Cash and cash equivalents	1,800.5	286.3	243.6	15.9	-	24.9	1.8
3. Investments in debt securities and equity instruments carried at fair value through other comprehensive income	61.9	-	-	-	-	-	-
4. Investments in debt securities carried at amortized cost	89.5	31.4	-	3.2	28.2	-	-
5. Loans and receivables	2,886.4	139.4	4.6	102.8	-	31.1	0.9
<i>Loans granted to related parties</i>	19.7	9.3	-	7.4	-	1.9	-
<i>Loans granted to other entities</i>	123.7	97.6	4.6	93.0	-	-	-
<i>Trade receivables from related parties</i>	6.3	0.1	-	-	-	-	0.1
<i>Trade receivables from other entities</i>	2,736.7	32.4	-	2.4	-	29.2	0.8
II. Financial liabilities (excl. hedging instruments)	3,000.2	226.0	65.6	51.2	97.8	-	11.4
1. Financial liabilities carried at fair value through profit or loss	363.6	-	-	-	-	-	-
2. Interest-bearing bank loans, borrowings and debt securities issued	1,658.7	224.0	65.6	51.2	97.8	-	9.4
<i>Revolving bank loans</i>	46.4	23.8	0.4	7.7	6.8	-	8.9
<i>Debt securities</i>	641.9	-	-	-	-	-	-
<i>Bank loans</i>	970.4	200.2	65.2	43.5	91.0	-	0.5
<i>Borrowings from related parties and from other entities</i>	5.8	2.2	2.1	-	-	-	0.1
3. Trade payables and liabilities from valuation of IT contracts:	977.9	2.0	-	-	-	-	2.0
<i>Related party transactions</i>	2.2	1.9	-	-	-	-	1.9
<i>Transactions with other entities</i>	975.7	0.1	-	-	-	-	0.1

The table below presents the structure of financial instruments exposed to the risk of interest rate changes as at 31 December 2017:

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2017	Amount exposed to risk as at 31 Dec. 2017	WIBOR	EURIBOR	LIBOR USD	BUBOR	Other
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
I. Financial assets	4,275.2	172.7	36.0	105.9	4.8	19.3	6.7
1. Financial assets carried at fair value through profit or loss	26.6	-	-	-	-	-	-
2. Cash and cash equivalents	1,547.7	59.3	29.0	3.5	4.7	19.3	2.8
3. Financial assets available for sale	55.6	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-	-
5. Loans and receivables	2,645.2	113.4	7.0	102.4	0.1	-	3.9
<i>Loans granted to related parties</i>	17.5	-	-	-	-	-	-
<i>Loans granted to other entities *)</i>	163.5	109.1	6.7	102.4	-	-	-
<i>Trade receivables from related parties</i>	4.1	-	-	-	-	-	-
<i>Trade receivables from other entities **)</i>	2,460.1	4.3	0.3	-	0.1	-	3.9
II. Financial liabilities	2,680.3	92.7	32.2	59.1	0.1	-	1.3
1. Financial liabilities carried at fair value through profit or loss	389.9	-	-	-	-	-	-
2. Interest-bearing bank loans, borrowings and debt securities issued	1,428.2	90.8	31.6	59.1	-	-	0.1
<i>Revolving bank loans</i>	151.1	34.6	31.6	3.0	-	-	-
<i>Debt securities</i>	482.4	-	-	-	-	-	-
<i>Bank loans</i>	794.7	56.2	-	56.1	-	-	0.1
<i>Loans granted to other entities and related parties</i>	13.9	-	-	-	-	-	-
3. Trade payables:	862.2	1.9	0.6	-	0.1	-	1.2
<i>Related party transactions</i>	3.5	0.3	-	-	-	-	0.3
<i>Transactions with other entities</i>	858.7	1.6	0.6	-	0.1	-	0.9

The table below presents the analysis of sensitivity of our financial results to interest rate changes as at 31 December 2018:

