Financial Statements of
ASSECO BUSINESS SOLUTIONS S.A.
for the year ended 31 December 2022

Financial Statements of
ASSECO BUSINESS SOLUTIONS S.A.

Profit and loss account and statement of other comprehensive income
ASSECO BUSINESS SOLUTIONS S.A.

PROFIT AND LOSS ACCOUNT	Notes	12 months to 31 December 2022	12 months to 31 December 2021
		PLN thou.	*PLN thou.*
Operating income	4.1	338,515	307,432
Own cost of sales	4.2	(198,867)	(174,897)
Gross profit on sales		**139,648**	**132,535**
Cost of sales	4.2	(17,563)	(18,027)
Administrative expenses	4.2	(22,029)	(20,454)
Net profit on sales		**100,056**	**94,054**
Other operating income		1,686	697
Other operating expenses		(974)	(168)
Operating income		**100,768**	**94,583**
Financial income	4.3	681	251
Financial expenses	4.3	(2,033)	(1,209)
Profit before tax		**99,416**	**93,625**
Tax on profit or loss	4.4	(14,130)	(12,977)
Net profit		**85,286**	**80,648**
Earnings per share (in PLN)			
basic from net profit	4.5	2.55	2.41
diluted from net profit	4.5	2.55	2.41

OTHER COMPREHENSIVE INCOME:	Notes	12 months to 31 December 2022	12 months to 31 December 2021
		PLN thou.	*PLN thou.*
Net profit		**85,286**	**80,648**
Items that may be reclassified to profit and loss		-	-
Items not subject to reclassification to profit and loss account		**659**	**779**
Actuarial gains/losses		814	962
Income tax on remaining comprehensive income		(155)	(183)
Other comprehensive income total:		**659**	**779**
TOTAL COMPREHENSIVE INCOME FOR PERIOD		**85,945**	**81,427**

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Balance Sheet
ASSECO BUSINESS SOLUTIONS S.A.

ASSETS	Notes	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Non-current assets			
Property, plant and equipment	5.1	37,097	22,287
Intangible assets	5.2	285,661	280,162
including goodwill from merger	5.2	*252,879*	*252,879*
Right-of-use assets	5.3	47,339	60,637
Assets from contracts with customers and long-term receivables	5.5	499	223
Deferred tax assets	4.4	3,229	2,647
Prepaid expenses and accrued income	5.6	116	30
		373,941	**365,986**
Current assets			
Inventories	5.8	430	409
Trade receivables	5.5	51,496	44,534
Assets from contracts with customers	5.5	1,052	804
Other receivables	5.5	107	86
Prepaid expenses and accrued income	5.6	1,621	1,242
Other assets	5.7	25	72
Cash and short-term deposits	5.9	48,282	42,832
		103,013	**89,979**
TOTAL ASSETS		**476,954**	**455,965**

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Balance Sheet
ASSECO BUSINESS SOLUTIONS S.A.

LIABILITIES	Notes	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
TOTAL EQUITY			
Subscribed capital	5.11	167,091	167,091
Premium		62,543	62,543
Retained earnings		132,014	116,859
		361,648	**346,493**
Long-term liabilities			
Lease liabilities	5.13	43,265	53,599
Provisions	5.16	1,960	2,548
		45,225	**56,147**
Short-term liabilities			
Lease liabilities	5.13	8,487	10,746
Trade liabilities	5.14	7,399	5,724
Liabilities from contracts with customers	5.15	16,800	15,368
Tax liabilities on corporate income tax	5.14	4,407	696
Budgetary commitments and other liabilities	5.14	18,598	12,740
Provisions	5.16	84	59
Accruals and deferred income	5.17	14,306	7,992
		70,081	**53,325**
TOTAL LIABILITIES		**115,306**	**109,472**
TOTAL EQUITY AND LIABILITIES		**476,954**	**455,965**

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Statement of Changes in Equity
ASSECO BUSINESS SOLUTIONS S.A.

	Notes	Share basic	Surplus from the sale of shares above their nominal value	Retained earnings	Total equity
		PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
As at 1 January 2022		**167,091**	**62,543**	**116,859**	**346,493**
Profit in reporting period		-	-	85,286	**85,286**
Total of other comprehensive income		-	-	659	**659**
Dividend for 2021	4.6	-	-	(70,847)	**(70,847)**
Other changes		-	-	57	**57**
As at 31 December 2022		**167,091**	**62,543**	**132,014**	**361,648**
As at 1 January 2021		**167,091**	**62,543**	**102,318**	**331,952**
Profit in reporting period		**-**	**-**	80,648	**80,648**
Total of other comprehensive income		-	-	779	**779**
Dividend for 2020	4.6	-	-	(66,836)	**(66,836)**
Other changes		-	-	(50)	**(50)**
As at 31 December 2021		**167,091**	**62,543**	**116,859**	**346,493**

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Cash flow statement
ASSECO BUSINESS SOLUTIONS S.A.

	Notes	12 months to 31 December 2022 PLN thou.	12 months to 31 December 2021 PLN thou.
Cash flow from operating activities			
Profit before tax		99,416	93,625
Adjustments:		**39,343**	**17,863**
Amortisation/Depreciation	4.2	30,031	27,485
Changes in working capital	6.1	7,898	(10,367)
Lease interest income/expenses		1,649	1,141
FX gains/(losses)		332	(193)
Other financial income/expenses		-	(12)
Gain/(loss) from investing and financing activities		(565)	(192)
Other adjustments		(2)	1
Cash generated from operating activities		**138,759**	**111,488**
(Income tax paid)		(11,132)	(15,002)
Net cash from operating activities		**127,627**	**96,486**
Cash flow from investing activities			
Receipts:			
Receipts from the sale of fixed assets and intangible assets	6.2	234	161
Bank deposits		-	40,000
Other receipts		-	12
Outflows:			
Purchase of fixed assets and intangible assets	6.2	(15,183)	(6,897)
Expenses related to ongoing development projects	6.2	(20,156)	(15,907)
Net cash used in investing activities		**(35,105)**	**17,369**
Cash flow from financing activities			
Receipts:			
Receipts from obtained loans	6.3	-	934
Outflows:			
Dividend paid	6.3	(70,847)	(66,836)
Expenses related to loans	6.3	-	(934)
Repayment of lease liabilities	6.3	(14,576)	(9,660)
Interest paid	6.3	(1,649)	(1,141)
Net cash from financing activities		**(87,072)**	**(77,637)**
Change in net cash and cash equivalents		**5,450**	**36,218**
Cash and cash equivalents as at 1 January		42,832	6,614
Cash and cash equivalents as at 31 January	5.9	**48,282**	**42,832**

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Additional explanation to the financial statements

I. Basic information

Basic information about the Company	
Name	Asseco Business Solutions S.A.
Registered office	ul. Konrada Wallenroda 4c, 20-607 Lublin
Registration no. KRS:	0000028257
Business ID REGON:	017293003
Tax ID NIP:	522-26-12-717
Basic activity	Information technology

Asseco Business Solutions S.A. ("the Company," "Issuer," "Asseco BS") was established under a Notarial Deed dated 18 May 2001. The Company was established for an indefinite period of time.

Asseco Business Solutions S.A. is part of the international Asseco Poland S.A. Group, a Europe-leading vendor of proprietary software. The Group is a constellation of enterprises engaged in the advancement of information technology and is present in over 60 countries around the world, including most European countries and the USA, Canada, Israel, and Japan.

The comprehensive offering of Asseco Business Solutions S.A. includes ERP systems that support business processes in SMEs, a suite of applications for small-company management, programs optimizing the HR area, mobile SFA applications for the mobile workforce marketed Europe-wide, data exchange platforms, and programs handling factoring transactions.

Asseco Business Solutions S.A. operates two own Data Centres whose capacity parameters meet the highest standards of security, reliability and effectiveness of systems operation. All products designed by Asseco Business Solutions are based on the knowledge and expertise of experienced professionals, a proven project methodology and the use of tomorrow's information technology tools. Owing to high quality products and related services, the software from Asseco BS has been successful in supporting the operations of tens of thousands of companies for many years. Asseco BS's track record covers dozens of completed software deployments in Poland and in most European countries.

The direct parent of Asseco Business Solutions S.A. is Asseco Enterprise Solutions a.s., headquartered in Bratislava, Slovakia, which holds 46.47% of the Company's shares. The parent of the entire Group is Asseco Poland S.A., holding, directly and through subsidiaries, 95.67% of shares in Asseco Enterprise Solutions a.s.

As regards Asseco Business Solutions S.A., the decision of Asseco Enterprise Solutions a.s. Exercising control over the Company over the 12 months ended 31 December 2022 in accordance with IFRS 10 was based on the following factors:

- decisions at the General Meeting are taken by a simple majority of votes present at the meeting;

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

- the Company's shareholding is dispersed and, apart from Asseco Enterprise Solutions a.s. (a subsidiary of Asseco Poland), there are only two shareholders holding more than 5% of votes at the General Meeting; the next largest shareholder holds 11.71% of votes, while the third largest one holds 10.17% of votes;
- there is no evidence that there is or was any agreement by or among any of the shareholders as to the joint voting at the General Meeting;
- within the last five years, i.e. from 2018 to 2022, the percentage of shareholders present at the General Meetings ranged from 50.83% to 70.26%. This means that shareholders' activity is relatively low or moderate. Considering that Asseco Enterprise Solutions a.s. currently holds 46.47% of the total number of votes at the General Meeting, the attendance would have to exceed 92.93% for Asseco Enterprise Solutions a.s. not to have the absolute majority of vote at the General Meeting. In the opinion of the Management Board, such a level of attendance is highly unlikely.

Given the above, in the opinion of Asseco Business Solutions S.A., despite the lack of an absolute majority in the share capital of the Company, Asseco Enterprise Solutions a.s. controls the Company within the meaning of IFRS 10.

II. Basis for the preparation of these financial statements and the accounting rules (policies)

2.1. Basis for the preparation

These interim condensed financial statements have been prepared in accordance with the historical cost accounting model, except for financial assets measured at fair value through profit or loss or through other comprehensive income, and financial liabilities measured at fair value through profit or loss.

These financial statements have been prepared on the going concern basis for the period of no less than 12 months as of 31 December 2022. On the date of approval of these financial statements for publication, the Management Board considered the impact of the war in Ukraine and the COVID-19 epidemic on the Company as a going concern and found no circumstances implying any threats thereto.

2.2. Impact of the war in Ukraine and the COVID-19 epidemic on Company's operations

On the date of publication of these financial statements, the Management Board, based on the current analysis of risks, including in particular risks caused by the war in Ukraine and the virus epidemic in Poland and in the world, concluded that the Company's operation as a going concern is not at risk over a period of at least 12 months as from 31 December 2022.

At the time of publication of these financial statements, the Company did not report any significant impact of the war in Ukraine and sanctions imposed against Russia on the Company's operations. Asseco Business Solutions does not run any operations in Russia, Belarus, and Ukraine. The Company does not employ personnel in Ukraine; that is why, the warfare in the territory of Ukraine do not impact the Company directly. The situation does not affect these financial statements directly, either.

Globally, the conflict in Ukraine and the COVID-19 epidemic has caused a less stable economic situation, inflation, and higher interest rates. These changes do not affect the Company's results, and higher interest rates do not result in significantly higher interest costs. The Company is not indebted; it maintains a high level of liquidity and holds sufficient funds to finance its current operations.

The Company keeps monitoring the impact of the epidemic. In the core segments of its activity, the Company did not identify any significant impact on its financial performance. The Company meets its contractual obligations as provided for in relevant contracts.

As described in Note 5.4., after the analysis, the Company does not discern any significant risk of impairment of assets, and in particular, there was no significant change in the collection of receivables, therefore the calculation of expected credit losses did not change significantly.

If the Management Board find that the Company's operations need to be adapted to new market conditions, it will take appropriate action.

2.3. Statement of conformity

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU ("IFRS EU").

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

The scope of the separate financial statements complies with the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognition as equivalent of the information required by the laws of a non-member state (consolidated text: Journal of Laws of 2018, item 757) ("Regulation") and covers the reporting period from 1 January to 31 December 2022 and the comparative period from 1 January to 31 December 2021.

On the day of approval of these financial statements for publication, taking into consideration the EU's ongoing process of introducing the IFRS and activities conducted by the Company, there is no difference in the accounting rules applied by the Company between the IFRS, which entered into force, and the IFRS adopted by the EU.

This separate financial statements present a true financial situation of the Company as at 31 December 2022, its results and cash flows for the year ended 31 December 2022.

2.4. Functional currency and presentation currency

These financial statements are presented in the Polish złoty ("PLN") and all values, unless specified otherwise, are given in thousands of PLN. The functional currency of Asseco Business Solution S.A. is also the Polish złoty. Possible differences in the total amount of up to PLN 1 thousand result from adopted roundings.

Transactions denominated in currencies other than the Polish złoty are translated upon initial recognition into Polish złotys at the rate applicable on the date of transaction.

As at the balance sheet date:

- monetary items are translated using the closing rate, i.e. the average exchange rate for the currency announced by the National Bank of Poland on this day,
- non-cash items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the original transaction,
- non-cash items measured at fair value in a foreign currency are translated using the exchange rate on the date of determining the fair value.

For the purpose of the balance sheet valuation, the following EUR and USD rates were adopted (and parallel rates for other currencies quoted by the National Bank of Poland):

- ✓ the exchange rate effective on 31 December 2022: 1 EUR = 4.6899 PLN
- ✓ the exchange rate effective on 31 December 2021: 1 EUR = 4.5994 PLN
- ✓ the exchange rate effective on 31 December 2022: 1 USD = 4.4018 PLN
- ✓ the exchange rate effective on 31 December 2021: 1 USD = 4.0600 PLN

2.5. Professional judgement and estimates

The preparation of financial statements in concert with the IFRS requires estimates and assumptions that affect the amounts indicated in the financial statements. Although the estimates and assumptions are based on the Management's best knowledge of the current activities and events, the actual results may differ materially from those projected.

The relevant items of explanatory notes show the main areas which were of crucial importance in terms of the professional judgement of the management in the process of application of the accounting rules (policies), in addition to the accounting estimates; thus, any change in estimates in these areas could have a significant impact on the Company's results in the future.

The table below contains a list of estimates applied by the Company with an indication of the note with the description of the applicable rules.

Selected estimates	Note	Page number
Operating income	4.1	17
Tax on profit or loss	4.4	23
Property, plant and equipment	5.1	28
Intangible assets	5.2	31
Right-of-use assets	5.3	37
Impairment tests	5.4	40
Assets from contracts with customers, trade receivables and other receivables	5.5	42
Lease liabilities	5.13	50
Trade and other liabilities	5.14	53
Provisions	5.16	56
Accruals and deferred income	5.17	58

In the 12 months ended 31 December 2022, there were no major changes to the method of making estimates compared with the data described in the financial statements for the 12 months ended 31 December 2021.

2.6. Accounting rules applied

The table below contains a list of accounting rules applied by the Company with an indication of the note with the description of the applicable rules.

Selected accounting rules	Note	Page number
Operating income	4.1	17
Operating expenses	4.2	21
Financial income and expenses	4.3	23
Tax on profit or loss	4.4	23
Property, plant and equipment	5.1	28
Intangible assets	5.2	31
Right-of-use assets	5.3	37
Impairment tests	5.4	40
Assets from contracts with customers, trade receivables and other receivables	5.5	42
Prepaid expenses and accrued income	5.6	46
Other assets	5.7	47
Inventories	5.8	47
Cash	5.9	48
Share capital	5.11	49
Bank loans and issue of securities	5.12	50

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

Lease liabilities	5.13	50
Trade liabilities and other liabilities	5.14	53
Liabilities from contracts with customers	5.15	55
Provisions	5.16	56
Accruals and deferred income	5.17	58

The accounting rules applied to prepare these financial statements are consistent with those applied in preparing the Company's annual financial statements for the year ended day 31 December 2021.

The amended standards and interpretations applicable for the first time in 2022 do not have a significant impact on the Company's financial statements.

Other changes to the International Financial Reporting Standards effective from 1 January 2022

Amended standards and interpretations applied for the first time as from 2022:
- Amendments to IAS 16 Property, plant and equipment: proceeds before intended use,
- Amendments to IAS 37 Onerous contracts: costs of fulfilling a contract,
- Amendments to IFRS 3 Business combinations: reference to the conceptual framework and
- Amendments resulting from the review of IFRS 2018-2020: Amendments to IAS 41, IFRS 1, IFRS 16 and IFRS 9 They mainly concern the elimination of non-compliance and harmonisation of terminology.