Interest rate	Deviation assumed (in percentage points)		Amount exposed to risk	Impact on financial results	
			31 Dec. 2018	31 Dec. 2018	
	31 Dec. 2018	mPLN	mPLN	mPLN	
WIBOR	+ 1.0 pp	- 1.0 pp	180.5	1.81	(1.81)
EURIBOR	+ 1.0 pp	- 1.0 pp	70.7	0.71	(0.71)
LIBOR USD	+ 1.0 pp	- 1.0 pp	(10.5)	(0.11)	0.11
BUBOR	+ 1.0 pp	- 1.0 pp	56.0	0.56	(0.56)
PRIME	+ 1.0 pp	- 1.0 pp	(69.6)	(0.70)	0.70
Other	+ 1.0 pp	- 1.0 pp	2.2	0.02	(0.02)
Total			229.3	2.29	(2.29)

The table below presents the analysis of sensitivity of our financial results to interest rate changes as at 31 December 2017:

31 December 2017.

Interest rate	Deviation assumed (in percentage points)		Amount exposed to risk	Impact on financial results	
	31 Dec. 2017		31 Dec. 2017	31 Dec. 2017	
			mPLN	mPLN	mPLN
WIBOR	+ 1.0 pp	- 1.0 pp	3.8	0.04	(0.04)
EURIBOR	+ 1.0 pp	- 1.0 pp	46.8	0.47	(0.47)
LIBOR USD	+ 1.0 pp	- 1.0 pp	4.7	0.05	(0.05)
BUBOR	+ 1.0 pp	- 1.0 pp	19.3	0.19	(0.19)
Other	+ 1.0 pp	- 1.0 pp	5.4	0.05	(0.05)
Total			80.0	0.8	(0.8)

The analysis of sensitivity has been carried out for all financial instruments held by Asseco Group as at 31 December 2018 and 31 December 2017. The impact of changes in interest rates has been presented on an annual basis. The sensitivity of financial instruments to the 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 6.10 on long- and short-term receivables.

The total exposure of the Group to credit risk results from the fact of having receivables (note 6.10) and other financial assets (note 6.8).

8.4. Financial liquidity risk

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

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

The tables below disclose the ageing structure of the Group's financial liabilities as at 31 December 2018 and 31 December 2017, by maturity based on contractual undiscounted payments.

Maturity of financial liabilities as at 31 December 2018	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Trade payables and liabilities from valuation of IT contracts	948.8	21.6	7.5		977.9
Bank loans, borrowings and debt securities*	242.1	328.4	866.3	230.6	1,667.4
Finance lease liabilities	7.6	23.5	33.4	-	64.5
Ageing of dividends payable to shareholders	-	14.0	-	-	14.0
Ageing of dividends payable to former shareholders in taken-over companies	0.3	2.1	-		2.4
Ageing of liabilities for unpaid shares	17.1	2.2	7.4	-	26.7
Ageing of conditional payments recognized due to business acquisitions	-	8.1	14.8	-	22.9
Ageing of liabilities under put options granted to non-controlling shareholders	0.6	154.2	153.5	4.3	312.6
Ageing of liabilities under forward/future contracts	0.8	0.3	0.3	-	1.4
Total	1,217.3	554.4	1,083.2	234.9	3,089.8

* 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 2017	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	828.6	34.9	-	-	863.5
Bank loans, borrowings and debt securities*	107.9	278.0	823.9	213.8	1,423.6
Finance lease liabilities	7.1	23.1	51.9	-	82.1
Ageing of dividends payable to shareholders	-	2.4	-	-	2.4
Ageing of liabilities for unpaid shares	6.1	19.6	1.7	-	27.4
Ageing of conditional payments recognized due to business acquisitions	0.3	19.5	7.5	-	27.3
Ageing of liabilities under put options granted to non-controlling shareholders	8.5	50.1	227.3	38.9	324.8
Ageing of liabilities under forward/future contracts	7.2	0.8	-	-	8.0
Total	965.7	428.4	1,112.3	252.7	2,759.1

*) 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 income statement in correspondence to balance sheet items

As at 31 December 2018, the following items of income, expenses, gains and losses were recognized in the Group's income statement, in a breakdown to their corresponding items of the statement of financial position:

Items of income, expenses, gains and losses recognized in the income statement	Interest income (expenses)	Reversal/ (recognition) of impairment losses	Gain (loss) on valuation and exercise	Other	Total
For 12 months ended 31 December 2018	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets					
Financial assets carried at fair value through profit or loss	0.4	-	9.4	-	9.8
Currency forward contracts	-	-	8.2	-	8.2
Other financial assets carried at fair value	0.4		1.2		1.6
Cash and cash equivalents	7.1	(7.9)	-	-	(0.8)
Investments in debt securities and equity instruments carried at fair value through other comprehensive income	1.0	-	-	-	1.0
Debt securities	1.0	-	-	-	1.0
Investments in debt securities carried at amortized cost	0.9	-	-	-	0.9
Debt securities	0.5	-	-	-	0.5
Other debt securities and promissory notes	0.4	-	-	-	0.4
Financial assets carried at amortized cost	6.0	(5.1)	-	-	0.9
Loans granted to related parties	-	(0.3)	-	-	(0.3)
Loans granted to other entities	5.1	-	-	-	5.1
Trade receivables from other entities	0.9	(4.8)	-	-	(3.9)
Financial liabilities					
Financial liabilities carried at fair value through profit or loss	-	-	(26.9)	-	(26.9)
Forward/future contracts	-	-	(12.3)	-	(12.3)
Liabilities under put options	-	-	(7.9)	-	(7.9)
Liabilities under conditional payments	-	-	(6.7)	-	(6.7)
Interest-bearing bank loans, borrowings, debt securities issued and finance leases	(50.6)	-	-	-	(50.6)
Bank loans	(21.9)	-	-	-	(21.9)
Debt securities	(19.5)	-	-	-	(19.5)
Interest-bearing borrowings	(5.1)	-	-	-	(5.1)
Finance lease liabilities	(4.1)	-	-	-	(4.1)
Trade payables	(1.1)	-	-	-	(1.1)
Total	(36.3)	(13.0)	(17.5)	-	(66.8)

As at 31 December 2017, the following items of income, expenses, gains and losses were recognized in the Group's income statement, in a breakdown to their corresponding items of the statement of financial position:

Items of income, expenses, gains and losses recognized in the income statement	Interest income (expenses)	Reversal/ (recognition) of impairment losses	Gain (loss) on valuation and exercise	Other	Total
For 12 months ended 31 December 2017	mPLN	mPLN	mPLN	mPLN	mPLN
Financial assets					
Financial assets carried at fair value through profit or loss	0.7	-	22.8	-	23.5
Debt securities	0.5	-	(1.2)	-	(0.7)
Currency forward contracts	-	-	25.0	-	25.0
Shares	-	-	(1.0)	-	(1.0)
Other financial assets carried at fair value	0.2	-	-	-	0.2
Cash and cash equivalents	8.2	-	-	-	8.2
Financial assets available for sale	1.1	(0.6)	(0.3)	-	0.2
Shares	1.1	(0.6)	(0.3)	-	0.2
Debt securities	-	-	-	-	-
Loans and receivables	12.3	(8.0)	-	-	4.3
Loans granted to related parties	4.4	-	-	-	4.4
Loans granted to other entities	6.3	-	-	-	6.3
Trade receivables from other entities	1.6	(8.0)	-	-	(6.4)
Financial liabilities					
Financial liabilities carried at fair value through profit or loss	-	-	(8.1)	-	(8.1)
Forward/future contracts	-	-	(6.6)	-	(6.6)
Liabilities under put options	-	-	2.1	-	2.1
Liabilities under conditional payments	-	-	(3.6)	-	(3.6)
Interest-bearing bank loans, borrowings, debt securities issued and finance leases	(43.5)	-	-	(0.2)	(43.7)
Bank loans	(22.5)	-	-	(0.2)	(22.7)
Debt securities	(8.0)	-	-	-	(8.0)
Interest-bearing borrowings	(8.0)	-	-	-	(8.0)
Finance lease liabilities	(5.0)	-	-	-	(5.0)
Trade payables	(0.6)	-	-	-	(0.6)
Total	(21.8)	(8.6)	14.4	(0.2)	(16.2)