The amended standards and interpretations applicable for the first time in 2022 do not have a significant impact on the Company's financial statements.

2.7. New standards and interpretations that have been published and not yet in force

New standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee that have been published and not yet in force:

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – as decided by the European Commission, the process of approving the standard in its preliminary version will not be initiated before the final version of the standard is ready; not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 2014); the work intended to approve these amendments have been postponed by the EU for an unlimited period of time. The date of entry into force has been postponed by the IASB for an indefinite period of time;
- IFRS 17 *Insurance Contracts* (published on 18 May 2017), including Amendments to IFRS 17 (published on 25 June 2020) – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – postponed effective date (published on 23 January 2020 and on 15 July 2020, respectively) – not approved by the EU until the date of approval of these financial statements; applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1 and Practice Statement 2: *Disclosure of Accounting Policies* (published on 12 February 2021) – applicable to annual periods beginning on or after 1 January 2023;

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- Amendments to IAS 8: *Definition of Accounting Estimates* (published on 12 February 2021) – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (published on 7 May 2021) – applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and 9 – Comparative Information* (published on 9 December 2021) – applicable to annual periods beginning on or after 1 January 2023.

Effective dates are based on the standards published by the Financial Reporting Council. The dates of application in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of EU's approval for application. The amendments have no material impact on these financial statements of the Company.

2.8. Error adjustment

During the reporting period, there were no events necessitating error adjustments.

III. Information on operating segments

In accordance with IFRS 8, an operating segment is a distinguishable component of the Company, for which separate financial information is available that is reviewed regularly by the operations management responsible for the resource allocation and assessment of performance.

For management purposes, the Company was divided into segments based on manufactured products and rendered services. Based on that, the Management Board have identified the ERP systems segment which accounts for more than 94% of total Company's revenues. Other activities do not meet the quantitative thresholds imposed by IFRS 8 and are not isolated as segments. Changes in the size and significance of developed products and provided services may result in a change of composition of operating segments. **The ERP Systems** segment includes ERP solutions for enterprise management, in-house SFA and FFA mobile solutions intended for companies operating through mobile workforce, and sales support systems for the retail industry. The solutions are based on the Oracle and Microsoft technology, and in the case of Macrologic S.A., on the original MacroBASE database system. These applications support business processes and information flow processes, covering most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. The technological capacity of the systems enable their deployment in various network architectures (including WAN) and combination with specialized software and hardware. None of the customers accounted for 10% or more of the Company's revenue.

The **Unallocated** item shows sales that cannot be allocated to the Company's main business segment, the cost of goods sold (COGS) related to unallocated sales and the operating costs of the organisational unit responsible for unallocated sales.

The Management Board monitors the operating results in separate segments in order to make decisions about allocating resources, assessing the impact of this allocation, and performance. The basis for the assessment of performance is profit or loss on operating activities, which to some extent, as explained in the table below, are measured differently than the profit or loss from operations in the financial statements. The financing of the Company (including financial income and expenses) and income tax are monitored at the Company level, hence these items are not allocated to the segments.

The table below shows the key values reviewed by the main decision-making body in the Company, i.e. the Management Board. The Management Board does not analyse cash flows by segment, either.

Apart from goodwill and the value of intangible assets recognised during the settlement of combination with other companies, the assets of Asseco Business Solutions S.A., are not, in principle, assigned to individual segments and are not reviewed by the Management Board.

12 months to 31 December 2022	ERP segment	Unallocated	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
Sales to external customers	318,206	20,309	338,515
Gains on reported segment sales	**98,387**	**1,669**	**100,056**
Amortisation/Depreciation	(29,667)	(203)	(29,870)
Intangible assets recognised during the settlement of combination allocated to segment	1,045	-	1,045
Goodwill from combinations assigned to segment	252,879	-	252,879

12 months to 31 December 2021	ERP segment	Unallocated	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
Sales to external customers	285,038	22,394	307,432
Gains on reported segment sales	**91,937**	**2,117**	**94,054**
Amortisation/Depreciation	(27,157)	(185)	(27,342)
Intangible assets recognised during the settlement of combination allocated to segment	1,358	-	1,358
Goodwill from combinations assigned to segment	252,879	-	252,879

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

IV. Notes to the profit and loss account and statement of other comprehensive income

4.1. Structure of operating income

Selected accounting rules

The Company recognises revenues in the amount of remuneration which, as expected by the Company, is payable in exchange for the transfer of promised goods or services in accordance with Five Step Model.
The Company sells licences and broad IT services and distinguishes the following types of receipts:

- *receipts from the sale of licences and/or own services,*
- *receipts from the sale of licences and/or external services, and*
- *receipts from the sale of hardware.*

a) Sale of licence and own services

As part of "Licences and/or own services," revenues from contracts with customers are presented, their object being to provide own software and/or software-related services.

- ***Comprehensive IT projects***

As regards this type of revenues, a greater part of them is raised from comprehensive IT projects in which the Company undertakes to provide a fully functional IT system. Such a system is of greatest value to the customer as it is the final product containing own licences and related essential services (e.g. modification or implementation). In practice, in the case of such contracts, the Company is almost always required to provide comprehensive goods or services to its customers. They include the supply of: own licences and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts usually provide for a separate obligation of performance consisting in providing the client with a functional IT system.
Revenues related to the obligation to provide a fully functional IT system are recognised by the Company in the period in which such a system is developed. For in accordance with IFRS 15, revenues may be recognised during the transfer of control over the provided services/goods, unless, as a result of such operations, assets are created of alternative use and, at the same time, for the entire duration of the contract, the entity enjoys an enforceable right to receive remuneration for its performance. In the opinion of the Management Board, in the case of delivering comprehensive IT projects, their alternative use from the vendor's point of view is excluded because these systems, along with the accompanying implementation services, are of a tailored nature. At the same time, the conducted analysis shows that practically in all cases for contracts concluded by the Company the criterion of having an enforceable right to remuneration for performance throughout the duration of the contract is met. This means that the receipts from sales of comprehensive IT systems in which own licences and own services are sold are recognised according to the degree of progress (a method based on expenditure and percentage of cost progress) in the period when the customer takes control over goods/services sold. A special case is relatively small IT projects shorter that 12 months. The revenues earned from such projects is not considered significant by the Management Board; if so, the revenue is recognised in accordance with the practical exception permitted by IFRS 15, i.e. on the basis of the right to invoice.

- ***Sale of own licences without significant accompanying services***

Part of Company's revenues are revenues from the sale of licenses for proprietary ERP software. If own licences for the software are sold separately, i.e. they do not go with significant modification and/or implementation services, and therefore the sale of own licence is a separate obligation to perform, the Company considers whether the promise to grant a licence is aimed at providing the customer with: the right to access the intellectual property of the entity in the form existing throughout the period of licence validity; or the right to use the intellectual property of the entity in the form existing at the time of granting the licence.
The vast majority of own licences sold by the Company separately, and thus constituting a separate obligation to perform, are licences conferring the right to use intellectual property, which means that the revenue from the sale of such licences is recognised once at the moment of transfer of control over the licence to the customer. This means that in the case of own licences sold without significant accompanying services, regardless of the licence period, the moment of recognising revenue is the moment of transfer of control, which, consequently, leads to a one-time recognition of revenue at that moment. However, there are also cases of selling licences that grant the right to assess intellectual

property. Such licences are, in principle, sold for a definite period of time. In such a case, revenues are recognised in the period in which the Company is obliged to provide software modifications and major updates.

- ***Maintenance services and guarantees***

Within the category of own licences and own services, presented are also the revenues from own maintenance services, including revenues from guarantees. In the opinion of the Management Board, revenues from maintenance services are, in principle, a separate obligation of performance where the customer uses the goods/services as they are supplied to them, which, consequently, leads to the recognition of the relevant revenues on the supplier's side during the period of service provision. In all cases where both the maintenance service and the extended guarantee service are provided simultaneously, the revenue is recognized over time because the customer uses the service as it is supplied.

b) Sale of licences and external services

As part of "Licenses and/or external services," presented are the revenues from the sale of external licenses and provision of services which, for technological or legal reasons, must be rendered by subcontractors (hardware and licence maintenance and outsourcing services provided by their vendors) . Revenues from the sale of external licences are generally recognised as revenues from the sale of goods, which means that upon transfer of control over the licence, the revenue is recognised on a one-time basis.

c) Sale of hardware

In the category of revenues from the sale of hardware, presented are the revenues from contracts with customers for the supply of infrastructure. The revenues in this category are generally recognised upon transfer of control over hardware.

In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

Variable pay

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes in the transaction price a part or the entire amount of variable remuneration only to the extent in which there is a high probability of no reversal of a significant part of the amount of previously recognised accumulated revenues when the uncertainty as to the amount of variable remuneration is no more.

The Company is a party to many contracts that provide for contractual penalties for the non-performance or improper performance of contractual obligations. The expected contractual penalties may, therefore, cause the fixed remuneration provided for in the contract to be subject to changes. When estimating the remuneration payable to the Company under contracts, the Company expected the expected value of payment by taking into account the probability of payment of contractual penalties and other items that could potentially reduce the remuneration. So, this may result in a decrease in the value of revenues as opposed to an increase in the value of provisions and relevant costs, as has been the case so far. In addition to contractual penalties, there are no other significant factors that may affect the amount of remuneration (such as rebates or discounts); however, if identified, they would also affect the amount of revenues recognised in the Company.

Allocation of transaction price to obligations of performance

The Company allocates a transaction price to each obligation of performance (or separate goods or separate services) in an amount that reflects the amount of remuneration which, in accordance with the Company's expectations, is payable in exchange for the transfer of promised goods or services to the customer.

Other practical exceptions applied in the Company

In justified cases, the Company also applies a practical solution permitted by IFRS 15, namely if the Company has the right to receive remuneration from a customer in the amount directly corresponding to the value of the Company's previous performance for the customer (for example in the case of a service contract under which the entity charges the customer a fixed amount for each hour of the service performed), the Company may recognise revenue in the invoiceable amount.

Estimates

As described above, the Company fulfils its obligations of performance, a greater part of which, specifically consisting in the delivery of a fully functional IT system, is subject to valuation according to the degree of progress. Such valuation requires the estimation of future costs and revenues in order to measure the degree of project progress. The degree of progress is determined as the ratio of incurred expenses (to further the progress) to planned expenses, or as the ratio of man-days worked in relation to the total working time. The valuation and thus the recognition of revenue each time requires professional judgement and a significant amount of estimates.

In the case of contracts covering the provision of services and the provision of equipment, the Company has considered whether such contracts include a lease component (i.e. whether the Company confers the right to control the identified asset for a given period of time in return for payment). The Company has not identified lease components in contracts with customers.

Operating income in the year ended 31 December 2022 and in the comparative period was as follows:

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Operating income by type		
Licences and own services	317,886	284,249
Licences and external services	13,545	14,584
Equipment and infrastructure	7,084	8,599
Operating income total	**338,515**	**307,432**

i. Revenues from contracts with customers in total operating income according to the method of recognition in profit and loss account

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Income from contracts with customers recognized in accordance with IFRS 15		
From goods or services provided at a specified time, including:	60,165	56,571
ERP segment	*40,602*	*35,048*
Unallocated	*19,563*	*21,523*
From goods or services provided over time, including:	278,350	250,861
ERP segment	*277,604*	*249,990*
Unallocated	*746*	*871*
Operating income total	**338,515**	**307,432**

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ii. Other obligations of performance

As at 31 December 2022, the Company analysed the total amount of the transaction price attributed to the obligations of performance which remained unfulfilled (or partially unfulfilled) at the end of the reporting period and decided to use the practical exception for the obligations of performance under contracts whose anticipated original term is one year or less. As a result of the analysis, it was found that as at 31 December 2022 all the main obligations of performance involving the supply of a comprehensive IT system (measured according to progress) result from contracts expiring before 31 December 2023. In the case of agreements for the maintenance of IT systems, most of them were concluded for an indefinite period with a notice period shorter than 12 months; therefore, the Company recognises the obligations of performance under such agreements as short-term and thus subject to the above-mentioned practical exception.

iii. Structure of operating income by country of generation

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Poland	293,798	266,053
ROW, including:	44,717	41,379
- Germany	8,900	6,761
- France	7,420	8,071
- United Kingdom	7,664	8,712
- The Netherlands	5,345	5,722
- Austria	4,141	372
- Romania	3,452	3,621
- Luxembourg	1,687	1,517
- Italy	989	1,132
- Switzerland	762	482
- Spain	742	624
- United States	696	1,155
- Czech Republic	535	448
- Bulgaria	447	488
- Baltic States (Lithuania, Latvia, Estonia)	268	159
- others	1,669	2,115
Total	**338,515**	**307,432**

This information on revenue is based on data on customers' headquarters.

iv. Operating income from R&D services developed in the house

Information on net turnover from the sale of R&D services referred to in Article 17(2)(1)(a) of the Act of 30 May 2008 on Certain Forms of Supporting Innovative Activities (consolidated text: Journal of Laws of 2021, item 706, as amended).

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Revenues from R&D account for 31% of the net turnover from the sales of goods and products achieved by the Company, plus revenues from financial operations.

	12 months to 31 December 2022	12 months to 31 December 2021
		PLN thou.
Operating income	338,515	307,432
including: turnover from R&D	108,248	94,714

4.2. Structure of operating expenses

Selected accounting rules

The Company records its expenses by type. Company's employee benefits include:
a) wages and salaries and social security contributions,
b) payments for short-term absences (e.g. paid holiday leave or paid sick leave),
c) withdrawals from income and bonuses,
d) non-cash benefits for currently employed personnel (e.g. medical care, housing or company cars).
However, for the purpose of presentation of profit and loss, the multi-step model is applied.
Own cost of sales includes costs directly related to the purchase of goods sold and preparation of services sold. Costs of sales include commercial costs and marketing costs. Administrative expenses include costs related to the management of the Company and administration costs. The cost of employee benefits includes all forms of Company's benefits offered in return for work performed by employees or for the termination of employment.
The Cost of Goods Sold is the cost of purchasing goods or services from subcontractors (excluding personnel outsourcing) used to carry out projects. The costs relate to both revenues presented as own revenues (regarding revenues from services rendered by subcontractors, if the use of external resources is authorized by the Company which treats external resources as a substitute for own resources) and external revenues (services that must be provided by external resources - most often software or hardware producers).
The costs related to the Employee Capital Plans (PPK) are the costs of post-employment benefits in the form of a defined contribution plan and are recognized under Pension benefit costs (the relevant liability is disclosed in budgetary commitments).

Operating expenses in the year ended 31 December 2022 and in the comparable period were as follows:

	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*
Operating expenses		
Value of goods and external services sold	(18,233)	(20,323)
Employee benefits	(156,969)	(135,914)
Amortisation/Depreciation	(29,870)	(27,342)
External services *	(23,696)	(22,644)
Other	(9,691)	(7,155)
Total	**(238,459)**	**(213,378)**

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Own cost of sales	(198,863)	(174,907)
Cost of sales	(17,563)	(18,027)
Administrative expenses	(22,029)	(20,454)
Impairment/Reversal of impairment for credit losses in relation to trade receivables	(4)	10
Total	**(238,459)**	**(213,378)**

**In external services, the major items are "asset maintenance costs" and "personnel outsourcing."*

i. Costs of employee benefits

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Wages and salaries	(129,826)	(112,418)
Employee benefits, including:	(25,423)	(21,998)
Social security costs	*(21,159)*	*(18,862)*
Other costs of employee benefits	(1,720)	(1,498)
Total costs of employee benefits in:	**(156,969)**	**(135,914)**
- own cost of sales	(127,724)	(108,813)
- cost of sales	(12,481)	(11,664)
- administrative expenses	(16,764)	(15,437)
Total costs of employee benefits	**(156,969)**	**(135,914)**

ii. Reconciliation of amortisation/depreciation costs

The table below presents the reconciliation of the depreciation allowance recognised in the profit and loss account with fixed assets movement table (5.2) and intangible assets table (5.3) and right-of-use assets (5.3).