IX. Other explanatory notes

9.1. Off-balance-sheet liabilities

Selected accounting policies

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

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

An **operating lease** is a lease contract that does not meet the criteria for recognition as a finance lease contract in accordance with IAS 17. As at 31 December 2018, operating lease liabilities are recognized as off-balance-sheet liabilities. Lease contracts, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, are considered as operating leases. Lease payments under an operating lease shall be recognized as operating expenses on a straight-line basis over the lease term. Contingent lease payments shall be charged as expenses in the period in which they become due.

The table below presents our contingent liabilities as at 31 December 2018 and 31 December 2017:

Contingent liabilities	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
Liabilities from guarantees of due performance of contracts		
Liabilities falling due within 3 months	15.7	73.0
Liabilities falling due within 3 to 12 months	60.2	59.1
Liabilities falling due within 1 to 5 years	79.6	69.7
Liabilities falling due after 5 years	12.1	5.1
Total	167.6	206.9
Liabilities arising from bank guarantees and guarantee bonds		
Liabilities falling due within 3 months	0.1	0.2
Liabilities falling due within 3 to 12 months	2.9	0.7
Liabilities falling due within 1 to 5 years	1.7	0.1
Liabilities falling due after 5 years	-	-
Total	4.7	1.0
Other contingent liabilities	0.7	9.6

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 2018.

Significant guarantees and sureties granted by Asseco Group as at 31 December 2018 and in the comparable period:

- On 13 November 2017, Asseco Poland made a commitment to grant a surety up to the amount of PLN 6.2 million in favour of SG Equipment Leasing Polska Sp. z o.o. in order to secure the repayment of a loan by Asseco Lietuva. Asseco Poland's obligations resulting from this surety shall expire upon the repayment of all liabilities under the loan agreement by Asseco Lietuva; however, not later than till 31 December 2020. As at 31 December 2018, the amount covered by this surety was PLN 3.5 million;
- Asseco South Eastern Europe S.A. (the Asseco International segment) granted a guarantee line in the total amount of PLN 2.1 million (vs. PLN 1.3 million as at 31 December 2017) for its subsidiary ASEE Kosovo, and a guarantee of due performance in the total amount of PLN 1.1 million (vs. PLN 1 million as at 31 December 2017) for subsidiary ASEE Slovenia;
- As at 31 December 2017, Asseco Central Europe, a.s. (the Asseco International segment) granted a guarantee in the amount of PLN 12.5 million for its subsidiary DanubePay a.s. This guarantee expired in November 2018.

The Group is party to a number of rental, leasing and other contracts of similar nature, resulting in the following off-balance-sheet liabilities under future payments:

	31 Dec. 2018	31 Dec. 2017
	mPLN	mPLN
<i>Liabilities from rental of space</i>		
In the period up to 1 year	110.0	116.5
In the period from 1 to 5 years	208.5	147.5
Over 5 years	24.8	12.5
	343.3	276.5
<i>Liabilities under operating leases of equipment</i>		
In the period up to 1 year	51.5	49.0
In the period from 1 to 5 years	49.8	42.6
Over 5 years	-	-
	101.3	91.6

Disputes in litigation as at the end of the reporting period

As at 31 December 2018, the Parent Company was a party to court proceedings where the total value of the subject in dispute amounted to approx. PLN 10.3 million. The Parent Company's Management assessed the validity of claims brought in court and, consequently, in respect of one of the pending proceedings recognized a relevant provision in the statement of financial position as at 31 December 2018. In all the remaining cases, the Management considered the claims submitted by claimants as groundless and assessed that the risk of an outflow of economic benefits from the Company was so small that there was no need to create any provision.