	Note	12 months to 31 December 2022 PLN thou.	12 months to 31 December 2021 PLN thou.
Depreciation allowance for the year resulting from the table of fixed asset movement	5.1	(6,543)	(5,553)
Depreciation allowance for the year resulting from the table of intangible asset movement	5.2	(14,701)	(13,361)
Depreciation allowance for the year resulting from the table of movement of right-of-use assets	5.3	(8,806)	(8,578)
Capitalisation of depreciation costs for ongoing R&D projects		19	7
Total depreciation allowance recognised in cash flow statement		**(30,031)**	**(27,485)**
Depreciation costs of rented real property included in other operating expenses		161	143
Total depreciation allowance recognised in operating expenses		**(29,870)**	**(27,342)**

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4.3. Financial income and expenses

Selected accounting rules

Interest income is interest on granted loans, investment in securities held to maturity, bank deposits and other facilities.
Interest income is recognised in accordance with the effective interest method in the profit and loss account. Upon the sale of investment in traded debt, the Company recognises cumulative profit/loss from valuation in the financial result.
Interest costs resulting from the financing obtained by the Company are calculated according to the effective interest rate.

Financial income in the 12 months ended 31 December 2022 and in the comparable period were as follows:

Financial income	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Interest income on bank deposits measured at effective interest rate	681	58
Positive exchange differences	-	181
Net profits from realisation and/or valuation of derivative instruments	-	12
Total	**681**	**251**

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

Financial expenses	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Interest expense on lease	(1,649)	(1,141)
Other interest expense	(17)	(68)
Negative exchange rates	(367)	-
Total	**(2,033)**	**(1,209)**

Exchange gains and losses are presented net (as a surplus of positive over negative or vice versa).

4.4. Tax on profit or loss

Selected accounting rules

The Company recognises and measures current and deferred tax assets and liabilities by applying the requirements of IAS 12 Income Tax, taking into account the tax profit/loss, tax base, unsettled tax loss, unused tax reliefs, and tax rates while considering the assessment of uncertainties related to tax settlements.
Income tax includes current tax and deferred tax. Current income tax is a fixed sum on the basis of tax regulations. It is calculated on taxable profit for a given period and recognised as a liability in the paid amount or as a receivable if the amount already paid for current income tax exceeds the payable amount. Deferred tax assets and liabilities are treated in their entirety as long-term and are not discounted. They are subject to offset if there is a legally enforceable right to offset the recognised amounts.
Deferred tax assets and provisions for deferred tax are measured using tax rates to be effective at the time of realization of particular asset or release of particular provision,

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based on tax rates (and tax legislation) legally or practically effective as at the balance sheet date.

Estimates

On each balance sheet date, the Company assesses the realisability of deferred tax assets. This assessment requires professional judgement and estimates.

If, in the Company's opinion, it is likely that the Company's approach to a tax or taxes is accepted by the tax authority, the Company will determine its taxable profit (tax loss), tax base, unused tax losses, unused tax relief, and tax rates taking into account the approach to taxation planned or applied in its tax return. In accordance with IAS 23, by assessing this likelihood, the Company assumes that the tax authorities authorized to audit and challenge the adopted tax approach will carry out such an audit and will have access to all information.

If the Company determines that it is not likely that the tax authority accepts the Company's approach to a tax or taxes, then the Company will reflect the effects of uncertainty in recognition of its tax in the period which was covered by the determination. The Company recognizes its income tax liability using one of the following two methods, depending on which of them better reflects the way in which uncertainty can occur:

- *The Company determines the most likely scenario - a single amount among the possible results or*
- *The Company recognizes the expected value - it is the total of probability-weighted amounts among the possible results.*

The main components of the corporate income tax burden (current and deferred):

	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*
Current income tax	(14,811)	(12,269)
Deferred tax	681	(708)
Tax expense reported in the profit and loss account	**(14,130)**	**(12,977)**

All revenues and costs in the Company are classified as part of the core business. There were no transactions in the Company that need to be classified as capital activities.

On 15 July 2016, Polish tax law was amended to include changes that allow for the General Anti-Abuse Rule (“GAAR”). The GAAR is to prevent the use of artificial schemes created in order to avoid the payment of tax in Poland. GAAR defines tax avoidance as an operation carried out with a view to achieving a tax advantage contrary, in the specific circumstances, to the object and purpose of tax law. In accordance with GAAR, such an operation does not result in a tax advantage if the scheme of action has been artificial. Any occurrence of (i) unfounded dividing of an operation, (ii) the involvement of intermediate parties despite the lack of commercial or economic grounds, (iii) of mutually exclusive or compensating elements, and (iv) other activities of a similar effect to the previously mentioned, can be treated as a factor typical of artificial schemes addressed by GAAR. The new regulations will require more judgement when assessing the tax effects of individual transactions.

The GAAR clause should apply to transactions made after its entry into force and the transactions that were carried out prior to its entry into force but for which the advantages were or are still being achieved after the date of entry of the clause into force. The adoption of these regulations will enable the Polish tax inspection bodies to challenge the legal arrangements and agreements pursued by the taxpayer, such as the restructuring and reorganisation of the Company.

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The Management Board of the Company considered the impact of transactions that could potentially be covered by GAAR on deferred tax, tax value of assets and provisions for tax risk. In the opinion of the Management Board, the analysis did not show the necessity to adjust the disclosed current and deferred income tax items; however, in the opinion of the Management Board, in the case of GAAR, there is inherent uncertainty that the tax authorities may interpret these provisions differently, will change their approach to their interpretation, or the regulations may change, which may affect the capacity of realising deferred tax assets in future periods and the possible payment of additional tax for past periods.
Provisions on tax on goods and services, corporate income tax, personal income tax or social security contributions are subject to frequent changes; as a result, no reference can be made to well-established case-law. The current rules and regulations are not always clear, which may cause additional differences in interpretation. Tax settlements are subject to control by tax authorities. If any irregularities in tax settlements are detected, the taxpayer is obliged to pay the amount of arrears along with statutory interest due. Payment of outstanding liabilities does not always discharge from criminal and fiscal liability. The phenomena described above cause that tax settlements are encumbered with a relatively high risk. Tax settlements may be subject to inspection for five years starting from the end of the year of submission of tax returns. As a result, the amounts indicated in the financial statements are subject to change at a later date after their final determination by tax authorities.

Presented below is the reconciliation of income tax to pre-tax accounting income at the statutory tax rate, with the income tax calculated according to the effective tax rate.

	12 months to 31 December 2022	**12 months to 31 December 2021**
	PLN thou.	***PLN thou.***
Accounting income	**99,416**	**93,625**
Applicable corporate income tax rate	19%	19%
Income tax at applicable statutory tax rate	**18,889**	**17,789**
Use of tax-deductible tax allowances (R&D relief)	(2,311)	(1,874)
Difference due to different income tax rate (IP BOX relief)	(2,953)	(3,505)
SFRD	251	228
Representation expenses	(42)	3
Other fixed differences	296	336
Income tax at applicable tax rate	**14,130**	**12,977**
Applicable income tax rate	**14%**	**14%**

The Company carried out R&D works as part of its business activity. As a result, intellectual property rights were created, i.e. the author's economic rights to a computer program, which were recognized as qualified IP rights within the meaning of corporate income tax law. The Company's 2022 income from fees or charges due under licence agreements related to qualified IP, and multiplied by the Nexus ratio, was taxed with a preferential CIT rate under the IP Box relief.

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	Provision for deferred tax		Deferred tax asset		Total income for period	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
Property, plant and equipment	889	691	-	-	(198)	(82)
Intangible assets	148	208	-	-	60	59
Right-of-use assets	8,447	9,515	-	-	1,068	(2,255)
Inventories	-	-	27	34	(7)	13
Trade receivables	2	2	398	351	47	(92)
Assets from contracts with customers	141	2	-	-	(139)	98
Other receivables	17	-	-	-	(17)	-
Cash	39	3	-	-	(36)	(3)
Provisions	-	-	387	494	(107)	(82)
Trade liabilities	12	14	21	20	3	19
Financial liabilities	62	264	9,345	10,481	(934)	1,952
Other liabilities	-	-	366	522	(156)	351
Accruals and deferred income	-	-	2,401	1,460	941	(866)
Prepayments and accrued income	16	16	57*	-	1	(3)
Deferred tax gross provisions	**9,773**	**10,715**	**-**	**-**	**942**	**(2,295)**
Deferred tax gross assets	**-**	**-**	**13,002**	**13,362**	**(416)**	**1,404**
Deferred tax net assets (+)/ provisions (-)			**3,229**	**2,647**		
Change in deferred tax in period					**526**	**(891)**
change in deferred tax recognised directly in other comprehensive income					*(155)*	*(183)*
change in deferred tax recognised in profit and loss account					*681*	*(708)*

**Change recognized in retained earnings*

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4.5. Earnings per share

Selected accounting rules

Basic net profit per share for each period is calculated by dividing the net profit from continuing operations for a given period by the weighted average number of shares in the reporting period.
Diluted net profit per share for each period is calculated by dividing the net profit from continuing operations for a given period by the total weighted average number of shares in a given reporting period and all potential shares of new issuances.

In the period of 12 months ended 31 December 2022 and in the comparative period, there were no diluting instruments in the Company.

The data below covers earnings and the number of shares that were used in calculating earnings per share:

	12 months to 31 December 2022	12 months to 31 December 2021
Weighted average number of outstanding shares used to calculate basic earnings per share	33,418,193	33,418,193
Net profit for the reporting period (in PLN thou.)	85,286	80,648
Net profit per share (in PLN)	**2.55**	**2.41**

4.6. Information on dividends paid

Pursuant to the decision of the General Meeting of Shareholders of Asseco Business Solutions S.A. dated 31 May 2022, the Company paid a dividend for 2021. Part of the net profit for the year 2021 in the amount of PLN 70,847 thousand was earmarked for the payment of the dividend in the amount of PLN 2.12 per share. The remaining part of net profit in the amount of PLN 9,801 thousand was transferred to supplementary capital and recognised under retained earnings. The dividend date was set on 18 June 2022 and the dividend payment date on 23 June 2022.

Pursuant to the decision of the General Meeting of Shareholders of Asseco Business Solutions S.A. dated 9 June 2021, the Company paid a dividend for 2020. Part of the net profit for the year 2020 in the amount of PLN 66,836 thousand was earmarked for the payment of the dividend in the amount of PLN 2.00 per share. The remaining part of net profit in the amount of PLN 9,570 thousand was transferred to supplementary capital and recognised under retained earnings. The dividend date was set on 18 June 2021 and the dividend payment date on 29 June 2021.

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V. Notes to the balance sheet

5.1. Property, plant and equipment

Selected accounting rules

Property, plant and equipment, other than land, are carried at cost less decommitment and impairment loss. Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of machinery and equipment when incurred, if the criteria of their recognition in the value of assets are met. Costs incurred after the date of commissioning of a fixed asset to be used, such as maintenance and repair costs, are charged to profit or loss when incurred.

Property, plant and equipment at the time of purchase are divided into components which are items of significant value to which a specific period of economic useful life may be assigned. Components are also the cost of overhauls.

Investment in progress concern the tangible assets in the course of construction or assembly and are disclosed at purchase price or production cost, less any impairment losses. Assets under construction are not subject to depreciation until the end of construction.

The item of property, plant and equipment may be derecognised from the balance sheet if sold, or if there are no expected economic benefits resulting from its further use. Any gain or loss resulting from the derecognition of the asset from the balance sheet (calculated as the difference between the net sales proceeds and the carrying value of the asset) are recognized in profit or loss for the period in which such derecognition was made.

Borrowing costs, which can be directly attributed to the purchase, construction or production of an asset that requires a significant amount of time to prepare for its intended use or sale, are activated by the Company as part of cost of that asset. All other borrowing costs are recognized as costs of the period in which they were incurred.

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of property, plant and equipment. Additionally, at the end of each financial year, the Company verifies the useful life of property, plant and equipment.

Depreciation is calculated on straight line basis over the estimated useful life of the asset. Useful life periods are presented in the table below:

	Period (in years)
Buildings	10 years
Computers and other office equipment	3-10 years
Means of transport	7 years
Other fixed assets	5-10 years

Every year the Company verifies useful lives based on current estimates of the expected useful life of a given asset.
Over the 12 months ended 31 December 2022, there were no major changes to the manner of making estimates.
In 2022, there were no significant changes to the amortization rates applied by the Company.

Changes in net worth of property, plant and equipment in the period of the 12 months ended 31 December 2022 and in the comparable period were attributed to the following:

	Land and buildings	Computers and other office equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2022	**5,778**	**19,901**	**14,880**	**4,088**	**233**	**44,880**
Increase through:	**440**	**6,964**	**16,486**	**644**	**1,076**	**25,610**
Purchase and upgrade	36	6,765	6,529	469	1,076	**14,875**
Transfers from right-of-use assets	-	-	9,957	-	-	**9,957**
Transfers from fixed assets under construction	404	199	-	175	-	**778**
Decrease through:	**-**	**(1,149)**	**(564)**	**(28)**	**(798)**	**(2,539)**
Sale	-	(655)	(564)	-	-	**(1,219)**
Liquidation	-	(494)	-	(28)	-	**(522)**
Transfers from fixed assets under construction to fixed assets	-	-	-	-	(778)	**(778)**
Changes in presentation	-	-	-	-	(20)	**(20)**
Gross value as at 31 December 2022	**6,218**	**25,716**	**30,802**	**4,704**	**511**	**67,951**
Decommitment as at 1 January 2022	**(1,382)**	**(11,401)**	**(7,757)**	**(2,053)**	**-**	**(22,593)**
Increase through:	**(456)**	**(3,472)**	**(5,660)**	**(322)**	**-**	**(9,910)**
Depreciation allowance for reporting period	(456)	(3,472)	(2,293)	(322)	-	**(6,543)**
Transfers from right-of-use assets	-	-	(3,367)	-	-	**(3,367)**
Decrease through:	**-**	**1,136**	**485**	**28**	**-**	**1,649**
Sale	-	651	485	-	-	**1,136**
Liquidation	-	485	-	28	-	**513**
Decommitment as at 31 December 2022	**(1,838)**	**(13,737)**	**(12,932)**	**(2,347)**	**-**	**(30,854)**
Net value as at 1 January 2022	**4,396**	**8,500**	**7,123**	**2,035**	**233**	**22,287**
Net value as at 31 December 2022	**4,380**	**11,979**	**17,870**	**2,357**	**511**	**37,097**

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	Land and buildings	Computers and other office equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2021	**1,950**	**17,416**	**15,259**	**2,633**	**5,284**	**42,542**
Increase through:	**3,828**	**6,213**	**154**	**1,717**	**3,601**	**15,513**
Purchase and upgrade	20	3,050	154	152	3,601	**6,977**
Transfers from right-of-use assets	3,808	3,163	-	1,565	-	**8,536**
Decrease through:	**-**	**(3,728)**	**(533)**	**(262)**	**(8,652)**	**(13,175)**
Sale	-	(858)	(426)	-	-	**(1,284)**
Liquidation	-	(3,124)	(114)	(1)	-	**(3,239)**
Transfers from fixed assets under construction to fixed assets	-	-	-	-	(8,536)	**(8,536)**
Changes in presentation	-	254	7	(261)	(116)	**(116)**
Gross value as at 31 December 2021	**5,778**	**19,901**	**14,880**	**4,088**	**233**	**44,880**
Decommitment as at 1 January 2021	**(1,078)**	**(12,154)**	**(6,339)**	**(1,871)**	**-**	**(21,442)**
Increase through:	**(304)**	**(3,223)**	**(1,844)**	**(182)**	**-**	**(5,553)**
Depreciation allowance for reporting period	(304)	(3,223)	(1,844)	(182)	-	**(5,553)**
Decrease through:	**-**	**3,976**	**426**	**-**	**-**	**4,402**
Sale	-	856	367	-	-	**1,223**
Liquidation	-	3,120	59	-	-	**3,179**
Decommitment as at 31 December 2021	**(1,382)**	**(11,401)**	**(7,757)**	**(2,053)**	**-**	**(22,593)**
Net value as at 1 January 2021	**872**	**5,262**	**8,920**	**762**	**5,284**	**21,100**
Net value as at 31 December 2021	**4,396**	**8,500**	**7,123**	**2,035**	**233**	**22,287**

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5.2. Intangible assets

Selected accounting rules

Acquired intangible assets

Intangible assets acquired in a separate transaction are recognised at acquisition price. The purchase price of intangible assets acquired in a business combination is equal to their fair value at the date of the combination.