In the reporting period, ASEE Group (the Asseco International segment) was a party to court proceedings where the total amount in dispute was PLN 6.6 million. In the Group's opinion, incurring any losses in connection with these cases is unlikely, so the Group created a provision for the costs of court proceedings only.

In the reporting period, Matrix IT Group (the Formula Systems segment) was a party to court proceedings where the total amount in dispute was PLN 14.2 million. The Group believes it has created an appropriate amount of provisions for ongoing court cases.

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 nature of 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 the Group companies as at	31 Dec. 2018	31 Dec. 2017
Management Board of the Parent Company	10	10
Management Boards of the Group companies	142	139
Production departments	21,047	20,769
Sales departments	1,288	1,303
Administration departments	1,815	1,832
Total	24,302	24,053

Number of employees in the Group companies as at:	31 Dec. 2018	31 Dec. 2017
Asseco Poland segment	3,421	3,650
Asseco Poland S.A.	2,374	2,571
Asseco Data Systems S.A.	816	862
DahliaMatic Sp. z o.o.	51	47
ZUI Novum Sp. z o.o.	70	67
SKG S.A.	35	34
Park Wodny Sopot Sp. z o.o.	52	58
Gdyński Klub Koszykówki "Arka" S.A.	7	7
Asseco Resovia S.A.	4	4
GSTN Consulting Sp. z o.o.	3	-
Eversoft sp. z o.o.	9	-
Asseco International segment	6,398	6,050
Asseco Central Europe Group *)	3,052	3,038
Asseco South Eastern Europe Group	1,655	1,539
Asseco International, a.s.	6	-
Asseco Western Europe Group	964	801
Asseco Danmark A/S	33	35
Peak Consulting ApS	39	29
Asseco PST Holding SGPS Group (former Exictos)	423	381
Sintagma UAB	148	149
Asseco Georgia LLC	49	47
Asseco Kazakhstan LLP	8	11
Asseco Software Nigeria Ltd.	21	20
Formula Systems segment	14,483	14,353
Formula Systems Group	14,483	14,353
Total	24,302	24,053

*) As at 31 December 2017, employees of Asseco Business Solutions Group have been included within Asseco Central Europe Group.

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 2018 and 31 December 2017, in a breakdown by type of service:

Remuneration of the entity authorized to audit financial statements	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
Obligatory audit of annual financial statements	1.2	1.2
Obligatory audit of annual financial statements of the Group companies	0.2	0.2
Other certification services	-	-
Transaction advisory services	-	-
Total	1.4	1.4

Moreover, other firms of the EY's 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. In 2018, the total remuneration for such services amounted to PLN 6.8 million and referred to the audits of financial statements of companies incorporated within Formula Systems Group and Asseco International Group.

Firms of the EY's network provided the Group companies also with services other than the audits of financial statements. The total remuneration for such non-audit services amounted to PLN 4.1 million, including PLN 0.9 million for financial consulting, PLN 1.1 million for taxation consultancy (provided exclusively for companies with registered offices outside of the European Union), and PLN 2.1 million for other services. 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 of Asseco Poland S.A.

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

Remuneration of the Management Board and Supervisory Board	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
Management Board		
Adam Góral	1.9	1.5
Przemysław Borzestowski ¹⁾	-	1.1
Andrzej Dopierała ²⁾	0.4	-
Tadeusz Dyrga	1.6	1.5
Krzysztof Grodecki	0.8	0.8
Rafał Kozłowski	0.7	1.0
Marek Panek	0.7	1.0
Paweł Piwowar	1.4	1.2
Zbigniew Pomianek	3.5	2.8
Przemysław Sęczkowski ⁵⁾	-	1.0
Robert Smułkowski ³⁾	-	0.8
Artur Wiza ⁶⁾	0.8	-
Gabriela Żukowicz ⁴⁾	1.1	0.2
	12.9	12.9
Supervisory Board		
Izabela Albrycht	0.12	0.11
Jacek Duch	0.23	0.22
Piotr Augustyniak	0.15	0.14

Dariusz Brzeski	0.12	0.11
Artur Kucharski	0.15	0.14
Adam Noga	0.15	0.16
	0.92	0.88

¹⁾ Mr. Przemysław Borzestowski resigned from the position of Vice President of the Company's Management Board with effect from 18 September 2017.