Goodwill

Goodwill is an asset representing future economic benefit arising from assets acquired through business combination that cannot be either identified individually or recognised separately.

In separate financial statements, goodwill is a value resulting from combination of businesses under joint control. Goodwill was originally calculated as the surplus of the price paid over the acquired identifiable net assets, and in separate accounts it was recognised at the moment of merger of the acquired entities.

Business combination under joint control results in all combined entities ultimately falling under the control of the same party or parties both before and after the merger, and such a control is not temporary. In particular, this involves transactions such as the transfer of companies or ventures between Company's units or the merger of a parent entity with its subsidiary.

Internally generated intangible assets

In separate categories, the Company presents the end products of development projects ("internally generated software") and products that have not yet been completed ("cost of uncompleted development projects"). An internally generated intangible asset as a result of development (or completion of a development stage/milestone of own project) is recognised if and only if the Company is able to demonstrate:

- *the technical possibility of completing the development of an intangible asset so that it can be used or sold;*
- *the intention to complete an intangible asset;*
- *the capacity to use or sell an intangible asset;*
- *that an intangible asset will generate probable future economic benefits.*
- *the availability of technical, financial and other means necessary to complete the development and use or sale an intangible asset;*
- *that it can assess reliably the expenses incurred during the development that can be assigned to the developed intangible assets.*

The cost of internal generation of an intangible asset is the sum of expenditures incurred from the date when the intangible asset meets the recognition criteria described above for the first time. The value of expenditure previously included in costs is not subject to activation. The cost of internal generation of an intangible asset includes expenditures that can be directly allocated to the activities of designing, producing and adapting an asset for use in a manner intended by the management. These costs include, in particular: employee benefits, expenditure on materials and services used or directly consumed in the project, depreciation costs of equipment used in the development process and the cost of office space occupied by the development team.

Until the completion of development works, the cumulative costs that are in direct relation to these works will be recognised as "Cost of uncompleted development projects". Upon the completion of development works, the ultimate result of the development process is transferred to the category "Internally generated software," and from then on the Company begins to depreciate such internally generated software. Development costs that meet the above criteria are capitalized and reduced in the balance sheet by accumulated depreciation and accumulated impairment losses. Any expenditure related to completed development are amortized over the expected period of obtaining revenue from the sale of the project.

Amortization allowance for intangible asset with determined use is recognized in profit or loss in weight in this category, which corresponds to the function of the intangible asset.

Intangible assets with an indefinite useful life and those that are not in use are, at least once a year and whenever there are grounds for that, verified for possible impairment. Intangible assets with an indefinite useful life, those that are not in use, and other intangible assets are subject to impairment tests whenever there are grounds for their possible impairment. If the carrying amount exceeds the estimated recoverable amount (the higher of the following two values: net selling price or value in use), the value of these assets is reduced to the level of recoverable amount.

Gains or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net sales proceeds and the carrying amount of an asset and are recognised in the profit or loss account in other operating cost or income upon the derecognition of this asset.

Estimates

At each balance sheet date, the Company assesses whether there are objective premises that could indicate an impairment of an intangible asset. The useful life of intangible assets is measured and considered limited and indefinite. Intangible assets with a limited useful life are amortized using the straight-line method and based on their estimated useful life. Amortization costs are recognized in the profit and loss account where they are created.

Useful life periods are presented in the table below:

Type	**Period** (in years)
Acquired licences and software	2 years
Costs of R&D	2-5 years
Customer relations	8 years
Other	2-5 years

The Company reviews the adopted periods of economic useful life based on current estimates annually. In 2022, there were no significant changes to the intangible asset amortization rates applied by the Company.

The cost price of an internally generated intangible asset is determined and capitalised in accordance with the Company's accounting policy. To decide the starting point for cost capitalisation is the subject of professional judgement regarding the technological and economic possibility of completing the project. This point is determined by achieving a project milestone in which the Company has reasonable assurance that it is able to complete an intangible asset so that it can be used or sold, and that future economic benefits from the use or sale will exceed the cost of generation of that intangible asset.

Thus, by determining the value of costs that may be subject to capitalisation, the Management Board assesses the current value of future cash flows generated by a given intangible asset.

Every year and at each balance sheet date, if specific conditions are met, goodwill is tested for impairment. Performing such a test requires estimation of the recoverable amount of the cash-generating unit and is mostly done using the discounted cash flow method, which requires estimations to be made of future cash flows, changes in working capital and the weighted average cost of capital.

Intangible assets recognised during the settlement of combination

The table below shows intangible assets recognized during the settlement of the merger of Asseco Business Solutions S.A. with other companies:

	Customer relations	Other	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2022:			
Gross	2,500	262	2,762
Remission	(1,404)	-	(1,404)
Carrying value as at 1 January 2022	**1,096**	**262**	**1,358**
As at 31 December 2022:			
Gross	2,500	262	2,762
Remission	(1,717)	-	(1,717)
Carrying value as at 31 December 2022	**783**	**262**	**1,045**
Depreciation allowance for reporting period	313	-	313

	Customer relations	Other	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2021:			
Gross	2,500	262	2,762
Remission	(1,092)	-	(1,092)
Carrying value as at 1 January 2021	**1,408**	**262**	**1,670**
As at 31 December 2021:			
Gross	2,500	262	2,762
Remission	(1,404)	-	(1,404)
Carrying value as at 31 December 2021	**1,096**	**262**	**1,358**
Depreciation allowance for reporting period	312	-	312

Changes in net worth of intangible assets in the period of 12 months ended 31 December 2022 and in the comparative period were attributed to the following:

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	Goodwill	Internally generated software	Costs of unfinished development work	Purchased computer software, patents, licences and other intangible assets	Intangible assets recognised during the settlement of combination	Total
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*	*PLN thou.*
Gross value as at 1 January 2022	**252,879**	**64,304**	**920**	**6,237**	**2,762**	**327,102**
Increase through:	**-**	**20,486**	**20,175**	**25**	**-**	**40,686**
Purchase and upgrade	-	-	-	25	-	**25**
Capitalisation of costs of R&D projects	-	-	20,175	-	-	**20,175**
Transfers from costs of unfinished development work	-	20,486	-	-	-	**20,486**
Decrease through:	**-**	**-**	**(20,486)**	**-**	**-**	**(20,486)**
Transfer to internally generated software	-	-	(20,486)	-	-	**(20,486)**
Net value as at 31 December 2022	**252,879**	**84,790**	**609**	**6,262**	**2,762**	**347,302**
As at 1 January 2022	**-**	**(39,848)**	**-**	**(5,688)**	**(1,404)**	**(46,940)**
Increase through:	**-**	**(14,065)**	**-**	**(323)**	**(313)**	**(14,701)**
Depreciation allowance for reporting period	-	(14,065)	-	(323)	(313)	**(14,701)**
Decommitment as at 31 December 2022	**-**	**(53,913)**	**-**	**(6,011)**	**(1,717)**	**(61,641)**
Net value as at 1 January 2022	**252,879**	**24,456**	**920**	**549**	**1,358**	**280,162**
Net value as at 31 December 2022	**252,879**	**30,877**	**609**	**251**	**1,045**	**285,661**

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	Goodwill *PLN thou.*	Internally generated software *PLN thou.*	Costs of unfinished development work *PLN thou.*	Purchased computer software, patents, licences and other intangible assets *PLN thou.*	Intangible assets recognised during the settlement of combination *PLN thou.*	Total *PLN thou.*
Gross value as at 1 January 2021	**252,879**	**48,946**	**371**	**5,716**	**2,762**	**310,674**
Increase through:	**-**	**15,358**	**15,907**	**521**	**-**	**31,786**
Purchase and upgrade	-	-	-	521	-	**521**
Capitalisation of costs of R&D projects	-	-	15,907	-	-	**15,907**
Transfers from costs of unfinished development work	-	15,358	-	-	-	**15,358**
Decrease through:	**-**	**-**	**(15,358)**	**-**	**-**	**(15,358)**
Transfer to internally generated software	-	-	(15,358)	-	-	**(15,358)**
Net value as at 31 December 2021	**252,879**	**64,304**	**920**	**6,237**	**2,762**	**327,102**
As at 1 January 2021	**-**	**(27,095)**	**-**	**(5,392)**	**(1,092)**	**(33,579)**
Increase through:	**-**	**(12,753)**	**-**	**(296)**	**(312)**	**(13,361)**
Depreciation allowance for reporting period	-	(12,753)	-	(296)	(312)	**(13,361)**
Decommitment as at 31 December 2021	**-**	**(39,848)**	**-**	**(5,688)**	**(1,404)**	**(46,940)**
Net value as at 1 January 2021	**252,879**	**21,851**	**371**	**324**	**1,670**	**277,095**
Net value as at 31 December 2021	**252,879**	**24,456**	**920**	**549**	**1,358**	**280,162**

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The greatest share in the balance of intangible assets is the goodwill created from the merger/acquisition of Asseco Business Solutions S.A. with Safo Sp. z o.o., Softab Sp. z o.o., Softlab Trade Sp. z o.o., WA-PRO Sp. z o.o., Anica System S.A. and Macrologic S.A.

Goodwill is allocated to the cash-generating unit, which was also a separate operating segment – ERP Systems.

Costs of unfinished R&D work

Major projects implemented in the year ended 31 December 2022 were
as follows:

- ABS Mobile Touch 12.0

The project aims to extend the functional scope of the Mobile Touch solution. Mobile Touch combines sales, CRM, presentation, management and control functions. Its operation on modern tablets or smartphones enables effective cooperation with the phone and e-mail functions, and also external applications. The Mobile Touch system is intended for companies that maintain extensive mobile workforce. The application enables convenient, fast, and secure access to information from any place and at any time. It boosts the daily efficiency of sales representatives and allows managers and superiors to monitor the status of assigned tasks on an ongoing basis. The solution is successful in supporting the FMCG, pharmaceutical, and construction industries, but it can also be deployed at clients operating in other market segments.

The project development phase began in January 2022. The total value of expenditure capitalized on intangible assets by 31 December 2022 was PLN 3,904 thousand. The project was completed on 31 December 2022.

- Macrologic ERP WNIP 5.0

The project aims to expand the ERP products of the Macrologic ERP family by adding the necessary market-driven functions. The product is intended for SMEs that perform complex business processes and can be tailored to their unique requirements.

The project development phase began in January 2022. The total value of expenditure capitalized on intangible assets by 31 December 2022 was PLN 5,067 thousand. The project was completed on 31 December 2022.

- ABS. IR 2.0

The ABS.IR project exploits artificial intelligence embedded in a cloud or device to recognise products and determine business parameters based on an image automatically; the project also aims to develop tools for effective image description for AI learning purposes. Besides, it helps develop an analytical domain where Image Recognition uses and capabilities can be tested.

The project development phase began in January 2022. The total value of expenditure capitalized on intangible assets by 31 December 2022 was PLN 3,470 thousand. The project was completed on 31 December 2022.

5.3. Right-of-use assets

Selected accounting rules

An agreement is a lease or contains lease if it transfers the right to control an identified asset over a given period in exchange for payment. The right of control is transferred to the lessee under a concluded agreement if, throughout the entire period of use, the lessee enjoys:

- *the right to reap essentially all economic benefits from the use of the identified asset and*
- *the right to direct the use of the identified asset.*

The Company recognises right-of-use assets at the beginning of lease in its balance sheet (i.e. as at the date when an asset covered by the lease agreement is made available to the Company for use). Right-of-use assets are initially recognized at cost. The cost of a right-of-use asset covers the amount of the initial valuation of lease liability, any lease payments paid on or before the initial date of the lease, less any leasing incentives received, initial direct costs incurred by the lessee, and an estimate of the costs to be incurred by the lessee in connection with the disassembly and removal of the underlying asset. The Company measures a right-of-use asset using the cost model, i.e. less depreciation write-downs and possible losses due to impairment, but also after appropriate adjustment for recalculated lease liabilities (i.e. modifications that do not require the recognition of a separate lease).

Estimates

At each balance sheet date, the Company assesses whether there are objective conditions that could indicate an impairment of a given right-of-use asset. In addition, at the end of each financial year, the Company's Management Board makes judgements for agreements concluded for an indefinite period to determine their duration with reasonable assurance. Depreciation of right-of-use assets in the Company is generally carried out on a straight-line basis. If under a lease agreement, the ownership of the underlying asset is transferred to the Company at the end of the lease period or if the cost of a right-of-use asset takes into account that the Company will take advantage of the purchase option, the Company depreciates right-of-use assets from the initial date up to the end of the useful life of the underlying asset. Otherwise, the Company depreciates right-of-use assets from the date of inception of the lease to the end of the useful life of the asset or to the end of the lease period, whichever is earlier.

Useful life periods are presented in the table below:

	Period (in years)
Land and buildings	3-10 years
Means of transport	7 years

To estimate the possible impairment of right-of-use assets, the Company applies IAS 36 Impairment of Assets. At each balance sheet date, the Company assesses whether there are objective conditions that could indicate an impairment of a given right-of-use asset. In addition, at the end of each financial year, the Company's Management Board makes judgements for agreements concluded for an indefinite period to determine their duration with reasonable assurance.

	Land and buildings	Means of transport	Total
Gross value as at 1 January 2022	**66,784**	**13,397**	**80,181**
Increase through:	**6,058**	**108**	**6,166**
New lease agreements	907	108	**1,015**
Modification of existing agreements (renewal, change of interest rate)	5,151	-	**5,151**
Decrease through:	**(4,068)**	**(9,957)**	**(14,025)**
Modification of existing agreements (early termination, change of interest rate)	(4,068)	-	**(4,068)**
Buyout of right-of-use asset	-	(9,957)	**(9,957)**
Gross value as at 31 December 2022	**68,774**	**3,548**	**72,322**
Decommitment as at 1 January 2022	**(16,734)**	**(2,810)**	**(19,544)**
Increase through:	**(7,582)**	**(1,224)**	**(8,806)**
Depreciation allowance for reporting period	(7,582)	(1,224)	**(8,806)**
Decrease through:	**-**	**3,367**	**3,367**
Buyout of right-of-use asset	-	3,367	**3,367**
Decommitment as at 31 December 2022	**(24,316)**	**(667)**	**(24,983)**
Net value as at 1 January 2022	**50,050**	**10,587**	**60,637**
Net value as at 31 December 2022	**44,458**	**2,881**	**47,339**

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	Land and buildings	Means of transport	Total
Gross value as at 1 January 2021	**48,204**	**9,958**	**58,162**
Increase through:	**22,654**	**3,439**	**26,093**
New lease agreements	19,144	3,439	**22,583**
Modification of existing agreements (renewal, change of interest rate)	3,480	-	**3,480**
Other	30	-	**30**
Decrease through:	**(4,190)**	**-**	**(4,190)**
Termination	(344)	-	**(344)**
Change in judgement for lease term	-	-	**-**
Modification of existing agreements (early termination, change of interest rate)	(3,837)	-	**(3,837)**
Other	(9)	-	**(9)**
Changes in presentation	116	-	**116**
Gross value as at 31 December 2021	**66,784**	**13,397**	**80,181**
Decommitment as at 1 January 2021	**(9,993)**	**(1,317)**	**(11,310)**
Increase through:	**(7,085)**	**(1,493)**	**(8,578)**
Depreciation allowance for reporting period	(7,085)	(1,493)	**(8,578)**
Decrease through:	**344**	**-**	**344**
Early termination	344	-	**344**
Decommitment as at 31 December 2021	**(16,734)**	**(2,810)**	**(19,544)**
Net value as at 1 January 2021	**38,211**	**8,641**	**46,852**
Net value as at 31 December 2021	**50,050**	**10,587**	**60,637**

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5.4. Asset impairment tests

Selected accounting rules

At every balance sheet date, the Company carries out valuation of its non-financial assets concerning any impairment. If any such indication exists, or if it is necessary to perform an annual impairment test, the Company shall estimate the recoverable amount of an asset or cash-generating unit to which the asset is assigned.

The recoverable amount of an asset or cash-generating unit is fair value less costs to sell the asset or unit or its value in use, depending on whichever is higher. The recoverable amount is determined for individual assets unless an asset does not generate cash flows independently, and most of them are generated independently by other assets or groups of assets. If the carrying value of an asset exceeds its recoverable value, impairment takes place and a write-down is made up to the level of estimated recoverable value. When estimating value in use, projected cash flows are discounted to their present value using a discount rate which reflects the current market estimate of time value of money and the risks specific to the asset. Impairment losses of assets used in continuing operations are recognised as an item of operating expenses.

At each balance sheet date, the Company assesses whether there is any indication that an impairment loss, which was included in previous periods for an asset, is redundant, or whether it should be reduced. If any such indication exists, the Company estimates the recoverable amount of the asset. Previously recognised impairment loss is reversed if and only if since the last impairment loss recognised, there has been a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying value of an asset is increased to its recoverable amount. The increased value cannot exceed the asset's carrying value that would have been determined (after allowing for depreciation), if in previous years no impairment loss had been recognised in respect of that asset. Reversal of impairment loss for an asset is recognized immediately as a reduction in operating expenses. After the reversal of an impairment, amortization/depreciation charge for the asset in subsequent periods is adjusted in a way that allows systematic write-down of its revised carrying value less its residual value throughout the remaining useful life.

Goodwill: impairment test

After initial recognition, goodwill is recorded at acquisition cost less any accumulated impairment losses. Impairment test is carried out annually or more frequently if there are grounds for doing so. Goodwill is not amortized. At the date of acquisition, goodwill acquired is allocated to each cash-generating units that can benefit from the merger synergy. Each unit or a group of units to which goodwill has been allocated: corresponds to the lowest level in the Company in which goodwill is monitored for internal management needs and is no larger than one operating segment determined in accordance with IFRS 8 Operating Segments. An impairment loss is determined by estimating the recoverable amount of cash-generating unit to which a given goodwill is allocated. Where the recoverable value of the cash-generating unit is less than carrying value, impairment loss is recognised. Such impairment increases the financial expenses in the Company. Reversal of a previous impairment loss is not possible.

Where goodwill forms part of the cash-generating unit and part of the activities within the unit is sold, in determining profit or loss from sales of such an activity, goodwill associated with the sold activity is included in its carrying amount. In such circumstances, sold goodwill is determined on the basis of the relative value of sold activity and the value of what remains of the cash-generating unit.

Estimates

Each time, an impairment test requires estimation of the value in use of cash-generating units or groups of cash-generating units to which goodwill and/or intangible assets with an indefinite useful life are allocated. The Company applies the value in use model to calculate the amount recoverable. Estimating the value in use covers the determination of future cash flows generated by a unit or units and the determination of a discount rate, which is then used to calculate the present value of these flows. If the value in use is higher than the balance sheet value of assets, the Company does not make estimates in the fair value model.

As at 31 December 2022, as well as in the 12-month period ended 31 December 2021, the market capitalisation of Asseco Business Solutions S.A. remained at a level significantly above the book value of the Company's net assets, as shown in the table below.

	31 December 2022	31 December 2021
	PLN thou.	*PLN thou.*
Book value of net assets	361,648	346,493
Market capitalisation	1,116,168	1,450,350
Market capitalisation surplus (+) over net assets	**754,520**	**1,103,857**

However, in accordance with the requirements of IAS 36, an annual goodwill impairment test was conducted. For the purpose of the test, all goodwill was allocated to the cash-generating unit corresponding to the lowest level in the Company on which goodwill is monitored for internal management needs, i.e. to the ERP segment.
The value in use of the segment is assessed using a discounted free cash flow for firm model (FCFF).

Key assumptions used to calculate the recoverable amount: ·

- The recoverable amount of the unit was estimated on the basis of use value, calculated on cash flow projections based on financial budgets approved by the Management Board and the Supervisory Board doe 2023.
- A detailed forecast covered the period of 5 years, during which flows were assumed to increase in subsequent years; for the rest of the period of the unit's operation, the residual value was calculated with the assumed absence of flow increase (similarly to the test carried out last year).
- Probable increases in flows depend on the strategy for the whole Company and tactical plans of the units and take into account the conditions governing individual market; at the same time, they reflect the current and potential portfolio of orders. A potential portfolio of orders assumes the retention of current and prospecting for new customers. The envisaged increases do not depart from the average market growth.
- The discount rate (after tax) used to calculate the present value of estimated cash flows is the estimate of the weighted average Company's cost of capital. The individual components of this rate were estimated based on market data on risk-free interest rates, the value of the beta factor (deleveraged beta of 0.93 was adopted which was leveraged based on the market structure of the debt/equity) and the value of expected return from the market.

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 the cash-generating units is higher than the balance sheet value.

As a result of the impairment test, it became clear that as at 31 December 2022, there was no need to apply impairment to goodwill.

Sensitivity analysis

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

- discount rate applied for the residual period, i.e. for cash flows generated after 2027;
- compound annual growth rate of free cash flows (CAGR) over the period of forecast, i.e. in the years 2023-2027,

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

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

The results of the conducted analysis are presented in the table below:

	Discount rate for residual period		Free cash flow to firm (FCFF)
	applied in model	limitation	limitation
Goodwill	12.13%*	Non-existent**	-26.08%

** the discount rate used in the model for the residual period is 12.13%; the growth rate for the residual period is 12 applied in the model was 2.5% and was not used in the model in the previous year.*
*** it means that the threshold of the discount rate for the residual period is greater than 100%.*

The increase in the discount rate used in the model is mainly attributed to the higher yield on zero-coupon bonds, whose interest rate is risk-free and is the key parameter in calculating the discount rate. The increase in the interest rate of bonds results from higher interest rates announced by the National Bank of Poland in response to the significant inflation rate in Poland.

In addition, the table below presents an analysis of sensitivity of our models applied to calculate the recoverable amounts of cash flow generating units to changes in discount rates (the applied discount rate changed in the range of 0.5 pp to 1.5 pp in plus and minus) and to the percentage change in the forecast free cash flows (the model FCFF value changed by 1%, 3% and 5% in plus and in minus).

	Change in discount rate for residual period (in percentage points)						
	-1.5 p.p.	-1.0 p.p.	-0.5 p.p.	0.0 p.p.	+0.5 p.p.	+1.0 p.p.	+1.5 p.p.
FCFF current value (in PLN thou.)	1,072,845	1,029,694	991,272	956,841	925,812	897,702	872,119
Above/less than unit book value (in PLN thou.)	711,134	667,983	629,561	595,130	564,101	535,991	510,408

	Change in the value of FCFF in 2023-2027 (in percentage terms)						
	-5%	-3%	-1%	0%	1%	3%	5%
FCFF current value (in PLN thou.)	908,999	928,136	947,273	956,841	966,410	985,547	1,004,683
Above/less than unit book value (in PLN thou.)	547,288	566,425	585,562	595,130	604,699	623,836	642,972

5.5. Receivables and assets from contracts with customers

Selected accounting rules

***Assets from contracts with customers** confer the right to remuneration in exchange for goods or services that the entity has delivered to the customer.*
Assets from contracts with customers result from the fact that the progress of implementation contracts is more advanced than issued invoices. As regards these assets, the Company has fulfilled its obligation to perform, but the right to remuneration depends on other conditions than just the passage of time, which makes contract assets different from trade receivables.
***Trade receivables** whose maturity is usually from 14 to 30 days are recognised and presented at initially invoiced amounts, taking into account an allowance for receivables. Receivables with distant maturity dates are recognised at the present value of the expected payment less possible allowance due to expected credit loss.*
***Trade receivables from non-invoiced deliveries** are receivables for those services that were provided during the reporting period (the Company provided its contracted services) but were not invoiced before the balance sheet date.*

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As at the balance sheet date, the Company recognises, however, that it has an unconditional right to receive its due remuneration, which is why it classifies this asset item as a receivable.

Allowance for expected credit losses in relation to receivables and contract-based assets

In estimating an allowance for expected credit losses related to trade receivables, the Company takes a simplified approach by measuring the allowance at an amount equal to expected credit losses over the life of receivables. In order to estimate the value of such expected credit losses, the Company uses a provisioning matrix prepared on the basis of historical payments received from customers, where appropriate adjusted by the impact of forward-looking information. To this end, the Company divides its customers into homogeneous groups and carries out a statistical age analysis and a debt collectability analysis based on data from at least two years back.

Allowance for expected credit losses on trade receivables is updated on each reporting day.

For trade receivables that are past due over 180 days, apart from the statistical method of estimating the amount of allowance for expected credit losses based on the provisioning matrix, the Company also applies an individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management exercise professional judgement taking into account the contractor's financial standing, the type of security, the progress of contract performance, the current rating, and other relevant facts and circumstances.

The allowance for expected credit losses related to trade receivables and assets from contracts with customers is included in operating activities.

In the case of other receivables and other financial assets, the Company measures the write-down on expected loan losses in the amount equal to 12-month expected loan losses. If the credit risk associated with a given financial instrument has increased significantly since initial recognition, the Company measures the write-down on expected credit loss on the financial instrument in an amount equal to the expected loan loss over the entire life cycle.

Allowances for expected credit losses related to the value of other receivables are included in other operating activities or financing activities if a receivable was attributed to a transaction of investment disposal or other activity whose income and expenses, as a rule, fall under financing activities. Allowances for the balance of receivables resulting from accrued interest are included in financial expenses.

If the reason for allowance is no longer relevant, the whole or a part of the previously made allowance increases the value of the given asset.

Estimates

Each time, the Company exercises professional judgement 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 judgement is needed in allocating the transaction price to individual performance obligations.

The Company estimates the allowance for expected credit losses on 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 certain assumptions and professional judgement.

The following table presents the balances of trade receivable as at 31 December 2022 and as at 31 December 2021:

	31 December 2022		**31 December 2021**	
	Non-current *PLN thou.*	**Current** *PLN thou.*	**Non-current** *PLN thou.*	**Current** *PLN thou.*
Trade receivables	**-**	**52,830**	**-**	**45,969**
from related parties, including:	**-**	**1,404**	**-**	**4,108**
Invoiced receivables	-	1,404	-	3,966
Receivables not invoiced	-	-	-	142
from other parties	-	**51,426**	**-**	**41,861**
Invoiced receivables	-	51,340	-	41,522
Receivables not invoiced	-	86	-	339
Allowance for expected credit losses (-)	**-**	**(1,334)**	**-**	**(1,435)**
Total trade receivables	**-**	**51,496**	**-**	**44,534**

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The following table presents the balances of contract assets as at 31 December 2022 and as at 31 December 2021:

	31 December 2022		31 December 2021	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Assets from contracts with customers				
from related parties	-	-	-	28
from other parties	-	1,052	-	776
Total assets from contracts with customers	**-**	**1,052**	**-**	**804**

Assets from contracts with customers result from the fact that the progress of implementation contracts is more advanced than issued invoices.

Change in the value of assets related to contracts with customers during 12 months ended 31 December 2022 and in the comparable period:

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Value of assets from contracts with customers as at 1 January	**804**	**1,052**
Reclassification of an asset from contracts with customers due to acquisition of an unconditional right to payment	(4,818)	(3,591)
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions	5,066	3,343
Assets from contracts with customers at end of period	**1,052**	**804**

The table below shows movement in the balance of write-downs for forecast credit losses in relation to trade receivables and assets from contracts with customers during the 12-month period ended 31 December 2022 and in the corresponding period of the previous year:

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
As at 1 January	**(1,435)**	**(1,601)**
Creation	(107)	(52)
Termination/use	208	218
As at 31 December	**(1,334)**	**(1,435)**

The Company has appropriate policies in place for making the sale only to verified customers. In the opinion of the Management Board, there is no need to create an additional allowance for expected credit losses. In connection with the war in Ukraine and the COVID-19 epidemic situation in Poland and in the world, the Company implemented a process of more careful monitoring of its receivables. After the analysis, the Company does not identify any significant risk of impairment of assets, and in particular, there was no significant change in the collection of receivables, therefore the calculation of expected credit losses did not change significantly.

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The tables below show the age structure of receivables together with the allowance for expected credit losses as at 31 December 2022 and 31 December 2021:

	31 December 2022					
	Gross amount		Write-down		Net amount	
	PLN thou.	%	*PLN thou.*	%	*PLN thou.*	%
Ageing of trade receivables						
Receivables undue	**47,155**	**87.6%**	**-**	**-%**	**47,155**	**89.8%**
Past due receivables	**4,573**	**8.4%**	**(232)**	**17.4%**	**4,341**	**8.3%**
Receivables past due up to 3 months	4,111	7.6%	(192)	14.5%	3,919	7.5%
Receivables past due from 3 to 6 months	134	0.2%	(7)	0.5%	127	0.2%
Receivables past due from 6 to 12 months	199	0.4%	(10)	0.7%	189	0.4%
Receivables past due over 12 months	129	0.2%	(23)	1.7%	106	0.2%
	51,728	**96.0%**	**(232)**	**17.4%**	**51,496**	**98.1%**
Receivables claimed at court	**1,102**	**2.0%**	**(1,102)**	**82.6%**	**-**	**-%**
Aged assets from contracts with customers	**1,052**	**2.0%**	**-**	**-**	**1,052**	**1.9%**
Total	**53,882**	**100.0%**	**(1,334)**	**100.0%**	**52,548**	**100.0%**

	31 December 2021					
	Gross amount		Write-down		Net amount	
	PLN thou.	%	*PLN thou.*	%	*PLN thou.*	%
Ageing of trade receivables						
Receivables undue	**40,537**	**86.7%**	**-**	**-%**	**40,537**	**89.5%**
Past due receivables	**4,332**	**9.2%**	**(335)**	**23.4%**	**3,997**	**8.8%**
Receivables past due up to 3 months	3,770	8.1%	(169)	11.8%	3,601	7.9%
Receivables past due from 3 to 6 months	203	0.4%	-	-%	203	0.4%
Receivables past due from 6 to 12 months	59	0.1%	(30)	2.1%	29	0.1%
Receivables past due over 12 months	300	0.6%	(136)	9.5%	164	0.4%
	44,869	**95.9%**	**(335)**	**23.4%**	**44,534**	**98.3%**
Receivables claimed at court	**1,100**	**2.4%**	**(1,100)**	**76.6%**	**-**	**-%**
Aged assets from contracts with customers	**804**	**1.7%**	**-**	**-**	**804**	**1.7%**
Total	**46,773**	**100.0%**	**(1,435)**	**100.0%**	**45,338**	**100.0%**

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The table below presents other receivables as at 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Budget receivables	-	4	-	-
Receivables from paid deposits	499	62	223	43
Other receivables	-	41	-	43
Other receivables total	**499**	**107**	**223**	**86**

Deposit receivables consist of deposits securing the payment of rent, tendering securities and securities of contracts as well as deposits for office rental.

Related party transactions are shown in item 5.18 of the explanatory notes to of these financial statements.

5.6. Accruals

Selected accounting rules

In accruals and deferred income, expenses incurred until the balance sheet date are recognised which relate to future periods (prepaid expenses) or relate to future revenues. In particular, accruals include: (i) external prepaid services (including maintenance services) to be provided in subsequent periods, (ii) prepaid insurance, subscriptions, rents, etc., and (iii) other expenses incurred in the period and related to future periods.
In addition, the Company recognizes as an asset the costs of conclusion of an agreement with a customer and the costs of performance of the agreement if the Company expects to recover such costs.

As at 31 December 2022 and as at 31 December 2021, the balance of active accruals comprised the following items:

	31 December 2022		31 December 2021	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Prepaid services, including:				
Maintenance services and licence fees	*116*	*836*	*23*	*393*
Prepaid training	*-*	*88*	*-*	*84*
Insurance	*-*	*101*	*2*	*62*
Other services	*-*	*596*	*5*	*703*
Total	**116**	**1,621**	**30**	**1,242**

Accrued expenses as at 31 December 2022 and as at 31 December 2021 consisted mainly of prepaid maintenance services and licence fees that will be recognised in the profit and loss account successively in future periods.

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5.7. Other assets

Selected accounting rules

The Company qualifies financial assets to the following categories specified in IFRS 9:

- *measured at fair value through other comprehensive income*
- *valued at amortised cost*
- *measured at fair value through profit or loss.*

The Company classifies financial assets based on the Company's business model in terms of managing financial assets and the characteristics of contractual cash flows for a given financial asset. The Company reclassifies investments in debt instruments if and only if the asset management model changes.

i. Other financial assets

As at 31 December 2022 and 31 December 2021, the Company did not hold financial assets measured at amortized cost, nor financial assets measured at fair value through profit or loss (except for assets under contracts with customers, trade receivables and cash, which are given in Items 5.5 and 0 of the notes to these financial statements).