²⁾ Mr. Andrzej Dopierała was appointed as Vice President of the Company's Management Board with effect from 1 October 2017.

³⁾ Mr. Robert Smułkowski resigned from the position of Vice President of the Company's Management Board with effect from 28 March 2017.

⁴⁾ Mrs. Gabriela Żukowicz was appointed as Vice President of the Company's Management Board with effect from 1 October 2017.

⁵⁾ Mr. Przemysław Sęczkowski resigned from the position of Vice President of the Company's Management Board with effect from 1 February 2018.

⁶⁾ Mr. Artur Wiza was appointed as Vice President of the Company's Management Board with effect from 1 March 2018.

The table below presents the total amounts of remuneration paid to Members of the Company's Management Board and Supervisory Board for performing duties at our subsidiary companies during the years 2018 and 2017.

Remuneration of the Management Board and Supervisory Board at the Group companies	12 months ended 31 Dec. 2018	12 months ended 31 Dec. 2017
Members of the Management Board of Asseco Poland performing duties at subsidiary companies	4.7	2.5
Members of the Supervisory Board of Asseco Poland performing duties at subsidiary companies	0.3	0.2
	5.0	2.7

The amounts of remuneration paid to Members of the Management Board for performing duties at the supervisory boards and management boards of our subsidiary companies have been disclosed in a breakdown to individual persons in the Management Report on Operations of Asseco Group and Asseco Poland S.A. for the year ended 31 December 2018.

9.6. Capital management

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

The Group manages its capital structure and makes necessary adjustments in response to the changing economic conditions. In order to maintain or adjust its capital structure, the Group may decide to change its dividend policy, return some capital to shareholders, or issue new shares. During the last two years ended 31 December 2018 and 31 December 2017, 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 a relation of net liabilities to total equity increased by net liabilities. Net liabilities include interest-bearing bank loans, borrowings, trade payables and other liabilities, decreased by cash and cash equivalents. The capital represents equity attributable to shareholders of the Parent Company.

Capital management	Note	31 Dec. 2018	31 Dec. 2017
Bank loans, borrowings and debt securities		1,664.5	1,441.6
Finance lease liabilities		61.0	76.0
Trade payables, contract liabilities, state budget liabilities and other liabilities		2,027.5	1,398.8
Minus cash and cash equivalents (-)		(1,800.5)	(1,547.7)
Net debt		1,952.5	1,368.7
Equity		5,717.7	5,601.4
Equity and net debt		7,670.2	6,970.1
Leverage ratio		25.5%	19.6%

9.7. Significant events after the reporting period

- **Establishing of a new company ASSECO SEE BİLİŞİM TEKNOLOJİLERİ A.Ş.**

On 2 January 2019, Asseco South Eastern Europe S.A. established a new company called ASSECO SEE BİLİŞİM TEKNOLOJİLERİ A.Ş. based in Turkey. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

- **Acquisition of shares in IT-Practice Poland Sp. z o.o.**

On 8 January 2019, Asseco Danmark A/S acquired a 40% stake in IT-Practice Poland Sp. z o.o., as a result of which, as at the date of publication of this report, all 100% of shares in IT-Practice Poland Sp. z o.o. are held by Asseco Danmark.

- **Establishing of a new company Payten Sp. z o.o.**

On 29 January 2019, Asseco South Eastern Europe S.A. established a new company called Payten Sp. z o.o., based in Warsaw. The newly founded company is a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

- **Acquisition of shares in Dana Engineering Ltd.**

On 6 February 2019, Aviv Engineering Management Infrastructure Systems Ltd (a subsidiary of Matrix IT) acquired an 80% stake in Dana Engineering Ltd, obtaining control over that company.