Changes to the method of determining the fair value of financial instruments measured at fair value and changes to the classification of financial instruments

In the 12 months ended 31 December 2022, the Company did not change the method of determining the fair value of financial instruments measured at fair value, and there were no transfers of instruments between the levels of the fair value hierarchy; no changes were made to the classification of financial instruments.

As at 31 December 2022 (and as at 31 December 2021), the Company was not a party to forward contracts.

ii. Non-financial assets

The balance of other assets as at 31 December 2022 and as at 31 December 2021 consisted of:

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Prepayments for deliveries	25	72

5.8. Inventories

Selected accounting rules

Inventories are valued at the lower of the following two values: purchase price/production cost or net realizable value.
The purchase price or production cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, both in the current and previous year, and are determined as follows:
Materials: at the purchase price determined using the FIFO method.
Finished products and products in progress: cost of direct material and labour and an appropriate mark-up of indirect production overheads determined given the normal capacity utilization, excluding borrowing costs, Goods in the purchase price determined by the FIFO method.
The selling net realizable price estimates the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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The category of goods mainly includes computer hardware and third-party licences for resale as part of implementation contracts or agreements to deliver equipment. Thus, most goods are purchased for the execution of concluded or highly probable contracts.

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Computer equipment, third-party licences and other goods for resale	677	690
Impairment loss of goods (-)	(247)	(281)
Total	**430**	**409**

5.9. Cash and deposits

Selected accounting rules

Cash and cash equivalents presented in the balance sheet consist of cash at bank and on hand, short-term deposits with a maturity not exceeding three months and other high-liquidity instruments.

The balance of cash and cash equivalents disclosed in the cash flow statement consists of the above-defined cash and cash equivalents. For the purposes of the cash flow statement, the Company adopted the principle of reducing the balance of cash and cash equivalents by the value of overdraft facilities, which were regarded as an element of financing of current operation, and restricted cash. The Company recognises only those revolving loans and demand features as a cash equivalent which are an integral part of the cash management of the Company. The Company consistently applies this approach, including, in particular, classifying revolving facilities as cash equivalents for the purpose of presentation in the statement of cash flows, when the bank balance fluctuates frequently, and the Company's management use the overdraft facility for the purpose of current liquidity management.

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Cash at bank in current accounts	22,802	22,220
Cash at bank in split payment accounts	218	526
Short-term deposits	25,203	20,017
Cash in hand	18	21
Cash in transit	41	48
Total cash balance shown in balance sheet and cash flow statement	**48,282**	**42,832**

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on bank deposits. Short-term deposits are made for periods from one day to three months and bear interest at a fixed interest rate.

5.10. Social assets and liabilities payable to the Company Social Benefit Fund

Selected accounting rules

The Act of 4 March 1994 on the Company Social Benefit Fund with amendments provides that the Company Social Benefit Fund ("Fund") be established by employers with over 50 full time employees. The purpose of the Fund is to finance social activities, loans to employees, and other social costs and expenses. Allowances to the Company's Social Benefit Fund during the year are the cost of the period in which they were made. The Company offset the Fund's assets with its commitments to the Fund because these assets do not fall within the definition of Company assets.

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The table below breaks down the Fund's assets, liabilities and expenses.

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Cash	837	1,053
Liabilities to the Fund	836	1,042
Balance after offset	**1**	**11**
Allowances to the Fund in the financial period	**1,720**	**1,498**

5.11. Subscribed capital and other elements of equity

Share capital

The subscribed capital as at 31 December 2022 and in the comparative period amounted to PLN 167,091 thousand and was fully paid up. The share capital consists of 33,418,193 ordinary shares with a nominal value of PLN 5 each. The Company did not issue preference shares.

In the year ended 31 December 2022, the subscribed capital did not change compared to 31 December 2021. The Company's authorised capital is equal to its subscribed capital.

Supplementary capital

Supplementary capital (in accordance with the Code of Commercial Companies and Partnerships "CCCP," Journal of Laws of 2022, item 1467) was created from the surplus of the issuance value over the nominal value, reduced by share issuance costs and profits from previous years, which were allocated to supplementary capital by the decision of the General Meeting of the Company. The reminder of supplementary capital is presented under retained earnings and relates to the settlement of results from previous years in accordance with the CCCP.

In order to present the Company's dividend capacity, the table below shows the components and balance of supplementary capital as at 31 December 2022 and as at 31 December 2021.

	31 December 2022 PLN thou.	31 December 2021 PLN thou.
Premium	62,543	62,543
Other supplementary capital	51,879	41,363
	114,422	**103,906**

Dividend capacity

In accordance with the provisions of the Code of Commercial Companies and Partnerships, the Company is required to establish supplementary capital to cover for losses. This capital is supplemented by at least 8% of the profit for the financial year disclosed in the Company's annual financial statements until it reaches at least one third of the initial capital. As a result of exceeding the balance of supplementary capital, i.e. the value of 1/3 of the share capital, the aforementioned statutory obligation to make additional payments from profit to supplementary capital has expired. How supplementary capital (and reserve capital) is used is decided by the General Meeting.

The surplus from the sale of shares above their nominal value (agio) can only be used to cover potential losses shown in the financial statements and, therefore, it does not increase the Company's dividend capacity. Also, supplementary capital in the amount equivalent to 1/3 of share capital cannot be paid to the shareholders. At 31 December 2022, there are no other restrictions on the payment of dividend. Given the above, the Company's dividend capacity after adding the result of the current period amounts to PLN 139,697 thousand.

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5.12. Bank loans and issue of securities

Selected accounting rules

The Company classifies its financial liabilities into one of the categories:

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

The Company measures bank loans and debt securities at amortised cost.
Upon first recognition, all credits and loans are posted at acquisition price corresponding to the fair value of received cash, less transaction costs that can be attributed directly to acquisition or issuance of financial liabilities.
Subsequently to such initial recognition, interest-bearing credits, loans and debt securities are measured at amortized cost using the effective interest method. Upon determination of amortised cost, the costs related to obtaining a credit or loan, the cost of issuance of commercial paper facilities as well as discounts or bonuses obtained on repayment of the liability are taken into account.
The Company removes financial liabilities from the statement of financial position when the liability ceases to exist, i.e. when the relevant contractual obligation has been fulfilled, cancelled or has expired. Differences between the book value of an expired financial liability and the amount of the payment, including all non-cash assets carried over, are recognized in profit or loss.

	Maximum amount of debt	Effective interest rate %	Repayment date	31 December 2021		31 December 2020	
				Long-term	Short-term	Long-term	Short-term
Overdraft in current accounts				-	-	-	-
Overdraft in current account	70,000 mth	WIBOR 1 +margin	31-10-2023	-	-	-	-
TOTAL				-	-	-	-

As at 31 December 2022 and as at 31 December 2021, the Company has open credit lines in current accounts that offer the option of extra financing at PLN 70,000 thousand. As at 31 December 2022 and as at 31 December 2021, there was no debt in the existing credit lines. As at 31 December 2022 and as at 31 December 2021, no other assets were used to secure bank loans.

5.13. Lease liabilities

Selected accounting rules

An agreement is a lease or contains lease if it transfers the right to control an identified asset over a given period in exchange for payment. The right of control is transferred to the lessee under a concluded agreement if, throughout the entire period of use, the lessee enjoys:

- *the right to reap essentially all economic benefits from the use of the identified asset and*
- *the right to direct the use of the identified asset.*

Lease liabilities - initial recognition
At the inception of the lease, the Company measures the lease liability in the amount of the current value of lease payments remaining due on that date. The Company discounts lease payments using the lease interest rate if it can be easily determined. Otherwise, the Company discounts lease payments using the marginal interest rate.
Lease payments include fixed fees (including essentially fixed lease payments) less any leasing incentives, variable lease fees that depend on the index or rate, the amount of guaranteed final value and the price in the case of taking advantage of the purchase option (if it can be stated with reasonable certainty that

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the Company will use this option) and fines for termination (if there is reasonable certainty that the Company will use this option).

Variable lease payments that do not depend on index or rate are recognized immediately as the cost of the period in which an event or condition occurred that necessitated the payment.

Lease liabilities – later valuation

In subsequent periods, the lease liability is reduced by repayments and increased by accrued interest. To calculate interest, the Company uses the lessee's marginal rate which is the total of the risk-free rate (for its determination, the Company uses the quotas of relevant derivative instruments – IRS – or government bond interest rates for relevant currencies) and the Company's credit risk premiums, which is quantified based on the offering of margins for investment loans available to the Company and secured on the Company's assets.

If a lease agreement is amended, e.g. if there is a change to the period or amount of substantially constant leasing payments or a change in judgement regarding the purchase option for the leased asset, then, the lease liability is recalculated to reflect the changes. Adjustment of the value of the liability also requires adjustment of the value of right-of-use assets.

Lease term for renewable agreements

The Company determines the lease term as the irrevocable term, including the periods covered by the option to prolong the lease, if it can be expected with reasonable assurance that the option will be used, and the periods covered by the option to terminate the lease, if it can be expected with reasonable assurance that the option will not be used.

The Company has the option, under some lease agreements, to extend the term of asset lease. The Company exercises judgement when assessing whether there is reasonable assurance of using the extension option. This means that all the relevant facts and circumstances that represent an economic incentive for the extension of the agreement or an economic penalty for non-extension. After the commencement date, the Company reassesses the lease term if a significant event or new circumstances occur under its control that affect its ability to use (or not use) the extension option (e.g. a change to the business strategy).

Lease period for indefinite agreements

The Company has indefinite lease agreements and agreements that have been transformed into indefinite agreements where both parties have the option to terminate. When determining the lease period, the Company uses the period of agreement enforceability. Lease ceases to be enforceable when both the lessee and the lessor exercise the right to terminate the agreement without having to obtain the other party's consent and without incurring penalties greater than negligible. The Company assesses the significance of broadly understood penalties, i.e. apart from strictly contractual or financial issues, it takes into account all other significant economic factors discouraging termination (e.g. significant investments in the subject of lease, availability of alternative solutions, relocation costs). If neither the Company as the lessee nor the lessor incurs a significant penalty for termination (broadly understood), the lease ceases to be enforceable and its period is reduced to the period of notice. However, where either of the parties, based on professional judgement, pays a significant penalty for termination (broadly understood), the Company determines the lease period as sufficiently certain (i.e. over which it can be assumed with sufficient certainty that the agreement will continue).

Lessee's incremental borrowing rate of interest

The Company is not able to easily determine the interest rate for lease contracts (real property lease); therefore, it uses the lessee's incremental borrowing rate when measuring lease liabilities. This is the interest rate that the Company would have to pay to borrow – for a similar period, in the same currency and with similar securities – funds necessary to purchase an asset of a similar value to the right-of-use asset in a similar economic environment.

Estimates

The recognition of lease agreements in the Company requires various types of estimates and professional judgement. The relevant area concerns the assessment of lease periods, agreements for an indefinite period and extendable agreements. When determining the lease period, the Company needs to consider all facts and circumstances, including business incentives to use or not to use the option of agreement extension and the option to terminate the agreement. When determining the lease period, attention is paid to the value of expenses incurred for adapting the leased asset to individual needs and to the size of the market in a specific location and the nature of the leased property in the case of real property lease.

As at 31 December 2022, the subject of finance lease agreements with the Company as the lessee was:

- immovable property,
- vehicles.

The table below presents the balance of liabilities under finance lease as at 31 December 2022 and as at 31 December 2021.

	31 December 2022		31 December 2021	
	Non-current *PLN thou.*	Current *PLN thou.*	Non-current *PLN thou.*	Current *PLN thou.*
Real property lease	41,409	7,792	47,051	8,113
Vehicle lease	1,856	695	6,548	2,633
Total	**43,265**	**8,487**	**53,599**	**10,746**

The reduced balance of lease liabilities results from the early purchase of vehicles covered by lease agreements.

Real property lease

The net value of the property being the subject of the lease agreement as at 31 December 2022 PLN 44,458 thousand (at 31 December 2021: PLN 50,050 thousand).

The minimum future cash flows and liabilities under real property lease agreements are as follows:

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Minimum lease payments		
in less than 1 year	9,110	9,115
from 1 to 5 years	36,724	36,761
more than 5 years	8,290	13,670
Future minimum lease payments	**54,124**	**59,546**
Future interest expense	**(4,923)**	**(4,382)**
Current value of lease liabilities		
in less than 1 year	7,792	8,113
from 1 to 5 years	33,312	33,787
more than 5 years	8,097	13,264
Lease liability	**49,201**	**55,164**

The weighted average incremental interest rate under the above lease at 31 December 2022 was 4.12% and at 31 December 2021 it was 2.7%.

Vehicle lease

The net value of motor cars being the subject of lease agreements as at 31 December 2022 amounted to PLN 2,881 thousand (at 31 December 2021: PLN 10,587 thousand).

The minimum future cash flows and liabilities under motor car lease agreements are as follows:

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	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Minimum lease payments		
in less than 1 year	740	2,779
from 1 to 5 years	1,912	6,722
more than 5 years	-	-
Future minimum lease payments	**2,652**	**9,501**
Future interest expense	**(101)**	**(320)**
Present value of lease payments		
in less than 1 year	695	2,633
from 1 to 5 years	1,856	6,548
more than 5 years	-	-
Lease liability	**2,551**	**9,181**

The table below shows the amounts related to costs of lease included in the profit and loss account for the period of 12 months ended 31 December 2022 and in the comparable period:

		12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Depreciation of right-of-use assets	5.3	(8,806)	(8,578)
Interest cost due to lease liabilities	4.3	(1,649)	(1,141)
Costs associated with lease of low-value assets		(72)	(20)
Costs associated with short-term lease		-	(313)
Profit / loss on sublease of office space recognized as right-of-use assets		176	174
Total		**(10,351)**	**(9,878)**

5.14. Trade and other liabilities

Selected accounting rules

Trade liabilities *related to operating activities are recognised and reported at amounts due. These liabilities arise from invoiced supplies and services and those that have not been invoiced, but which, in the opinion of the Company's Management Board, are highly probable and whose value can be determined precisely.*

Budgetary commitments *are liabilities such as taxes and public levies as well as social contributions and customs duties. These liabilities are determined in the amount of payment required in accordance with applicable regulations.*

Liabilities from project-related contractual penalties

Project-related contractual penalties are payments for non-compliance or incorrect performance and result from contracts with customers rather than the legislation in a specific country.

Project-related contractual penalties are a variable element of remuneration and reduce the transaction price; a project-related contractual penalty liability is a kind of obligation to return (part of) the remuneration, but it is not a liability from contracts with customers.

Other liabilities *are liabilities to employees due to unpaid remuneration as at the balance sheet date, liabilities from the purchase of fixed assets and intangible assets as well as any other liabilities.*

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As at 31 December 2022 and as at 31 December 2021, the Company's trade liabilities were as follows:

	31 December 2022		31 December 2021	
	Non-current	Current	Non-current	Current
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
To related parties, including:	**-**	**98**	**-**	**363**
Invoiced liabilities	-	98	-	363
To other parties, including:	**-**	**7,301**	**-**	**5,361**
Invoiced liabilities	-	6,605	-	4,211
Liabilities not invoiced	-	696	-	1,150
Total trade liabilities	**-**	**7,399**	**-**	**5,724**

Trade liabilities are not interest-bearing. Related party transactions are shown in item 5.18 of the explanatory notes to these financial statements.

The following table shows the Company's gross trade liabilities as at 31 December 2022 and 31 December 2021 by the maturity date based on contractual undiscounted payments.