- **Establishing of a new company Asseco Innovation Fund Sp. z o.o.**

On 13 February 2019, Asseco Poland S.A. established a new company called Asseco Innovation Fund Sp. z o.o., based in Rzeszów. The newly founded company is a wholly-owned subsidiary of Asseco Poland S.A.

- **Acquisition of shares in Medatech - Information Technologies Ltd.**

On 20 February 2019, Matrix IT Ltd acquired 100% of shares in Medatech - Information Technologies Ltd. The newly acquired company is a wholly-owned subsidiary of Matrix IT Ltd.

- **Satisfying conditions for the acquisition of shares in Nextbank Software Sp. z o.o.**

On 25 February 2019, (following an increase of the share capital of Nextbank Software Sp. z o.o.), Nextbank Software Sp. z o.o. obtained registration of an additional issuance of shares dedicated to Asseco Poland S.A. Hence, on 25 February 2019, Asseco Poland S.A. acquired a 9.8% stake in Nextbank Software Sp. z o.o.

On 4 March 2019, subsequently to meeting the second condition specified under the investment agreement (signed on 28 November 2018), Asseco Poland S.A. effectively acquired an additional 51% stake in Nextbank Software Sp. z o.o. After conducting this transaction (this is as at 4 March 2019), Asseco Poland S.A. holds in total 60.8% of shares in Nextbank Software Sp. z o.o. Nonetheless, due to the contractual provisions, Asseco Poland S.A. will not exercise control over Nextbank Software Sp. z o.o. as understood by IFRS 10. However, Asseco Group will consolidate the financial results of that company using the equity method.

- **Conversion of convertible bonds into shares issued by Formula Systems (1985) Ltd.**

The time allowed for conversion of debt securities issued by Formula Systems (1985) Ltd., namely series B bonds convertible into the company's ordinary shares, expired on 10 March 2019. In the period from 1 January 2019 till 10 March 2019, the bondholders converted bonds with a total face value of NIS 80.3 million (USD 20.5 million), which necessitated issuing a total of 544 thousand new shares. As disclosed in note 6.16, the total face value of series B bonds convertible into shares amounted to NIS 125.0 million, meaning that the amount outstanding for payment includes the face value of NIS 44.5 million and interest accrued (10% over the bonds life). Due to the fact that over the life of these bonds Formula Systems paid out dividends and conducted new share-based payment plans, the final conversion price was different from NIS 157 per share as specified in the issuance prospectus. The largest portion of the above-described conversion was carried out at the price of NIS 147.5 per share.

Over the whole life of these bonds, the bondholders converted bonds with a total face value of NIS 80.5 million, being equivalent to 545.4 thousand shares. As a result of conducting such issuance of shares, the equity interest held by Asseco Poland S.A. in Formula Systems dropped from 26.3% to 25.3%, while Mr. Guy Bernstein's shareholding (which is covered by the authorization granted to Asseco Poland S.A.)

declined from 13.4% to 12.9%. Therefore the conversion of bonds caused a dilution of the controlling interest by 1.5 pp. Apart from the said bonds, Formula Systems (1985) Ltd. had no diluting instruments as at the reporting date nor as at the date of publication of these financial statements. The described transaction has not changed the judgement of the Management of Asseco Poland S.A. regarding the existence of control over the company of Formula Systems both as at the reporting date and as at the date of publication of these consolidated financial statements.

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 2018, we have not observed any significant events related to prior years, which have not but should have been included in these financial statements.

Solutions for demanding business.

[Asseco Poland S.A.](#)

14 Olchowa St., 35-322 Rzeszów, Poland

Phone: +48 17 888 55 55

Fax: +48 17 888 55 50

Email: info@asseco.pl

inwestor.asseco.pl