	31 December 2022		31 December 2021	
	PLN thou.	*%*	*PLN thou.*	*%*
Trade liabilities				
Liabilities due	60	0.8%	48	0.8%
Liabilities undue up to 3 months	7,339	99.2%	5,676	99.2%
Liabilities undue from 3 to 6 months	-	0.0%	-	-%
Liabilities undue beyond 6 months	-	0.0%	-	-%
	7,399	**100.0%**	**5,724**	**100.0%**

As at 31 December 2022 and as at 31 December 2021, the Company's other liabilities were as follows:

	31 December 2022		31 December 2021	
	Non-current	Current	Non-current	Current
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Corporate income tax liabilities	**-**	**4,407**	**-**	**696**
Other budgetary commitments				
VAT		5,949	-	5,596
Personal income tax (PIT) (SI)	-	2,873	-	3,034
Social contributions	-	5,760	-	1,067
Other		121	-	115
Other budgetary commitments total	-	**14,703**	-	**9,812**

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Other liabilities				
Liabilities to employees	-	3,197	-	2,000
Liabilities due to purchase of fixed assets and intangible assets	-	318	-	-
Other liabilities	-	380	-	928
Total other budgetary	-	**3,895**	-	**2,928**

5.15. Liabilities from contracts with customers

Selected accounting rules

Liabilities under contracts with customers establish the entity's obligation to transfer goods and services to the customer for remuneration (or the amount of remuneration is due) from the customer.
As liabilities from contracts with customers presented are the liabilities arising from the valuation of IT contracts and accrued income from licences carrying access rights unsettled until the balance sheet date are disclosed within liabilities from contracts with customers; the same applies to future revenues from services such as IT maintenance that are billable over time.
Due to the large variety of performance obligations, it is difficult to determine one moment in time in which the Company generally meets its performance obligations. Most often, in the case of contracts for the implementation of a comprehensive IT system and maintenance contracts, the Company fulfils its obligations when providing services to customers. In the case of performance consisting in the delivery of a software licence to a customer (with the right to use), the Company considers the obligation of performance fulfilled at the time of granting the licence, but not earlier than at the beginning of the period in which the customer can start using this software (usually after receiving the license key), which, in the Company's opinion, is tantamount to giving the customer control over the licence.

Estimates

Each time, the Company makes a professional judgement and estimates the value of the progress of implementation contracts against issued invoices and allocation of the transaction price.

As at 31 December 2022 and as at 31 December 2021, liabilities from contracts with customers were as follows:

	31 December 2022		31 December 2021	
	Non-current	Current	Non-current	Current
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Liabilities under contracts with customers				
To related parties, including:	-	**121**	-	**323**
Prepaid expenses and accrued income from contracts with customers	-	8	-	-
Liabilities from valuation of valuation	-	113	-	323
To other parties, including:	-	**16,679**	-	**15,045**
Prepayments and accrued income from contracts with customers	-	16,586	-	14,596
- pre-paid maintenance services	-	*4,536*	-	*3,612*
- licence fees	-	*12,050*	-	*10,984*
Liabilities from valuation of valuation	-	93	-	449
Total liabilities under contracts with	-	**16,800**	-	**15,368**

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Change in the value of liabilities from contracts with customers during 12 months ended 31 December 2022 and in the comparable period:

	12 months to 31 December 2022 PLN thou.	12 months to 31 December 2021 PLN thou.
Value of liabilities from contracts as at 1 January	**15,368**	**14,257**
Issue of invoices above realised obligation of performance	43,068	40,469
Implementation of new obligations of performance without invoicing; change in estimated transaction price, other changes in assumptions (+)/(-)	(41,636)	(39,358)
Value of liabilities from contracts with customers at the end of period	**16,800**	**15,368**

5.16. Provisions

Selected accounting rules

A provision should be recognised when the Company has an 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.

Onerous contracts

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

An onerous contract is a contract with a customer in which the total amount of revenues is lower than the total of the cost of goods and services sold (COGS) and production costs.

Once an onerous contract is identified (which may happen at any time during the contract performance), the entire loss expected to be incurred on such contract should be immediately recognised as a cost in the current reporting period. The amount of provision for onerous contracts is verified at each reporting date (the amount of provision should be equal to the difference between the entire expected loss and the loss already incurred till the reporting date), which may result in an increase or decrease in the provision.

Provision for warranty repairs

Provision for warranty repairs is created to cover the future expected costs of warranty or service obligations arising from implemented IT contracts, provided that the obligations to satisfy the warranty meet the definition of a standard warranty within the meaning of IFRS 15.

If the warranty meets the definition of a service (an above-standard warranty as defined in IFRS 15), i.e. the warranty has a broader scope than just ensuring the customer that the product/service complies with the specifications agreed by the parties, there are no provisions created for it. An above-standard warranty is an obligation to provide a service and as such should be recognized in receipts from sales and not in the category of provisions.

Provision for warranty repairs (under a standard warranty) is created in the following cases:

(i) no maintenance agreement has been concluded with the customer, or

(ii) the scope of the maintenance agreement does not cover all the expected costs associated with the performance of warranty obligations, or

(iii) the scope of the manufacturer's warranty for hardware sold is narrower than the warranty offered by the Company in the agreement with the customer.

The value of the provision recognized as at the balance sheet date is commensurate with the progress of implementation of an IT contract.

The costs associated with the provision of services arising from the warranty obligation reduce the value of the created provision when incurred. At each balance sheet date, the Company verifies the amount of provisions created for warranty repairs. If the actual fulfilment of the obligation or anticipated future costs are lower/higher than expected at the time of the initial recognition of the provision, the provision is adequately reduced/increased so as to reflect the current expectations of the Company as to the costs of fulfilling of the warranty obligation in future periods.

Post-employment benefits

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The provision for post-employment benefits is created for employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. The Company has a defined contribution plan under which it pays fixed contributions into a separate entity (in Poland –the social insurance fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. The Company creates the provision for post-employment benefits based on *calculations made by an independent actuary. Reassessment of liabilities for employee benefits pertaining to specific benefit schemes covering actuarial gains and losses is recognized in other comprehensive income and is not subject to subsequent reclassification to profit or loss.*

Provision for contractual penalties

Provisions for contractual penalties only show provisions for non-project penalties, i.e. provisions for penalties not directly related to performance obligations and rather constituting a compensation for damage than failure to fulfil or improper fulfilment of the performance obligation. The potential amount of non-project contractual penalties and the moment of their occurrence are not known to the Company. The source of non-project penalties is the law rather than contracts and contractual penalties.

Provisions for contractual penalties are presented in Other provisions and as a decrease of operating income.

Provisions for litigation risks and other provisions

Other provisions include mainly provisions for pending court proceedings and are based on available information, including, in particular, the opinions of lawyers and independent experts. The Company creates provisions if, at the end of the reporting period, it has an obligation resulting from past events, and this obligation can be reliably estimated, and when it is probable that the fulfilment of this obligation will require the use of funds that offer economic benefits.

Estimates

Note that all provisions estimated in the Company, in particular provisions for contractual penalties and onerous contracts, required professional judgement and estimates to quantify the most likely amount of future outflow of economic benefits from the Company. However, this estimate may be subject to change in the future, and the actual outflow of benefits may appear to be larger or smaller than recognized in the financial statements.

Changes in provisions in the 12 months ended 31 December 2022 and in the comparable period were attributed to the following:

	Post-employment benefits	Other provisions	Total
	PLN thou.	*PLN thou.*	*PLN thou.*
As at 1 January 2022	**2,607**	**-**	**2,607**
Establishment (+)	251	-	**251**
Actuarial gains/losses (+)/(-)	(814)	-	**(814)**
As at 31 December 2022, including:	**2,044**	**-**	**2,044**
Current	84	-	**84**
Non-current	1,960	-	**1,960**
As at 1 January 2021	**3,294**	**373**	**3,667**
Establishment (+)	275	-	**275**
Actuarial gains/losses (+)/(-)	(962)	-	**(962)**
Use (-)/Reversal (-)	-	(373)	**(373)**
As at 31 December 2021, including:	**2,607**	**-**	**2,607**
Current	59	-	**59**
Non-current	2,548	-	**2,548**

The provision for post-employment benefits relates entirely to retirement benefits which are to be potentially paid to the Company's employees when they go into retirement. The Company makes a severance payment in the amount of one-month average salary, as provided in the Labour Code. The provision for post-employment benefits was recognised by the Company based on calculations made by the actuary.

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The main assumptions used by the actuary at the balance sheet date to calculate the amount of the liability are as follows:

	31 December 2022	31 December 2021
Discount rate (%)	6.5%	3.2%
Projected wage growth rate (%)*	13.25%	5.0%

*The expected wage rate in the first year is 13.25%, and in the following years 5%.

5.17. Accruals and deferred income

Selected accounting rules

Provision for unused leaves

The Company creates a "provision" (recognised as a component of accruals) for unused holiday leaves, which relate to periods preceding the reporting date and will be used in the future, for all of the Company's employees because in Poland unused holiday leaves constitute accumulating compensated 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 not used but allocated to an employee as at the balance sheet date. The Company recognises the costs of unused leaves on an accrual basis, based on estimated amounts, and discloses them in the profit and loss account under salaries (where they occur).

Provision for bonuses

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

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

- *it has a current 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 current obligation exists when, and only when, the Company has no realistic alternative but to make the payments.

Estimates

The Company estimates the amount of liabilities based on adopted assumptions and methodology and assessing the likelihood of expending funds carrying economic benefits; as liabilities, the Company considers the amounts whose likelihood and time of expending is high on the balance sheet date. Provision for bonuses mostly depends on estimates of the result achieved by the Company at various levels.

	31 December 2022		31 December 2021	
	Non-current	Current	Non-current	Current
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Accruals, including				
Provision for unused leaves	-	4,377	-	3,549
Provision for bonuses for employees and Management Board	-	9,929	-	4,443
Total	**-**	**14,306**	**-**	**7,992**

5.18. Related party transactions

Revenues from related entities include revenues from the sale of IT goods and services related to existing IT projects and other activities.

Purchases from related parties include the purchase of goods and services related to IT projects, the purchase of consulting services and rental of office space. Transactions with related parties are held at arm's length.

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	Revenues		Purchases	
	12 months to 31 December 2022	12 months to 31 December 2021	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Transactions with Asseco Poland S.A.	4,076	4,668	2,380	4,338
Transactions with other related parties	711	946	189	320
Total transactions with related parties	**4,787**	**5,614**	**2,569**	**4,658**

	Trade and other liabilities and assets from contracts with customers as at		Trade and other liabilities, lease liabilities and other liabilities at	
	12 months to 31 December 2022	12 months to 31 December 2021	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*	*PLN thou.*	*PLN thou.*
Transactions with Asseco Poland S.A.	1,310	3,103	10,106	15,292
Transactions with other related parties	94	1,033	50	13
Total transactions with related parties	**1,404**	**4,136**	**10,156**	**15,305**

As at 31 December 2022, the balance of lease liabilities with related parties committed by the Company Executives was PLN 13,215 thousand, and as at 31 December 2021 it amounted to PLN 13,248 thousand.
In 2022 the cost of interest on lease with related parties committed by the Company Executives was PLN 215 thousand compared to PLN 171 thousand in 2021.

As at 31 March 2022 and 31 December 2021, there were no outstanding balances of receivables arising from transactions with related parties committed by or with the Company Executives.
As at 31 December 2022 and 31 December 2021, there were no outstanding balances of liabilities arising from transactions with related parties concluded by the Company Executives and with the Company Executives.
According to the records of Asseco Business Solutions S.A., in the 12 months ended 31 December 2022, the value (net) of purchases transactions of goods and services (including rental) with related parties conducted by the Company Executives and with the Company Executive amounted to PLN 2,218 thousand v. PLN 2,463 in the comparable period.
The value (net) of the transactions of sales of goods and services to related entities by the Company Executives and to the Company Executives totalled PLN 52 thousand (in the comparative period: PLN 31 thousand).
Note 8.5 to these financial statements presents the remuneration of the key personnel.

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VI. Explanatory notes to statement of cash flows

6.1. Cash flow from operating activities

The table below shows items that were included in the row, "Changes in working capital:"

	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*
Change in inventories	(21)	23
Change in receivables and assets from contracts with customers	(7,507)	(3,992)
Change in other non-financial assets	47	133
Change in trade liabilities and liabilities from contracts with customers	9,279	(3,194)
Change in the balance of accruals and prepayments	5,849	(3,239)
Change in provisions	251	(98)
Total	**7,898**	**(10,367)**

6.2. Cash flow from investing activities

The table below presents details of inflows and expenses related to property, plant and equipment and intangible assets in the 12-month period ended 31 December 2022 and in the comparable period:

	12 months to 31 December 2022	12 months to 31 December 2021
	PLN thou.	*PLN thou.*
Sale of property, plant and equipment	234	161
Acquisition of new tangible fixed assets	(15,158)	(6,376)
Acquisition of intangible assets	(25)	(521)
Expenses for development work	(20,156)	(15,907)

6.3. Cash flow from financing activities

- Dividends paid: the item contains a dividend paid by the Company in the amount of PLN 70,847 thousand (the details of the dividend for 2021 are discussed in Item 4.6 of the notes).

In 2022 the total cash outflow due to the repayment of lease liabilities amounted to PLN 16,297 thousand, of which:

- PLN 14,576 thousand was the repayment of liabilities recognized as lease liabilities,
- PLN 1,649 thousand was the payment of interest accrued on the above-mentioned liabilities,
- PLN 72 thousand was the repayment of lease liabilities covered by the practical exception concerning short-term and low-value leases.

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In 2021 the total cash outflow due to the repayment of lease liabilities amounted to PLN 11,134 thousand, of which:

- PLN 9,660 thousand was the repayment of liabilities recognized as lease liabilities,
- PLN 1,141 thousand was the payment of interest accrued on the above-mentioned liabilities,
- PLN 333 thousand was the repayment of lease liabilities covered by the practical exception concerning short-term and low-value leases.

		Bank loans, credits *PLN thou.*	**Lease** *PLN thou.*	**Dividend liabilities** *PLN thou.*
As at 1 January 2022		**-**	**64,345**	**-**
Cash transfers	Inflows (+)	-	-	-
	Repayment of capital - outflow	-	(14,576)	(70,847)
	Repayment of interest - outflow	-	(1,649)	-
Non-cash changes	Accrued interest	-	1,649	-
	New lease agreements	-	1,016	-
	Increase in liabilities	-	5,151	-
	FX differences included in financial income/expense	-	332	-
	Declared dividends	-	-	70,847
	Reduced commitments	-	(4,516)	-
As at 31 December 2022		**-**	**51,752**	**-**

		Bank loans, credits *PLN thou.*	**Lease** *PLN thou.*	**Dividend liabilities** *PLN thou.*
As at 1 January 2021		**-**	**52,142**	-
Cash transfers	Inflows (+)	934	-	-
	Repayment of capital - outflow	(934)	(9,660)	(66,836)
	Repayment of interest - outflow	-	(1,141)	-
Non-cash changes	Accrued interest	-	1,141	-
	New lease agreements	-	22,586	-
	Increase in liabilities	-	3,480	-
	FX differences included in financial income/expenses	-	(193)	-
	Declared dividends	-	-	66,836
	Reduced commitments	-	(4,010)	-
As at 31 December 2021		**-**	**64,345**	**-**

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VII. Explanatory notes to the objectives and principles of financial risk management

Asseco Business Solutions S.A. is exposed to various types of risks arising either from the macroeconomic situation in Poland as well as from microeconomic situation within its own organization. The main market factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign exchange rates against the Polish złoty and (ii) changes in market interest rates.

- **Foreign currency risk**

The Company's main functional currency is the Polish złoty; however, some IT contracts and a property lease agreement are denominated in a foreign currency (EUR and USD).

Consequently, the Company is exposed to fluctuations in its financial performance resulting from differences in foreign currency exchange rates versus the Polish złoty in the period from concluding a contract until it is invoiced or paid for.

Identification: According to the Company's contracting procedures, each agreement that is concluded or denominated in a foreign currency is subject to special registration.

Measurement: Exposure to foreign currency risk is measured by the value of a contract concluded in a foreign currency, on the one hand, and, on the other, by the nominal amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require systematic updates of project implementation schedules as well as of cash flows generated under individual projects.

Purpose: The purpose of counteracting the risk of fluctuations in foreign currency exchange rates is to reduce their negative impact on the results of projects.

Contracts settled in foreign currencies are hedged with simple derivatives such as currency forward contracts (deliverable or non-deliverable, depending on a type of hedged contract) and cash balances kept in the currency.

Foreign currency risk hedges are matched by purchasing suitable financial instruments to offset the impact of changes in the risk-causing factor on the Company's financial performance (the changes in embedded instruments and concluded instruments are balanced out). However, due to a considerable variability in project implementation schedules and the resulting variability in cash flows, the Company is prone to changes in its exposure to foreign exchange risk. Therefore, the Company dynamically transfers its existing hedging instruments or concludes new ones with the objective to ensure the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with the reference to the parameters as at the contract effective date (spot rate and swap points), while transfer or conclusion of new instruments in the financial market may only be carried out only based on currently valid rates. Hence, it is possible that the value of financial instruments will not be matched and the Company's financial result will be potentially exposed to the foreign currency risk.

The tables below show the currency exposure of receivables and liabilities as at 31 December 2022 and 31 December 2021:

31 December 2022	Carrying value as at 31 December 2022 *PLN million*	Currency exposure as at 31 December 2022 *PLN million*	EUR *PLN million*	USD *PLN million*
Trade receivables and assets from contracts with customers	52,548	9,854	9,854	-
Cash	48,282	16,169	16,091	78
Lease liabilities	51,752	18,939	18,939	-
Trade liabilities	7,339	636	636	-

31 December 2021	Carrying value as at 31 December 2021 *PLN million*	Currency exposure as at 31 December 2021 *PLN million*	EUR *PLN million*	USD *PLN million*
Trade receivables and assets from contracts with customers	45,338	6,546	6,546	-
Cash	42,832	1,590	1,266	324
Lease liabilities	64,345	20,696	20,696	-
Trade liabilities	5,724	297	225	72

As at 31 December 2022 and 31 December 2021, the Company did not have forward contracts for the sale of foreign currency.

- **Interest rate risk**

The Company is exposed to the risk of interest rate changes primarily in two areas of its business activity: (i) change in the value of interest charged on loans granted to the Company, which are based on variable interest rates, and (ii) change in the valuation of concluded derivative instruments, which are based on the forward interest rate curve.

As at the balance sheet date, since there is no debt in the credit lines, the Company is only at risk of exposure to interest rate changes in relation to term deposits.

Identification: The interest rate risk arises and is recognised by the Company at the time of concluding a transaction or a financial instrument based on a floating rate.

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

Purpose: The purpose of risk mitigation is to minimise the costs of concluded financial instruments based on a floating rate.

Measures: In order to reduce its interest rate risk, the Company may: (i) try to avoid incurring liabilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Company gathers and analyses the current market information concerning its present exposure to the interest rate risk. In the current situation, the Company does not hedge against changes of interest rates due to low predictability of the repayment schedules of its liabilities based on a floating interest rate.

- **Counterparty credit risk**

The Company is exposed to the risk of defaulting contractors. First, the risk is linked to the creditworthiness and good will of the recipients of Company's IT solutions. On the other hand, the credit risk of transactions with contractors is hinged on relations with suppliers and subcontractors, the reliability of which often determines the success of an entire IT project and its assessment by the final recipient. The maximum exposure to credit risk is limited to the book value of financial assets.

Identification: The risk is identified each time when concluding contracts with clients, and afterwards during the settlement of payments.

Measurement: Determination of this type of risk requires the knowledge of complaints or pending judicial proceedings against a client already at the time of signing an agreement. Every two weeks the Company is obliged to control the settlement of payments under the concluded contracts, inclusive of the profit and loss analysis for individual projects.

Purpose: Minimising the amount of uncollectible receivables.

The Company has appropriate policies in place for making the sale only to verified customers. The risk control involves monitoring of the timely execution of bank transfers and, if needed, sending a reminder of outstanding payment, or turning receivables over to debt collection agencies.

A quantitative analysis of credit risk for receivables is presented shown in Note 5.5.

- **Financial liquidity risk**

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

The Company's objective is to maintain balance between continuity and flexibility of financing by using various sources of funding, such as overdraft facilities and loans.

The Company's measures concerning liquidity management consist in planning and monitoring cash flows. On a weekly basis, the Company monitors cash, working capital, and debt in order to secure funds for ongoing operations.

Liquidity management in the Company focuses on securing adequate immediate liquidity by having cash resources at high-ranking banks (current accounts and time deposits with different maturity dates) and open credit lines that were not used during the reporting period. Open credit lines are disclosed in Note 5.12, which lists the maximum amount of secured but unused debt and the borrowing interest rate. All Company's bank debt and maturity dates are disclosed in the same note. Note 5.9, however, shows cash and cash equivalents held by the Company as at 31 December 2022.

The quantitative analysis of the Company's liquidity by individual categories of liabilities and assets was presented: for receivables in Note 5.5 for liabilities in Note 5.14 and for loans in Note 5.12 of the explanatory notes to these financial statements.

	Liabilities payable up to 3 months	Liabilities payable from 3 to 12 months	Liabilities payable from 1 to 5 years	Liabilities payable above 5 years
	PLN million	*PLN million*	*PLN million*	*PLN million*
Financial liabilities				
Trade liabilities	60	7,339	-	-
Lease liabilities*	2,952	6,898	38,636	8,290
	3,012	**14,237**	**38,636**	**8,290**

*Aged value covers only contractual undiscounted flows, unlike the value disclosed in the balance sheet

A similar analysis was carried out for the 12 months ended 31 December 2021:

	Liabilities payable up to 3 months	Liabilities payable from 3 to 12 months	Liabilities payable from 1 to 5 years	Liabilities payable above 5 years
	PLN million	*PLN million*	*PLN million*	*PLN million*
Financial liabilities				
Trade liabilities	48	5,676	-	-
Lease liabilities*	2,560	9,334	43,483	13,670
	2,608	**15,010**	**43,483**	**13,670**

*Aged value covers only contractual undiscounted flows, unlike the value disclosed in the balance sheet

- **Sensitivity analysis – currency risk**

The Company attempts to conclude contracts with its customers in the Polish currency in order to avoid exposure to the risk of fluctuations in foreign currency exchange rates versus the Polish złoty.

As at 31 December 2022 and as at 31 December 2021, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. EUR by 10%, the Company's result would increase by PLN 584 thousand. On the other hand, the weakening of the PLN v. EUR by 10% would result in a decrease in the Company's financial result by PLN 584 thousand.

As at 31 December 2022	Value exposed to risk	Impact on Company earnings	
EUR	*PLN thou.*	(10%)	10%
Financial assets			
Cash	16,091	(1,609)	1,609
Trade receivables	9,854	(985)	985
Liabilities			
Trade liabilities	636	64	(64)
Lease liabilities	18,939	1,894	(1,894)
On balance		**(584)**	**584**

As at 31 December 2021	Value exposed to risk	Impact on Company earnings	
EUR	*PLN thou.*	(10%)	10%
Financial assets			
Cash	1,266	(127)	127
Trade receivables	6,546	(655)	655
Liabilities			
Trade liabilities	225	22	(22)
Lease liabilities	20,696	2,070	(2,070)
On balance		**1,310**	**(1,310)**

As at 31 December 2022, the Company analysed the impact of changes in the PLN/USD exchange rate on the accounting income. Assuming the appreciation of the PLN v. USD by 10%, the Company's result would increase by PLN 8 thousand. On the other hand, the weakening of the PLN v. USD by 10% would result in a decrease in the Company's financial result by PLN 8 thousand.

As at 31 December 2022	Value exposed to risk	Impact on Company earnings	
USD	*PLN thou.*	(10%)	10%
Financial assets			
Cash	78	(8)	8
On balance		**(8)**	**8**

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As at 31 December 2021	Value exposed to risk	Impact on Company earnings	
USD	*PLN thou.*	(10%)	10%
Financial assets			
Cash	324	(32)	32
Liabilities			
Trade liabilities	72	7	(7)
On balance		**(25)**	**25**

- **<u>Sensitivity analysis - interest rate risk</u>**

The Company avoids taking out loan facilities based on a floating interest rate. If it is necessary to conclude a loan agreement based on a floating interest rate, the Company does not have a strategy to hedge this risk. The Company has the option of securing a running account credit based on a variable interest rate. At 31 December 2022 and at 31 December 2021, the Company had no credit debt.

Company's assets and other liabilities based on a floating interest rate are not analysed for interest rate risk due to their insignificance.

- **<u>The methods adopted in carrying out a sensitivity analysis</u>**

The percentages which were subject to a sensitivity analysis – which aims to identify fluctuations in exchange rates that may affect the entity's financial result – amount to +/- 10%. The sensitivity analysis assumes that the exchange rate on the balance sheet date will increase or decrease by this percentage. Interest rate risk is analysed at the values of +/- 15%.

- **<u>Other types of risk</u>**

For other types of risk, no sensitivity analysis is performed due to their nature and no option of full qualification.

- **<u>Items of revenue, expenses, profit and loss included in the profit and loss account</u>**

As at 31 December 2022, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2022:	Interest income/ (expenses)	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Profit /(loss) from implementation and measurement	Total
Financial assets:	**681**	**(125)**	**(4)**	**-**	**552**
Cash and cash equivalents	679	(64)	-	-	615
Trade and other receivables	2	(61)	(4)	-	(63)
Financial liabilities:	**(1,649)**	**(242)**	**-**	**-**	**(1,891)**
Lease liabilities	(1,649)	(332)	-	-	(1,981)
Trade liabilities	-	90	-	-	90

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As at 31 December 2021, the Company had the following items of revenues, expenses, profits and losses recognised in the profit and loss account:

Items of revenues, expenses, profits and losses included in the profit and loss account for the year ended 31 December 2021:	Interest income/ (expenses)	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Profit /(loss) from implementation and measurement	Total
Financial assets:	**58**	**(47)**	**10**	**12**	**33**
Forward contracts	-	-	-	12	12
Cash and cash equivalents	37	130	-	-	167
Trade and other receivables	21	(177)	10	-	(146)
Financial liabilities:	**(1,141)**	**228**	**-**	**-**	**(913)**
Lease liabilities	(1,141)	193	-	-	(948)
Trade liabilities	-	35	-	-	35

VIII. Other explanatory notes

8.1. Off-balance sheet liabilities

Selected accounting rules

***Off-balance sheet commitments** they are primarily contingent liabilities understood us: a possible commitment that arises as a result of past events, the existence of which will be confirmed only when one or more uncertain future events occur that are not wholly under control of the entity, or a current commitment that arises as a result of past events but is not recognized in the financial statements because: (i) it is unlikely that the fulfilment of the obligation necessitates an outflow of economic benefits, or (ii) the amount of the obligation (liability) cannot be measured reliably enough.*

Contingent liabilities are not recognized in the statement of financial position, however, information on contingent liabilities is disclosed, unless the likelihood of an outflow of economic benefits is negligible.

Lease agreements subject to exemptions – short-term agreements and low-value assets

The Company takes advantage of a practical exception regarding lease and similar agreements concluded for a period shorter than 12 months from the date of inception of the lease.

The exception regarding the rental of low-value assets is used in the Company to lease mainly IT equipment and other equipment with a low initial value. According to the IASB's guidelines, low-value items are those whose value does not exceed USD 5 thousand.

Lease payments for both exceptions are recognized in the costs of the period to which they belong, using, in principle, the straight-line method. Neither right-of-use assets nor the corresponding financial liability are recognized in this case.

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Contingent liabilities as at 31 December 2022 and as at 31 December 2021 are shown in the table below:

	31 December 2022 PLN thou.	31 December 2021 PLN thou.
Lease guarantee liabilities		
Liabilities due up to 3 months	-	-
Liabilities due from 3 to 12 months	505	881
Liabilities payable from 1 to 5 years	881	501
Liabilities due after 5 years	-	-
Total	**1,386**	**1,382**

As at 31 December 2022 and as at 31 December 2021, liabilities under lease guarantees granted to related parties through the Executives amounted to PLN 300 thousand.

In the opinion of the Management Board, the probability of meeting the liabilities resulting from the guarantees shown in the table above is negligible. None of the guarantees meet the definition of a financial guarantee under IFRS 9.

8.2. Seasonality and cyclicality

The distribution of the Company's operating income in the quarters of the year is subject to low seasonality. Income in the fourth quarter is usually slightly higher than in the other quarters because most of it is generated by the sale of IT services to large enterprises and public institutions. In the last months of the year, such customers often make larger investment purchases of equipment and licences.

8.3. Headcount

Average employment during the reporting period	12 months to 31 December 2022	12 months to 31 December 2021
Management Board	3	3
Production departments	898	841
Trade departments	58	58
Administrative departments	50	47
Total	**1,009**	**949**

** Average employment in the reporting period in salaried positions, i.e. employment adjusted (reduced) by FTE's for which the Company does not pay salaries (e.g. unpaid leave, maternity leave, etc.).*

Employment as at:	31 December 2022	31 December 2021
Management Board	3	3
Production departments	970	906
Trade departments	54	52
Administrative departments	45	41
Total	**1,072**	**1,002**

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8.4. Information on the remuneration of the entity authorised to audit the financial statements

The table below shows the remuneration of the entity authorised to audit the Company's financial statements paid or due for the year ended 31 December 2022 and 31 December 2021, divided by the type of services:

	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Mandatory audit of the annual financial statements and review of the condensed semi-annual financial statements	207	200

8.5. Remuneration of key personnel

The tables below show the remuneration of the Company's key personnel for carrying out their functions at Asseco Business Solutions S.A. in 2022 and 2021.

	Fixed remuneration items in 2022 *PLN thou.*	Cost of variable remuneration items in 2022 *PLN thou.*	In addition: variable components of remuneration from 2021 paid in 2022 *PLN thou.*
Wojciech Barczentewicz	420	3,545	237
Piotr Masłowski	420	3,546	237
Mariusz Lizon	300	1,653	107
	1,140	**8,744**	**581**

** the amounts reflect the time shift of the payment of variable remuneration components relative to the accrual method of recognition of provisions in the costs of the year which they concerned*

	Fixed remuneration items in 2021 *PLN thou.*	Cost of variable remuneration items in 2021 *PLN thou.*	In addition: variable components of remuneration from 2020 paid in 2021 *PLN thou.*
Wojciech Barczentewicz	420	3,379	158
Piotr Masłowski	420	3,375	158
Mariusz Lizon	300	1,568	71
	1,140	**8,322**	**387**

** the amounts reflect the time shift of the payment of variable remuneration components relative to the accrual method of recognition of provisions in the costs of the year which they concerned.*

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The table below presents paid and due remuneration of the Members of the Issuer's Supervisory Board for the period of 12 months ended 31 December 2022 and in the comparative period:

Remuneration for period	12 months to 31 December 2022 *PLN thou.*	12 months to 31 December 2021 *PLN thou.*
Jozef Klein	-	37
Rafał Kozłowski	100	47
Marcin Murawski	82	27
Romuald Rutkowski	65	48
Adam Góral	66	66
Osuchowski Artur	17	-
Zbigniew Pomianek	48	48
Piotr Stępniak	-	21
Total	**378**	**294**

8.6. Capital management

The main objective of the Company's capital management is to maintain creditworthiness and secure capital indicators that would support the Company's operation's and increase value for its shareholders.

The Company manages the capital structure and introduces modifications in response to changing economic conditions. In order to maintain or adjust capital structure, the Company may amend the payment of dividend to shareholders, return capital to shareholders or issue new shares.

The Company monitors the status of capitals using the leverage ratio, which is calculated as the ratio of net debt to the total of capitals plus net borrowing. The Company's net borrowing includes interest-bearing loans as well as lease liabilities, less cash and bank deposits.

	31 December 2022 *PLN thou.*	31 December 2021 *PLN thou.*
Lease liabilities	51,752	64,345
Less cash and cash deposits	(48,282)	(42,832)
Net debt	**3,470**	**21,513**
Equity	361,648	346,493
Equity and net borrowings	365,118	368,006
Leverage ratio	**1.0%**	**5.8%**

The leverage ratio is within the limits set by the Company's Management Board.

Financial Statements for the Year Ended 31 December 2022 acc. to IFRS (in PLN thousand)

8.7. Significant events after the balance sheet date

To the date of these financial statements for the 12 months ended 31 December 2022, there were no events after the balance sheet date that are not, and should be, included in these financial statements.

8.8. Significant events concerning previous years

To the date of these financial statements for 12 months ended 31 December 2022, there were no events concerning previous years that were not, and should be, included in these financial statements.

Management Board’s approval for publication

These financial statements for the year ended 31 December 2022 were approved for publication by the Management Board of Asseco Business Solutions S.A. on 1 March 2023.

The Management Board:

President of the Management Board

Vice-president of the Management Board

Member of the Management Board

Person responsible for bookkeeping

Chief Accounting Officer

Technology for business, solutions for people.

Contact details

www.assecobs.pl.
assecobs.pl/en/investor-relations